buoyant

Webinar summary

Market summary and portfolio positioning

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Speaker: Jigar Mistry · ~75 minutes

HEADLINE

Globally, the Fed is unlikely to bring inflation down at any cost — debt-to-GDP is the binding constraint, and rate cycles will keep shortening while the policy rate stays elevated. Domestically, India's 10-year story remains intact (labour-force expansion, productivity gains, a ~100 bps RBI–Fed differential — the narrowest in 23 years) but the path has moved well ahead of fundamentals. Over just six months (Apr–Sep), 300+ companies with market caps above INR 500 Cr rose more than 50%, the bulk of which are small caps. The portfolio has been defensive since September 2021; exposure is decisively moving back into larger caps and cash.

STANCE	FUND SIZE	TRACK RECORD	BENCHMARK
DEFENSIVE	**~INR 2,000 Cr**	**~22% CAGR**	**BSE 500**
Since Sep 2021; moving into larger caps	Single-strategy, PMS + Cat-3 AIF	Post-fees since inception (7Y 6M)	~750 bps alpha since inception, beta 0.92

KEY THEMES

The US Dollar, the Fed and the debt-to-GDP problem

The Fed's balance sheet expanded from ~USD 1 Tn (pre-2008) to ~USD 9 Tn at peak. With US debt-to-GDP near **131%**, lower inflation at any cost is not really the aim; bringing the ratio down is. The Treasury and the Fed are increasingly acting in opposite directions — which translates into **shorter and shorter cycles**, with rates staying higher for a very long time.

Israel–Hamas is not a Russia–Ukraine analogue

Russia–Ukraine disrupted the world's bread basket and pitted the West against a major oil producer. Israel–Hamas is different: the West is aligned with Israel, and Saudi Arabia shows little appetite to escalate. Unless oil runs meaningfully above **USD 95/bbl**, India stays relatively resilient.

India's long-term fabric is intact

Over the next 20 years the working-age population moves from ~83 Cr to above 100 Cr — historically such cohort shifts re-rate whole countries. India ranks top-5 on absolute GDP but **#127 on per-capita GDP**, with services at ~62% of output. PLI-led manufacturing plus renewed household-savings flows into equities (from 20%+ in the early 1990s down to 5–6% by 2015–16, now turning up) set the stage structurally.

The lowest RBI–Fed differential in 23 years

Repo at **6.50%** vs Fed funds upper bound at **5.50%** — a 100 bps gap is the tightest in two decades (vs ~400 bps in COVID, ~800 bps at fragile-five peak). RBI has done an exceptional job, but a USD 20 move in oil costs the current account ~USD 35 Bn, and India has **USD 274 Bn of short-term maturities** rolling over the next nine months — a latent refinancing risk if the differential compresses further.

Small-cap euphoria is running hot

From April to September, 365 companies above INR 500 Cr market cap doubled; ~300 were up 50–500%. Among the 121 names up 70–100%, **84% were small caps**; among those up 100–500%, **87%** were small caps. Over 20 years Sensex and BSE Small Cap returns are broadly similar — but the *path* is anything but. December 2017 to March 2020 saw the small-cap index down ~50% while large caps fell ~12%. Paths matter.

PORTFOLIO STANCE & POSITIONING

The portfolio has been **defensive** since September 2021. Post-COVID Buoyant ran 60%+ in small and mid caps; that exposure has been systematically reduced. Core has risen toward **~70%** on the core-vs-satellite mix, and the large-cap bucket has been rebuilt. Cash is elevated — partly because fresh flows are arriving and full deployment is being paced deliberately.

> *“Path-dependent, deliberate — turning a cruise ship, not a U-turn in a car.”*

EXECUTION FRAMEWORK

LEVER	WHAT	STATUS
Large-cap tilt	Move exposure from small/mid caps back into larger caps where valuations are more palatable.	Active
Selective additions	New positions in ICICI Lombard (motor/health insurance), Aavas Financiers (affordable housing, post management transition), RR Kabel (wires & cables).	Completed
Satellite reductions	Trim IDFC First (thesis played out), Kotak Mahindra (swapped into HDFC), Ujjivan (MFI cycle exit).	Completed

PERFORMANCE — ALIGNED WITH THE PHILOSOPHY

- **1Y vs BSE 500:** nearly **3x** the benchmark — capital protection in the recent drawdown drove the gap.
- **Since inception (7Y 6M):** ~341% cumulative vs ~172% for BSE 500 — ~750 bps alpha post-fees.
- **Risk profile:** portfolio beta **0.92**; drawdowns statistically smaller than the index.
- **Consistency:** across ~800 rolling 5Y observations, Buoyant delivered >12.5% CAGR on a materially higher share of windows than BSE 500.

RECENT PORTFOLIO ACTIONS

- **Added:** ICICI Lombard General Insurance, Aavas Financiers, RR Kabel.
- **Reduced:** IDFC First Bank (thesis played out), Kotak Mahindra (switched to HDFC Bank), Ujjivan SFB (satellite exit).

- **Overall:** moving decisively into larger caps; cash elevated as fresh flows come in and are deployed over ~3 months.

Q&A HIGHLIGHTS

Preferred sectors. Banking and financials — credit-growth, margin, credit-cost and valuation cycles all line up. SBI/ICICI remain preferred; PSU banks interesting too. Pharma is the other clear long.

State elections vs general election. The Indian electorate has matured enough to vote differently at state and national levels; recent state outcomes do not necessarily signal anything about the 2024 general election.

IT outlook. Not cheap, not expensive — but without real growth. India has IT services, not tech; on the sidelines until clarity improves.

Will AUM cap returns. ~65% of the portfolio is fully sellable on day one at 30% participation, and no single position exceeds 5% of a company's free float. Comfortable for a few more years.

Deployment pacing for new money. Buoyant runs a non-model portfolio. New money is treated separately — deployment typically takes ~3 months, longer in defensive phases, faster when aggressive.

OUTLOOK

The longer-term India story — cohort-led labour-force expansion, productivity gains, rising household savings into equities — remains firmly intact. But the path is unlikely to be linear; cycles matter.

Today that means staying defensive. Valuations in small and mid caps have run far ahead of earnings, refinancing risks exist at the current RBI–Fed differential, and capital protection is a better use of the current cycle stance than chasing returns.