



Buoyant Opportunities Portfolio

Factsheet for **Financial Year 2021-22**

Overall performance commentary

For FY22, the Buoyant Opportunities strategy returned 42.9% vs. 19.2% for BSE-100 (the benchmark). Returns are post fees and expenses, as computed by Kotak Mahindra Bank and HDFC Bank, our Custodians and Fund Accountants.

We are happy to share that the Buoyant Opportunities Strategy was rated as a 5-star Fund in the recently published PMS Bazaar – CRISIL ratings, a multi-parameter rating methodology that uses returns, volatility, concentration, and liquidity to rate PMSs.

What to look forward to from the markets?

As we set sail into FY23, the inversion of the US yield curve is a key investor concern. From last May's estimates of less than two US Fed rate hikes for CY22, the consensus is at a staggering seven hikes, not to mention a finite probability of a 50-bps hike (vs. the 25bps instalments). Already the 3-yr yield has crossed the 10-yr yield. So has the 5-yr yield. Historically, an inversion of the yield curve has been the best harbinger of a recession.

Closer home, the RBI has adopted a pro-growth monetary stance, leading many to believe that rate hikes in India might not be as steep. This is possible, but typically not over extended periods. In our view, India is in the mid-stage of a business up-cycle that started post-COVID. We remain constructive over the medium term, even as we recognize near-term macro challenges.

The disruption unleashed by aggressive reforms over 2015-18 is mostly over. Investments in infra (physical and digital) will yield sustainable productivity gains hereon. After several hiccups and a visible downcycle, corporate profitability is set to increase in the country's GDP mix, naturally translating into higher stock prices.

In the immediate term, though, corporate profits (other than commodity producers) will face inflation headwinds in Q4FY22 and Q1FY23, too. Also, the Indian stock market continues to be relatively expensive vs peers. Hence, we believe volatility will remain high, driven by commodity prices, escalated geopolitical tensions, and near-term earnings reports. This is reflected in our somewhat higher cash levels in older a/cs, as well as our slower than usual deployment of cash in new accounts.

India remains a very attractive investment destination as it navigates challenges and opportunities like those unleashed by Covid, the Ukrainian war, commodity prices, supply chain disruptions, and the easing of Chinese domination in world trade.

Allocation decision

The month gone by (March 2022) saw us increase cash by 3% at the expense of large and mid-caps. Some of our small-cap stocks underperformed during the month. Yet, our portfolio small-cap weight increased by 1.3% as we increased exposure to this category. Since we are transiting to an incrementally aggressive stance, the 'turnaround' and 'value' slices in the portfolio increased by a combined 4.5%.

Sectoral decision

During March 2022, we significantly increased weights in Financials to 35.1%. We have taken a few contrarian calls and increased exposure to Building Materials and Industrials.

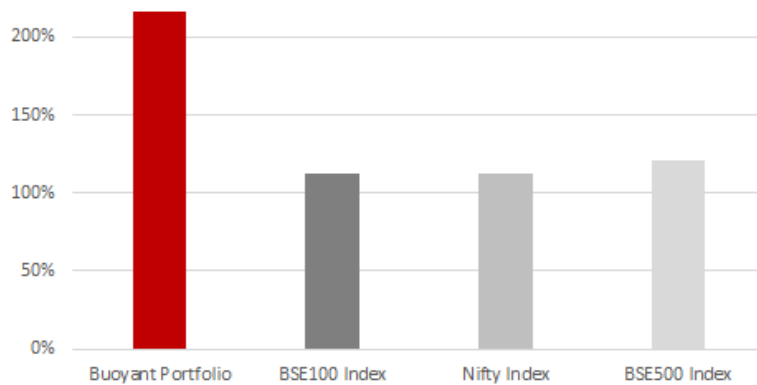
As of end-March 2022, the Buoyant Opportunities portfolio traded at a positive PE of 25.6X on FY23E EPS. This puts it roughly at par with the Bloomberg estimated 1-year forward NSE Nifty positive PE..

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	21.8%	13.9%	13.9%	14.5%
Five years	20.7%	13.3%	13.7%	13.4%
Three years	21.9%	14.5%	14.5%	15.7%
Two years	74.2%	43.0%	42.5%	46.1%
One year	42.9%	19.2%	18.9%	20.9%

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.**

Since inception returns (%)



Sectoral classification

Sectoral classification	
Banking	31%
Info Tech	12%
Chemicals	9%
HealthCare	9%
Automobile	6%
Industrials	5%
Insurance	4%
Retail	3%
Building Materials	4%
Materials	3%
Staffing	2%
Textiles	2%
Misc	1%
NBFC	1%
Cash	8%
Total	100%

Other classifications

Internal classification		Market-cap classification	
Core	44%	Large Caps	35%
Cyclical	14%	Mid Caps	21%
Turnaround	20%	Small Caps	36%
Value	14%	Cash	8%
Cash	8%		
Total	100%	Total	100%