OPPORTUNITIES STRATEGY

FACTSHEET : July 2023

PERFORMANCE

For July-23, the **Buoyant Opportunities Strategy** delivered 6.3% (vs 3.9% for the BSE-500 TRI, our benchmark). Performance computations include dividends, and is post-fees and expenses. HDFC Bank and Kotak Mahindra Bank are our custodians.

Our **Disclosure Document** contains statutory details of our **Liquid Strategy**, an efficient and zero-fee route for our clients to phase their entry into equity investments, while earning liquid fund returns on surplus cash. **Contact Sakshi**, our chatbot, for more information on all our products, including the Buoyant Capital AIF.

MARKET VIEW

Of the 1,280 listed companies with over INR5 billion in market-cap, some 50% of them are up 30% or more, 25% are up 50% or more and 61 companies have doubled their share prices, all under four months. In comparison, Nifty is up 16%. After this stellar run, the most frequent question posed to us is – where do we go from here?

The way we see it, this could play out in one of two broad scenarios. Let's say we have **Scenario A: Central bankers are Gods**. Here we will start with the belief that *Economics is an exact science*. Central banks have managed to raise interest rates just enough to slow the economy down, but not crash it. Inflation, being the funny creature that it is, will come off with time. By then, interest rate cuts will also begin. And as everyone knows, India is the next big thing, which will make FPIs perennial buyers. For domestic savings, there is no alternative to equity either. So let us factor all of that into equity pricing itself today.

Now there's always a **Scenario B: Nobody ever knows everything**. Here, let's start with the belief that *Economics is not such an exact science, and that economies respond with a lag*. When interest rates are hiked rapidly, there are skeletons waiting to tumble out of the closet. Inflation is funny, but it permeates into consumer behaviour. The US hadn't noticed this earlier, as it was the repository to global savings (EU is a bank without a country, Japan has no free float, not everyone trusts China, and India has no capital convertibility). But things are changing at the margin with China and India trying to regionalize savings. The US wants to deflate Debt-to-GDP away, which is why liquidity is high since Oct-22. But central bankers will come back with a bang once inflation rises just a tiny bit.

SECTOR CLASSIFICATION	Weight (%)
Banking	22.8%
Info Tech	7.5%
Industrials	7.3%
HealthCare	5.4%
Automobile	5.3%
Insurance	5.3%
NBFC	5.0%
Chemicals	4.7%
Materials	3.5%
Building Materials	2.9%
FMCG	2.6%
Textiles	1.9%
Staffing	1.7%
CASH and equivalents	**22.2%**
Total	**100.0%**

MARKET CAP CATEGORY	Weight (%)
Large Cap	30.9%
Mid Cap	3.1%
Small Cap	43.9%
Cash	22.2%
Total	**100.0%**

CORE/SATELLITE BREAKUP		Weight (%)
Core		41.0%
Satellite		36.8%
Cyclical	*20.0%*	
Turnaround	*8.7%*	
Value	*8.1%*	
Cash		22.2%
Total		**100.0%**

PORTFOLIO STANCE

We are tilting more towards scenario B above; we stay defensive (read details on our framework **here**). Unlike 2021, corporate profits are not changing orbits, monetary policy is not decidedly loose, and there is very little fiscal space.

Incrementally, we are turning to larger-cap, low beta businesses. Core (incl. cash) is up to 63%, and we've cut our Small & Mid cap position by 14 percentage points in July 2023.

SECTORAL DECISIONS

Our portfolio allocation to Banks is down by 4 percentage points, NBFC weight is down 3 per cent in July, and we have hiked stakes in building materials, textiles and **we're taking time to fully invest new capital.**

VALUATION

The **Buoyant Opportunities Portfolio** is valued at 21x FY24E (positive) earnings, roughly at par with the BSE-500 (positive) P/E.

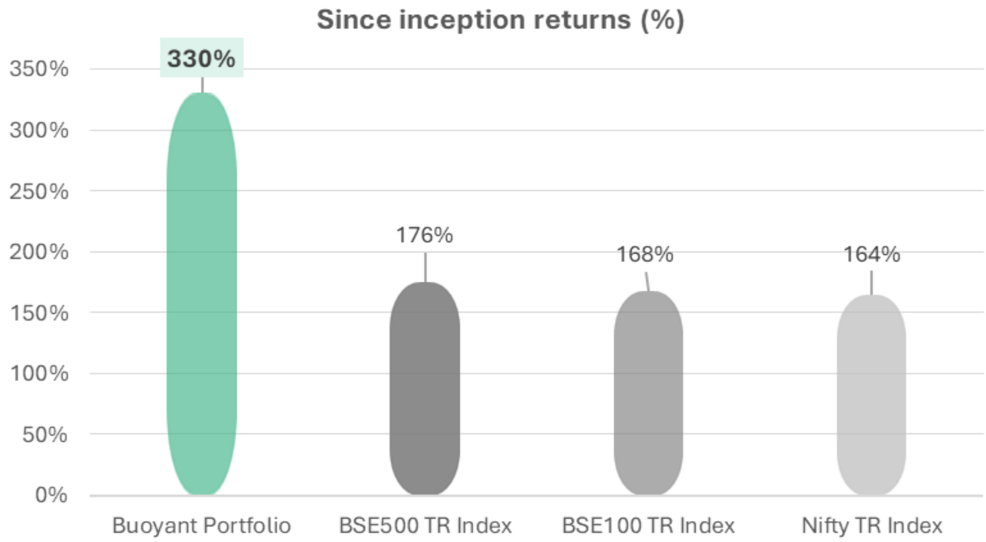
BUOYANT CAPITAL's Opportunities Strategy has appreciably outperformed its benchmark (BSE-500) since inception in June-2016, over seven years ago.

We continue to sharpen what we believe is a durable cross-cycle investing framework and philosophy. This framework enables us to offer a SINGLE PMS scheme/strategy for investors wherein we take the allocation decisions across market caps, sectors and themes flexibly over time, thus sparing investors the confusion of having to choose (and allocate sporadically) across various schemes. We see our cumulative returns since inception as reasonable evidence of the robustness of this investment framework.

Total returns (%)	Opportunities Portfolio*	BSE 500 TR Index	BSE100 TR Index	Nifty 50 TR Index
Since inception *1-Jun-16 to 31-Jul-23*	**22.6%**	**15.2%**	**14.8%**	**14.6%**
Last five years	19.8%	13.5%	13.1%	13.0%
Last two years	21.4%	13.0%	13.4%	13.2%
Last one year	35.3%	17.4%	16.5%	16.3%
Last month	6.3%	3.9%	3.1%	3.0%

Source: Bloomberg for BSE 500 TRI, BSE 100 TRI, Nifty 50 TRI. Opportunities Portfolio returns are post fees and expenses. More than one-year returns are annualised.

Risk metrics	1-year	3-year
Sharpe ratio (X)	2.31	2.11
Jensen's alpha (%)	18.63	19.71
Information ratio (X)	3.26	2.04
Standard deviation (%)	12.13	19.34
R-squared (X)	0.80	0.69
Beta of portfolio (X)	0.93	1.09
Sortino ratio (X)	6.49	5.22



BLOGS & MEDIA

Blogs

- Credit cards-Moneycontrol 18 July 2023
- Junk bonds and market cycles – The Economic Times 26 Jun 2023
- Network effects: a double edged sword – Moneycontrol 12 Jun 2023
- The new Electricity Act and India's power sector - The Economic Times 22 May 2023
- Indian Equity Markets – Moneycontrol 16 May 2023

Media Appearances

- Jigar Mistry (CNBC TV18) 1 August 2023
- Viral Berawala (ET Now) 13 July 2023
- Jigar Mistry (CNBC TV18) 4 July 2023

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