

# Winners Rotate

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Recently a friend from mutual fund industry told me an anecdote. Seemingly simple sounding anecdote has so much of relevance in today's times. He said "Winners Rotate."

We all want to chase winning stock, winning mutual funds. We want to invest in stock and funds which are winners in terms of performance. However top performing stock or fund of today may not remain top performer tomorrow. This is because 'Winners Rotate.'

We only come to know about the winner after it has won. This means victory always occurs in history. Which further means whenever we chase winners we are trying to chase history – event which has already occurred. Legendary investor Warren Buffet had once said "If history were all there was to the game, the richest people would be librarians."

Chasing of history is like driving the car looking only in rear view mirror. Rear view mirror of car only reflects what has gone by. While driving the car we must look ahead. If we keep driving the car by only looking into rear view mirror, we may meet with an accident. Rear view mirror is to give you glimpses of activities behind us, however they are never forward looking.

We all want to create wealth. We also want to make it fast. Since we are going to be investing our hard earned money, we would want to deploy that in best performers. However definition of best performer is subjective. In Olympic, there are two kinds of races. One is 100 meters sprint and second is marathon. Athlete who wins 100 meters is the fastest but not necessarily the strongest runner. What we need in reality is an investment which is like marathon runner. One who can consistently run for long duration.

Most of the times, list of top performing stocks, mutual funds etc. which we see in media and other places have performers who are like 100 meters runners. They could have performed well for a particular short duration however very rarely we find their names in top performers list on long term basis consistently.

An investor seeking a real winner in long term basis should not search for top performers in media or any other lists published by intermediaries. They should conduct their own research if they have time and skills. Even if they get recommendations from a professional, ask more details about the investment. Details of financials, industry, peer performance and many other.

Ending with one more anecdote from legendary investor Warren Buffet "The investor of today does not profit from yesterday's growth."

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