

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.

Each letter in CANSLIM represents a specific criterion for selecting high-potential growth stocks. In today's newsletter, we focus on **Institutional Sponsorship (I)** in CANSL(I)M. Institutional Sponsorship serves as a critical indicator of a stock's potential, as the substantial capital inflows from these well-resourced investors can significantly drive-up demand for the stock, subsequently leading to price appreciation and enhanced market interest. The idea is to identify stocks that have a few institutional sponsors, strong earnings and that have added institutional owners in recent quarters.

Why Institutional Sponsorship Matters?

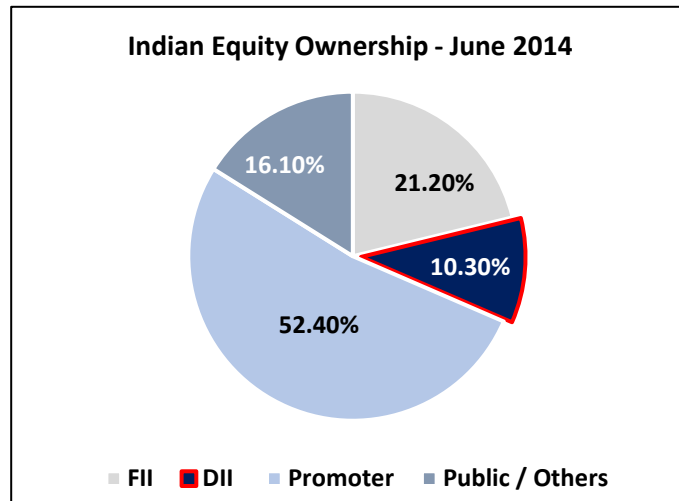
- **Market Sentiment:** Institutional investors are often considered "smart money" because of their resources, research, and influence. Their investments can signal confidence in a company's prospects, leading other investors to follow suit, driving up the stock price further
- **Catalyst for Growth:** When institutional investors, such as mutual funds, pension funds, and insurance companies, purchase large volumes of stocks, the demand for those stocks rises; a higher demand and a limited supply of shares fuels the price movement
- **Market Liquidity:** Good Institutional ownership contributes to market depth and provides liquidity. This perceived stability can attract more investors, pushing the stock price up
- **Corporate Governance:** Institutions often advocate for better corporate governance and performance standards. Companies with significant institutional ownership might improve their operations and strategic decisions, enhancing investor confidence and stock value
- **Market Indices and Funds:** Inclusion in market indices or institutional portfolios can create continuous buying pressure as Index Funds and ETFs (Exchange-Traded Funds) need to hold these stocks to match the index performance

Hence, institutional sponsorship not only indicates present confidence in a stock but could also influence its future growth trajectory.

contd...

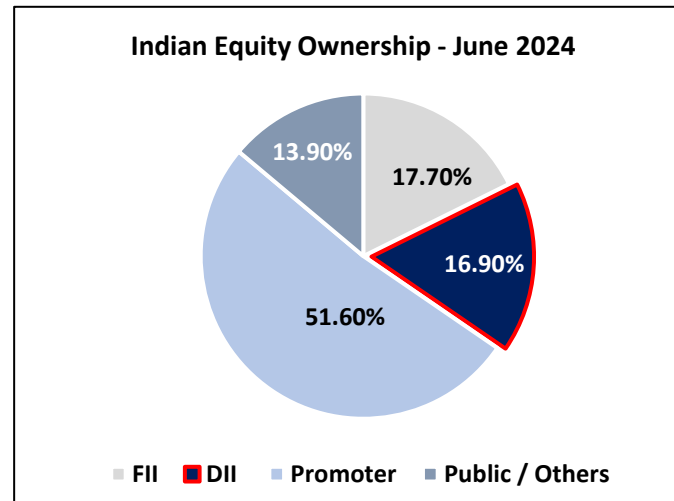
1. Fund Manager’s Commentary (contd...)

The increasing Domestic Institutional Investor (DII) flows in Indian equities over the last decade is a notable trend as seen in the charts below. This steady influx of domestic capital has maintained a stable and continuous demand for fundamentally strong stocks. As a result, investors are now willing to pay a premium for these stocks due to better earnings visibility and growth prospects. The increasing popularity of SIPs among retail investors has played a significant role in the rising DII flows, stable demand for quality stocks, and the expansion of stock valuations in the Indian equity market.

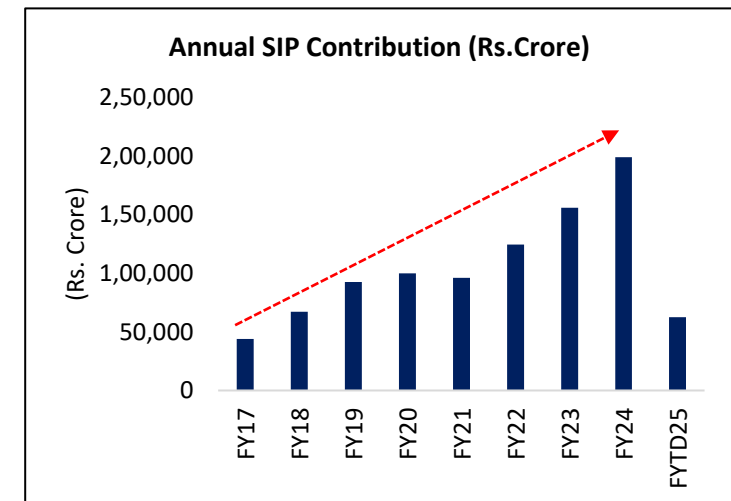


Source: Capitaline

v/s



Source: Capitaline



Source: AMFI

Note: FYTD25 data is up to 30th June'24

We believe that trends in institutional ownership are a valuable tool for identifying promising stocks. Analyzing these trends alongside other key metrics can help build a compelling case for potential re-rating opportunities.