

## Fund Managers Commentary

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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 markets continued to recover during the month led by the sustained performance of leaders as well as a strong recovery in the beaten-down sectors. The recovery was fairly broad-based with decent participation of the small-and-mid-cap stocks. The market’s one-way climb from March lows has baffled many investors, as the recovery on the ground isn’t as swift. Something that’s even more baffling for investors is the continued rise in the U.S. tech-heavyweight index NASDAQ, which has hit a new lifetime high.

Jesse Livermore, one of the greatest traders of all time, once said, “Markets are never wrong – opinions often are”. He never searched for the reason “why”. It was “happening” that was “why” enough for him. He believed that the reason would be revealed later when the chance to make money was gone.

We understand that markets have their own way of indicating trends, which is not obvious to the majority of investors in the beginning. Almost always, there is an explanation for the market’s move that is eventually justified in retrospect.

That doesn’t mean we should shrug all worries and blindly participate in the move. It rather conveys that we should follow the system and act tactically, allocating to the most promising leaders and steering away from the less promising stories.

A lot has changed since the market hit its lows three months ago. Businesses have swiftly adapted to the new reality and operations are slowly getting back on track.

The industry leadership continued to be dominated by pharmaceuticals (especially APIs and global pharma), telecommunications, gold NBFCs, and Agri and farm-related businesses including tractors and agrochemicals.

The massive reset brought about by the pandemic has changed the outlook for all the businesses. While the financial impact of economic pause is not clear, it is obvious that some companies have been impacted badly and some have gained disproportionately, while the rest lie somewhere in between.

Generally, bull markets are led by a handful of companies that benefit disproportionately from a brand new powerful trend in businesses and sectors. All previous bull markets have had one or two major themes that support the ancillary themes to form a full-fledged bull market. If investors get on these stories in the early moves, they stand to gain from the opportunity and see a marked increase in their wealth in a relatively short span.

The beauty of CANSLIM is that it throws up these potential disproportionate winners on our screeners when they begin their fresh moves. We then have to pick the most promising trends and pursue them with extreme vigor to fully capitalize on the opportunities presented.