

DIY investing starts with time, skill and interest, says Rajeev Thakkar

Success in rising markets is not enough; one needs to survive downturns to be equipped for DIY investing

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Do-it-yourself investing is often seen as empowering and exciting. With easy access to information and online portals, building your own portfolio can look deceptively simple. But should you take the plunge? Rajeev Thakkar, chief investment officer-equity and director, PPFAS Asset Management Pvt. Ltd, urges caution against the temptation.

“If you get into karaoke singing or art, the downside is not much. But if you do surgery on your own, the consequences could be severe. Investing looks simple on the surface, but it requires a combination of skills, interest, and time,” he said at the *Mint Money Festival* while addressing the investors on DIY investing.

Thakkar recommended starting small. “Try DIY with 10–15% of your portfolio and track the results. Many investors think they are doing well until they calculate their actual returns, which sometimes don’t even beat fixed deposits,” he added.

He also stressed the need to test DIY strategies across market cycles:

“DIY does very well in a rising market so if your experience is the last five years then it’s not really a good representation. Typically you need to thrive in an upmarket and survive a downturn only then you are equipped to DIY.”

Age, income and allocation

Once you’ve measured yourself against the basic prerequisites for DIY investing, the next step is clearly defining your asset allocation. This, Thakkar said, depends heavily on



Rajeev Thakkar, CIO-equity and director, PPFAS AMC

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both age and personal circumstances.

“For a 65 year old relying on monthly cash flows, going all in on small caps or startups is extremely risky. On the other hand, a 25-year-old with a stable job, adequate insurance, and an emergency fund parking all money in FDs is a sub-optimal way of managing finances,” said Thakkar.

“But if you are young with unstable income, focus more on building your emergency corpus before chasing returns,” Thakkar explained.

The art of rebalancing

Asset allocation isn’t a one-time decision. It needs periodic assessment and rebalancing every now and then. Thakkar advised that investors

should rebalance during extreme events, not on a frequent basis.

“Keep in mind the tax implications of rebalancing, so if the balance is not too off you can direct your increment investment in such a manner that rebalancing happens automatically,” said Thakkar.

For retirees, rebalancing can also guide withdrawals: “If equity allocation has gone up too much, withdraw more from equity and leave debt untouched for a while and vice versa.”

Building the core portfolio

In terms of narrowing down on products to form a core of any investment portfolio Thakkar strongly advised to look at long term products

How to invest on your own: Core principles



Do you have it in you?

The three prerequisites of DIY investing
▶ Skill set ▶ Time ▶ Interest

Start small and think long term

▶ Test DIY with 10–15% of your portfolio
▶ Judge performance across market cycles, not just rising markets

Asset allocation

▶ Depends on age, income stability, and circumstances
▶ **Younger:** higher equity allocation;
Older: more fixed income
▶ Build an emergency corpus first

Rebalancing the portfolio

▶ Avoid frequent rebalancing
▶ Consider tax impact; use incremental investments to restore balance
▶ Rebalance only in extreme events

Core portfolio

▶ Focus on long-term, tax-efficient products: NPS, EPFO, mutual funds, small savings
▶ Avoid frequent churning
▶ Keep only a small portion for experiments

Mistakes to avoid

▶ Don’t invest going by past trends
▶ Don’t panic in downturns

that are also tax-efficient.

“The core of investing should be NPS, EPFO, mutual funds, and some small savings schemes. These products are designed for long-term wealth creation,” he said.

While mutual funds offer easy liquidity, he cautioned investors against frequent churning.

“Even if you succeed in making money through frequent churning, taxation can be a big leakage. Build your core to hold long term, and keep only a small portion as ‘play money’ for experimentation.”

Common mistakes to avoid

Extrapolating the past is one of the biggest mistakes investors make. “It’s almost assumed that small caps will outperform midcaps, and midcaps will outperform large caps. But look at the US markets, returns in the past 5–10 years have come largely from the

top 7–10 stocks, while the bulk of the S&P 500 hasn’t done well.”

He also warned against the fascination with small caps and thematic funds. “Stay away from them unless you understand the risks,” he added.

Speaking of his own investment philosophy, Thakkar said it’s important to remain calm during market downturns. “If you don’t panic and exit in a downturn, half the battle is won. Adding more when markets fall sharply can give you an additional kicker,” he said. DIY investing, however, demands not just skills and time but also discipline and the ability to weather both rising and falling markets. For most investors, a more sensible approach is to build a solid core portfolio with tax-efficient vehicles, test DIY strategies with only a small allocation, and steer clear of short-term excitement or fads.

