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.

The headline indices logged decent returns in the month led by the robust performance of index heavyweights, while the broader markets underperformed. There were some signs of leadership shifting from small and midcaps to largecaps, which had been underperforming for some time now. On the sectoral front, metals, IT, BPO/ITES, textiles, and cement continued to be on the top. Real Estate emerged as a new leading sector, making its way to the leadership list.

Whenever the markets are on the tear, there is a barrage of new issues (IPOs) that hit the market. PE investors and promoters rush to cash out and companies line up to raise risk capital when investors loosen their purse strings. As a popular saying goes, the best time to raise money is not when you need it but when it's readily available.

History suggests that the majority of investors that invest in the hottest IPOs in the hottest times end up losing in the long run. A large proportion of new IPOs deliver sub-par returns. Despite that, investors queue up in large numbers to buy every new issue with little regard to the underlying quality. The majority, including some of the marquee anchors, are just interested in the initial pop to dump the shares on the first opportunity they get. Given the odds, some investors completely shun IPOs, which is equally lethal, because some of the best opportunities lie in the new companies with new business models. After all, the company that's successful today must have been a new listing sometime in the past. Therefore, painting everything with the same brush can't be a smart thing to do.

To solve the conundrum, investors have to be smart from the beginning, by analysing the offer carefully. In some IPOs there is nothing more to be gained than the initial pop, while some others are good to buy even when they get listed with a smart premium. Then there are some which disappoint initially for a few months or years and come back violently, generally backed by strong business performance. Knowing which falls in which category is both art and science. Queuing up for allotment is certainly not the best way to gain from IPOs. Instead, the investors would do well to take a step back and be choosy and systematic. New trends aren't played in a single day, month, or year. They take time to manifest and present multiple entry points to investors. The ones who are caught napping or are fearful to act during these times end up missing the best of opportunities.

At Girik, we lay special emphasis on newly listed companies, especially when they are in their prime growth phase in a new-age business. In fact, some of our best performers have been companies that were listed in the past 5 years. That's the result of doing our homework in advance and waiting like a hawk to jump on the opportunity at the best time. We are always excited about new companies, as much as the investor who is looking for the initial pop. But, we use a different lens to gauge opportunities, keeping the big picture at the fore. That's how investing works best, by not being bogged down in the hunt for quick profits but by being vigilant for the big and sustainable moves.