



Buoyant Opportunities Portfolio

Factsheet for month of **May 2022**

Overall performance commentary

For May 2022, the Buoyant Opportunities strategy lost 6.3% vs. negative 3.9% 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?

Markets (the US as well as India) were weak for most of May. Since the start of the calendar year, the S&P 500 has fallen 18%, Nasdaq was down 28% and Nifty was down 9% before all of them staged a sharp recovery towards the end! Market volatility continues to bedevil investors. In response, we prefer to nibble on bad days while holding reasonable cash positions.

Over the last seven years, growth in Nifty's earnings has (up 97%) driven the rise in Index (which is up 95%).

With the Covid induced market draw-down of 35% still fresh in investors' minds, a question we are often asked is whether the bottom is in place or how much markets can fall. Our stance here is that very large market drawdowns typically happen when there is an unforeseen shock to the system, a black swan event. In today's context, rising inflation and monetary tightening by the central banks are known and are probably discounted by the markets. Barring unforeseen events, the coming months will be a time to invest in quality mid and small caps. This might also afford a contrarian window to accumulate beaten-down stocks in sectors which are commodity consumers and have not been able to pass on the increased commodity prices.

Allocation decision

Our small-cap exposure fell 2.5% during the month. This wasn't driven by actions; it was a result of the market fall (the BSE Small-Cap index was down 7.8%, vs just -3% for the Nifty). Interestingly, the NSE Small-Cap index currently is at the same level as the January 2018 peak i.e. flat over 4.5 years!

In mid-caps, we exited one position pushing the mid-cap weight to under 19% in the portfolio. We will continue to gradually increase weights in small and mid-caps, even as the pain continues for some of them. This short-term pain will help us position well when the tide turns.

Sectoral decision

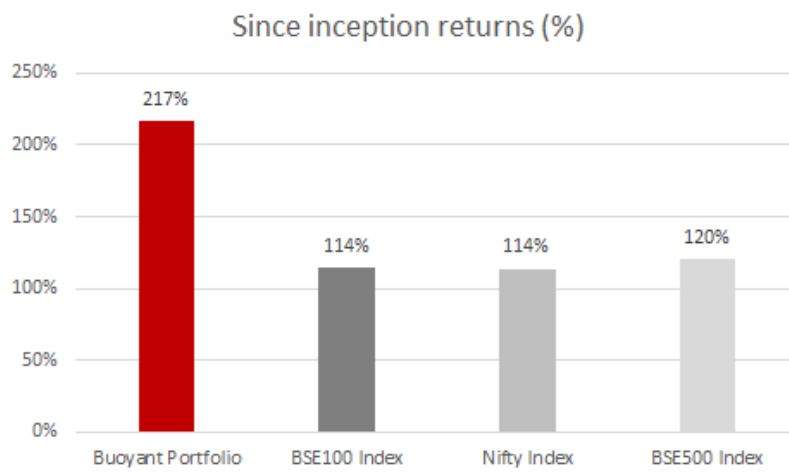
We had raised cash to over 14% at a portfolio level in early May. During the second half, when markets cracked for a few days, we deployed part of this. Cash is now back to last month's level of ~9.5%. We remain constructive on lenders as well as life insurance among Financials, which now account for a whopping 37% of the portfolio. We were significantly overweight in Chemicals, and continue to be so, despite reducing some weight here to allocate to other sectors.

As of May-end, the Buoyant Opportunities portfolio is valued at 17.4X on FY23E EPS. This puts it at an 8.6% discount versus the Bloomberg estimated 1-year forward NSE Nifty positive PE of 18.9X.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	20.3%	12.6%	12.5%	13.1%
Five years	17.5%	11.2%	11.5%	11.3%
Three years	20.3%	11.9%	11.6%	13.2%
Two years	63.0%	32.0%	31.6%	34.6%
One year	20.4%	6.7%	6.4%	6.9%

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.



Sectoral classification

Sectoral classification	
Banking	32%
Info Tech	9%
Industrials	7%
HealthCare	7%
Materials	7%
Chemicals	6%
Automobile	6%
Insurance	5%
Building Materials	4%
FMCG	2%
Staffing	2%
Textiles	1%
Misc	1%
NBFC	1%
Oil & Gas	0%
Cash	9%
Total	100%

Other classifications

Internal classification		Market-cap classification	
Core	45%	Large Caps	38%
Cyclical	19%	Mid Caps	17%
Turnaround	14%	Small Caps	35%
Value	13%	Cash	9%
Cash	9%		
Total	100%	Total	100%