1. Fund Manager's Commentary

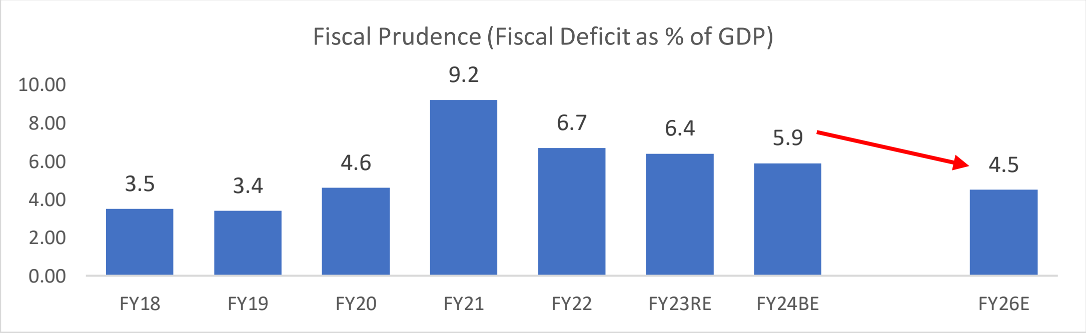
The Girik Multicap Growth Equity Strategy is inspired by the CANSLIM philosophy of stock picking developed by American investor William J. O'Neil. The goal of this strategy is to identify leading companies from leading industry groups that show sharp acceleration in earnings, newness in products or change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

Indian equity market was fairly steady in the first three weeks of January but corrected sharply in the last week, dragged down by the adverse news flow about a large corporate group. Nifty 50 index dropped by 2.4% while Nifty Midcap 100 and Nifty Small cap 100 indices declined by 2.6% and 2.4% respectively. Among sectoral indices, Utilities was a big loser (down 13%) followed by Oil & Gas and Telecom. Autos (up 5%), was a relative winner followed by IT services and industrials.

After a long streak of outperformance, Indian market underperformed relative to global and emerging markets. MSCI India index was down 2.9% in January (in USD) as compared to gains of 7% for MSCI world index and 7.9% for MSCI emerging markets index. In terms of flows (cash basis), FPIs sold over USD3.6bn while DIIs bought over USD4bn in the month of January.

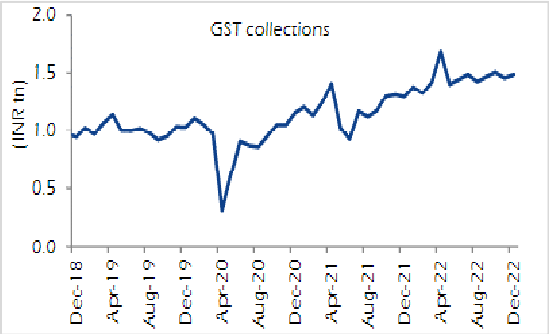
Now with the inflation peaking; market observers are focused on the likely timing of any pause from central bankers in policy rate hike cycle. The recent positivity in global markets is linked primarily to this changed narrative and also due to the opening up of China following the abandonment of its long held zero covid policy. Despite this positivity, market may remain volatile due to the geo-political tensions between the US and China and continuing war in Europe. Policy errors by central bankers in responding to evolving inflation/growth dynamics can be an additional risk.

The budget presented by the Indian Finance Minister on February 1st came as a big relief. There was no tinkering of the capital gains tax structure as was feared by a few commentators. Also, despite this being the last full budget before 2024 general election, there was no evidence of populism. The government reiterated its commitment to fiscal prudence by pledging to reduce fiscal deficit further. Another positive aspect was prioritizing capital expenditure over revenue expenditure to keep up the momentum of building infrastructure particularly in railways and roads.



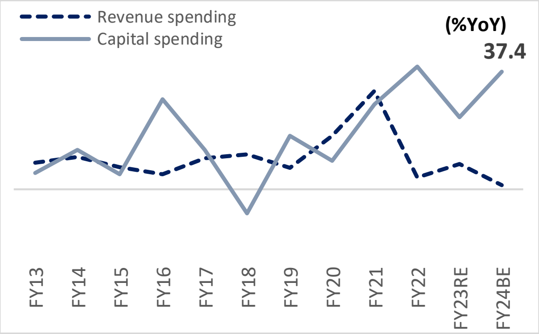
Source: Union Budget documents, MOFSL

Strong GST collections



Source: CEIC, Elara Securities Research

Priority on capex for infrastructure



Source: Union Budget documents, MOFSL

In our portfolios, we are well positioned to play this theme of rising capex by having meaningful bets in industrials/capital goods sector. The other big theme in our portfolio is banking which we believe will continue to benefit from good asset quality and pick up in credit growth. In addition, we remain focused on identifying any new emerging leaders & laggards as the current volatility subsides over medium term.