


# PORTFOLIO FACTSHEET

May 2024



**More of the same** The battle between 362 and 293 seats gripped the market, causing wild swings between despair and euphoria within a week! The Nifty 50 Index soared 3.3% with exit poll data, plunged nearly 6% on election day, and has since surged to all-time highs. A two-thirds majority of 362 seats would have empowered BJP to implement bold reforms, but even with 293 seats and allied support, India is set for stable governance. Despite fears, a lack of absolute majority doesn't mean fiscal recklessness. BJP's fiscal prudence since the Vajpayee era suggests continued discipline. While political stasis might mean steady market sentiment, expensive sectors could remain inflated until the next crisis. We maintain a balanced portfolio of large and small/midcaps, focusing on reasonably valued sectors and adjusted exposures.

### 362 versus 293

**W**hat does 362 offer that 293 does not? Markets grappled with this question, oscillating between despair and jubilation within a single week.

The Nifty 50 Index initially rose 3.3% with exit poll data, fell nearly 6% on election day, and has since climbed to all-time highs.

While a two-thirds majority of 362 seats would have empowered the BJP to implement sweeping reforms such as the Uniform Civil Code, One Nation, One Election, and crucial land, power, and agricultural reforms, a comfortable majority of 293 seats, bolstered by allied parties,

ensures stable governance for the next five years.

Does the absence of an absolute majority imply fiscal imprudence? We think not. FRBM was implemented during the Vajpayee era, and the BJP has consistently maintained fiscal prudence.

While no change in political systems may be good, it may also imply no change in market sentiment – and thereby sectors that are expensive may continue to remain so until the next crisis.

We maintain a balanced portfolio, equally split between large and small/midcaps. This letter highlights sectors with balanced valuations and details our adjusted exposures.

## What a brute majority could have given us

A brute majority (over 362 seats or a two-thirds majority) would have allowed the BJP to implement broader changes. While some reforms may not require a constitutional amendment, such power would ease the passage of many bills. The table below distinguishes possible reforms from improbable ones.

Exhibit 1: Potential reforms

Reform Category	Details
<b>Ongoing Reforms</b>	- Direct Benefit Transfer (DBT) reforms to improve subsidy delivery systems
	- Free Trade Agreement (FTA) negotiations aimed at boosting international trade opportunities
	- Expanding debt markets to provide more financing options for businesses and governments
	- Streamlining tax laws to simplify the tax code and reduce compliance burdens
	- Correcting inverted duty structures to ensure a balanced and fair tax system
<b>Challenging Reforms - Potential Resistance</b>	- Political reforms: Implementing a Uniform Civil Code and conducting elections under the One Nation One Election policy
	- Energy reforms: Enacting a new Electricity Act and privatizing power distribution companies (Discoms)
	- Agricultural reforms including updating land acquisition laws to facilitate better land use and investment
	- Implementing labor laws to improve worker rights and modernize labor practices
	- Broadening GST coverage to include more goods and services under the Goods and Services Tax regime

A week is a long time in politics, but given the arithmetic, investors can reasonably assume that India will have a stable government for the next five years.

Exhibits 2 and 3: lower and higher house of Indian parliament

Parties	LS seats	Current NDA parties	RS Seats
Current NDA	293	BJP	97
o/w TDP	16	JD(U)	4
o/w JDU	12	JD(S)	1
<b>Ex-TDP/JDU</b>	<b>265</b>	SHS	1
		RLD	1
Majority mark	272	PMK	1
<b>To reach majority</b>	<b>7</b>	AGP	1
		TMC(M)	1
<b>Potential options</b>	<b>20</b>	NPP	1
Independents	7	RPI(A)	1
SHSUBT	9	UPPL	1
YSRCP	4	IND	2
		Others	7
		<b>NDA Total</b>	<b>119</b>
		<b>Total Rajya Sabha</b>	<b>245</b>
		<b>% of total</b>	<b>49%</b>

Does fiscal consolidation go for a toss?

To do good, one must be in power. To gain power, one might have to do whatever it takes, even if not all actions are good. It's a circular logic of sorts. Consequently, does a lower majority for BJP imply fiscal irresponsibility?

We do not think so. People do not change, and neither do parties. The FRBM Bill and Act were both introduced during the Vajpayee era (BJP), and the current government has demonstrated reasonably good fiscal responsibility.

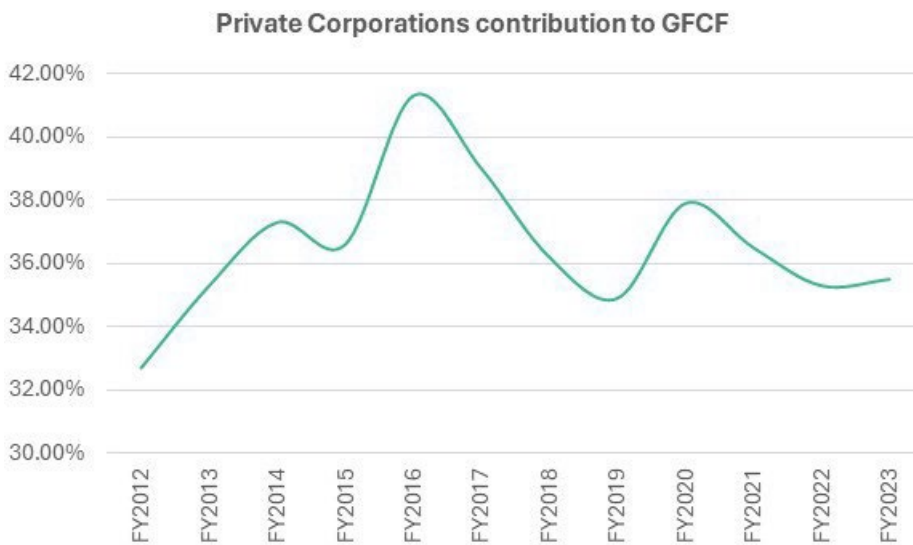
Doles, once given, cannot be retracted, as the BJP knows with its ration distribution to nearly a billion people. Fiscal irresponsibility now would be hard to recover from. Therefore, expect allocation tweaks rather than significant changes.

So, nothing changes, is it?

If the exit poll data had held true, BJP's gains in the South and East, along with continued dominance in the North and West, would have implied a mandate for 10 years, despite the explicit five-year term.

For private capital spending, a ten-year confirmation is more favorable than a five-year certainty. The chart below could have shown greater gains had the exit poll data held true.

Exhibit 4: Private Corporation Contribution to GFCF



Not all "no change" is good

Given the exuberance in certain sectors, their valuations now exceed historical averages and future earnings growth. The exhibits below provide details.

Exhibits 5 and 6: Sectoral summary

Sector	12m Fwd PE Rerating (x)		EPS CAGR (%)			FY25 EPS Chg (%)
	Current vs 5Yr Avg on Dec 19	FY17-20	FY22-24	FY24-26	YTD	
Technology	1.78	13.3	26.9	20.8	(5.8)	
<b>Private Banks</b>	0.66	1.9	59.0	16.9	(3.8)	
FMCG	1.36	15.4	16.8	25.5	(4.8)	
Conglomerate	1.93	11.2	8.9	17.0	(3.7)	
Automobiles	1.44	(0.2)	54.9	19.3	4.9	
Metals & Mining	1.99	2.2	(12.7)	31.8	11.1	
Pharma	1.41	12.8	23.1	20.0	(0.1)	
<b>NBFC</b>	0.94	19.4	28.2	15.7	2.2	
<b>PSU Banks</b>	0.91	(25.6)	45.3	18.9	10.5	
Cap Goods	1.92	10.9	21.9	25.0	1.0	
Retail	1.43	22.5	77.4	35.7	(9.9)	
Utilities	2.30	24.2	14.6	16.9	2.2	
<b>Telecommunications</b>	0.73	19.4	(2.8)	11.1	11.2	
Cement	1.39	18.0	(6.2)	27.0	(5.2)	
Real Estate	2.45	4.5	62.5	68.4	(2.0)	
Chemicals	1.97	40.9	(5.3)	39.9	(14.5)	
Construction	1.46	15.1	25.6	28.3	(2.4)	
Financial Services	1.46	3.7	18.8	40.3	12.0	
Insurance	1.29	(2.1)	(0.4)	22.4	(3.5)	
Upstream O&G	1.10	(5.4)	9.3	9.6	7.4	
<b>OMCs</b>	1.25	(26.2)	48.9	(21.6)	18.7	
Defense	3.92	8.8	19.7	25.5	7.8	
Logistics	1.37	(5.2)	24.7	21.0	7.3	
Auto Ancillaries	1.53	0.7	33.3	23.1	(0.1)	
Paints	1.00	9.7	46.0	(1.4)	(11.4)	
<b>Health Care</b>	1.04	(1.2)	(5.1)	41.4	(8.1)	
Gas Utilities	1.41	49.6	(0.5)	5.4	(6.3)	
Consumer Electricals	1.42	9.2	(6.6)	44.1	(2.9)	
<b>Travel &amp; Leisure</b>	0.91	67.2	NA	32.7	(6.9)	
Building Materials	1.64	4.7	2.0	25.3	(10.2)	
Tyres	1.56	(1.3)	80.9	13.8	(0.5)	
Consumer Goods	2.07	27.2	13.7	65.2	(1.5)	
Internet Companies	1.01	(5.0)	(39.4)	19.0	4.8	
Agriculture	1.65	14.3	5.2	17.9	(9.6)	
Textiles	1.84	6.8	(9.4)	27.8	(4.1)	
EMS	2.33	30.9	38.4	56.7	13.7	
<b>Media</b>	0.69	(3.2)	(24.3)	67.3	(16.3)	
Consumer Discretionary	1.04	41.2	167.6	20.0	(6.6)	
<b>Business Services</b>	0.58	6.8	8.7	37.7	(5.6)	
<b>NSE500 Aggregate</b>	<b>1.46</b>	<b>10.8</b>	<b>23.5</b>	<b>25.9</b>	<b>(1.4)</b>	
<b>NSE500 Ex-Financials</b>	<b>1.55</b>	<b>12.1</b>	<b>21.7</b>	<b>26.8</b>	<b>(2.2)</b>	
<b>NSE500 Ex-Fin &amp; Commodities</b>	<b>1.54</b>	<b>13.3</b>	<b>23.3</b>	<b>27.4</b>	<b>(3.3)</b>	

Source: Bloomberg, Note: Based on 235 NSE500 cos. for which more than 5 analysts' estimates and historical data for FY17-20 EPS are available.

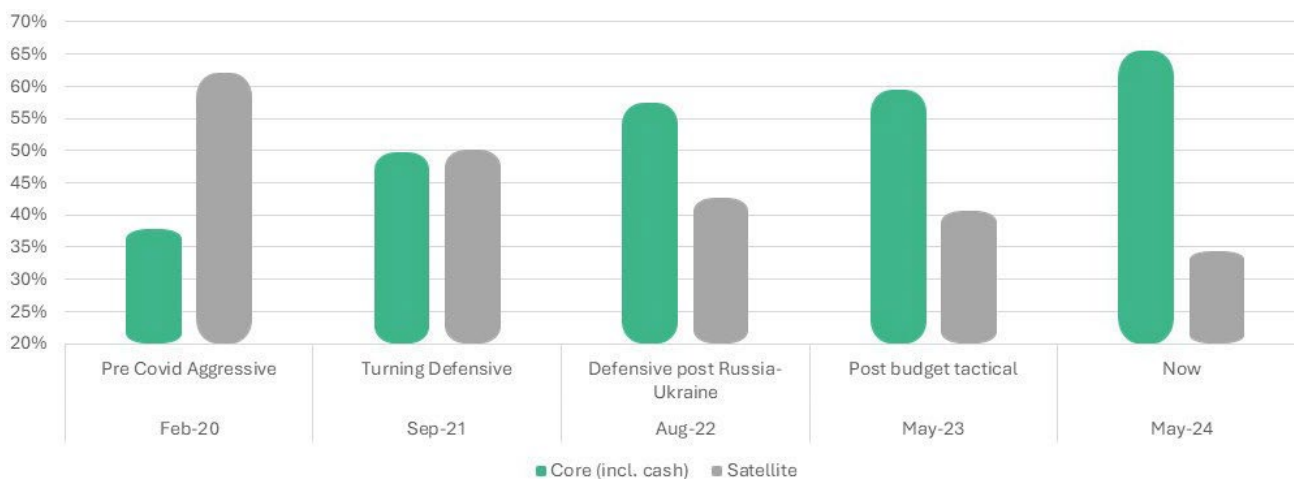
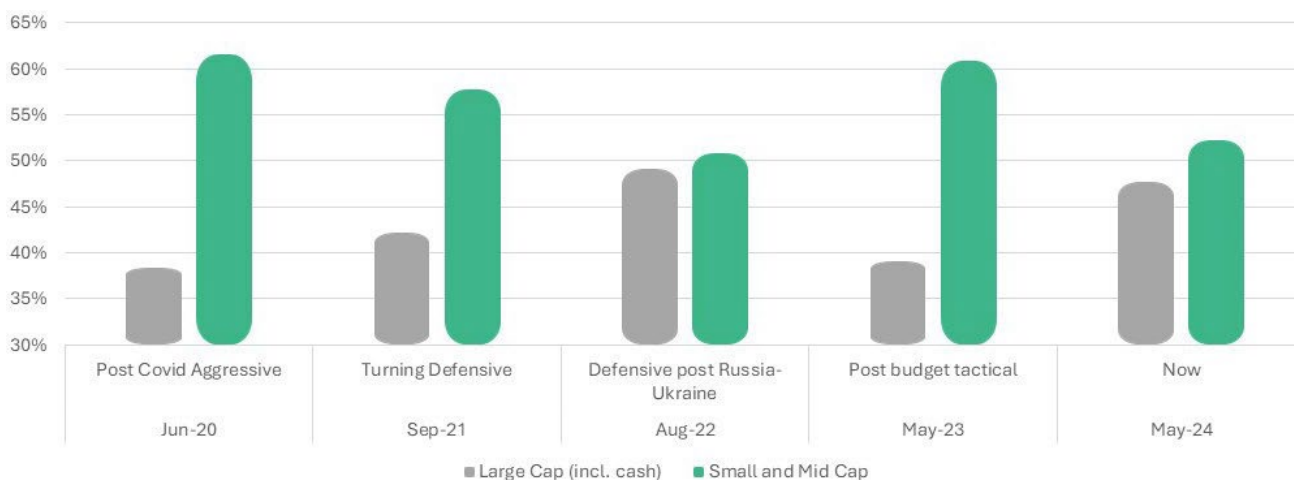
Credit: ISEC research

## So, how are we approaching it?

We continue to run a balanced portfolio, with similar weights to SMID as large caps, and a largely core focused portfolio.

Over the last quarter, we have increased weights to Information Technology, FMCG and Automobiles sectors, and reduced weights in Insurance and Chemicals sectors. We had significantly deployed cash in the run-up to the elections.

### Exhibit 7



## Sectoral allocation

Banking	30%
Automobile	9%
Insurance	7%
HealthCare	7%
Industrials	6%
Information Technology	5%
Telecom	5%
Building materials	5%
Chemicals	3%
NBFC	3%
FMCG	3%
Materials	3%
Media	2%
Retail	2%
Textiles	1%
Cash and equivalents	7%

## Core vs. Satellite / Market-cap

Core (incl. cash)	66%
Satellite	34%
<i>Cyclicals</i>	11%
<i>Turnaround</i>	9%
<i>Value</i>	14%
Large Cap and cash	48%
Mid Cap	23%
Small Cap	29%

## Returns

For the month of May 2024, the Buoyant portfolio returned a zero return compared to the BSE 500 Total Returns Index of 0.8%. In compliance with SEBI regulations, Buoyant returns are calculated post fees and expenses. The performance chart is presented below.

External publications rate the Buoyant portfolio as a top quartile fund across longer periods (3 years, 5 years and 7 years). However, our primary objective is not to generate the highest possible returns. We rather seek to generate superior risk-adjusted returns across market cycles. One part of that product promise is risk-adjusted returns, and as is evident from the table below, as the markets have risen, we have reduced the risk in the portfolio (to 0.8X as measured by beta). The second part of the product promise is across market cycles. The Buoyant portfolio outperformed when the markets have risen sharply post-COVID. We intend to keep this up should the markets correct in the ensuing cycle.

## Performance consistency

%	1-yr rolling returns		3-yr rolling returns		5-yr rolling returns		7-yr rolling returns	
	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI
Count (#)	2,558		1,828		1,097		367	
Average returns	27.7	16.9	20.3	15.0	19.5	14.8	22.2	15.3
Median	19.6	12.8	21.6	16.1	20.8	14.7	22.1	15.5
Maximum	133.4	102.1	52.7	33.9	28.6	19.7	25.6	17.6
Minimum	-42.7	-33.3	-7.9	-6.3	10.1	10.2	19.8	13.5
<b>Outperformance against benchmark (% no of obs)</b>	<b>60%</b>		<b>75%</b>		<b>94%</b>		<b>100%</b>	

## Relative performance

31-May-24	1 month	6 months	1 year	2 years	3 years	5 years	Since Inception
<b>CAGR (%)</b>							
<b>Buoyant Portfolio</b>	<b>0.0%</b>	<b>10.6%</b>	<b>34.0%</b>	<b>30.6%</b>	<b>27.2%</b>	<b>24.4%</b>	<b>22.9%</b>
BSE-500 TR Index	0.8%	17.7%	34.7%	23.3%	18.1%	18.0%	16.6%
<b>Absolute (%)</b>							
<b>Buoyant Portfolio</b>				71%	106%	198%	420%
BSE-500 TR Index				52%	65%	129%	243%

Source: Bloomberg for Indices. Buoyant portfolio returns are post-fees and expenses. Returns are for Buoyant Opportunities Scheme - Discretionary portfolio. More than one year returns are annualized.

## Risk metrics

Risk metrics	1-year	2-year	3-year
Sharpe ratio (X)	2.7	1.7	1.3
Jensen's alpha (%)	10.0	9.3	9.9
Information ratio (X)	-0.3	0.8	0.9
Standard deviation (%)	9.3	13.2	14.7
Standard deviation - benchmark (%)	10.1	13.2	12.6
R-squared (X)	0.3	0.7	0.6
Beta of portfolio (X)	0.8	0.9	1.0
Sortino ratio (X)	9.6	4.3	2.6



# Blogs and Media

Our recent blogs and media appearances

## Blogs

- [Doing nothing could be the riskiest option – The Economic Times](#) 14 May 2024
- [Ten-billion-dollar lesson – The Economic Times](#) 22 February 2024
- [Habit loop – Moneycontrol](#) 15 January 2024
- [Small cap cycles – Moneycontrol](#) 15 November 2023
- [Privileging the hypothesis – Moneycontrol](#) 5 September 2023
- [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

## Media Appearances

- [Jigar Mistry \(CNBC TV18\)](#) 18 May 2024
- [Jigar Mistry \(CNBC TV18\)](#) 24 April 2024
- [Jigar Mistry \(ET Now\)](#) 21 April 2024
- [Jigar Mistry \(CNBC TV18\)](#) 13 March 2024
- [Jigar Mistry \(CNBC TV18\)](#) 2 March 2024
- [Jigar Mistry \(ET Now\)](#) 1 March 2024
- [Jigar Mistry \(CNBC TV18\)](#) 29 February 2024
- [Jigar Mistry \(ET Now\)](#) 28 February 2024
- [Jigar Mistry \(CNBC TV18\)](#) 11 December 2023
- [Jigar Mistry \(CNBC TV18\)](#) 16 November 2023
- [Jigar Mistry \(CNBC TV18\)](#) 8 November 2023
- [Jigar Mistry \(ET Now\)](#) 9 October 2023
- [Jigar Mistry \(CNBC TV18\)](#) 29 September 2023



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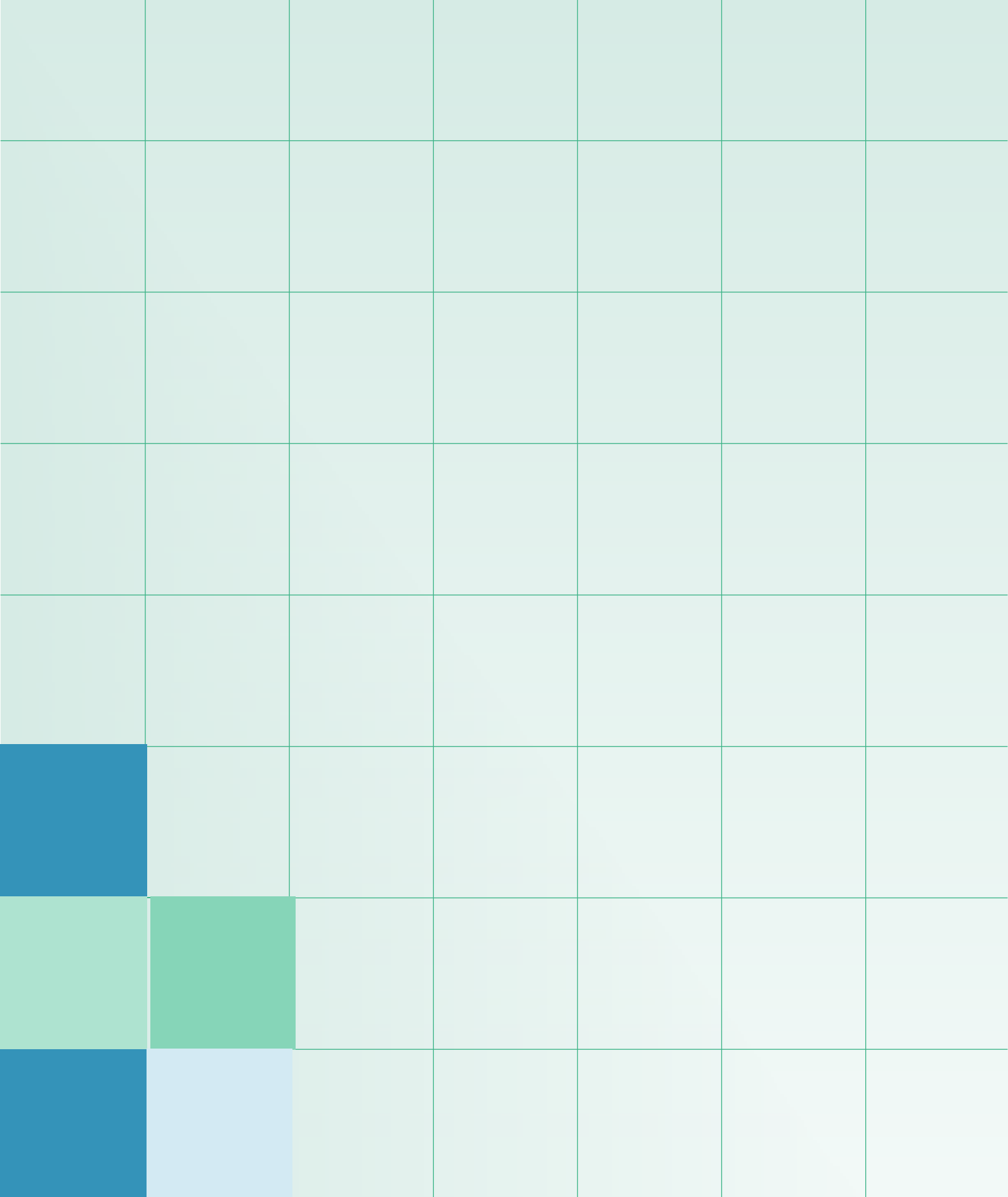
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