

PORTFOLIO FACTSHEET

June 2024



Retail Renaissance: The value of retail ownership in listed equities has increased by over INR 50 trillion since COVID-19, with the highest gains from small and microcap stocks. In contrast, India's annual net household savings, which include annual savings in real estate, gold, and financial assets, amount to only INR 14 trillion. Since March 2023, the shares of more than 750 companies have more than doubled, reflecting gains in market capitalization with higher retail shareholding. This period marks a renaissance for Indian equity markets, although it has led to elevated valuations in some sectors. This factsheet outlines how Buoyant funds are positioned, particularly in anticipation of the upcoming 2025 budget.

Retail Renaissance

50 Lac Crores – that is the quantum of increase in wealth that retail investors (as a cohort) have generated since COVID-19. Whereas FII owns a higher share in Indian equities compared to retail (18% vs 14%), retail ownership in Small and Micro caps is almost thrice that of FIIs.

Between April 2023 and June 2024, the share prices of nearly 700 Indian companies increased by 1X to 5X, while 60 companies saw increases exceeding 5X, with the highest rise being 38x. Notably, 87% of these companies belong to the small and micro-cap sector.

Furthermore, companies with higher retail ownership have experienced greater market-cap growth.

This surge has led to some companies reaching stratospheric valuations, making it challenging to predict a market reversal. Despite this uncertainty, markets have risen nearly 7% in a month that saw significant political disappointment, with the ruling BJP securing far fewer seats than anticipated.

With the budget approaching, attention is on the specifics. Despite some gains from RBI dividends, we expect continued fiscal prudence with adjustments in response to lower-than-expected election results. Buoyant funds maintain a balanced portfolio, nearly equally split between large caps and small/midcaps.

The rise of India's retail investor

Let us start with the basics of Indian markets. The market capitalization of all listed companies in India is approximately INR 450 trillion (USD 5.3 trillion), exceeding India's GDP. Promoters, including the Government of India, own about 52%, Foreign Institutional Investors own 18%, retail investors directly own 14%, and mutual funds hold 9%.

	INR trillion	USD b	%
Total Mcap of all listed companies	447	5,349	
o/w Promoter	232	2,781	52.0
o/w Mutual funds	41	487	9.1
o/w FII	78	936	17.5
o/w Retail	63	757	14.2

We define large caps as the top 100 companies, mid-caps as the next 150, small caps as the following 250, and micro-caps as company number 501 onwards. While FIIs hold a larger share overall, retail investors own nearly three times the value of shares in small and micro-cap companies.

Notably, the largest micro-cap in India today exceeds USD 1 billion in market cap, the largest mid-cap is USD 3.7 billion, and a company needs a market cap of over USD 13 billion to qualify as a large-cap.

	L	M	S	Mi
Highest mcap in the segment (cr)	2151695	102468	31079	10271
Mcap (INR tr)	282	84	45	36
FF-Mcap (INR tr)	141	36	21	16
Promoter (%)	50%	57%	54%	55%
MF (%)	9%	10%	10%	5%
FII (%)	21%	15%	12%	6%
Retail (%)	11%	13%	21%	32%

With that background, let's examine some key data. During the COVID-19 lows, the value of retail shareholding in all listed Indian companies was around INR 8 trillion. Currently, this value has risen to INR 63 trillion, a net increase of over INR 55 trillion. To put this in perspective, India's annual net household savings, including investments in real estate, bullion, and financial assets (net of loans), is INR 14 trillion. While some of the INR 55 trillion increase comes from new investments by retail shareholders, this portion is likely small given the household savings figure.

The highlighted section indicates that the highest gains, in terms of multiples rather than absolute amounts, have been generated in the small and micro-cap sectors.

	L	M	S	Mi
Highest mcap in the segment (cr)	959819	27779	8117	1954
Dec-2019 Mcap (INR tr)	115	24	11	5
Retail (%)	13%	14%	21%	33%
Retail o/ship (INR tr)	14.4	3.4	2.2	1.7
Retail o/ship (INR tr)	22			

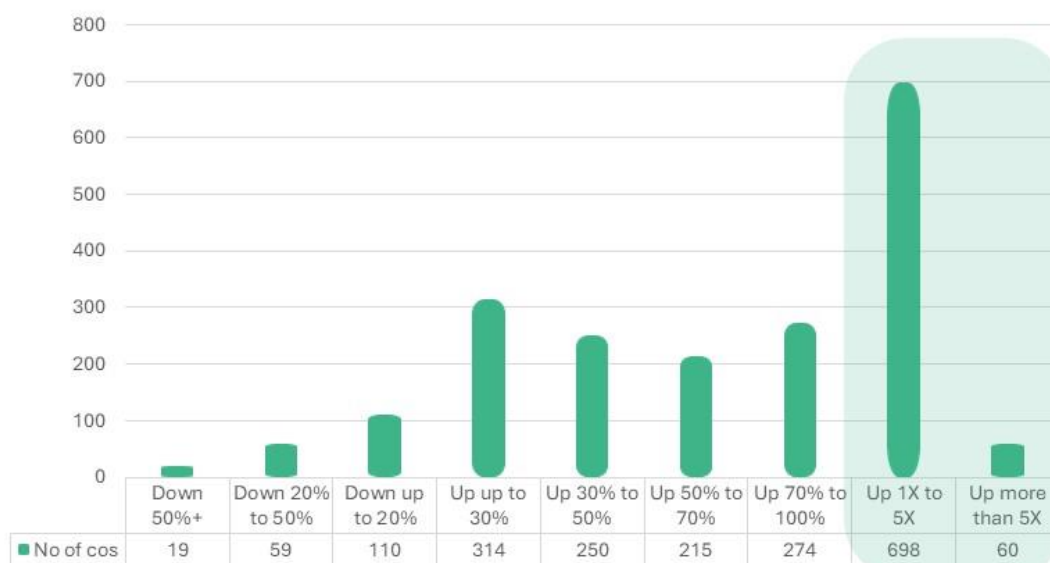
Highest mcap in the segment (cr)	705212	21095	5599	1169
Mar-2020 Mcap (INR tr)	42	10	4	2
Retail (%)	13%	13%	22%	33%
Retail o/ship (INR tr)	5.4	1.4	0.8	0.6
Retail o/ship (INR tr)	8			

Highest mcap in the segment (cr)	2151695	102468	31079	10271
June-2024 Mcap (INR tr)	282	84	45	36
Retail (%)	11%	13%	21%	32%
Retail o/ship (INR tr)	31.1	11.1	9.4	11.7
Retail o/ship (INR tr)	63			

Wealth generated since COVID (INR tr)	55			
<i>Breakup of wealth generated by mcap</i>	25.6	9.7	8.6	11.1
<i>as X of wealth in Mar-20</i>	3.7	6.2	9.2	17.9

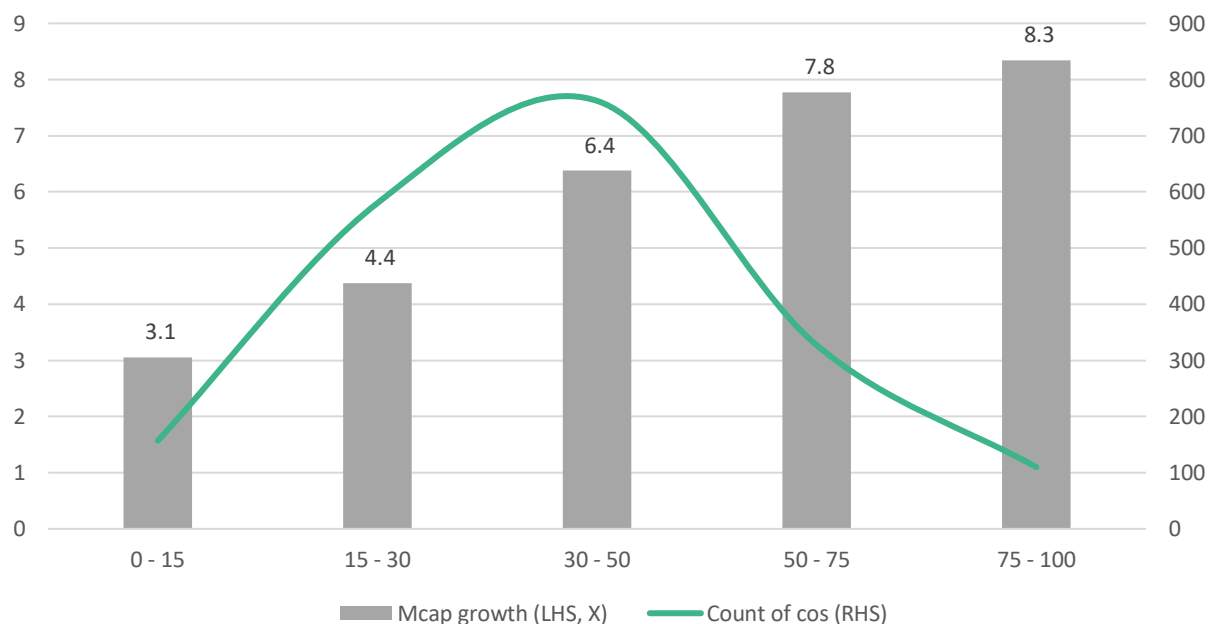
Household savings (INR tr) 2023	14
Total flows in MF (INR tr) 2023	1.8
Total mutual fund investors (mn)	38
Total de-mat accounts (mn)	148
Total bank accounts (mn)	2945

Wealth creation has largely followed the spectacular rise in share prices since April 2023. Nearly 700 companies have increased between 1X and 5X, and 60 companies have risen more than 5X, with the highest gains approaching 38X. Notably, 87% of these companies are in the small and micro-cap sectors.



Lastly, the market capitalization of companies in the small and micro-cap sectors has risen the most where public shareholding is higher, and progressively so.

Retail shareholding market-cap growth in small and microcap (X)



This has led to valuations in some sectors reaching extremely high levels, with market capitalization growth outpacing earnings growth.

All eyes are on the upcoming budget

The government will present its annual budget on 23rd July 2023, having proposed only a vote on accounts due to impending elections. They have proposed a 17% increase in capital expenditure and a 1% increase in non-negotiable revenue expenditure.

INR cr	2018	2019	2020	2021	2022	2023	2024RE	2025BE	2024RE	2025BE
Total income	14,35,233	17,29,682	16,84,059	16,33,920	20,78,936	23,83,207	26,99,713	30,01,275		
Net tax	12,42,488	14,84,406	13,56,902	14,26,287	17,65,145	20,97,786	23,23,918	26,01,574	11%	12%
Other income (RBI divi etc)	1,92,745	2,45,276	3,27,157	2,07,633	3,13,791	2,85,421	3,75,795	3,99,701		
Non -negotiable	9,96,734	11,22,874	11,59,076	17,27,670	16,15,317	18,58,598	19,24,790	20,26,388	4%	5%
Defence	2,76,572	2,82,733	3,18,665	3,40,094	3,68,418	3,99,123	4,55,897	4,54,773		
Subsidy	1,91,210	2,64,346	2,28,341	7,07,707	4,33,108	5,30,958	4,13,466	3,81,175		
Interest	5,28,952	5,75,795	6,12,070	6,79,869	8,13,791	9,28,517	10,55,427	11,90,440		
Surplus	4,38,499	6,06,808	5,24,983	-93,750	4,63,619	5,24,609	7,74,923	9,74,887		
Other revenue expenditure	8,82,099	10,17,738	11,91,528	13,55,849	15,51,972	15,94,534	16,15,449	16,28,269	1%	1%
Revenue deficit	-4,43,600	-4,10,930	-6,66,545	-14,49,599	-10,88,353	-10,69,925	-8,40,526	-6,53,382		
Capital spending	2,63,140	3,16,623	3,35,726	4,26,317	6,02,711	7,40,025	9,50,246	11,11,111	28%	17%
Capital receipts (divest)	1,15,678	93,155	68,620	57,626	99,975	72,196	56,000	79,000		
Fiscal deficit	-5,91,062	-6,34,398	-9,33,651	-18,18,290	-15,91,089	-17,37,754	-17,34,772	-16,85,493		
% of GDP	-3.5	-3.4	-4.6	-9.2	-6.9	-6.4	-5.8	-5.1		
GDP	1,68,87,486	1,86,58,765	2,02,96,761	1,97,64,022	2,30,59,261	2,71,52,406	2,99,09,862	3,30,48,882		
Nominal growth		10%	9%	-3%	17%	18%	10%	10%		

It's notable that the fiscal deficit is projected to reduce from 9.2% in 2021 to 5.1% in 2025BE, though the actual amount has only decreased from INR 18 trillion to INR 17 trillion. The strong increase in nominal GDP has facilitated this reduction as a percentage of GDP.

Since the presentation of the vote on accounts, positive news on government income has emerged, leading to potential reallocation. The RBI dividend exceeded projections by INR 1.4 trillion, and external trade, along with customs duties, has recovered. Additionally, 1Q direct tax collections are up 21%, significantly higher than projected.

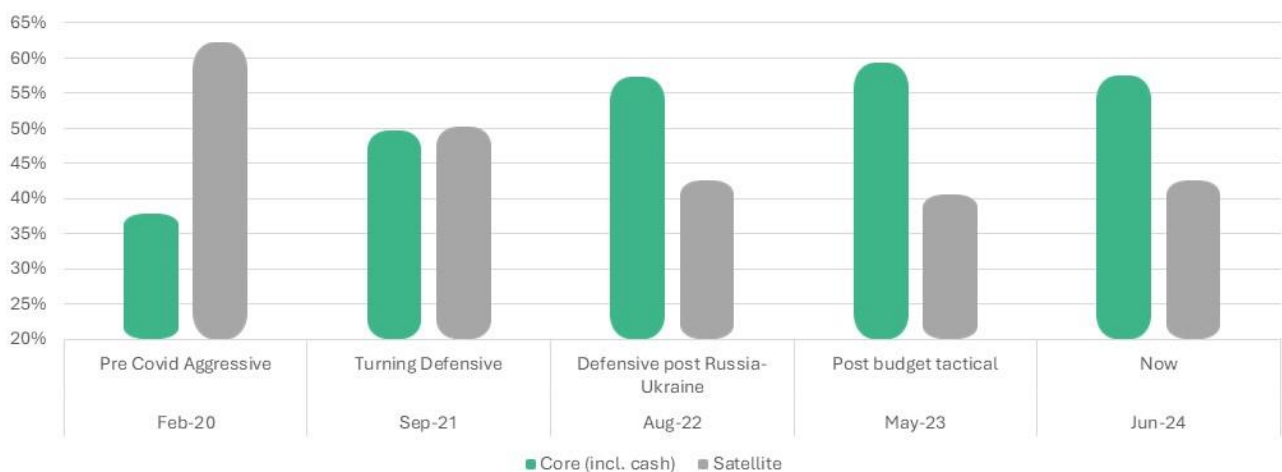
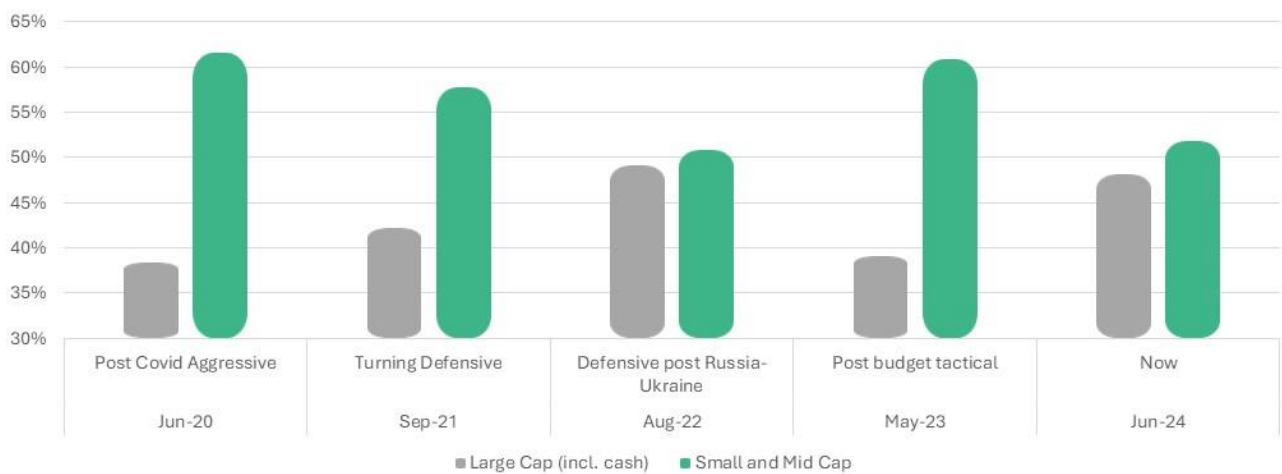
The government can reallocate these gains to address concerns from the election verdict, such as lowering middle-class taxes, increasing affordable housing and rooftop solar initiatives, providing business incentives (PLI, FAME, and semiconductors), and enhancing food subsidies.

Buoyant funds positioning

We continue to run a balanced portfolio, with similar weights to SMID as large caps, and a largely core focused portfolio.

Over the last quarter, we have increased weights to Materials, Information Technology, and Oil & Gas, and reduced weights in Automobiles and Banking. We had significantly deployed cash in the run-up to the elections.

Exhibit 7



Sectoral allocation

Banking	26%
Insurance	8%
Materials	8%
Info Tech	6%
Telecom	6%
HealthCare	6%
Industrials	5%
Automobile	5%
NBFC	4%
Chemicals	3%
Building Materials	3%
FMCG	3%
Media	2%
Misc	2%
Oil & Gas	2%
Cash and equivalent	7%

Core vs. Satellite / Market-cap

Core (incl. cash)	57%
Satellite	43%
<i>Cyclicals</i>	17%
<i>Turnaround</i>	11%
<i>Value</i>	14%
Large Cap and cash	48%
Mid Cap	17%
Small Cap	35%

Returns

For the month of June 2024, the Buoyant portfolio returned a 6.8 percent return compared to the BSE 500 Total Returns Index of 7.1%. 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 longer periods (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 0.8X 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.

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 (#)	2,588		1,858		1,127		397	
Average returns	27.9	17.2	20.4	15.0	19.7	14.9	22.2	15.4
Median	20.7	12.9	22.0	16.2	21.0	14.8	22.0	15.6
Maximum	133.4	102.1	52.7	33.9	28.6	20.0	25.6	17.6
Minimum	-42.7	-33.3	-7.9	-6.3	10.1	10.2	20.0	13.5
Outperformance against benchmark (% no of obs)	60%		75%		94%		100%	

Relative performance

30-Jun-24	1 month	6 months	1 year	2 years	3 years	4 years	5 years	Since Inception
CAGR (%)								
Buoyant Portfolio	6.8%	14.9%	36.4%	39.0%	27.7%	44.2%	26.8%	23.6%
BSE-500 TR Index	7.1%	16.7%	38.3%	30.9%	19.9%	29.3%	20.0%	17.5%
Absolute (%)								
Buoyant Portfolio				93%	108%	332%	228%	456%
BSE-500 TR Index				71%	73%	179%	149%	267%

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

Risk metrics	1-year	2-year	3-year
Sharpe ratio (X)	2.8	2.6	1.4
Jensen's alpha (%)	9.6	13.1	9.2
Information ratio (X)	-0.2	1.1	0.8
Standard deviation (%)	10.5	12.4	14.9
Standard deviation - benchmark (%)	10.9	12.7	13.0
R-squared (X)	0.4	0.7	0.6
Beta of portfolio (X)	0.9	0.9	0.9
Sortino ratio (X)	11.2	9.0	2.8

Blogs and Media

Our recent blogs and media appearances

Blogs

- [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 – Moneycontrol](#) 15 January 2024
- [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 \(CNBC TV18\)](#) 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
- [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

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