buoyant

PORTFOLIO FACTSHEET

March 2025

Over the past few months, markets have responded to a series of domestic and global events with increasing volatility. The challenge we face today is not just interpreting price action but trying to understand whether we are witnessing temporary posturing or something structurally deeper. The answer to that question will shape everything from policy outcomes to portfolio performance.

Given the comprehensive nature of this note, we've structured it into three sections to help navigate our thinking clearly:

1. **Summary of Our Views** – A concise cheat sheet capturing the key insights for quick reference.
2. **Key Portfolio Metrics** – Where we stand today in terms of positioning, allocation, and exposure.
3. **Detailed Market and Portfolio View** – A deeper exploration of the scenarios we see unfolding and how our portfolio is aligned in response.

We are at a possible turning point in the global economic system. Whether this turns out to be a moment of tactical brinkmanship or a long-term recalibration, we believe **prudence, discipline, and strategic patience** will be critical.

Our focus remains on protecting capital, identifying long-term structural winners, and being prepared to act decisively when opportunity meets valuation.

Summary of the newsletter

Section	Key Insights
Two Scenarios	**1. Posturing:** Tactical moves for negotiations, reversion likely but delayed. **2. Structural Shift:** Real attempt to reshape global order; deeper implications.
Trump/Miran Doctrine	Dollar overvaluation is core issue. U.S. bears double burden: global reserve + defense provider. Aim: Reduce global obligations, rebuild domestic strength.
Policy Tools	- **Tariffs:** Replace income taxes, protect industry, raise revenue. - **FX Tools:** Multilateral (diplomatic) or unilateral (IEEPA). - **Reserve Accumulation:** Weakens USD, mirrors China. - **Security-Linked Trade:** Access tied to strategic alignment.
What Trump could be Orchestrating	- **Shrink empire, prioritize home.** - **Factory resurgence post-2021.** - **Tariffs as fiscal tools.** - **Capital shift from equity to bonds/real assets.** - **Gold returning as neutral reserve.**
Historical Empires	U.S. trying to avoid collapse triggers seen in Spain, Britain, Qing, etc.: overreach, debt, loss of industry. This strategy aims to **pull back before breaking point**.
Country Impact	- **Losers:** China, Vietnam, Taiwan (export-heavy). - **Relative winners:** India (low U.S. trade exposure), stable domestic demand. - **Mixed:** Japan, Korea, EU (varied sector risks).
India Macro Impact	- 4.1% of exports hit by tariffs ($18bn). - FY26 GDP impact ~46 bps. - Rupee under depreciation pressure. - Winners: Pharma, Textiles. - Losers: Autos, Electronics, Agri, Gems.
Market Recap	- Market diverged from fundamentals post-Dec '23 due to Fed pivot + BJP state wins. - Small/mid caps rallied irrationally via retail flows. - Sep '24: Price-Earnings CAGR gap hit 12%. - Correction has started, but reversion not complete.
Portfolio Positioning	- **Defensive stance.** - **Large caps + higher cash levels.** - Waiting for **valuation resets** in small/mid caps to redeploy aggressively.

Source: Buoyant Capital analysis

Portfolio Metrics

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 (#)	2,862		2,132		1,401		671	
Average returns	27.5	17.9	20.5	15.2	21.3	16.0	20.4	15.3
Median	23.6	13.7	21.3	16.2	22.5	15.9	21.2	15.5
Maximum	133.4	102.1	52.7	33.9	42.4	29.2	25.6	17.7
Minimum	-42.7	-33.3	-7.9	-6.3	10.1	10.2	14.3	12.7
Outperformance against benchmark (% no of obs)	**58%**		**78%**		**95%**		**100%**	

Relative returns

31-Mar-25	1 month	6 months	1 year	2 years	3 years	5 years	Since Inception
TWRR (%)							
Buoyant Portfolio	**8.4%**	**-5.8%**	**15.6%**	**29.2%**	**21.2%**	**40.2%**	**21.7%**
BSE-500 TR Index	7.3%	-11.8%	6.0%	21.9%	13.7%	26.3%	15.2%
Absolute (%)							
Buoyant Portfolio				67%	78%	441%	465%
BSE-500 TR Index				49%	47%	221%	248%

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. The performance related information provided herein is not verified with SEBI.

Risk metrics

Key ratios	1-yr	2-yr	3-yr
Sharpe ratio (X)	0.6	1.6	0.9
Information ratio (X)	2.7	1.0	1.1
Standard deviation (%)	15.6	13.8	14.8
Beta (X)	0.9	0.9	0.9
Sortino (X)	1.0	3.5	1.9

Source for all tables: Bloomberg for Indices, Buoyant Capital analysis

The Fork in the Road: Two Interpretations of the Present

Option 1: This Is All Just Posturing

From this lens, the recent wave of tariffs, the renewed talk of dollar realignment, and the shift in industrial policy can be seen as **tactical maneuvering**—tools to secure better trade deals, encourage allies to share the security burden, and pressure rivals into alignment.

This perspective suggests that, while markets may remain choppy in the near term, we are **still within a recognizable cycle**, and a reversion to past norms is possible—eventually.

Option 2: We Are Witnessing a Strategic Overhaul

The alternative is far more significant. What if the U.S., under Trump-era ideologues, is embarking on a **fundamental restructuring of its economic architecture**—reversing long-standing doctrines of global leadership, free capital movement, and dollar hegemony? If so, the tools being used—tariffs, unilateral FX policy, industrial stimulus—are not bluffs. They are bricks in a new wall.

This newsletter explores that second scenario in detail: its logic, its historical parallels, its potential winners and losers, and how we're positioned for what may follow.

What the Trump Doctrine Could Be Trying to Achieve

Much of the intellectual framework for this shift comes from Stephen Miran, Chair of the Council of Economic Advisers under President Trump. His views (link) paint a sobering but coherent picture of the U.S. economic system's fragilities—and what needs to change.

At the heart of the diagnosis is the **overvaluation of the U.S. dollar**, a byproduct of its role as the global reserve currency. While this status provides financial leverage and geopolitical clout, it has long-term costs: **persistent trade deficits, erosion of manufacturing, and economic hollowing out** in large swathes of the country.

The **Triffin Dilemma**—where the U.S. must run deficits to supply global liquidity—creates an unsustainable structural tension. Manufacturing job losses and deindustrialization aren't incidental outcomes of globalization; they are its predictable consequences under this system.

Furthermore, Miran argues, the U.S. shoulders **not just the world's financial burden but also its military security**. Under the Trump doctrine, this dual burden is no longer seen as a badge of leadership, but as a **strategic liability**. The result: a push for more **burden-sharing**, more **domestic self-sufficiency**, and a gradual **retrenchment from global overextension**.

The Toolkit of Structural Realignment

This framework comes with a set of tools designed to rebalance the system.

- **Tariffs** are no longer temporary levers—they are becoming core instruments of fiscal strategy. When offset by currency depreciation from exporting countries, they can be **non-inflationary**, while also generating revenue and protecting domestic industry.
- **Currency policy** is now discussed in both **multilateral and unilateral terms**. Tools like IEEPA (International Emergency Economic Powers Act) and reserve accumulation are being explored to **push down the dollar's value**.
- **Reserve accumulation**, long used by China, is gaining traction in U.S. circles as a way to **weaken the dollar** and improve export competitiveness.
- **Graduated tariffs** based on a partner's currency manipulation, security cooperation, and IP respect are being considered as a way to **align economic incentives with strategic behavior**.
- **Linking trade policy to national security**, meanwhile, allows the U.S. to frame market access as a **privilege, not a right**—further strengthening its negotiating hand.

The **strategic objective** here is not to abandon reserve currency status, but to **reshape the global order in a way that is more sustainable for the U.S. economy**—and arguably for the world.

Rebuilding the Core: What This Means for the U.S.

The ambition, if indeed deliberate, could be sweeping. There are signs that the U.S. may be attempting to reverse a **decades-long drift toward financialization and external dependence**. While the full extent of the strategy remains uncertain, several developments suggest a possible shift in direction:

- **Public debt has ballooned** from $6 trillion in 2000 to over $36 trillion today. For the first time, **debt servicing costs have surpassed defence spending**—a signal that the current trajectory may be untenable.
- The Trump camp **could be aiming to "shrink the empire"**, pulling back from extensive overseas commitments in favour of **domestic economic resilience and industrial revival**.
- Since 2021, there has been a **notable surge in factory construction**, driven by legislation like the CHIPS Act and Inflation Reduction Act. This **reshoring trend** may be signalling a shift away from "friend-shoring" toward more **self-reliant supply chains**.

- **Tariffs are increasingly being discussed** as a fiscal lever—potentially **substituting parts of the income tax base** by generating revenue from imports instead of domestic production.
- There appears to be a **gradual shift in capital markets**: speculative flows into high-growth equities are being weighed against **more stable allocations to bonds and real assets**.
- **Capital flows may also be undergoing inversion**—where global trade surpluses no longer funnel back into U.S. Treasuries, but instead into **direct investment in U.S. infrastructure and capacity-building**.

While it remains to be seen how deliberate or sustained this strategic redirection is, the signals merit attention—and suggest a world that may be slowly but meaningfully recalibrating.

Learning from History: Avoiding the Fate of Past Empires

The underlying motivation is clear: history is filled with examples of empires collapsing under the weight of **military overreach, debt, and deindustrialization**.

- The **Spanish Empire** fell due to silver-fueled inflation and endless wars.
- The **British Empire** declined under financial strain and loss of industrial competitiveness.
- The **Qing Dynasty** succumbed to corruption, external manipulation, and internal rebellion.

Each of these empires had moments where they could have pulled back—but didn't. The Trump-era strategy seems to be an **attempt to execute that pullback consciously**—to **shrink globally in order to rebuild domestically**.

Global Impact: Winners, Losers, and the Role of India

This pivot will have profound global implications.

- **China and Vietnam**, with high export dependency and large U.S. surpluses, are already under stress. Currencies are weakening, and equity indices are underperforming.
- **Japan, Korea, Taiwan**, **and Germany,** while better diversified, face export risk and industrial softness.
- **India** stands out in the first-order impact. With relatively low exposure to U.S. trade (just 1% of GDP) and strong domestic demand, India appears **resilient**. Sectors like **pharmaceuticals, textiles**, and select **engineering plays** could **benefit from tariff realignment**.

Still, there are headwinds. U.S. tariffs are expected to impact ~$18 billion in Indian exports, shaving off around **46 bps from FY26 GDP**. Sectors like **gems & jewellery, auto parts, and processed foods** are most vulnerable.

But with careful policy management and a focus on **export competitiveness**, India can **emerge stronger**—especially as global capital diversifies away from mega-cap tech and into **real assets and high-growth economies**.

Our Portfolio Positioning

In Indian markets, we've seen an **unusual divergence between fundamentals and price action**.

Until **October 2023**, market performance tracked earnings growth reasonably well. But two events shifted sentiment dramatically: the Fed's **apparent dovish pivot** in November and **BJP's state-level electoral victories**, which made a 2024 win seem inevitable.

Markets rallied hard—but the fundamentals did not keep up. What truly drove this was **retail investor exuberance**, particularly in **small and mid caps**, where **liquidity was thin and valuations ran wild**. New investors poured money into what had worked since COVID, assuming it would continue indefinitely.

By **September 2024**, the gap had widened dramatically—**a 12% CAGR difference in 3-year returns between earnings and prices**. That's well beyond sustainable norms. Historically, markets and earnings **converge over 5-year rolling periods**, and that convergence began with the correction in small caps.

Today, we're closer to **equilibrium**. However, major multi-year rallies don't unwind in a few months. If anything, **markets often overshoot to the downside before stabilizing**, and the **ongoing political uncertainty** could drive us there.

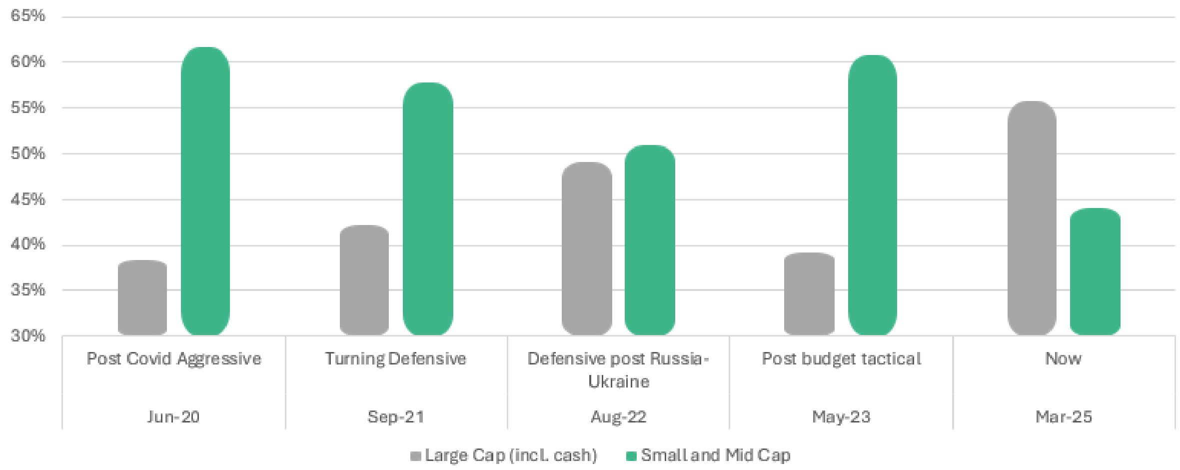
How We are Positioned

We've maintained a **defensive posture** for some time now:

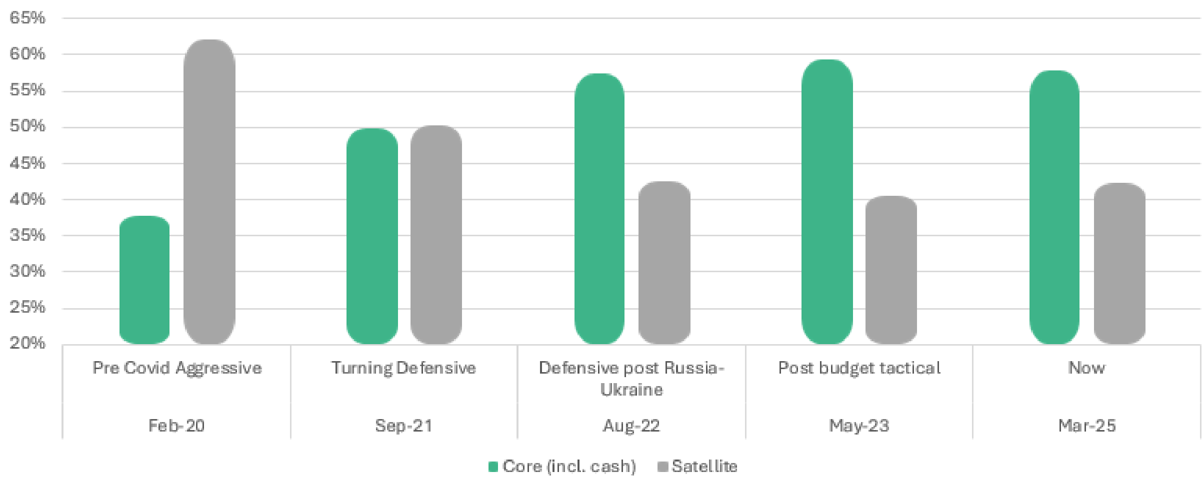
- **Core holdings are now weighted toward large caps**, with a clear preference for quality and liquidity.
- **Cash allocations are higher**, providing optionality in an increasingly selective environment.

Historically, when valuations are attractive and dislocations emerge, we **lean into small and mid caps**. That strategy remains unchanged. But we will deploy it only when **we find high-quality businesses trading at compelling valuations**—not before.

Market cap (select time periods)



Core vs. Satellite (select time periods)



Source for all charts: Bloomberg for Indices, Buoyant Capital analysis

Sectoral allocation

Banking	18.6%
NBFC	9.6%
Insurance	7.8%
Building Materials	7.2%
Info Tech	6.5%
HealthCare	4.9%
Telecom	4.9%
Chemicals	4.8%
Materials	4.7%
Automobile	4.1%
Industrials	4.0%
Retail	3.1%
FMCG	2.9%
Oil & Gas	2.7%
Media	2.2%
Misc	1.8%
Cash	10.3%

Core vs. Satellite

Core (incl. cash)	**57.7%**
Satellite	**42.3%**
Cyclicals	*17.2%*
Turnaround	*10.3%*
Value	*14.8%*

Market cap allocation

Large Cap	45.6%
Mid Cap	19.1%
Small Cap	25.0%
Cash	10.3%

Source for all tables: Bloomberg for Indices, Buoyant Capital analysis

Blogs and Media

Our recent blogs and media appearances

Blogs

- Microfinance mysteries – Money control 27 Nov 2024
- Information vs Insights - The Economic Times 10 Nov 2024
- Goliaths and Grassroots – Money control 05 Nov 2024
- Big Bold Numbers – No Big Deal- Money control 22 Oct 2024
- Value Vacuum – The Economics Times 19 Oct 2024
- Recalibrating Rates – Money control 08 Oct 2024
- Inside Intel's Inertia – The Economic Times 05 Oct 2024
- Steel storms: Wild cyclical whiplashes – Money control 01 Oct 2024
- 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 – Money control 15 January 2024

Media Appearances

- Jigar Mistry (ET Now) 3 March 2025
- Jigar Mistry (CNBC TV18) 13 January 2025
- Jigar Mistry (CNBC TV18) 20 December 2024
- Jigar Mistry (CNBC TV18) 13 December 2024
- Jigar Mistry (CNBC TV18) 29 October 2024
- Jigar Mistry (CNBC TV18) 21 October 2024
- Jigar Mistry (CNBC TV18) 4 July 2024
- Jigar Mistry (CNBC TV18) 4 June 2024
- 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

Buoyant Capital Pvt Ltd

3501 Kohinoor Square, N C Kelkar Marg
Dadar (West), Mumbai 400028. INDIA
buoyantcap.com

Compliance/Grievances:

Mayuri Jangid
Email: compliance@buoyantcap.com
Phone: +91-22-6931-9912

Queries/Customer Care:

Care Team
Email: care@buoyantcap.com
Phone: +91-22-6931-9999

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3501 / 3704 Kohinoor Square
Dadar West, Mumbai

Tel: +91 22 6931 9999

care@buoyantcap.com