

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.

At Girik we believe that "stock prices are a slave to earnings". Earnings acceleration, both current and annual, is a prognostic indicator of potential stock outperformance, our search is confined to leading businesses, as it seldom pays to invest in laggard stocks even if they look tantalizingly cheap. Stocks can remain expensive or become more expensive on the P/E ratio (price to earnings ratio) as long as it is backed by a business that's growing rapidly without compromising on cash flows and the quality of its balance sheet. Low P/E is not always cheap, high P/E is not always expensive. It is a bias. As a strategy, we continue to focus our efforts on identifying such winning stocks for your money's worth. Remember, mediocre earnings growth isn't sufficient when picking winning stocks, it's the bottom line growth that matters!

Below are a few examples of recently purchased portfolio stocks that "appeared" expensive on the P/E multiple but further grew quickly in price as the earnings growth was delivered :

Company	Year of Purchase	P/E at Purchase	Market Cap at Purchase (Rs. Cr.)	Current P/E	Market Cap (Rs. Cr.) as on 30-11-23
Syrma SGS Technology Ltd.	Aug'22	34.6x	4,738	55.0x	10,046
MCX India Ltd.	Jun'23	34.8x	8,174	42.5x	16,295

Note: P/E at purchase is 1 year rolling forward

Some of the largest winners in the stock market's history were high P/E stocks that always appeared expensive but kept surprising on earnings growth. What they all had in common was superior and surprising earnings growth, coupled with being a leading business.

Name of Company	Period	EPS Growth (CAGR)	Initial P/E	End P/E	CAGR Returns
Bajaj Finance Ltd.	Mar'16 – Mar'21 (5 years)	25%	29x	70x	49%
Avenue Supermarts Ltd.	Mar'17 – Mar'22 (5 years)	25%	83x	173x	44%
Jubilant Foodworks Ltd.	Mar'10 – Mar'18 (8 years)	24%	60x	78x	28%
Titan Company Ltd.	Mar'16 – Mar'20 (4 years)	22%	44x	55x	29%
Hindustan Unilever Ltd.	Mar'12 – Mar'15 (3 years)	16%	31x	43x	29%

Source: Bloomberg, Ace Equity