

## PERFORMANCE

**HAPPY NEW YEAR!** For Dec-22, the Buoyant Opportunities Strategy returned -1.3% (vs -3.4% for the BSE-100, our benchmark). Returns are reported after charging fees and expenses, while fund operations are managed by HDFC Bank and Kotak Mahindra Bank, our custodians. We are happy to share that the recent Crisil PMS-Bazaar study of Indian PMS schemes (for the three-year period ending June 2022) rated the **Buoyant Opportunities Strategy in the coveted 5-star category**. Only 7 out of 65 Multicap schemes made it to this category.

## MARKET VIEW – cautious

December turned out to be volatile, after the relatively steady climb over October and November. The anticipated Santa rally didn't pan out. Instead, markets peaked early to post a fresh all time high and subsequently weakened across the month, especially towards the end. Geopolitics, valuation concerns, earnings trajectory and domestic macros contributed to the fall.

SECTOR CLASSIFICATION	Weight (%)
Banking	27.8%
Info Tech	12.5%
Industrials	8.6%
HealthCare	6.5%
Chemicals	5.6%
Insurance	4.8%
Automobile	4.1%
Misc	3.5%
Staffing	2.0%
NBFC	2.0%
Textiles	1.9%
Materials	1.8%
Building Materials	1.7%
FMCG	1.6%
Media	1.6%
Retail	0.5%
Oil & Gas	0.0%
Cash	13.4%
<b>Total</b>	<b>100.0%</b>

As we look back at the last year, it's important to note that 2022 was the 7<sup>th</sup> consecutive year of positive returns. This has never happened in India except for 1988 to 1995. And if 2023 lands into positive territory, it will be the first time we've had eight consecutive years of gains. **That doesn't make it impossible, just a statistically unprecedented outcome!**

Our nutshell view here is that navigating the near-term challenges safely while remaining cognisant of the medium-term opportunities (India as a rising contributor to global GDP, via domestic drivers and an evolving policy mix) is the way forward. **This requires risk management that is opportunistically aligned with the factors 'in play'** (refer to our [blog in The Economic Times](#) in mid Dec).

## PORTFOLIO CONSTRUCTION

For now, the Opportunities Strategy continues to remain in DEFENSIVE stance, with (Core + Cash) at well over 61%, near the high point for this cycle. Notwithstanding some opportunistic buying in the second half of December, we ended up at our highest cash levels in over two years.

MARKET CAP CATEGORY	Weight (%)
Large Cap %	33.3%
Mid Cap %	9.9%
Small Cap %	43.4%
Cash	13.4%
<b>Total</b>	<b>100.0%</b>

While large and small caps in the Portfolio are at roughly unchanged, **mid-caps are down to single digit position**. This reflects our caution on valuations being out of whack here. We've added small caps slowly in the recent past and will do so aggressively if markets fall (and afford us an opportunity). To read more on our relative preference for small caps, please take a look at our [last Factsheet](#).

## SECTORAL DECISIONS & CHURN

**We will sit patiently on mid-teen cash levels.** During the month, we exited a Private Bank (reducing Financials exposure a bit) and added a large IT services stock, both of which are tactical in nature. We expect Financials to report superior earnings for Q3 and expect normal seasonality to play out in IT services.

## VALUATION

The Buoyant Opportunities portfolio was valued at 23.4x FY23E (positive) earnings as at end-December. This is higher than the BSE-100 (positive) P/E of 22. On FY24E basis, too we are at a slight premium to the BSE-100 multiple (19.4x vs 18.3x). This reflects our defensive preference for hiding (defensive) places at a time when markets look vulnerable to upcoming events. **We will turn aggressive risk takers when the risk is 'in the price'**. Refer to our comment of aligning with the factor 'in play' in the MARKET VIEW section above.

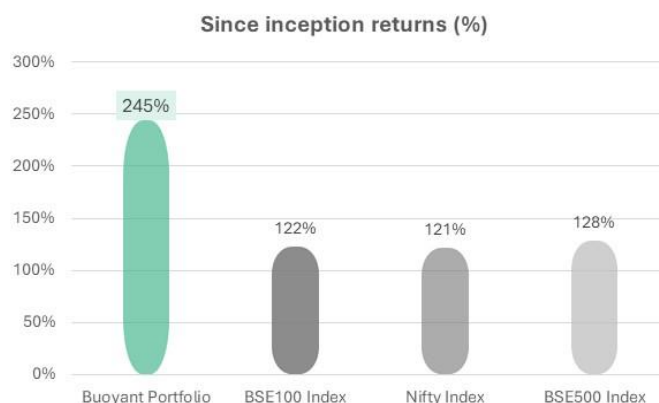
## INVESTMENT RETURNS

We have outperformed our benchmark (BSE-100) since inception of the Buoyant Opportunities Strategy in June-2016. We prefer not to get distracted by our short-term performance metrics (even as we currently lead the BSE-100). **We continue to sharpen what we believe is a durable cross-cycle framework and investment strategy.**

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Since inception (1st June 2016)	<b>20.7%</b>	<b>12.9%</b>	<b>12.9%</b>	<b>13.4%</b>
Last five years	10.8%	10.8%	11.4%	10.4%
Last two years	32.2%	14.3%	13.8%	16.0%
<b>Last one year</b>	<b>3.4%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>3.3%</b>
Last month	-1.3%	-3.4%	-3.5%	-3.2%

Source: Bloomberg for BSE 100, NIFTY and BSE 500 Indices. Portfolio returns are post fees and expenses. More than one year returns are annualised.

Risk metrics	1-year	3-year
Sharpe ratio (X)	-0.21	0.56
Jensen's alpha (%)	-0.01	0.08
Information ratio (X)	-0.13	0.62
Standard deviation (%)	0.18	0.33
R-squared (X)	0.77	0.80
Beta of portfolio (X)	1.04	1.34
Sortino ratio (X)	-0.34	0.77



## BLOGS & MEDIA

### Blogs

- [2023 to be a story of two halves – The Economic Times](#) on 13 Dec 2022
- [Why professional investors miss PSB-like rallies – The Economic Times](#) on 6 Dec 2022
- [Fallacies of past performance – The Economic Times](#) on 22 Nov 2022
- [What creates a market cycle – The Economic Times](#) on 19 Nov 2022

### Media Appearances

- [Viral Berawala \(CNBC Bajar\)](#) on 30 Dec 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 23 Dec 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 16 Dec 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 9 Dec 2022
- [Viral Berawala \(ET Now\)](#) on 8 Dec 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 2 Dec 2022
- [Jigar Mistry \(CNBC TV18\)](#) on 2 Dec 2022
- [Viral Berawala \(ET Now Swadesh\)](#) on 1 Dec 2022

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