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 remained in a tight range during the month and closed flat, while the broader market continued to outperform. Sectorally, metals, IT, BPO/ITES, and textiles continued to lead and stayed on the top of the list, while sugar fell off the leadership charts. Cement emerged as a leading sector, making its way to the leader's list.

Investors often are faced with a dilemma of what to do with a stock that has run up decently in price or when to take the worthwhile profits. "Let the winners run" is a famous adage that many follow and decide to do nothing. However, this situation is not as simple as it sounds. A stock's up move can last for any period, ranging from months to decades. Therefore, holding a winning stock forever may not be the best strategy, as one would always be unsure of the longevity of the move. This is why a selling plan is a must for individual and institutional investors alike.

A good selling plan can use a mix of technical and fundamental parameters to assess the right time to sell. One should know that only a minuscule proportion of stocks are consistent compounders, others have their cycles that can be intermittently profited from. A good plan broadly takes into account the lifecycle of stocks and pinpoints where the stock is in its current cycle. When armed with this information, investors can comfortably take their exit decisions.

At Girik, we base our selling decisions on multiple technical, fundamental, and psychological factors. The easiest and most prevalent decisions for us are when all the factors point in the same direction. For example, when the stock is technically extended, has a low best-case IRR (based on price calculated using forward earnings), and is the talk of the town with the company's management all over the media, the stock may be near the end of its move and can be ripe for an exit. The method is quite effective and results in some of the best exits. The other times when the factors give contradicting indications, we assess each factor carefully and decide accordingly. For example, if the stock is technically extended, but still has a good IRR, we may decide to do nothing and ride the move.

It's hard to bring such a complicated decision down to a formula, but we try our best to be as objective as possible in the decisions we take. Such data-backed decisions do much more good than bad, which is why we have used them for years now. All our decisions are outcomes of processes that we follow religiously. We swear by our processes and continue to improve them each passing day. That's most important for us. As Idowu Koyenikan, the author of "Wealth for All" puts it, "If you quit on the process, you are quitting on the result." We take care of the processes, for the results to take care of themselves.