



Buoyant Opportunities Portfolio

Factsheet for the month of January 2021

Overall performance commentary

For January 2021, the Buoyant Opportunities fund returned 2.8% net of fees (versus negative 2.1% for BSE-100 and negative 0.6% for BSE Small-Cap).

What to look forward to from the markets?

After 4 months of continued buying FII's were net sellers in the last week of January. This FII selling was across markets, nothing specific to India. FII's buying over a 4 month period since late Sept to mid Jan had driven a 36% rally in the Nifty. Most of the widely tracked companies have reported results for the Dec 2020 quarter and across sectors we have seen massive beat to analyst estimates. The excellent financial results are a combination of conscious cost savings in areas like salaries, rent and office expenses, pandemic induced cost savings in travel and sales promotion, pent up demand, large shift from unorganized to organized sector. Secondly, end consumers have also shifted discretionary spends like travel, eating out etc to durable goods, home improvement and real estate.

Allocation decision

We were fully invested during January. Small and mid caps are now at 69% of the portfolio, this part of the market out-performed in January, however the valuation differential with large caps continues to be high. On A Total return basis the Large caps are up over 40% since Dec 2017, whereas the small cap index is slightly negative. GST collections of over 1.2 Trillion in January, suggests that the recovery is faster than expected and many of the organized players should start reporting sustained sales growth and margins that are higher than pre-Covid levels. Also, in an expanding economy, the smaller companies will likely improve the margins more than the larger more stable companies.

The Core stocks are roughly half of the portfolio and the weight has gradually reduced. The weight to "Turnaround" is higher than our comfort zone as few of the stocks have out-performed. During the month we will look for opportunities to trim the weight in "Turnaround" part of the portfolio.

Sectoral decision

During January we added one more stock (in building material) to position the portfolio for a real estate revival. We don't have any direct investments to the real estate sector or housing Finance companies but have investments in 3 stocks that are proxies to the real estate sector. As communicated earlier we continue with our stance of positioning the portfolio for a recovery, and towards that we are carrying a much higher absolute weight in domestic themes - Infrastructure, Staffing, Financials, Telecom and Insurance. Energy, Staples and IT services remain the key under-weights.

In terms of portfolio characteristics – the forward PE of the portfolio for FY22 is 15.3 (We continue to exclude Bharti Airtel and Vodafone due to historic losses). The Bloomberg estimated 1 year forward Nifty positive PE (Mar 2022) is at 20.9.

Investment returns

Total returns (%)	Buoyant Portfolio*	BSE 100 Index	Nifty 50 Index	BSE 500 Index
Inception (Jun-16 to date)	16.3%	11.6%	11.6%	11.6%
Two years	13.7%	11.7%	12.2%	12.2%
One year	9.3%	14.2%	14.0%	14.9%
Six months	50.4%	23.6%	23.1%	25.3%
Three months	28.8%	17.7%	17.1%	18.1%
One month	2.8%	-2.1%	-2.5%	-1.8%

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

Classification

Sectoral classification

Banking	25%
Industrials	6%
Insurance	7%
Chemicals	10%
Automobile	8%
Telecom	7%
Oil & Gas	3%
HealthCare	5%
Info Tech	9%
Staffing	4%
Media	3%
Materials	5%
Cash	2%
Building Mat	3%
Misc	1%
Retail	2%
Total	100%

Investment returns

Sectoral, Market-cap and Internal

Sectoral: Banking and IT continue to remain our top focus sectors

Internal: We are increasing exposure to Core vertical, and reducing exposure to cyclicals in the run up

Market-cap: Market-cap classification broadly remains unchanged for the past few months. We are increasingly reducing exposure to small and mid-caps and increasing exposure to large caps

Internal classification

Core	47%
Cyclical	16%
Turnaround	21%
Value	15%
Cash	2%
Total	100%

Market-cap classification

Large Caps	30%
Mid Caps	24%
Small Caps	45%
Cash	2%
Total	100%

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