

PERFORMANCE

For Sep-22, the Buoyant Opportunities Strategy returned -2.1% (vs -3.6% 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 – the grind continues

The US stock market has slipped below the Jun-22 lows and is down ~22% this calendar year. Also, news flow is getting incrementally negative. OPEC+ has reduced oil production by 2 mbpd, but inflation is sticky. Ironically, a rare bit of good macro news (strong US jobs data) actually spooked markets (as this gives the Fed more room to hike interest rates, which hurts valuations and future job prospects).

Thankfully, India's consumption story and bank credit growth are holding up. However, this could be partly attributable to higher nominal rather than real growth and may thus not be sustainable.

During the Q2 results season, we expect most sectors to beat estimates. IT enjoys currency and orderbook tailwinds even as the upcoming order pipe can be questioned. Banks will report strong credit growth with lower incremental GNPA formation. Margins will continue to be challenged in Consumption as higher costs persist, but volume growth should be robust.

Internal sector	Weights (%)
Banking	29.5%
Info Tech	9.8%
Industrials	6.7%
HealthCare	6.4%
Chemicals	5.3%
Automobile	5.1%
Misc	4.4%
Insurance	3.8%
Building Materials	3.4%
Materials	3.2%
Media	2.6%
Staffing	2.2%
Textiles	2.1%
NBFC	1.5%
FMCG	1.0%
Oil & Gas	0.4%
Retail	0.3%
Cash	12.2%
Total	100.0%

INTERNAL CONSTRUCT	WEIGHTS (%)
CORE	47.6%
SATELLITE	40.2%
<i>Cyclical</i>	14.3
<i>Turn around</i>	11.9
<i>Value</i>	14.0
CASH	12.2%
TOTAL	100.0%

SECTORAL DECISIONS & CHURN

From a peak of over 38% (in Jun-22), we've reduced weight in Financials by ~4% in three months. This must be seen as reduction of concentration risk rather than any disillusionment with the sector.

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

Within Infotech, IT services is a significant under-weight, 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.

We also exited a position in 2Ws despite improving prospects for the broad reported performance should continue to pick up, but we were conscious of valuations.

PORTFOLIO CONSTRUCTION

We remain in Defensive stance, with (Core + Cash) now at the highest point in this cycle at ~60%. Correspondingly, our cyclicals position is the lightest it has been. Both metrics reflect our low-risk appetite in the current state of affairs.

During mid-September, we exited some counters, pushing up cash to ~17% for a while, ending the month at over 12% cash. Deployment continues to be selective. We are currently anchored around value and margin of safety, given our Defensive stance. Currently, we don't see any triggers for turning aggressive.

VALUATION

The Buoyant Opportunities portfolio was valued at 24x FY23E (positive) earnings as at end-August. This is higher than the Nifty-50 (positive) PE of 19.33x. This reflects our 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'.

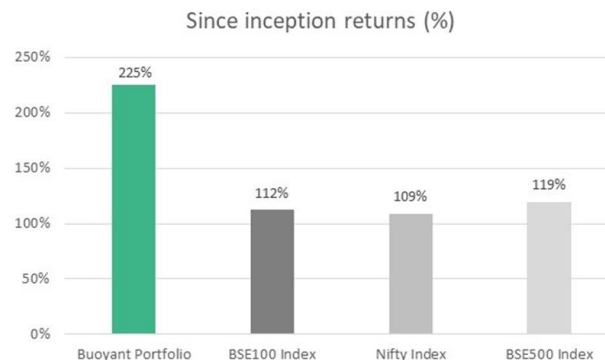
INVESTMENT RETURNS

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.**

TOTAL RETURNS (%)	BUOYANT OPPORTUNITIES	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Since inception (1 Jun 2016 to date)	20.5%	12.6%	12.4%	13.2%
Last five years	14.9%	11.6%	11.8%	11.7%
Last two years	45.8%	24.2%	23.3%	26.2%
Last one year	2.8%	-1.7%	-3.0%	-1.2%
Last month	-2.0%	-3.6%	-3.7%	-3.3%

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



BLOGS & MEDIA APPEARANCES

Blogs

- [UK pensions and path dependence – The Economic Times](#) on 4 Oct 2022
- [The wisdom of crowds – The Economic Times](#) on 20 Sep 2022
- [Smart Beta vs. Active Alpha – The Economic Times](#) on 13 Sep 2022
- [The road to hell – The Economic Times](#) on 5 Sep 2022

Media Appearances

- [Viral Berawala \(CNBC Bajar\)](#) on 7 Oct 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 6 Oct 2022
- [Viral Berawala \(ET Now\)](#) on 3 Oct 2022
- [Jigar Mistry \(CNBC TV18\)](#) on 30 Sep 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 16 Sep 2022
- [Jigar Mistry \(CNBC TV18\)](#) on 7 Sep 2022
- [Jigar Mistry \(ET Now Swadesh\)](#) on 5 Sep 2022
- [Viral Berawala \(CNBC Bajar\)](#) on 2 Sep 2022

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