

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.

This month, we want to remind investors about a simple, yet often overlooked principal of compounding. At times such as today, when markets appear to be expensive and there is a general sense of fear & caution regarding markets running ahead of themselves, investors need to be reminded not to lose sight of the big picture. Equities are a wealth creating asset, albeit over long periods of time. It is important not to worry about the next 20% drawdown, instead remind oneself that money will naturally grow in equities, if left undisturbed.

Warren Buffet often refers to compounding as the "eighth wonder of the world" - let's now illustrate the power of compounding in money terms

The illustration on the following page highlights:

- Rs.1 crore invested in equities can compound to Rs.38.34 crores over 20 years assuming a growth rate of 20% CAGR!*
- Rs.1 crore invested in equities can compound to Rs.1,469.77 crores over 40 years assuming a growth rate of 20% CAGR!!*

We believe that strategically allocating capital to portfolios in a staggered/disciplined manner during market downturns can optimize portfolio returns and enhance long-term outcomes.

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

| Power of Compounding – Returns over Different Time Periods (Rs. Crores) | | | | | | | | | |
|---|--------|---------|---------|---------|----------|----------|----------|-----------|-------------|
| Returns (p.a.) | 1 year | 3 years | 5 years | 7 years | 10 years | 15 years | 20 years | 30 years | 40 years |
| 8% | 1.08 | 1.26 | 1.47 | 1.71 | 2.16 | 3.17 | 4.66 | 10.06 | 21.72 |
| 12% | 1.12 | 1.40 | 1.76 | 2.21 | 3.11 | 5.47 | 9.65 | 29.96 | 93.05 |
| 16% | 1.16 | 1.56 | 2.10 | 2.83 | 4.41 | 9.27 | 19.46 | 85.85 | 378.72 |
| 20% | 1.20 | 1.73 | 2.49 | 3.58 | 6.19 | 15.41 | 38.34 | 237.38 | 1,469.77 |
| 24% | 1.24 | 1.91 | 2.93 | 4.51 | 8.59 | 20.32 | 73.86 | 634.82 | 5,455.91 |
| 28% | 1.28 | 2.10 | 3.44 | 5.63 | 11.81 | 40.56 | 139.38 | 1,645.50 | 19,426.69 |
| 32% | 1.32 | 2.30 | 4.01 | 6.98 | 16.06 | 64.36 | 257.92 | 4,142.07 | 66,520.77 |
| 36% | 1.36 | 2.52 | 4.65 | 8.61 | 21.65 | 100.71 | 468.57 | 10,143.02 | 2,19,561.57 |

Note: The above analysis is based on internal research and for illustrative purposes only. The data reflects an initial investment of Rs.1 crore.