

The Indian equity market, like markets around the world, has been falling daily. All our existing investments have been losing value rapidly, and investors like you have questions and may not be finding answers in all the noise created by media ‘experts’ and news-papers. At times like these, it is prudent to refer to some words of wisdom from the richest investor in the world, Warren Buffett:

“Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market.”

We have now been granted that opportunity! How we deal with it will decide what kind of investors we are. Remember, you have not made a loss (or profit!) until you actually sell your shares or mutual fund units. So we all have a choice now – panic and lock in our losses or stay calm and profit from current events.

“Look at market fluctuations as your friend rather than your enemy; profit from the folly rather than participate in it.”

The largest and most profitable companies in India are now available at half to one-third the price they were available at in January 2008. Are these companies really worth that little now? **No.** Were they worth their January price either? **Probably not.** Fair value was probably somewhere in between but we are way below that point now.

Yes, what is happening in the US and consequently around the world is serious. Will it affect the profitability of Indian companies? **Only to a certain extent.** Will these companies cease to be profitable? **No!** At most, profits may decrease slightly for a year or two or simply not grow as much as earlier expected.

Will their profits increase over the next five years? **Very likely!**

Share prices today are falling because there are more sellers than buyers. Financial institutions around the world need cash desperately and are selling their shareholdings at any price. The smart investors, like Warren Buffett, are busy buying. **You should be too.**

The only caveat: Only invest money you will not need for at least three years, preferably even longer.

Invest today and in five years you will be thrilled you managed to buy Mutual Fund units so cheaply – exactly as those who bought 5 years ago still feel today.

“Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can't buy what is popular and do well.”