



Buoyant Opportunities Portfolio

Factsheet for the month of August 2021

Overall performance commentary

For the month of August-21, Buoyant Opportunities Strategy generated 3.0% vs. 7.9% for BSE-100 (the benchmark). Returns are post fees and expenses as computed by Kotak Mahindra Bank

What to look forward to from the markets?

FII's had been net sellers from April to July 2021, while they were neutral during August FII's. After a long time, large caps significantly outperformed mid and small caps during the current month. On a 1-year basis, India is the best performing major market (45.0% vs. 25.3% for Dow Jones (US) and 5% for Chinese markets). Also, this performance has been primarily driven by domestic flows, a combination of flows into mutual funds and direct investments by locals. All this has resulted in more than 100 companies are trading at over 100 PE on a trailing basis. This performance can continue till the time macros worsen and Central Banks are forced to take action

Allocation decision

Long periods of Ultra-low global interest rates has resulted in investors discounting corporate cash-flows at rates that are much lower than historical rates. The growth stocks can than be thought of as long duration bonds and as long as the interest rates remain benign this trade can continue. We continue to avoid this investment construct as a. One cannot predict the future b. Industries are getting disrupted at a much faster rate and c. the longer the time-frame, higher the uncertainty

Sectoral decision

All the sectors are trading at higher than average valuations with some of the high cash-flow sectors trading at 2 Standard deviations above the mean. Our endeavour is to invest in companies where the absolute valuation makes sense rather than base the investment thesis on relative valuation.

During August we tweaked the portfolios a bit and increased weights to Materials (metals and mining) at the expense of healthcare. Also, reduced position in Telecom sector. The newer accounts have higher cash component as well as higher percentage of large cap stocks.

In terms of portfolio characteristics – the forward PE of the portfolio for FY22 is 19.7 (we continue to exclude telecom stocks due to historical losses). The Bloomberg estimated 1 year forward Nifty positive PE (Mar 2022) is at 18.5X.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index
Inception (Jun-16 to date)	23.3%	15.2%
Five years	22.5%	14.0%
Two years	41.4%	24.9%
One year	95.6%	51.3%
Six months	31.3%	18.0%

Classification

Sectoral classification

Banking

Info Tech

Automobile

Chemicals

Materials

Cash

Oil & Gas

Insurance

Industrials

Building Material

Staffing

Retail

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 classificatic

Core

.....
Cyclical

.....
Turnaround

.....
Value

Market-cap classific

Large Caps

.....
Mid Caps

.....
Small Caps