



Buoyant Opportunities Portfolio

Fact-Sheet for Oct-21

Overall performance commentary

Best wishes for Diwali. For Oct-21, Buoyant Opportunities Strategy generated 2.7% vs. 0.2% for BSE-100 (the benchmark). Returns are post fees and expenses as computed by Kotak Mahindra Bank.

What to look forward to from markets?

Yield curve in US continues to flatten. During the last week of October the US bond yield briefly inverted at the long end of the curve ie yields for 20 years bond were higher than the 30 years bond yield. This indicates that the bond markets are pricing in the current inflation to be a short term issue, while for the long term the bond markets are worried about growth. Globally, liquidity in bond market has also gone down substantially. Big-tech reported results which missed analyst estimates by a significant margin but despite all these head-winds Nasdaq was up 2.5% for the last week of October. It is a difficult time to be an investor!!

In India, during Oct 2021, FIIS's sold over 25k crore worth of stock, the highest since March 2020. Add to it atleast 30k crore worth of IPO's over the next 3 weeks which might lead to tight liquidity in Indian markets.

Allocation decisions

We have increased the cash levels to around 10%.

Over the last 3 months the Nifty Smallcap Index has under-performed the Sensex by 10.5%. There are pockets of smallcaps where valuations now offer absolute upsides over the medium term. We have increased the weight of small caps at the pool level by a little over a percent during the last 3 months. While a percentage bump does not seem significant, it is a significant addition when seen in the context of the 10% under-performance of the index and the elevated cash levels (10%) that we are carrying in the portfolio. Weighted average market cap now at over Rs. 2.2 Trillion.

For the near term we plan to be nimble and take profits in stocks where we believe the valuations are excessive.

Sectoral decisions

We continue to be nimble with some of our large cap positions. During the month we reduced weight in Info Tech. Also, over the last few months we had been consistently investing in Financials. For many of the accounts that were opened in 2021, Financials was a significant over-weight and during October's rally in financials we reduced a part of the over-weight positions.

In terms of portfolio characteristics – the forward PE of the portfolio for FY22 is 23.08 (we continue to exclude telecom stocks due to historical losses). The Bloomberg estimated 1 year forward Nifty positive PE (Mar 2022) is at 22.1.

| Total returns (%) | Buoyant Portfolio* | BSE 100 Index | Nifty 50 Index | BSE 500 Index |
|-------------------------------|--------------------|---------------|----------------|---------------|
| Inception (Jun-16 to Oct- 21) | 24.3% | 15.3% | 15.3% | 16.0% |
| Last five years | 22.5% | 15.0% | 15.4% | 15.1% |
| Last two years | 37.3% | 22.2% | 22.0% | 24.9% |
| Last one year | 106.8% | 52.9% | 51.8% | 57.7% |
| Last six months | 41.5% | 20.8% | 20.8% | 21.8% |
| Last three months | 11.4% | 11.3% | 12.1% | 10.3% |
| Last month | 2.7% | 0.2% | 0.3% | 0.2% |

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

See disclaimer in the Quarterly newsletters on how the Buoyant Portfolio returns are calculated. More than one year returns are annualized

| Risk Ratio | Fwd Positive PE | Std Deviation | Beta | Jensen Alpha | Sharpe Ratio |
|------------|-----------------|---------------|------|--------------|--------------|
| 1 year | 23.08 | 18.25 | 0.92 | 59.31 | 5.60 |

Source: Bloomberg PORT function. Based on daily portfolio uploaded to Bloomberg on EOD prices.

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Sectoral classification

| | |
|-----------------|-------------|
| Banking | 23% |
| Chemicals | 9% |
| Info Tech | 8% |
| Automobile | 8% |
| Materials | 8% |
| Misc | 5% |
| Oil & Gas | 4% |
| Building Materi | 4% |
| Textiles | 4% |
| Insurance | 4% |
| HealthCare | 3% |
| Industrials | 3% |
| Retail | 3% |
| Telecom | 2% |
| Staffing | 1% |
| FMCG | 1% |
| Cash | 10% |
| Total | 100% |

Internal classification

| | |
|--------------|-------------|
| Core | 45% |
| Cyclical | 19% |
| Turnaround | 18% |
| Value | 8% |
| Cash | 10% |
| Total | 100% |

Market-cap classification

| | |
|--------------|-------------|
| Large Caps | 36% |
| Mid Caps | 16% |
| Small Caps | 38% |
| Cash | 10% |
| Total | 100% |