

PERFORMANCE

For August 2023, the **Buoyant Opportunities Strategy** delivered 3.5% (vs negative 0.6% for the BSE-500 TRI, our benchmark). Performance computation includes dividends and is on a post-fees and expense basis. 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

We have often argued that a good company and a great investment are two separate things; different sectors and stocks follow cycles. Upon identifying a business with the potential to compound earnings at a healthy rate for many years, the markets initially get excited and share prices rise quickly, dislocating itself from earnings growth. That creates the **first leg** of the cycle. Then comes the prolonged period of earnings catch-up, when stock returns are muted despite strong earnings growth. That creates the **second leg** when a company still stays great (strong earnings growth, return ratios better than cost of capital), but it becomes a lousy investment. For stocks, it is a foregone conclusion that whereas earnings can compound at a regular click, share prices rarely, if at all, do.

SECTOR CLASSIFICATION	Weight (%)
Banking	21.7%
Info Tech	6.7%
Industrials	6.0%
HealthCare	5.5%
Automobile	7.3%
Insurance	5.4%
NBFC	4.7%
Chemicals	5.0%
Materials	3.8%
Building Materials	3.8%
FMCG	2.2%
Textiles	1.8%
Staffing	1.6%
Cash	22.5%
Total	100.0%

For markets, however, both legs of different stock cycles used to counteract each other, such that earnings growth and index appreciation used to be in tandem. That appears to be changing.

Fundamentally, India is very well placed with rising labour force participation and expectations of productivity gains. It will therefore attract decent flows too – international and domestic.

But that bullishness is permeating across, to the extent that any news is good news now. Promoters selling (more float), PE selling large minority stakes (no overhang), good results (obviously), and even bad results (worst is in the price) are rejoiced by the markets.

To us, there is an increasing possibility that once the current bullishness settles, we may enter a prolonged period of low overall market returns, even if India fundamentally does well. The company (India) will still be great, but its share price (Index) may not do well for a while.

That would make sector, market-cap and stock selection decisions more crucial than they have traditionally been.

MARKET CAP CATEGORY	Weight (%)
Large Cap	32.5%
Mid Cap	3.6%
Small Cap	41.5%
Cash	22.5%
Total	100.0%

PORTFOLIO STANCE

Incrementally, we are turning to larger-cap, low-beta businesses. Core (incl. cash) is up to 62% and we have cut Small and midcap positions by over 15 percentage points over the past two months.

CORE/SATELLITE BREAKUP	Weight (%)
Core	39.0%
Satellite	38.5%
<i>Cyclical</i>	22.2%
<i>Turnaround</i>	9.1%
<i>Value</i>	7.2%
Cash	22.5%
Total	100.0%

SECTORAL DECISIONS

Our weight in banking is down by one percentage point in August, and we have hiked stakes in automobile and building materials. Additionally, we are taking a longer time to invest new capital.

VALUATION

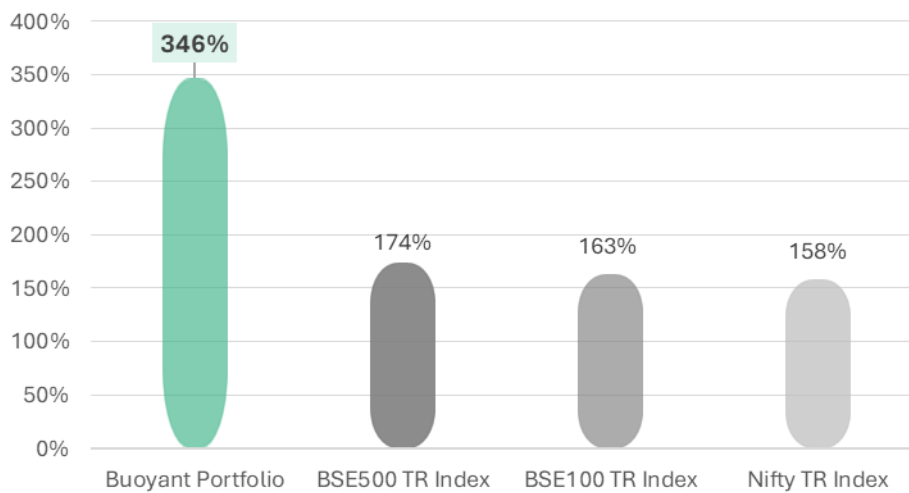
The **Buoyant Opportunities Portfolio** is valued at 19x FY25E (positive) earnings, roughly at par with the BSE-500 (positive) P/E.

BUOYANT CAPITAL's Opportunities Strategy has appreciably outperformed its benchmark (BSE-500) since its 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	Risk metrics	1-year	3-year
Since inception	22.9%	14.9%	14.3%	14.0%	Sharpe ratio (X)	2.12	1.97
1-Jun-16 to 31-Aug-23					Jensen's alpha (%)	23.23	17.84
Past five years	18.9%	12.6%	11.9%	11.8%	Information ratio (X)	3.87	1.99
Past two years	21.8%	9.1%	8.2%	7.3%	Standard deviation (%)	12.09	18.29
Past one year	34.3%	11.3%	10.0%	9.5%	R-squared (X)	0.76	0.72
Past month	3.5%	-0.6%	-1.7%	-2.3%	Beta of portfolio (X)	0.94	1.09
<i>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.</i>					Sortino ratio (X)	6.25	4.70

Since inception returns (%)



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 September 2023
- [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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