

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.

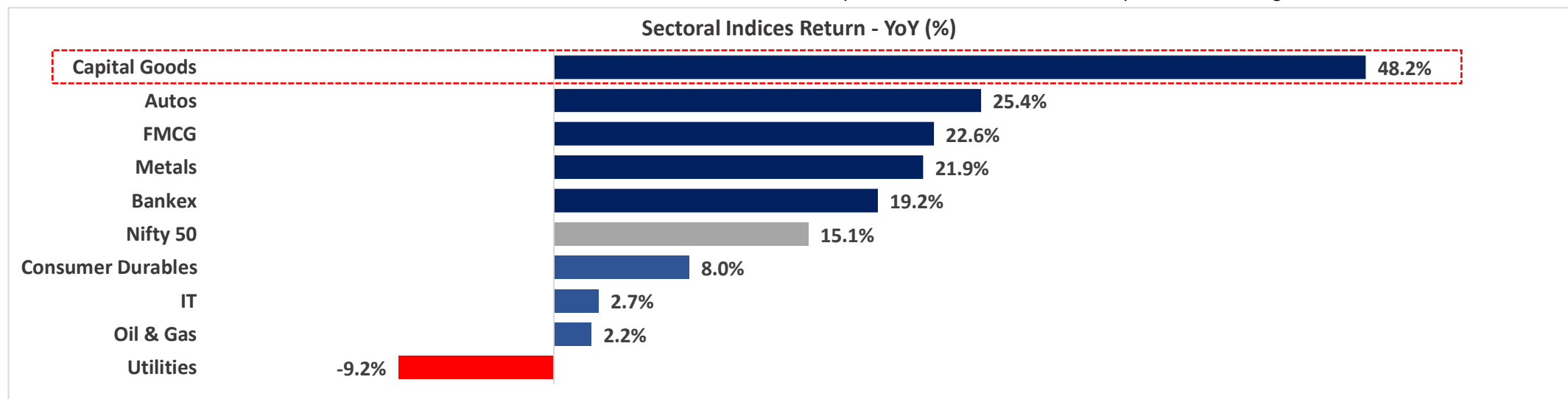
July was the fifth consecutive month of positive returns for Nifty 50 index (up 2.9%) MoM and (up 15.1%) YoY.

On a YoY basis most sectors delivered positive returns with Capital Goods being the leading sector (+48.2%) followed by Autos (+25.4%), FMCG (+22.6%), Metals (+21.9%) and Bankex (+19.2%). While Consumer Durables (+8.0%), IT (+2.7%), and Oil & Gas (+2.2%), were relative laggards with Utilities delivering negative returns (-9.2%) as seen in the chart below.

As a strategy that relies upon finding leading sectors and leading stocks "early" in their growth cycle, we are constantly screening on sectors and stocks that show signs of "price strength" especially in bad markets (such as the one from October 2021 until March 2023). We have found that stocks that display early leadership have a better chance of appreciating quickly when markets start moving in the right direction.

As an example, the Capital Goods/EPC/Industrial sectors were showing signs of price strength a year ago, when broader markets were in the doldrums. It is from a wide list of stocks, from these sectors that we went looking for high growth stocks, at a reasonable price.

Every market comes with its own set of leading sectors that tend to lead the next bull market. Capital Goods/manufacturing and other related sectors have thus far displayed this characteristic. It remains to be seen if we can see a decadal move in this, and related sectors, as was seen in private banks and consumer stocks in the period from 2010 - 2020, which resulted in multi-bagger returns across these sectors. Of course, short term volatility is par for the course. More on this space in the coming months.



Source: Bloomberg. Sectoral Indices Return as on 31-07-2023