HSBC Mutual Fund

Can football make you a smart investor?

With the Big Game just around the corner, it’s a good time to talk about how investing is a lot like football. Let us give you an interesting insight into how two things that are seemingly vastly different are actually rather similar.

Look at the best football teams in the world and you will see one characteristic dominating everything else - teamwork amongst players. In this article, we take a look at how a football team's structure could help you develop a sound investment strategy.

Different parts of the team - Defenders, Midfielders and Forwards- play together to achieve victory. Getting the right mix as per the situation of the game could turn the tide of the game in your favor.

Defenders are the backbone of a team. They have the grit to tackle opposing players. They also protect the goalpost against corners and free kicks. Similarly a debt fund could give you the stability by reducing the risk to your portfolio and providing the freedom of liquidity.

Midfielders disrupt the opposing team's advances and create opportunities for Forwards to score. Depending on the situation, a Midfielder transforms himself from shielding the goal (playing defence) to helping score goals (playing attack).

Similarly, a hybrid or asset allocation fund could help you to change the portfolio mix from time to time, depending on the market's growth phase. The debt portion in a hybrid fund could give you stability while the equity portion could help you beat inflation and grow wealth in the long-term.

While Midfielders and Defenders are crucial to winning, football matches are won by scoring goals and not merely defending against the opposite team. Forwards play an important role by scoring the maximum goals.

Can you imagine a football line up without Forwards; Without the goal scorers, can a team win a football match? Most likely, the answer is “No”.

In the world of investments, equity funds could be said to play the role of Forwards. Just as a Forward beats a goal keeper on the field to score a goal, equity funds could help beat inflation and could help attain all your important long-term goals.

Finally, in deciding which strategy suits you best, remember the key could be not the timing but how much time you spend in the market- especially when you are dealing with equity funds. So the next time you watch an interesting football match, think about how you could apply the similar strategy to your investments.