

Fund Managers 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.

April was the month of respite for the global markets as major indices across the world recovered sharply from their march lows.

The Indian government has chosen to restart the economic engine in a calibrated manner while managing the containment of the virus. It remains to be seen how the economic activity will pick up as the country still remains in a partial locked-down.

Bear markets don’t end easily. It usually takes a couple of pullbacks to shake out the few remaining bulls. After everyone who can be run out has thrown in the towel, the market will finally turn and begin a whole new bull market.

The stock market is never obvious. It is designed to fool most of the people, most of the time. Bear markets usually end while businesses are still in a downtrend. The reason is that stocks are anticipating, or “discounting,” all economic, political, and worldwide events many months in advance. The stock market is a leading economic indicator, not a coincident or lagging indicator. The market is exceptionally perceptive, taking all events and basic conditions into account. For this reason, looking at economic indicators is a poor way to determine and time the market.

The sector leadership continues to be dominated by Pharma, Chemicals and FMCG. A fresh sector that seems to be emerging out of nowhere is Telecom. After its long period of consolidation and major capital investments both the leading players namely Reliance Jio and Bharti Airtel seem to be well poised to grow and massively expand their profit pools as the period of intense competition seems to be behind them. Additionally Facebook’s investment in Reliance Jio will act as a huge catalyst and can mark a beginning of a new era for Reliance and the telecom sector.

We continue to be in the capital preservation and risk management mode. We are extremely agile and conscious of the changing environment and taken appropriate actions to cut our losers where we felt there could be a prolonged damage to business fundamentals in the wake of the Pandemic. We have also selectively added to some resilient leaders.

As we all know, these are challenging times but in adversity lies the biggest opportunity. Our research team is working harder than ever before, meticulously researching the new ideas to prepare our portfolios for the next big run. The idea is to never get discouraged and give up on the stock market potential during intermediate sell-offs or short or prolonged bear markets. We shouldn’t foolishly give up while the greatest money making opportunity of a lifetime may just be around the corner.