



Buoyant Opportunities Portfolio

Factsheet for month of **April 2022**

Overall performance commentary

For April 2022, the Buoyant Opportunities strategy returned 2.4% vs. negative 0.8% for BSE-100 (the benchmark). Returns are after fees and expenses. They are computed by Kotak Mahindra Bank and HDFC Bank, our fund accounting partners.

What to look forward to from the markets?

Since October 2021, the markets have been running hard to stay where they were. Nifty peaked at 18,500 in October, fell to 16,600 in December, pulled back up to 18,300 in January 2022, slipped to 15,800 in March and rose again to top 18,000 in early April. During this period, we have continued to remain defensive. For the six months ending April 2022, the NAV of the Buoyant Opportunities Strategy has been flat, outperforming most diversified indices. We have observed in the past that when markets remain range-bound for extended periods, the next move in either direction is typically large.

Meanwhile, the 4QFY22 results season has been largely in-line. For IT, the FY23 commentary indicates revenue growth in the 12-15% range. Margins are likely to be hit by higher wage costs as attrition continues to be high. Overheads will also rise as more employees resume office and travel picks up. Three large private sector banks have reported healthy growth and improving asset quality. We believe NIMs compression is unlikely to be permanent as interest rate rises are unlikely to be sticky.

FMCG results also indicate margin pressure. A theme we find increasingly interesting is 'rural'; soft commodity (crops, dairy products) prices have risen but input prices (barring fossil fuels) have not, especially in the face of rising fertilizer subsidies.

Meanwhile, US quarterly results especially from Big Tech have been lower than expectations. The large crack in stock prices is mostly on account of disappointing growth, which is exacerbated by sky-high expectations that are already baked in.

Allocation decision

Why are FPIs continuously selling Indian equities? One reason could be India's record premium to the MSCI EM index (100% now vs. 61% over the last decade). If India's economy continues to remain resilient (all-time-high GST collection), there is a possibility that the premia might sustain.

End of April 2022 however, we have close to 10% cash (highest since August 2020). While India's strong economy might allow it to outperform other major economies, slowing external global growth will likely have implications on F23/24 earnings (Nifty consensus is at 17% growth for both years). Eventually, stock prices follow earnings.

We continue to be nimble. When defensive, our aim is to protect capital (or, have lower capital losses) when markets stay range-bound. We shall change the stance (currently defensive) when we sense a fundamental change in earnings traction.

Sectoral decision

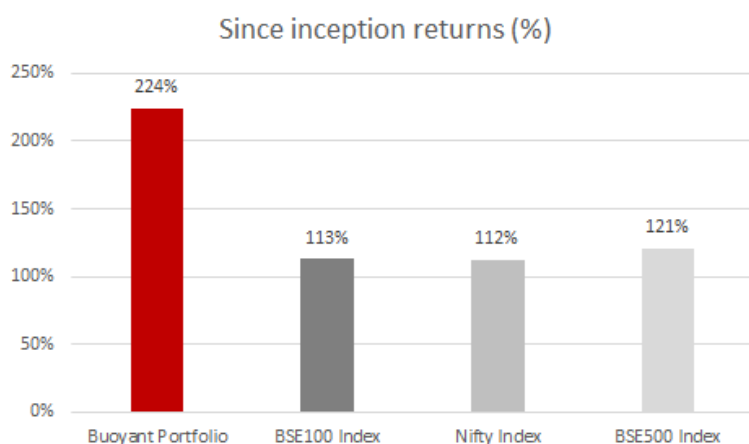
In April, we raised cash by reducing weights in Banking, Healthcare and Discretionary (Retail). We increased weight in Commodities (Metals) as we believe that the China Covid restrictions will likely be short term in nature, but the under-investment in the sector will keep commodity prices higher for longer than anticipated. Aside, lockdowns in China reduce consumption, but also production. It is demand and supply that matters for commodity prices.

End-April 2022, the Buoyant Opportunities portfolio is valued at a positive PE of 23.5X on FY23E EPS. This puts it at a 20% premium versus the Bloomberg estimated 1-year forward NSE Nifty positive PE of 19.5X.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	22.0%	13.6%	13.3%	14.2%
Five years	18.6%	12.7%	12.9%	12.7%
Three years	24.0%	14.0%	13.3%	15.5%
Two years	64.7%	32.9%	31.7%	36.1%
One year	41.0%	18.5%	16.9%	19.6%
One month	2.4%	-0.8%	-2.1%	-0.6%

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.



Sectoral classification

Sectoral classification	
Banking	27%
Info Tech	12%
Chemicals	8%
Materials	7%
HealthCare	7%
Automobile	6%
Industrials	6%
Insurance	4%
Building Materials	4%
FMCG	3%
Staffing	2%
Textiles	2%
Misc	1%
NBFC	1%
Oil & Gas	0%
Cash	10%
Total	100%

Other classifications

Internal classification		Market-cap classification	
Core	43%	Large Caps	33%
Cyclical	20%	Mid Caps	20%
Turnaround	13%	Small Caps	37%
Value	14%	Cash	10%
Cash	10%		
Total	100%	Total	100%