PORTFOLIO FACTSHEET

January 2024

Parabolic action; uncoil will be painful. During a month of negligible Nifty performance, the 20th top-performing stock in BSE500 surged by 35%, and the best-performing stock by a remarkable 76% in just one month. The market's indiscriminate favor towards government-owned stocks across various sectors (including energy, utilities, railways, defense, banking, and oil & gas) is disconcerting. This trend appears devoid of rationale or logic, and we anticipate a reversal. Our strategy remains focused on avoiding succumbing to the prevailing fear of missing out, despite short-term costs. We believe these costs will ultimately be lower than those incurred by those prioritizing short-term gains.

A nothing month… or was it?

In January 2024, Nifty yielded zero overall returns. Notably, Banking and FMCG showed negative performance, while Energy, Oil & Gas, Realty, and Utilities emerged as the top-performing sectors.

The noteworthy narrative lies within the non-Nifty markets, as demonstrated by the BSE500 TRI's 1.9% increase for the month. With Nifty stocks comprising a substantial portion of BSE500's market cap, the remaining stocks generating nearly 2% returns for the entire Index is a truly remarkable feat.

The BSE Small Cap Index surged by 7% in the month and has experienced a remarkable 74% increase between March 2023 and January 2024. However, we perceive this sector as fraught with elevated valuations.

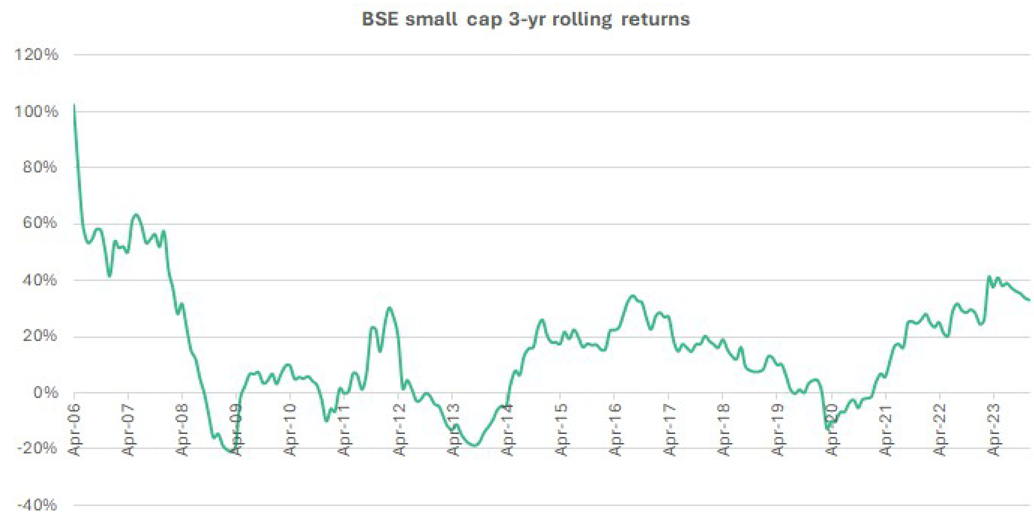
Exhibit 1

Exhibit 1 above shows that retail shareholders directly own almost half of the free float market-cap in small cap companies in India and given the increase in volume (and value) of new participants post Covid, this segment may yet have been untested on how they react to a large drawdown.

From a fundamental perspective, numerous businesses within this sub-segment are projecting events far into the future, rendering forecasting susceptible to uncertainties.

Historically, when the 3-year rolling returns have fallen within the current range (35-50%), subsequent returns over the next two years have tended to be subdued, as indicated in Exhibit 2 below. Traditionally, the opportune moment to invest in small-cap businesses has been during periods of negative trajectory (e.g., 2009, 2013, and 2020).

Exhibit 2



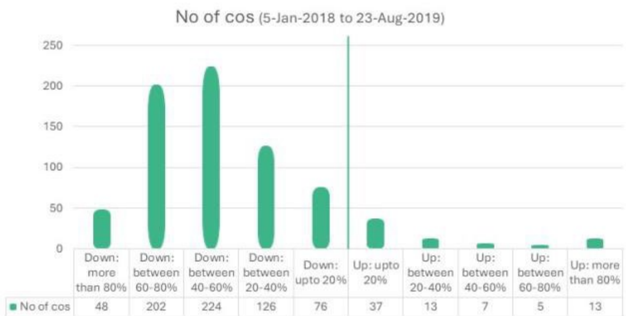
Range	2yr ret
35% | 50%	-35%
20% | 35%	18%
5% | 20%	12%
-10% | 5%	50%
-25% to -10%	118%

While historical patterns offer insight, past occurrences don't guarantee future outcomes. The critical question remains: what will trigger a correction this time? Simply because something is expensive doesn't inherently imply it will correct, correct?

Indeed, that is accurate. However, historically, when valuations are high, even seemingly minor reasons have triggered market corrections. The events of 2018 serve as a prime example.

The introduction of long-term capital gains taxation in the first quarter of CY18, followed by mutual fund realignment in the second quarter, may not have seemed significant individually. However, considering the lofty valuations, Exhibit 3 illustrates the subsequent behavior of shares over the following 18 months.

Exhibit 3



So, how are we approaching it?

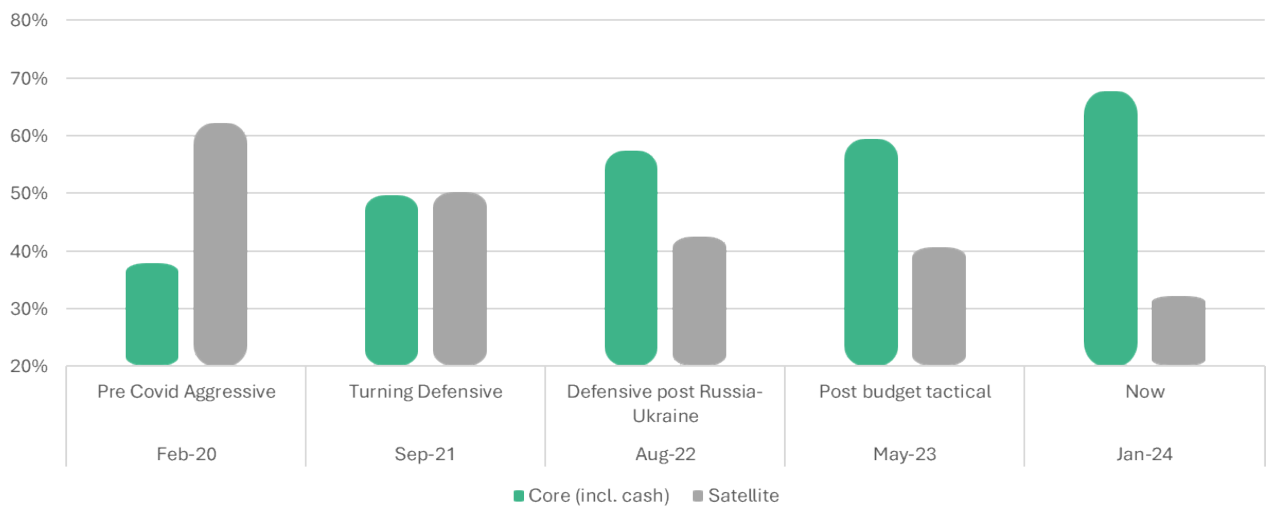
Exhibit 4 below outlines our investment approach since inception. Following the onset of the post-COVID era, we swiftly transitioned into a notably aggressive stance, with the SMID sector comprising a substantial portion of our portfolio.

During the post-COVID rally, we began decreasing our exposure to the SMID sector. By the time of the Russia-Ukraine conflict, our portfolio was adequately balanced to withstand the impact.

Following the Russia-Ukraine conflict, the markets shifted into capital protection mode, marked by heightened investor interest in deploying additional capital into debt and life insurance policies. Recognizing a tactical opportunity, we increased our allocation to the SMID sector. As the rally progressed, we have subsequently reduced our exposure to SMID to 40%. We plan to further decrease this allocation to 30% should the rally in the SMID space persist.

We continue to strengthen the Core part of our portfolio and reduce exposure to Satellite part.

Exhibit 4



Sectoral allocation

Banking	28%
Insurance	9%
Automobiles	8%
Chemicals	4%
Health Care	6%
Information Technology	4%
NBFC	3%
Industrials	8%
Miscellaneous	1%
Telecom	3%
Building materials	3%
FMCG	1%
Retailing	1%
Materials	1%
Others	5%
Cash and equivalents	19%

Core vs. Satellite / Market-cap

Core (incl. cash)	68%
Satellite	32%
Cyclicals	*15%*
Turnaround	*9%*
Value	*9%*

Large Cap and cash	59%
Mid Cap	11%
Small Cap	30%

Returns

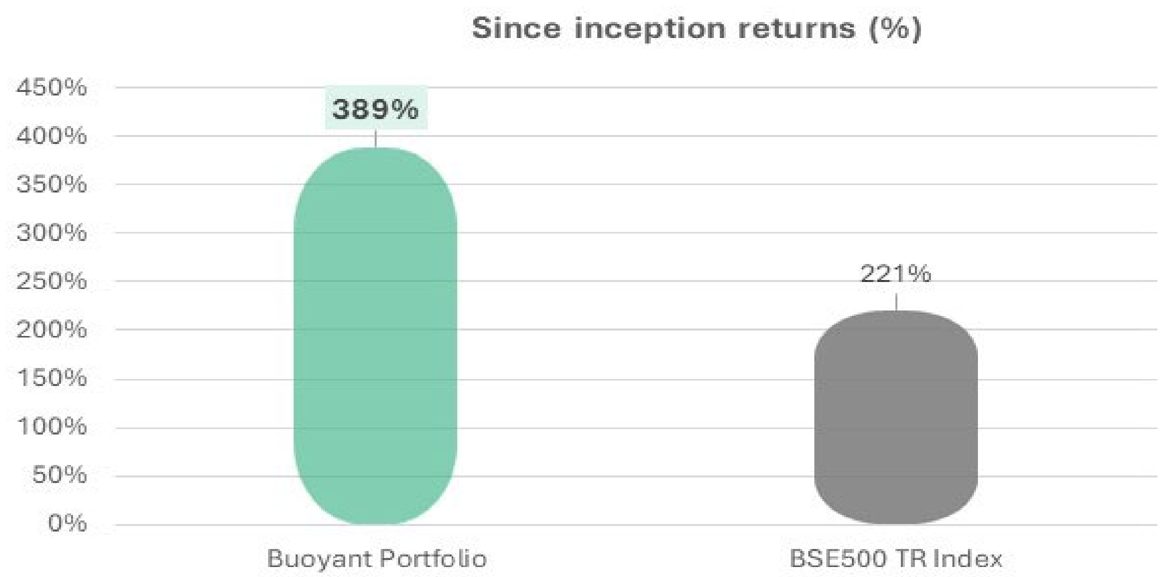
For the month of January 2024, the Buoyant portfolio achieved a 1.1% return compared to BSE 500 Total Returns Index of 1.9%. In compliance with SEBI regulations, Buoyant returns are calculated post fees and expenses. The performance chart is presented below.

External publications rate the Buoyant portfolio as a top quartile fund across periods (1 year, 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 0.7X 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.

Relative performance

31-Jan-24	1 month	6 months	1 year	2 years	3 years	5 years	Since Inception
CAGR (%)							
Buoyant Portfolio	**1.1%**	**12.6%**	**40.2%**	**19.1%**	**34.1%**	**25.5%**	**23.0%**
BSE-500 TR Index	1.9%	16.2%	33.4%	16.5%	21.9%	18.5%	16.4%
Absolute (%)							
Buoyant Portfolio				42%	141%	212%	389%
BSE-500 TR Index				36%	81%	134%	221%

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

	1-yr	2-yr	3-yr
Sharpe ratio (X)	2.6	0.7	1.6
Information ratio (X)	0.4	0.2	1.1
Standard deviation (%)	11.6	15.7	16.5
Beta (X)	0.7	0.9	0.9
Sortino (X)	8.4	1.2	3.5

Blogs and Media

Our recent blogs and media appearances

Blogs

- Habit loop – Moneycontrol 15 January 2023
- 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) 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
- Viral Berawala (ET Now) 12 September 2023
- Jigar Mistry (CNBC TV18) 1 September 2023
- Jigar Mistry (CNBC TV18) 1 August 2023

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