

Evergreen equity

Equity may be down after the recent roller-coaster ride, but it's definitely not out. Equity shares confer ownership rights of a company to the shareholder, and generate income for them either in the form of dividends paid out by companies or through capital appreciation when stock prices rise. Many studies conducted worldwide, have concluded that over the long-term (ten years or more) equities provide higher risk-adjusted returns as compared to fixed income securities.

There are over 6,000 companies listed on Indian stock exchanges though only a few of these can be considered investment-worthy at different points of time.

Risks and Rewards

Equities are more volatile than fixed income securities over the short term. Hence, the probability of suffering losses is higher. Having said this, they are an ideal investment for meeting long-term goals.

Expert View

Equities in all emerging markets have performed superlatively over the past three years. In India, the bellwether indices have returned around 46% per annum (CAGR) over this period. While this is impressive, many individual stocks across various sectors have performed better than the indices. Also, several stocks and sectors (such as cement, steel and engineering) which were shunned by investors as recently as five years ago, came into their own once again, thereby highlighting the point that merely purchasing the "flavours of the season gone by" is not the best approach.



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