

## 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 of March would go down in history, as extreme fear took over the world markets. All the indices witnessed unprecedented sharp falls not seen in decades, led by the Coronavirus scare. Nervous investors sold stocks relentlessly, pulling the prices to unimaginable levels.

Nations across the world including India announced lockdowns to combat the COVID-19 crisis. The economic activity barring essentials has come to a standstill. Capitalism is standing back while governments are taking over the economies across the world.

The “M” or “Market Direction” in CANSLIM becomes a key monitorable for us in these times. The market is clearly in a downtrend, and in a downtrending market, three out of four stocks will follow the market trend. We have observed in such times, investors often become ‘involuntary investors’. They buy a stock that goes down, and they refuse to sell and take their loss even though the fundamentals have worsened. They prefer to hold on to a losing stock and hope that it will rally eventually and climb back up. History shows that only a very small percentage of the old winners eventually recover and every new bull market throws up a fresh set of winners. Therefore, we try not to ever become an ‘involuntary investor’ and take our losses quickly! Easy to say – hard to do. Napoleon once wrote that never hesitating in battle gave him an advantage over his opponents, and for many years he was undefeated. In the battle field that is the stock market, there are the quick and there are the dead!

We are also keeping a close eye and selectively investing in the leaders that are not fully participating in the fall. Such leaders could be the first to go up when the market begins a new uptrend. The industry leadership for now is dominated by consumers and domestic pharma. These sectors have displayed tremendous strength, while the entire market has floundered.

The big money is made in the first two years of a bull market. It is during this period that market represents a golden opportunity and very few investors recognize and fully capitalize on it. To make the most of the upcoming bull market, we will be on the lookout for new authentic leaders in leading industry group that will be the first to come out of the downtrend and make new highs. Some of these will potentially become the biggest winners in the coming years.

Palpably, there is a lot going on in the markets and the economy, and we continue to be on the vigil to protect capital and keep cash to deploy as new wealth-building opportunities emerge. Jesse Livermore, one of the greatest traders of all time once said; “Don’t lose money – don’t lose your stake, don’t lose your line. An investor without cash is like a store-owner with no inventory. Cash is your inventory, your lifeline, your best friend – without cash you’re out of business. Don’t lose your damn line!”