Buoyant Opportunities Portfolio

FACTSHEET for **June 2022**

PERFORMANCE

For June-2022, the Buoyant Opportunities strategy lost 5.5% vs. a 5.2% fall in the BSE-100 (our benchmark). These are post fees and expenses, as computed by our custodians and fund accounting partners, Kotak Mahindra Bank and HDFC Bank. ***If there's ONE thing we want to tell you, it's this : the troubles are in the bag, and the opportunity lies ahead.***

THE STORM, AND THE APPROACHING DAWN…

After six calendar years of positive returns, the first half of 2022 has more than tested bull confidence. Meanwhile, expectations are changing quickly… in April-22, the consensus was around a 50 bps Fed rate hike in 2023, while right now there's a 75 bps reduction on the horizon. ***The conversation has switched from inflation to recession!***

Foreign Portfolio Investors, for long the harbingers of good times in Indian markets, have pulled out more than Rs 2.8 lac cr on a net basis from Indian stock markets in CY2022, so far. Flush with heavy domestic investor inflows, Indian institutions have (net) bought a record Rs 2.3 lac cr over this period. Clearly, this hasn't sufficed. The BSE-100, our benchmark Index, is down 11% while the S&P BSE Small Cap Index is down almost 17% in the last six months. As high crude prices inflate India's current account deficit to ~3.3% (est.) and the rupee cracks to an all-time low, the fear around a prolonged bear market in India is building up.

In markets as in macros, the trouble looks so obvious today that we are tempted to ask: ***where could the bears go wrong?*** More accurately, how much of this pain is 'in the price'?

Emotions aside, valuations in absolute terms are lower than average and earnings growth is likely to be in the mid-teens. ***It is precisely at times like this, when more emotional investors are poised to lose (or are already losing) their nerve, that the best opportunities for serious stock pickers will arrive.*** And arrive they will, but dressed up as decade-low margins in otherwise good businesses. Or as stock-price cracks, driven by the hurried exit of impatient or panicky retail (and sometimes even marquee institutional investors). These are times when bull euphoria gets inverted in the mirror of the market. ***'Nothing can go wrong'*** becomes ***'everything is going wrong'.*** Blind faith in the newest, most reckless and flashiest business gets replaced by disbelief (and sometimes hatred) for the oldest, most humble and genuinely capable managements.

Hence, we will actually 'add beta' to the portfolio as we move forward, ever so slowly. Prepare to see more allocation to smaller names (quality won't be compromised, for sure) and select cyclical businesses. Why slowly? Simply because we can't time it to anywhere near perfection. And the 'beta' that we are adding will seem like risk in the current context. ***Eventually it should pay off, if we've got our investing thesis right!***

Buoyant Capital

ALLOCATION DECISIONS

Our large-cap + cash exposure is at its highest since 2019, at 39.6%. This reflects our conservative approach to risk in today's stormy conditions. We've reduced cash, from ~15% in early May to ~6.4% now. We will continue to be nimble. Small caps offer significant value, ergo we will gradually build positions here. The mid-cap universe is still substantially out of the value zone as our relatively smaller (and select) exposure indicates.

PORTFOLIO CLASSIFICATION – by market cap

Large Cap	39.6%
Mid Cap	16.3%
Small Cap	37.8%
Cash	6.4%
Total	**100.0%**

Higher market volatility over the last few quarters has compelled us to diversify more. From 45%, the top seven stocks now account for 37%. Diversification will rise in a calibrated way hereon.

PORTFOLIO CLASSIFICATION – internal

Core	47.3%
Cyclical	17.7%
Turn around	13.6%
Value	14.9%
Cash	6.4%
Total	**100.0%**

In terms of internal classification (Core vs. Satellite), the Core part of the portfolio is now at 47.3%, which is a tad higher than the recent past. Once again, this reflects our conservative stance. On the other hand, the Satellite part *(comprising the Cyclical, Turnaround and Value sub-slices)* is ~46%. ***As can be expected, we will load up here in the times to come.***

SECTORAL DECISIONS & CHURN

June-22 was the lowest churn month in the last three years for the Buoyant Opportunities Strategy. No material change is visible in sector positions. ***Financials (lenders) remain our largest exposure at 34.4%.***

SECTORAL CLASSIFICATION

Banking	33.1%
Info Tech	10.2%
HealthCare	7.0%
Industrials	6.9%
Automobile	5.9%
Chemicals	5.9%
Materials	5.7%
Insurance	4.4%
Building Materials	3.8%
Misc	2.3%
Textiles	2.2%
Staffing	1.9%
FMCG	1.6%
NBFC	1.3%
Oil & Gas	1.0%
Retail	0.5%
Cash	6.4%
Total	**100.0%**

We are gradually adding positions in select sectors (textiles and materials, for example) which have lost significant value and where near-term results are likely to be poor, the thesis here pegged to a cyclical turnaround in businesses run by capable managements.

VALUATION

As at June-end, the Buoyant Opportunities portfolio is valued at 16.7X FY23E EPS. This puts it roughly at par with the NSE NIFTY positive PE. We will incrementally add a value tilt and expect the portfolio PE to reduce, albeit slowly.

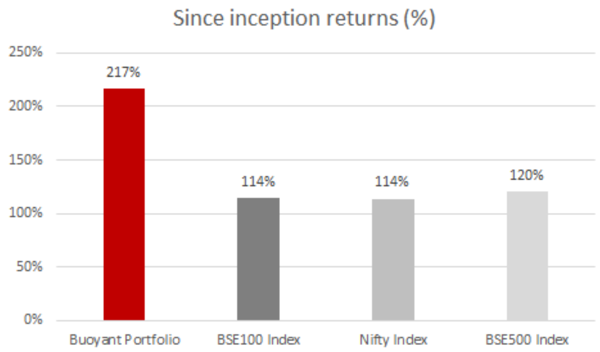
INVESTMENT RETURNS

We have outperformed our benchmark (BSE-100) over the last 1, 2 and five years as also since inception in June-2016. We see our UPF in the trailing 6m period and the at-par show over 1m and 3m as short-term aberrations in a robust cross-cycle framework and investment strategy that remains unchanged, and arguably intact. ***Team Buoyant remains committed to delivering long-term alpha for its investor clients.***

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Since inception (1st June 2016 to date)	**18.9%**	**11.5%**	**11.4%**	**11.9%**
Last five years	15.0%	10.2%	10.6%	10.1%
Last two years	49.4%	24.0%	23.8%	26.0%
Last one year	7.7%	0.0%	0.4%	-0.6%
Last six months	-13.8%	-9.1%	-9.1%	-10.4%
Last three months	-9.3%	-9.6%	-9.6%	-10.0%
Last month	-5.5%	-5.2%	-4.8%	-5.2%

Source: Bloomberg for BSE 100 Index, Nifty Index and BSE 500 Index. Buoyant Portfolio is post-fees and expenses

More than one year returns are annualized



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Buoyant Capital Pvt Ltd

1605, Lodha Supremus, Senapati Bapat Marg,
Lower Parel West, Mumbai 400013. INDIA
info@buoyantcap.com