

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.

Recent weeks have seen corrections in Indian equities, with market sentiment remaining cautious due to elevated valuations and geopolitical concerns. Given that drawdowns are a common and inherent aspect of equity market, it is natural for investors to feel discomfort at such times.

In today's newsletter, we would like to reiterate the importance of "cutting losers and riding winners." Everyone loves to buy stocks but selling them, especially at a loss; is far harder. William J. O'Neil said, "No stocks are good until they go up in price." Yet, two powerful emotions, hope and fear, often drive investment decisions. Unfortunately, investors tend to hope when they should fear and fear when they should hope, leading to poor choices, especially when managing losses. During the COVID-19 crash in March 2020, hope clouded the judgment of many, and most held onto losing stocks.

As it is said, "It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."

The Nifty 50, India's leading index, is a great example of effective risk management. It undergoes regular rebalancing, replacing weaker stocks with stronger ones. At Girik, our strategy follows a similar philosophy, ensuring that weaker investments are pruned to give stronger positions room to drive portfolio returns.

Post-correction phases often bring shifts in sectoral leadership, as sectors that once dominated lose momentum, giving way to new leaders. This rotation reflects changing economic conditions, investor sentiment, and emerging trends. Our strategy focuses on aligning with these leaders, capturing growth where it's strongest while avoiding sectors that risk draining capital.

The following table highlights our strategy's drawdowns since inception, followed by strong recoveries.

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

Girik Multicap Growth Equity Strategy – Drawdown vs Recovery			
Period (From)	Period (To)	Drawdowns	Recovery (Subsequent 3 years)
31-Oct-10	31-Dec-11	-19%	187%
31-Dec-12	31-Mar-13	-10%	112%
31-May-13	31-Aug-13	-6%	183%
31-Jan-15	29-Feb-16	-19%	83%
31-Oct-16	31-Dec-16	-11%	43%
31-Dec-17	28-Feb-19	-29%	96%
29-Feb-20	31-Mar-20	-17%	77%
31-Jan-22	30-Jun-22	-17%	100%*

Girik Multicap Growth Equity Strategy – Drawdown vs Recovery	
Drawdown Range	No. of drawdowns
-5% to -10%	2
-11% to -15%	1
-16% to -20%	4
More than -20%	1

Note: * Absolute Returns are for 2 years.
Above data is since inception. Figures are rounded off to the nearest decimal. Returns of subsequent 3 years are absolute returns.

Key takeaways:

- Corrections are a part of equity markets – *do not get perturbed*
- Predicting the end of a correction is impossible – *stagger your investments*
- Market returns post correction tend to be healthy, new sectors emerge as leaders in a post correction phase – *consider increasing your allocation*