



Buoyant Capital

Buoyant Opportunities Portfolio

Factsheet for the month of June 2021

Overall performance commentary

For the month of Jun-21, Buoyant Opportunities Strategy generated 5.6% vs. 1.2% for BSE-100 (the benchmark). Returns are post fees and expenses as computed by Kotak Mahindra Bank. We welcome Sunita Mantri and Hardic Joshi to the team, who joined as Quant analyst and in Sales & Distribution respectively.

What to look forward to from the markets?

Covid wave two has ebbed and vaccinations are on schedule. For the just concluded results season, profitability has improved (it is now above pre-Covid levels), liquidity situation is benign and Central Banks think that inflation is transitory. What could go wrong? No one knows; not that the future is predictable. But let us look at some other metrics - valuations in build in profitable growth for extended periods of time, retail participation is highest atleast in the last 2 decades, and IPO/secondary sale markets are busy. Just in May and June a total of INR56,000 crore worth of liquidity got sucked out of the markets through IPO, QIP, secondary sales by promoters & PE. The IPO calendar looks full for the coming weeks, we are watchful of the excesses in the market.

Allocation decision

During the month we increased cash component to 8% of the portfolio. We continue with our strategy to increase liquidity of the portfolio by moving to higher market cap stocks. The weighted average market cap has moved from a low of INR65,108 crore in Mar-20 to INR129,700 crore at the end of Jun-21. To better manage risk and volatility, we are also limiting exposure to a stock at an account level.

Over the long term our endeavour is to allocate a part of the portfolio towards investments in companies that are making investments towards innovations. These might be new age companies (at a right price) or old economy company where technology is a disruptor.

Sectoral decision

The results season ended this week and we start a new results season in a week's time.

During the month we increased weights to auto ancillary sector. Within auto, we avoid 2-wheelers where the threat of EV is more immediate. Info-Tech weight is now close to 15%, however, investments are in a platform company, ER & D company and BPM companies.

In terms of portfolio characteristics – the forward PE of the portfolio for FY22 is 15.7 (we continue to exclude telecom stocks due to historic losses). The Bloomberg estimated 1 year forward Nifty positive PE (Mar 2022) is at 21.5.

Investment returns

| Total returns (%) | Buoyant Portfolio* | BSE 100 Index | Nifty 50 Index | BSE 500 Index |
|----------------------------|--------------------|---------------|----------------|---------------|
| Inception (Jun-16 to date) | 21.3% | 13.9% | 13.8% | 14.5% |
| Five years | 20.5% | 13.7% | 13.7% | 14.2% |
| Two years | 25.4% | 15.9% | 15.5% | 18.5% |
| One year | 107.4% | 53.8% | 52.6% | 59.7% |
| Six months | 35.2% | 13.5% | 12.4% | 17.3% |
| Three months | 20.3% | 7.7% | 7.0% | 9.5% |
| One month | 5.6% | 1.2% | 0.9% | 1.9% |

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 | 22% |
| Info Tech | 15% |
| Chemicals | 8% |
| Automobile | 9% |
| Insurance | 5% |
| Industrials | 6% |
| Oil & Gas | 5% |
| Building Mate | 0% |
| Telecom | 4% |
| Retail | 4% |
| Staffing | 3% |
| HealthCare | 3% |
| Media | 0% |
| Cash | 8% |
| Materials | 4% |
| Misc | 2% |
| 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

| | |
|--------------|-------------|
| Core | 48% |
| Cyclical | 16% |
| Turnaround | 21% |
| Value | 6% |
| Cash | 8% |
| Total | 100% |

Market-cap classification

| | |
|--------------|-------------|
| Large Caps | 32% |
| Mid Caps | 18% |
| Small Caps | 41% |
| Cash | 8% |
| Total | 100% |

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