GIRIK CAPITAL

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 month gone by was quite strenuous for the markets with all the indices seeing deep cuts, largely due to global selloff. Volatility crept into the markets in late January after China forced a lockdown in Wuhan city to prevent Coronavirus outbreak. The decline accentuated on announcement of Union Budget on 1st February, which - barring a few big announcements - was largely a business as usual event. The budget day decline was followed by a smart bounce, which eventually did not sustain due to heavy global selling pressure triggered by Coronavirus fear.

The industry leadership saw some rejig during the month, wherein some leading sectors continued to hit 52 week highs led by robust earnings and promising business outlook. These sectors included Chemicals, Retail and Domestic Pharma. On the other hand, previously leading sectors like Gas, NBFCs, Insurance, Private Banks and Asset Management Companies witnessed a pull back, while Paints and Healthcare Diagnostics stayed put amongst the top industries.

The markets are currently witnessing a healthy correction. Such corrections come every once in a while and their severity and duration almost always depends on the reasons attributed to them. Some of these reasons are short-lived that are followed by smart comebacks, while some of them are lasting and stay for a while. All such corrections – though they make investors nervous - tend to neutralize excesses of previous run-ups and set the foundation for next run-ups.

CANSLIM philosophy of cashing on the market corrections is different than other typical investing philosophies. Instead of looking at stocks that have fallen the most, we attend to leaders that are resilient to the fall or are making new highs. That's because the stocks that refuse to participate in such falls tend to outperform and become leaders of upcoming rallies and bull markets. Such stocks and underlying companies are generally backed by businesses with solid growth prospects, run by honest and capable managements. By sticking to the stocks that are displaying strength, we minimize the possibility of catching falling knives and thus preventing portfolios from significant dents.

Therefore, at times like these we are extremely alert and our core focus will be to protect capital. We are certain that our screeners and elaborate research process will separate the wheat from the chaff to zero in on the best investable ideas.