

1. Fund Manager’s Commentary

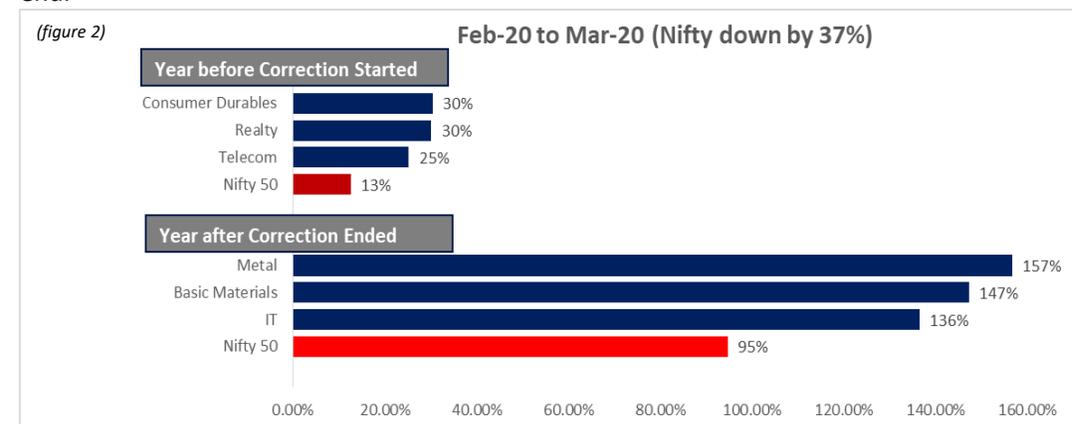
The Girik Multicap Growth Equity Strategy is inspired by the CANSLIM philosophy of stock picking developed by American investor William J. O’Neil. The goal of this strategy is to identify leading companies from leading industry groups that show sharp acceleration in earnings, newness in products or change in management and suggests buying them at the right price with enough margin of safety ahead of the company’s major stock price advance.

After months trending downwards, July witnessed a decent bounce in Indian equity markets. Nifty rose 8.7% while Midcap index was up by 12% and Small cap index by 8.6%. Indian market continued to outperform most markets in July as well. In USD terms, Nifty was up 8.1%, marginally better than MSCI World index which was up by 7.9% and far better than MSCI Emerging Market index which was down 0.7%. The superior performance is a reflection of relative strength of the Indian economy versus most others and also strong inflows from domestic investors. FIIs - who have been relentless sellers since October 2021- turning into small buyers in July also helped.



The phase of market correction which began nine months ago has been unnerving for many investors despite Indian market outperforming most others. However, it is important to keep in mind that corrections are fairly normal in equity markets. Over the last 15 years, there have been 6 corrections with Nifty falling at least 15%. (figure 1)

All these corrections were different from each other in terms of duration, extent and causal factors. Also, it is almost impossible to predict the exact start and end of the correction phase. However, there are a couple of things that can be said about corrections with a high degree of confidence, based on the analysis of past phases of corrections. Firstly, market returns post correction tend to be healthy. More importantly, the sectoral leadership tends to change through corrections, as an example, refer figure 2. Sectors that perform the best post correction are usually different from the ones that performed the best prior to correction. Therefore, during the correction phase we recommend thinking through positioning of the portfolio rather than worrying about how and when the correction would end.



At Girik Capital, one of the core ideas underlying our investment process is identifying potential leading sectors and good companies in these sectors early. Over the last few months our research effort has been focused on that goal. We are trying to structure our client portfolios so that they are well positioned to gain as and when the correction phase comes to an end.