

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.

During the month, the major indices – Nifty and Sensex, kept hovering near their all-time highs. To everybody’s surprise, it was midcap and smallcap stocks that stole the show with their stupendous outperformance in the month.

The month preceded widely tracked budget announcement by the finance minister on February 1, 2020. The budget contained a number of major announcements including:

- A new direct tax regime with simplified tax structure
- Discontinuation of dividend distribution tax, making dividend taxable in hands of investors
- Increase in the bank deposit insurance cover five-fold to Rs. 5 lakhs
- Increased allocation to multiple sectors

For us at Girik, it was business as usual, as we continued to hunt for leading companies in leading sectors. The industries that continued to top the leadership charts during the month were paints, Insurance, asset management companies, gas, diagnostic companies, domestic pharma and gold loan NBFCs. New sectors, which we talked about in our December newsletter, emerged stronger to join the leadership table. These included chemicals, consumer electricals, micro-finance institutions and quick service restaurants (QSRs).

Results for the December quarter also started trickling in mid-January. Half-way through the earnings season, we are enthused by the performance that most of our portfolio companies have posted in the quarter. Our belief in leaders gets even stronger when we see them delivering profitable growth despite a challenging environment.

At Girik, we have a strong inclination towards leaders that are hitting new highs. It sounds counterintuitive to most people, yet the history suggests that biggest wealth creators of all times have been the leaders that kept on hitting new highs backed by their sustained business performance.

Being ardent followers of CANSLIM, we confine our investments to market leaders and avoid laggards at all times. We follow an exhaustive research process for chosen stocks to make our investing system even more robust. Quality leaders, which show accelerated earnings growth, always attract huge institutional investors’ attention and money. Our job is to get into these leaders early on, to never miss a wealth creation opportunity for our investors.