

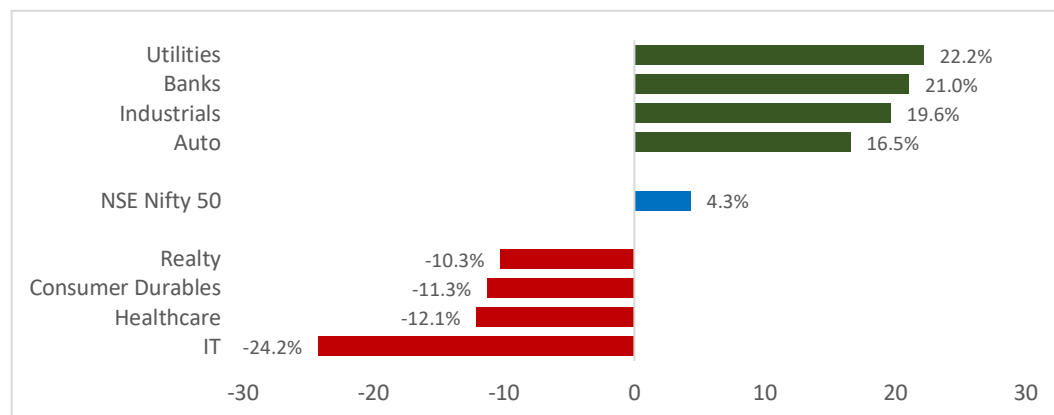
1. Fund Manager’s Commentary

The Girik Multicap Growth Equity Strategy is inspired by the CANSLIM philosophy of stock picking developed by American investor William J. O’Neil. The goal of this strategy is to identify leading companies from leading industry groups that show sharp acceleration in earnings, newness in products or change in management and suggests buying them at the right price with enough margin of safety ahead of the company’s major stock price advance.

In December, Indian market corrected after two consecutive months of a bounce back. Nifty 50 index dropped 3.5% in the month. Nifty Midcap 100 index and Nifty Smallcap 100 index declined a bit less, by 1.7% and 2.5% respectively. Most sectoral indices (barring metals) were in the red with Utilities, IT & Telecom as key laggards and Metals, Banks & Oil & Gas as key outperformers.

CY22 as a whole turned out to be a very volatile year with Nifty 50 index gaining a modest 4.3%. Nifty Midcap 100 index was also up 3.5% but Nifty Smallcap 100 index was down 13.8%.

CY 2022 – Sectoral Leaders & Laggards



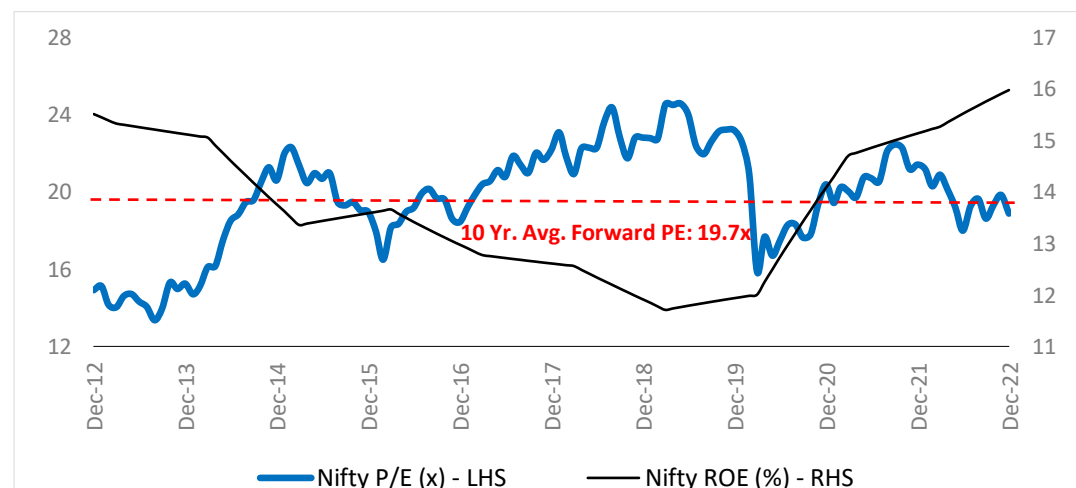
Note: BSE Sectoral Indices; Source: Bloomberg

Despite its modest performance, Indian equity market proved to be a big outperformer in the global context. In USD terms, Nifty 50 index declined 6% but MSCI World index & MSCI EM index were down sharply by 19.5% & 22.4% respectively. Except Brazil, most big markets were in the red and performed worse than the Indian market.

As we have highlighted before, key reasons for India’s outperformance were strong relative macros, corporate fundamentals and robust domestic flows into equities. In CY22, about USD 17bn of FPI cash outflow was more than offset by over USD 35bn of cash inflow by DIIs.

Global narrative in CY22 was dominated by higher than expected inflation and central bankers fighting it resolutely by sharply raising policy interest rates. We expect CY23 narrative to shift to peaking out of inflation and possible pause in the policy interest rate cycle. However, due to the central bankers’ continued emphasis on taming inflation, large parts of the global economy will likely experience recession this year.

India : Strong Corporate Performance; Reasonable Valuations



Source: MOSL

While this recession will inevitably have some domestic impact; we expect relative fundamentals of Indian economy and corporate sector to remain far better than most large global economies. As highlighted in the above chart, please note that ROE of Nifty companies has continued to improve over the last few years. Also note that market valuations have corrected to 10 year average levels over last 12-15 months. In line with our investment process we will continue to focus our research effort on identifying new emerging leaders and laggards and make suitable changes in our investor portfolios.