



Buoyant Opportunities Portfolio

Factsheet for the month of November 2020

Overall performance commentary

For November 2020, the Buoyant Opportunities fund returned 16.2% net of fees (versus 11.3% for BSE-100 and 13.3% for BSE Small-Cap).

What to look forward to from the markets?

The near term risks that we had considered at the start of November have reduced. The US presidential election has a president elect, post the second round of lock-downs the 7 day moving average of new cases has gone down substantially from the peak, and at least 3 different vaccine candidates have emerged, all with very high efficacy. We also, had the best month ever in terms of foreign flows with Net inflows of over Rs. 65,000 crore, which in rupee terms was twice the previous best inflow of over Rs. 32,000 crore in Mar 2019. A substantial part of the foreign buying was countered by selling by domestic institutions at over Rs. 49,000 crore, which will likely provide cushion during market drawdowns.

Allocation decision

We interacted with many corporates during the month. Across the board the improvements in business are sustaining and accelerating. "Since April every month has been better than the previous month" was a comment we heard frequently. Other indicators like power consumption, freight movement and GST collections are also trending well. With all the positives around, however, we need to look out for signals if the increase in demand is structural or is there a significant element of pent-up demand? At this point of time we do not have an answer to this.

During the month we traded out of a few names which had run up to names where we find value. Secondly, due to the price movement the portfolio composition now has small caps at 38.5% of the portfolio and large caps at 35%. Small Caps have done well in the current fiscal, however this is on back of a long period of under-performance. From 15th Jan 2018 till 27th November 2020, in total return terms the BSE Small Cap is down 13.4% and the BSE Sensex is up 31.3%, for a return differential of 44.6% in less than 3 years!

Sectoral decision

We continue with our stance of positioning the portfolio for a recovery, however given the strong rally in financials we reduced the weight in Financials to 30%, and added Materials (Chemicals and Cement). We also added weight to Media sector. In Media we are investing for a cyclical recovery, structurally, we continue to evaluate the market share gains of digital media at the expense of traditional media. Energy, staples and IT services remain the key under-weights.

In terms of portfolio characteristics – the forward PE of the portfolio for FY22 is 16.8 (We have excluded Bharti Airtel and Vodafone due to losses). The Bloomberg estimated Nifty PE is at 19.4.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	14.3%	10.6%	10.8%	10.7%
Two years	5.8%	8.3%	9.2%	8.5%
One year	4.1%	7.5%	7.6%	9.2%
Six months	59.9%	34.6%	35.4%	36.9%
Three months	18.9%	13.7%	13.9%	14.1%
One month	16.2%	11.3%	11.4%	11.7%

Source: Bloomberg for Indices. Kotak Bank for Buoyant Portfolio. Buoyant portfolio returns are POST-fees and expenses. More than one year returns are annualized.

Classification

Sectoral classification	
Banking	21%
Industrials	9%
Insurance	9%
Chemicals	9%
Automobile	8%
Telecom	7%
FMCG	4%
HealthCare	5%
Info Tech	5%
Staffing	5%
Media	5%
Materials	3%
Cash	3%
Building Mat	2%
Misc	1%
Retail	3%
Total	100%

Investment returns

Sectoral, Market-cap and Internal

Sectoral: Banking and IT continue to remain our top focus sectors

Internal: We are increasing exposure to Core vertical, and reducing exposure to cyclicals in the run up

Market-cap: Market-cap classification broadly remains unchanged for the past few months. We are increasingly reducing exposure to small and mid-caps and increasing exposure to large caps

Internal classification	
BMV	52%
Cyclical	14%
Turnaround	20%
Value	11%
Cash	3%
Total	100%

Market-cap classification	
Large Caps	35%
Mid Caps	23%
Small Caps	38%
Cash	3%
Total	100%

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