

Webinar summary

Market summary and portfolio positioning

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Speaker: Jigar Mistry · ~90 minutes

HEADLINE

Two quarters after the Fed-pivot and state-election narratives reshaped the market, the data is doing the talking. **600+ stocks** have more than doubled since Feb 2023. Retail shareholding value, across listed equities, has grown from **INR 16 L Cr (2019) to INR 47 L Cr — INR 34 L Cr of wealth**, larger than annual household savings (INR 14 L Cr). The 2024 election delivered a weaker-than-expected NDA majority, but Buoyant's read is that the reform trajectory continues. The portfolio stays defensive with satellite exposure controlled and beta at 0.8.

STANCE	FUND SIZE	TRACK RECORD	BENCHMARK
DEFENSIVE Reducing small-caps on rallies; steady core tilt	~INR 4,500 Cr Single-strategy, PMS + Cat-3 AIF	~22% CAGR Post-fees; 100% outperformance on 7Y rolling windows	BSE 500 ~900 bps 1Y alpha; ~500 bps 5Y rolling alpha

KEY THEMES

Retail wealth — a number larger than annual savings

Retail ownership value in BSE 500 moved from **INR 18 L Cr (Nov 2019)** to **INR 47 L Cr** today — a gain of INR 34 L Cr against a total annual household savings number of **INR 14 L Cr**. The inflow during that period was ~INR 1.8 L Cr; almost the entire delta is wealth creation, concentrated in a handful of small-cap names held by a minority of the active investor base.

Small-cap folios have 4x'd since COVID

Small-cap fund folios moved from ~50 lakhs (Feb 2020) to **~2 Crore** today. Total small-cap folios now exceed large-cap and mid-cap folios. Same money, chasing similar stocks — a structural liquidity issue building in the system.

Earnings vs share-price decomposition

Large-cap market-cap growth of ~40% is **~30% earnings, ~10% PE expansion**. In small-cap it is ~70% market-cap growth on ~20% earnings — 50% is PE expansion. In micro-cap it is worse still: ~90% of the growth is PE expansion, ~10% is earnings. Historically, a 3Y rolling return in the 35–50% range has been followed by negative two-year returns — 2008, 2017–18, fragile-five.

Post-election policy math

With **293 NDA seats** vs the ~362 the market priced, the longest reform shots (one-nation-one-election, UCC, land acquisition) likely move to the back burner. But a simple majority is intact, Rajya Sabha is at ~49% majority, and the RBI dividend of **~INR 1 L Cr** adds real elbow room. No runaway fiscal loosening expected — the fiscal-consolidation track remains.

Sector map — where growth and valuation align

Private banks and NBFCs (especially housing-finance) stand out — cheap on five-year-average PE, growth intact, earnings estimates not cut. Telecom moves from losses to profits. Healthcare, travel & leisure, media look constructive. Defence and railways have strong growth but valuations leave little margin of safety.

PORTFOLIO STANCE & POSITIONING

The defensive stance is unchanged since September 2021. Small- and mid-cap exposure has been reduced into the rally; large-cap weight rebuilt. Core remains elevated while satellite is selectively sized. Portfolio beta over 1Y is **0.80**; standard deviation <10%. No single position exceeds 10% of the company's free float — liquidity intact for the strategy at current size.

"More money is lost waiting for the correction than in the correction itself. Stay invested, dial beta up and down."

EXECUTION FRAMEWORK

LEVER	WHAT	STATUS
Hold the line	Maintain the defensive tilt; keep large-cap weight elevated and cash deployable.	Active
Sector rotation	Lean into BFSI (private banks + housing-finance NBFCs), telecom, healthcare, EPC enablers (wires, cables, cement).	Active
Fade the rally	Trim insurance and other positions on thesis plays; pocket the gains.	In motion

PERFORMANCE — ALIGNED WITH THE PHILOSOPHY

- **1Y rolling:** +9 ppt average alpha across 2,558 observations.
- **5Y rolling:** +5 ppt alpha, outperformed **94%** of observations.
- **7Y rolling:** +700 bps alpha, outperformed **100%** of observations.
- **Risk:** beta 0.80 over 1Y, standard deviation <10%.
- **Cost of missing days:** missing the 10 best days (0.2%) of the last ~6,000 trading days cuts cumulative returns by **~60%** — timing is expensive.

RECENT PORTFOLIO ACTIONS

- **Added:** private banks, housing-finance NBFCs, EPC enablers (wires, cables, cement), life-insurance on surrender-norm clarity.
- **Reduced:** auto / auto-ancillaries, EMS on valuation discipline, some consumption names.

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- **Election day:** ~50–60% of fresh flows deployed on 4 June into identified opportunities as the market dislocated.
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Q&A HIGHLIGHTS

Short-term underperformance. Defensive stance + cash drag from new money. Over 1Y Buoyant outperforms ~60% of the time (industry-leading); 3Y and beyond the number is substantially higher.

EPC / solar EPC themes. GFCF-to-GDP is rising again — central, state, real-estate/housing, private-corporate capex all up. OEMs are expensive; the smarter plays are enablers (wires, cables, pipes, cement) and corporate-facing banks.

Rate-cut trigger. Good news is good news, bad news is good news too right now — low incremental value. A cut compresses bank NIMs short-term; durable-return impact is modest.

Core vs satellite. Satellite is sized tightly. EPC enablers and select EMS names sit in core; this is not a classic aggressive phase.

Large-cap fast-growers. Owned where reverse DCFs show implied growth is achievable; avoided where the implied growth is unreal. Insurance included.

OUTLOOK

The fundamental fabric of India remains intact: labour-force expansion, productivity gains, GFCF turning up across all four capex pillars, and secular flows into equities that are still well short of developed-market norms.

Against that, small- and mid-cap pricing is doing most of the heavy lifting on flows, not earnings. The portfolio's job in this phase is to stay invested, protect capital, and be ready to dial risk up when 3Y rolling returns eventually reset.

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