Webinar summary

Market summary and portfolio positioning

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Speaker: Jigar Mistry · ~75 minutes

HEADLINE

Two debates dominate: the Trump tariff tantrum and India's policy pivot from capex to consumption transfers. On tariffs, Buoyant's base case is **posturing** — Trump is working with a ~2-year window (mid-terms) while Xi operates on a 20-year horizon; asymmetric time-frames favour capitulation before the 2026 mid-terms. On policy, the shift is clear: fiscal deficit cut from 4.9% to **4.4%** by deferring capex, while state-level freebies have overtaken state capex. Small-cap valuations, after a drawdown, are back in equilibrium with earnings for the first time in years. Any further correction starts to look like opportunity rather than risk.

STANCE	FUND SIZE	TRACK RECORD	BENCHMARK
DEFENSIVE → NEUTRAL Any further correction tilts Buoyant toward dialling risk up	**~USD 750 Mn** As of end-March 2025 (PMS + Cat-3 AIF)	**Top-quartile** 3/5/7Y PME rankings; 7Y rolling 100% hit-rate	**BSE 500** +5 ppt alpha on 5Y rolling across 1,400+ windows (94%)

KEY THEMES

Tariff tantrum — posturing or structural reset?

Stephen Miran's November 2024 thesis frames the Trump ideology: the dollar is over-valued because the world wants a reserve currency, and the **Triffin dilemma** forces the US to run structural trade deficits to supply dollars. Two paths follow: (a) posturing to force negotiating tables, or (b) a genuine shrinking of the US empire — re-shoring, tariffs substituting for income tax, and capital-flow reversal. Base case: posturing — Trump's 2-year effective window versus Xi's 20-year horizon is asymmetric.

India's policy pivot — capex to consumption transfers

The FY26 budget cut fiscal deficit from 4.9% to **4.4%** — an extra ~INR 50,000 Cr of headroom — but chose not to rebuild capex with it. In parallel, 15–16 state budgets show **freebies / social-spending now exceeding state capex**; state capex growth is **negative** in the latest numbers. This will tell in the stocks that led the capex-era rally.

Personal-income-tax math doesn't quite add up

Of ~9.9 Cr IT filers, only ~70 lakh declare gross total income above INR 1.5 lakhs. FY25 PIT growth of ~20% was flattered by a capital-gains-tax surge (INR 1 L Cr → 2.5 L Cr) and a base effect on dividend taxation. FY26's 14% growth assumption implicitly bakes in another 10% CGT rise and ~35% on the underlying PIT base — difficult. Likely outcome: further capex cuts or a divestment sprint — not fiscal slippage.

The pendulum is back at equilibrium

By September 2024, small-cap 3Y CAGR was **26% vs 14% EPS growth** — 12 ppt of froth compounded over three years. Post-correction, small-cap 3Y EPS and share-price growth are **aligned again**. On 5Y and 10Y rolling bases the alignment is clean. The pendulum has swung back through centre; the question is how far it overshoots.

Flow re-wiring is underway

DXY has broken below 100 for the first time in this cycle. As dollar weakens, FIIs stop sitting in cash and return to EMs. Domestically, household savings into mutual funds has risen from 0.7% (2014) to ~4% (FY24) — vs 15% at the Harshad-Mehta-rally peak. If the MF share converges toward 10%, MF inflows scale from ~INR 2–3 L Cr annually toward INR 9–10 L Cr.

PORTFOLIO STANCE & POSITIONING

Portfolio is about **54% large cap + cash** and the balance in small and mid caps. Beta is near 1.0, standard deviation lower than the index. Crucially, the stance commentary has shifted: for the first time in several quarters, Buoyant is *open* to dialling risk **up** on any further weakness — a marked change from protecting against the froth of the last 12–18 months.

> *"The pendulum has returned to centre. Any further correction from here becomes an opportunity to add risk, not a reason to protect more of it."*

EXECUTION FRAMEWORK

LEVER	WHAT	STATUS
Sector rotation	Lean into BFSI (private banks, select insurance/NBFCs), materials (cement — individual home-builders drive 65–70% of volume), healthcare.	Active
Avoid de-rating candidates	Underweight IT (AI overhang, deal-win slowdown, dollar weakness hits margins), autos / auto-ancillaries, PSU capex names on valuation.	In place
Dial risk up on weakness	First real willingness in several quarters to add small/mid-cap risk — on valuation, not narrative.	Ready

PERFORMANCE — ALIGNED WITH THE PHILOSOPHY

- **6M (Oct 2024 – Mar 2025):** BSE 500 down ~12%; Buoyant down ~6% — capital protection did the work it was supposed to.
- **1Y rolling (2,800+ windows):** ~10 ppt average alpha, 58% hit-rate — industry-leading at that tenor.
- **5Y rolling (1,400+ windows):** +5 ppt alpha, **95%** hit-rate.
- **7Y rolling:** +700 bps alpha, **100%** hit-rate.
- **Risk:** beta at or near 1.0; standard deviation lower than index across defensive phases.

RECENT PORTFOLIO ACTIONS

- **Added:** private banks (valuation + FII-flow tailwind), cement (EBITDA/ton has lagged inflation since 2008), healthcare.
- **Reduced / avoided:** IT, autos and auto-ancillaries.
- **Deployment:** ~70–75% of fresh flows deployed immediately, balance staggered as valuations come in.

Q&A HIGHLIGHTS

Tariff-scenario positioning. Portfolio is largely tariff-agnostic — tilted to domestic consumption and India-facing themes rather than export-dependent ones.

Gold / silver. If the tariff story turns structural (option two), gold and silver become materially more valuable. Equity book is positioned for option one — so gold is fine, interesting nonetheless.

Rate-cut trajectory. RBI will broadly follow the Fed. A rapid Fed cut cycle is not the base case; neither is a rapid RBI one.

Single strategy — why. Running multiple strategies is easier for marketing but forces investors to time cycles themselves. Buoyant keeps one cycle-aware strategy; clients don't need to decide when or where to invest.

Consumption as a theme. The traditional handle (one more bar of soap) isn't driving incremental spend. Aviation, hotels, and discretionary experiences are — play the theme through those, not through FMCG.

OUTLOOK

Tariff posture most likely resolves via negotiation — the time-horizon asymmetry between Trump and Xi points that way. That keeps the India case intact.

India's policy pivot means the leaders of the last cycle (PSU capex, defence, railways) won't necessarily lead the next. Private-sector financials, cement, healthcare fit the new policy shape better.

With the pendulum back at equilibrium, the portfolio posture is now readiness: any further correction becomes the window to dial risk up, for the first time in several quarters.

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