

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.

June was the fourth consecutive month of positive returns for Nifty 50 index (up 3.5% MoM). For midcaps and small caps, it was the third consecutive month of strong positive returns. NSE Midcap 100 index rose 5.9% and NSE Small cap 100 index jumped 6.6% MoM. Both Nifty 50 index and NSE Midcap 100 index scaled all-time highs, surpassing the previous peak. In June, most sectors delivered positive returns with Industrials (+9.8%), Healthcare (+9.0%) and Realty (+8.6%) being relative leaders while Banking (+1%), Oil & Gas (+1.3%) and IT (+1.8%) being relative laggards.

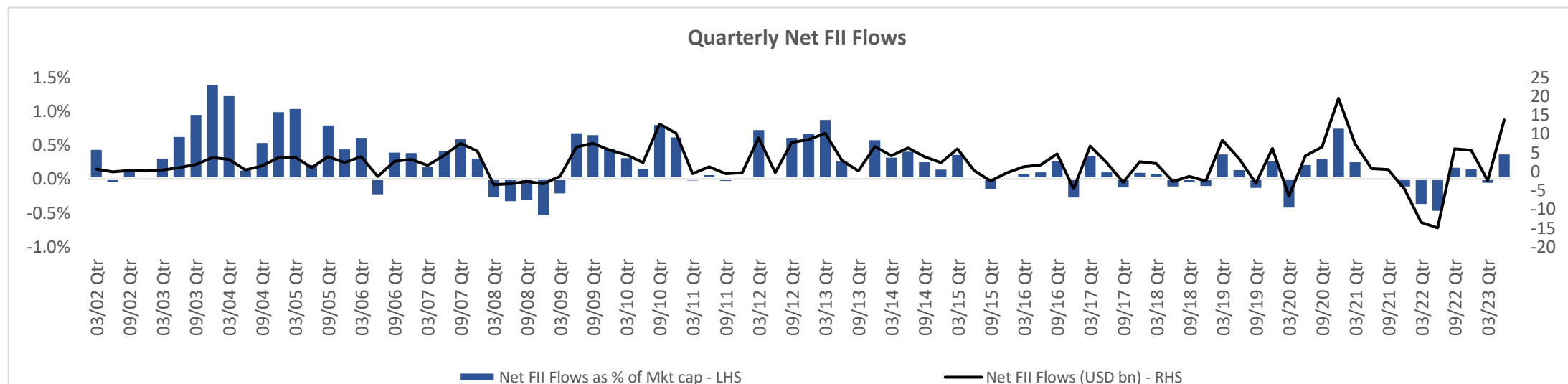
Globally, June was a strong month for equities overall. Indian market performance was softer than developed markets but better than most developing markets. MSCI India index delivered +4.5% (USD) in June compared to +5.9% (USD) returns of MSCI world index and +3.2% (USD) for MSCI emerging markets index.

Last month, FIIs were buyers of Indian equities to the extent of USD6.7bn and so were the DIIs at USD0.5bn. This is the fourth consecutive month of FII buying.

In terms of quarterly Net FII flow numbers, Q/E June23 at +USD13.6bn was the second highest; the highest ever being in Q/E Dec20 at +USD19.3bn! These numbers are indeed impressive and show how the global investors are finding Indian markets enticing given the relative strength of both the macro story and attractive stock opportunities.

However, we believe that a better way to analyse the flow data, from a historical perspective, is to look at it in relation to the overall market capitalization at that point in time. Please see the chart below where we present long term quarterly net FII flows both in absolute numbers and also as percentage of overall market cap. Please note that while the recent absolute numbers are large, as a percentage there have been far bigger quarters in the past.

At Girik, we continue our research effort of identifying leading sectors and stocks. You may have noticed that with a long period of flat but volatile markets now behind us, our strategy is showing improved results. We urge investors who are under-allocated to equity asset class to add to their positions gradually.



Source: Bloomberg