



Buoyant Opportunities Portfolio

Factsheet for the month of **February 2022**

Overall performance commentary

For the month of February 2022, the Buoyant Opportunities strategy returned -8.5% vs. -3.3% for BSE-100 (the benchmark). Returns are post fees and expenses, as computed by Kotak Mahindra Bank and HDFC Bank, our two fund accounting partners.

What to look forward to from the markets?

We live in a VUCA world (Volatile, Uncertain, Complex, and Ambiguous). Every couple of years something that we never thought of happens. In 2016, it was Demonetisation, while 2018 saw ILFS collapsing (most people wrongly thought it was a government entity). In 2020, the Covid pandemic hit us. And just when the 2021 pullback from Covid was sailing smoothly, the world was faced with the specter of a full-blown armed conflict in Europe in 2022. Tough times, you'd think. But here's the incredible takeaway: every calendar year over 2016-21 saw the Indian stock market rise, 2020 included!

How do we deal with the current uncertainty? We are looking at history, and assigning a probability to outcomes. The probabilities may be subjective but this framework helps reduce some of the noise in our decision-making process. A bad economic outcome for India appears to be a low probability event over the medium term, even if the immediate prospects look daunting. Our assessment suggests that the current high prices of commodities and other war-related concerns are unlikely to sustain long enough to materially damage Indian growth prospects.

Not surprisingly, the 'riskier' or 'satellite' parts of the market have got hammered more. This is exactly in line with the cross-cycle market behavior that our investment framework is premised on. Hence, we are selectively increasing the risk in the portfolio, and reversing the defensive stance that we adopted in Aug 2021. A word of caution would not be out of place here. If the 'low probability events in our list do materialize, the portfolio runs a risk of drawdowns even from the current levels. For us, ratcheting up risk in the portfolio is not about recklessly chasing poor management quality or governance. It is about rationally identifying illogical mispricing in poorly understood businesses. Mr. Market's emotional swings in these testing times will work to the benefit of the long-term investor.

Allocation decision

February 2022 saw us deploying some cash to increase allocation to small caps by 1.5%. Since we are transiting to a more aggressive portfolio, the 'core' allocation in the portfolio reduced by 3% while we increased exposure to Cyclical and Value stocks in the 'satellite' category.

Apart from higher 'core' exposure (as opposed to 'satellite') our erstwhile 'defensive' cycle stance since August also called for a relatively more diversified portfolio. We now intend to increase exposure across our high conviction ideas as most of them have been beaten down recently. As we turn up aggression and take more concentrated bets, the portfolio will look less diversified.

Sectoral decision

During February 2022, we increased weights in exporters like IT services and Pharma. We have largely exited investments in FMCG, Oil & Gas, and Telecom. As of end-February 2022, the Buoyant Opportunities portfolio traded at a positive PE of 19.2X on FY23E EPS. This puts it roughly at par with the Bloomberg estimated 1-year forward NSE Nifty positive PE of 18.4X.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	22.1%	13.4%	13.4%	13.9%
Five years	21.3%	13.0%	13.4%	13.2%
Three years	25.8%	15.8%	15.9%	17.0%
Two years	34.5%	22.9%	22.4%	24.7%
One year	37.4%	15.8%	15.6%	17.4%
Six months	4.6%	-1.9%	-2.0%	-1.9%
Three months	-0.7%	-1.6%	-1.1%	-2.3%
One month	-8.5%	-3.3%	-3.1%	-4.1%

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

Other classifications

Internal classification		Market-cap classification	
Core	46%	Large Caps	37%
Cyclical	18%	Mid Caps	22%
Turnaround	18%	Small Caps	36%
Value	13%	Cash	5%
Cash	5%		
Total	100%	Total	100%

Sectoral classification

Sectoral classification	
Banking	29%
Info Tech	11%
Chemicals	11%
HealthCare	9%
Automobile	7%
Materials	6%
Industrials	5%
Cash	5%
Insurance	4%
Retail	3%
Building Materials	3%
Misc	3%
Textiles	2%
Staffing	2%
Oil & Gas	0%
Total	100%