



Buoyant Opportunities Portfolio

FACTSHEET for August 2022

PERFORMANCE

For Aug 2022, the Buoyant Opportunities strategy returned **4.5%** (vs 3.9% for the BSE-100, our benchmark). Returns are reported after charging fees and expenses and are computed by HDFC Bank and Kotak Mahindra Bank, our custodians and fund accounting partners.

MARKET VIEW – India decoupled, but for how long?

Some large global funds (notably Bridgewater and GMO) as well as brokerages have very bearish views on the market, driven primarily by the war-induced food/fuel squeeze in Europe, rising interest rates and an apparent end of the quantitative easing cycle. The current upmove exhibits typical signs of a bear market rally – a short and swift one. This usually happens in the period when economic fundamentals are worsening and corporate health is still strong, **but suffers with a lagged impact.**

While this ominous prognosis mostly applies to the first world, **India's economy seems to be relatively resilient** with the corporate profits to GDP cycle on an upswing and the positive effects of structural changes. As per Morgan Stanley and Goldman Sachs strategists, India's entry into global bond indices is on the cards. This can drive passive bond flows into government debt, another structural positive for government finances and macros.

Meanwhile, India's stock market continues to be the best performing large market globally on a 1-year basis. Post Fed Chief Powell's hawkish comments at the Jackson Hole symposium, NASDAQ was down for six consecutive days, the S&P 500 fell over 5% over the following week, **whereas the NIFTY-50 was flat! The divergence has continued...**

While the long-term structural drivers for India indeed look good, the global picture is not inspiring in the near term. Hence, we continue to reduce risk in the portfolio. We see diminishing overall margin of safety and are increasing cash (as well as reducing weights to stocks approaching fair value).

Deployment of funds in new PMS accounts is happening very selectively, based on conviction and price point. **This is a key feature of our Opportunities Strategy, wherein we do NOT blindly follow a model portfolio and deploy only when we get good entry points, in our view.**

ALLOCATION DECISIONS & PORTFOLIO CLASSIFICATION

We remain defensive, though we deployed some cash opportunistically over June and July (the 15% cash position in early May fell to 5% by mid-July). Seeing the risk building up, we've trimmed positions in August and increased cash to 11.2%. **This tactical approach is required in range bound markets such as the current one.**

Mid-caps are trading at large cap kind of valuations. We've been cutting down on them for a while, taking mid-caps down to a mere 12.1% of the portfolio (from over 26% ten months ago). We still don't like the risk reward in this segment barring a few exceptional cases. **Going forward, our allocation to large caps can be expected to rise.**

| PORTFOLIO CLASSIFICATION – by mkt cap | |
|--|---------------|
| Large Cap | 37.9% |
| Mid Cap | 12.1% |
| Small Cap | 38.8% |
| Cash | 11.2% |
| Total | 100.0% |



Buoyant Capital

| PORTFOLIO CLASSIFICATION – internal | |
|--|---------------|
| Core | 46.2% |
| Satellite | 42.6% |
| Cyclical | 17.0% |
| Turnaround | 12.6% |
| Value | 13.1% |
| Cash | 11.2% |
| Total | 100.0% |

On **internal classification** (Core vs. Satellite), our defensive stance continues. We increased (Core + Cash) position by 2.7% during the month, funded by a corresponding reduction in Cyclical and Value stocks.

On the other hand, Satellite (*comprising Cyclical, Turnaround and Value*) has fallen by over 3% to under 43%.

SECTORAL DECISIONS & CHURN

From a peak of over 38% (in June-2022), we've reduced weight in Financials by some 4.5% in two months. This is a risk-management tactic rather than a sign of any disillusionment with the sector.

Discretionary as well as Non-discretionary Consumption remain significant underweights, driven by unaffordable valuations.

Within Infotech, IT services is a large underweight, again an indication of our valuation discomfort. Here, our exposure is to only one large-cap IT Services stock and the rest in Engg R&D and KPO.

SECTORAL ALLOCATION

| | |
|--------------------|---------------|
| Banking | 29.0% |
| Info Tech | 9.9% |
| HealthCare | 6.0% |
| Industrials | 7.0% |
| Automobile | 7.1% |
| Chemicals | 4.8% |
| Materials | 5.9% |
| Insurance | 3.9% |
| Building Materials | 3.6% |
| Misc | 3.9% |
| Textiles | 2.3% |
| Staffing | 2.0% |
| FMCG | 0.3% |
| NBFC | 1.5% |
| Oil & Gas | 1.3% |
| Retail | 0.3% |
| Cash | 11.2% |
| Total | 100.0% |

VALUATION

The Buoyant Opportunities portfolio was valued at 19x (positive) trailing earnings as at end-August. This is significantly lower than BSE-100's (positive) trailing PE of 23. This reflects our **value-based slant** in portfolio construction in line with our view on markets.

INVESTMENT RETURNS

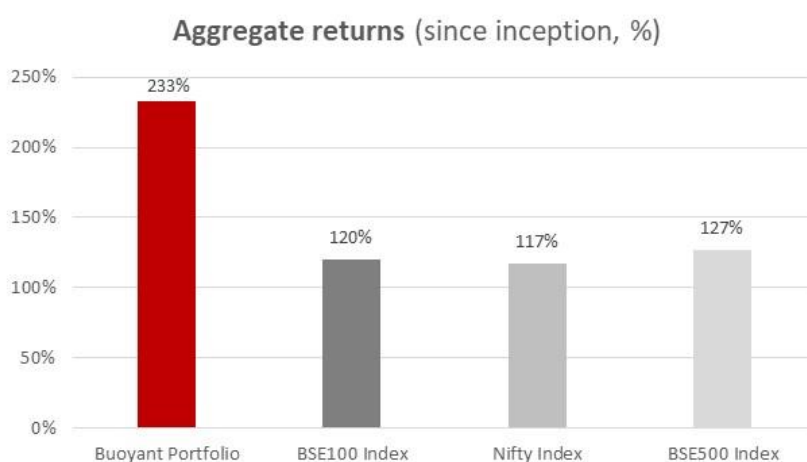
We have **outperformed our benchmark (BSE-100)** over the last two, three and five years as also since inception in June-2016.

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. **Team Buoyant remains committed to delivering long-term alpha for its investor clients.**

TOTAL RETURNS as at 30-Aug-2022

| Total returns (%) | Buoyant Opportunities Portfolio* | BSE 100 Index | Nifty 50 Index | BSE 500 Index |
|----------------------------|----------------------------------|---------------|----------------|---------------|
| Inception (Jun-16 to date) | 21.2% | 13.5% | 13.2% | 14.0% |
| Five years | 15.7% | 12.1% | 12.4% | 12.2% |
| Three years | 30.3% | 17.8% | 17.2% | 19.7% |
| Two years | 47.0% | 26.0% | 24.9% | 28.1% |
| One year | 10.5% | 4.9% | 3.7% | 5.4% |
| One month | 4.5% | 3.9% | 3.5% | 4.6% |

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



BLOGS & MEDIA APPEARANCES

BLOGS

- [The road to hell – The Economic Times](#) on 5 Sep 2022
- [The cycle of disruption – The Economic Times](#) on 29 Aug 2022
- [The pots of gold at the end of the rainbow – The Economic Times](#) on 10 Aug 2022
- [What creates market cycles? – The Economic Times](#) on 2 Aug 2022

MEDIA APPEARANCES

- [Jigar Mistry \(ET Now Swadesh\)](#) on 5 Sep 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 2 Sep 2022
- [Viral Berawala \(ET Now\)](#) on 29 Aug 2022
- [Viral Berawala \(ET Now Swadesh\)](#) on 29 Aug 2022
- [Jigar Mistry \(CNBC-TV18\)](#) on 10 Aug 2022
- [Jigar Mistry \(CNBC Bajar\)](#) on 4 Aug 2022



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