



Buoyant Opportunities Portfolio

Factsheet for the month of **December 2021**

Overall performance commentary

For the month of December 2021, the Buoyant Opportunities strategy returned 5.1% vs. 1.8% for BSE-100 (the benchmark). We are happy to report that for CY2021, Buoyant's strategy returned 69% vs the 25% for the benchmark. Returns are post fees and expenses, as computed by Kotak Mahindra Bank. With that, we wish you a very Happy New Year!

What to look forward to from the markets?

CY2021 was the sixth consecutive year when Indian markets delivered a positive return. The last time markets had a longer winning streak (7 years ending 1994), it took almost 5 years for Sensex to reach 1994 levels again. During CY2021, the S&P500 Index has ended at an all-time high for 70 of the 252 trading days (28%), making 2021 the second-best year ever on this metric. Since the Covid lows, it has been an 'everything' rally – bonds, equities, cryptos, metals, real estate, NFTs, etc. It looks like history is loaded against strong market returns in 2022. And we are still constructive. Here is why.

For one, the Indian economy is arguably in the best shape it has been in over a decade. Hiring activity is strong, inflation is under control at 5.5%, the balance of payments will likely remain in surplus and F22 tax collections are higher than budgeted! Secondly, corporate balance sheets have deleveraged significantly and are in great shape. Banks are well capitalized with old stress is largely off their books. Both credit growth and corporate profits look well set for a strong cyclical rebound.

The conundrum we face is how to invest in markets that look expensive, but in an economy that is doing well and poised to improve, driven by massive structural factors such as sustainable fiscal improvement, policy mix, formalization, financialization, digitization, demographics, and the twin bullets of aspiration and self-belief as manifested across individuals and enterprises.

Allocation decision

During the month, we increased allocation to large caps by 3% and increased cash by 1% to c8%. Having tactically increased small caps by c8% over November 2021, we deployed incremental funds to large caps bringing down small-cap exposure in the month.

Our defensive stance continues. Core (incl. cash) allocation is at c54%. Allocation to 'turnaround' stories is at c19% comprising companies where turnaround is largely done (Sun Pharma, Bharti Airtel, Cyient, Aditya Birla Fashion, and Canara Bank).

For accounts opened till November, market weakness in late November and early December provided an opportunity to invest, and these accounts are over 90% invested. This differentiation between old and new portfolios is an important part of our portfolio curation for 'new money' that will persist even as we grow in size.

Sectoral decision

During the month, we have increased portfolio weights in Financials by 5%, as we believe that the recent correction in share price of banking stocks is more a reflection of demand-supply (FII selling) rather than fundamentals. This increase was funded by reducing weights in the Materials sector. We have also marginally added weights to Healthcare and Information Technology during the month.

In terms of portfolio characteristics, the forward PE of the portfolio for FY23 is 23.1X. The Bloomberg estimated 1 year forward Nifty PE for Mar 2023 is at 19.5X.

** Return summary and portfolio characteristics are overleaf*

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	24.0%	14.5%	14.5%	15.3%
Five years	27.2%	16.0%	16.2%	16.6%
Two years	37.3%	20.0%	19.4%	23.3%
One year	69.0%	25.0%	24.1%	30.1%
Six months	25.0%	10.1%	10.4%	10.9%
Three months	5.1%	-1.4%	-1.5%	-0.5%
One month	5.1%	1.8%	2.2%	2.3%

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

Other classifications

Internal classification		Market-cap classification	
Core	46%	Large Caps	33%
Cyclical	14%	Mid Caps	18%
Turnaround	19%	Small Caps	42%
Value	13%	Cash	7%
Cash	7%		
Total	100%	Total	100%

Sectoral classification

Sectoral classification	
Banking	24%
Chemicals	7%
Info Tech	10%
Automobile	8%
Industrials	6%
Oil & Gas	5%
HealthCare	8%
Materials	4%
Insurance	4%
Misc	3%
Textiles	3%
NBFC	1%
Retail	3%
Building Materia	3%
Telecom	2%
Staffing	2%
Cash	7%
Total	100%

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