1. 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.

Let us take this opportunity to wish you a very happy and prosperous new year.

December was a volatile month for the headline indices that broke their previous month lows before recouping the losses towards the end of the month, while also closing higher. The midcap index followed the headline indices, while smallcap index relatively outperformed. On the sectoral front, IT, textiles and industrial goods continued to lead. Breweries and distilleries sector also maintained its lead, while new leadership emerged in the auto and healthcare space.

The stock market corrections get investors scared and excited at the same time. Scared because of increased mark-to-market losses and excited because they get to buy their favourite investee companies at better prices.

Not all investors get lucky, many of them end up buying falling knives or duds. Such investors get influenced by the glorious rise of such stocks in the previous rally and buy them, benchmarking the corrected price with the highest price. If the price keeps correcting, they add more and become compulsive investors, sometimes investors for life.

The truth about the stock market is that not all stocks are good to buy on dips. In fact, the hottest consensus stocks of the rally tend to be most violent and ruthless on the downside. Naive investors always fall for such stocks.

Investors who stay long enough in the stock market understand it the hard way. A minority of the investment ideas are suitable to buy on every dip. For all others, the dip keeps getting deeper and deeper at some point.

A wise investment strategy for corrections is to compare the stock's performance to the general market. Look for stocks that are relatively resistant to the general stock market fall. Such stocks tend to decline less than the majority of stocks and are quick to recover and hit the new highs before the headline indices do the same. Our studies show that the best winners in history have displayed such behaviour before their largest moves.

At Girik, we use a proprietary system that tracks and highlights such stocks during market corrections. With the help of the system, we are able to identify and study the potential leaders before their big moves. These leaders almost always have exciting growth stories and become institutional favourites eventually. The key for us is to catch them young, much before they become consensus bets. When done correctly, this method can help identify stocks that can multiply in a short time, creating a lot of wealth in the process.