Fund Managers Commentary

The Girik Multicap Growth Equity Fund is inspired by the CANSLIM philosophy of stock picking developed by American investor William J. O'Neil. The goal of this fund 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.

The month started with a bang for the markets, with handsome gains across the board led by the budget enthusiasm. The headline indices along with the mid-cap index made new all-time highs, while the small index made another 52-week high during the month. After hitting the highs, the markets gave back some of the gains due to turbulence in global markets towards the end of the month.

The industry leadership saw a slight change during the month. NBFCs made their way to the industry-leading group led by the sustained performance of leading names in the industry. Consumer Durables, IT Services and platforms, metals, and online classified continued to top the leadership charts, while fertilizers and chemicals were other fresh entrants.

Unlike many previous rallies, this rally has a different element that has driven a large part of the mid-and-small cap move. That element is retail participation. Generally, retail investors are the last to enter market rallies and almost always have a sour investing experience. They end up buying the hottest merchandise at peak prices, which is then left to rot forever in their Demat accounts. However, with plenty of time at hand in lockdown, ease of opening Demat accounts, and information abundance through social media, this flock of investors was amongst the first to the party in the current rally. The retail interest in the markets continues unabated if we go by the number of Demat accounts opened in January. The industry opened 13 lakh Demat accounts in the month. Putting this number in perspective, the industry added that many Demat accounts in the entire 2015 and only doubles that number in the entire 2016, which was a decent year for the markets.

Does this mean a structural change in the construct of the market? Or is it just another frenzy that will bust with a lot of heartburns? We don't know that yet.

However, with the market highs, comes the anxiety. Investors, retail and professional alike, with fresh money to deploy are in a dilemma, indecisive about waiting for a correction or giving in to the fear of missing out (FOMO) and buy what's hot or what hasn't been pulled up yet. There is no easy solution to that dilemma. Investors usually do well by being invested in all market conditions. They do even better when they invest systematically without worrying about the market directions. What's important, however, for all investors, is to stick to a system to maneuver the markets. A great system is one that is thorough on all the aspects of portfolio management, including stock selection, buying, selling, and position sizing. With the right system in place and with the right discipline, a few mishaps at market tops can be well taken care of, without denting the overall portfolio returns too much. All that one needs to do is invest with stern discipline for 3-5 years and let the magic of compounding take over.

As Tony Robbins once said, "it's not what we do once in a while that shapes our lives. It's what we do consistently". In investing, when the right system is followed consistently and diligently for years and decades, the results are always astounding.