OPPORTUNITIES STRATEGY

FACTSHEET : May 2023

PERFORMANCE

For May-23, the **Buoyant Opportunities Strategy** delivered 5.8% (vs 3.8% for the BSE-500, our benchmark). Performance is computed on total returns basis, including dividends and after deducting fees and expenses. We have beaten our benchmark by 15 percentage points over the trailing year, at 26.9% total return. HDFC Bank and Kotak Mahindra Bank are our custodians.

Our latest **Disclosure Document** contains statutory details of our **Liquid Strategy**, an efficient and zero-fee route for our clients to phase their entry into equity investments, while earning liquid fund returns on surplus cash. **Contact Sakshi**, our chatbot, for more information on all our products, including the Buoyant Capital AIF.

MARKET VIEW

The current uptick has been quick (with an almost 10% upmove in less than 10 weeks). **Is this a bull market already?** The momentum is strong. It seems Fed rate hikes are over, even as core inflation in the US is sticky. Liquidity has reversed (FPI flows turned net positive for CY2023, driven by a whopping Rs 30,900+ cr of inflows over May-23). Meanwhile, local equity supply is negligible (no major sell downs by promoters, PE exits, big IPOs).

On the fundamental side, NIFTY EPS has grown 11% over FY23. This is creditable, given the earnings crack in the commodity-heavy parts of the NIFTY. Indian macros look good as crude stays below 75 USD/b and non-IT exports pick up. Global trends are also better than expected as inflation has bumped up revenues and profits nominally, in the short term. India's valuations are not terribly expensive, at less than 1 std deviation above avg, but not in the comfort zone for sure. The BSE-500 FY24E P/E is above 20x.

Despite the runaway momentum, we think a durable rally is some time away. That explains our tactically high cash position, up ~400 bps over the month at over 14%.

SECTOR CLASSFICATION	Weight (%)
Banking	28.1%
Cash	14.3%
Info Tech	9.7%
Industrials	9.1%
HealthCare	6.1%
Chemicals	5.3%
Automobile	5.1%
NBFC	4.3%
Insurance	3.9%
Materials	3.9%
Misc	3.4%
Media	2.2%
Staffing	2.1%
Textiles	1.4%
Building Materials	1.2%
FMCG	0.0%
Retail	0.0%
Oil & Gas	0.0%
Total	**100.0%**

MARKET CAP CATEGORY	Weight (%)
Large Cap	24.5%
Mid Cap	9.4%
Small Cap	51.8%
CASH	**14.3%**
Total	**100.0%**

CORE/SATELLITE BREAKUP		Weight (%)
Core		43.8%
Satellite		41.9%
Cyclical	*17.4%*	
Turnaround	*13.3%*	
Value	*11.2%*	
CASH		14.3%
Total		**100.0%**

PORTFOLIO – defensive

We remain DEFENSIVE (Buoyant's philosophy and core/satellite framework is detailed **here**). Our CORE heavy stance is visible in a steady (CORE + Cash) allocation of 58%+. Large caps are at the lowest level since early Covid days. We are finding it increasingly difficult to identify value in a broad swathe of large caps at current levels, even as we endeavour to increase CORE allocation.

Conversely, small caps are at almost 52%, the highest they have been in over four years. This may seem at loggerheads with our DEFENSIVE stance but many of our small cap holdings are important and profitable players in their respective market niches and qualify as CORE holdings in the portfolio.

SECTORAL DECISIONS

While Financials continue to occupy top spot, they have fallen by 1.2% in the mix, as we've exited one stock where the thesis has changed. Infotech is down over 3%, which has mostly flowed into cash and the rest into Industrials, Autos and Building Materials.

The portfolio continues to be highly diversified, with the top holding at a bit over 7%, another reiteration of our DEFENSIVE stance. Sectorally, too, the mix has become more broad-based.

VALUATION

The **Buoyant Opportunities Portfolio** was valued at 20.5x FY24E (positive) earnings as at end-Mar 2023, at par with the BSE-500 (positive) P/E. We are not uncomfortable with these valuations, but are wary of earnings downgrades as the year progresses.

BUOYANT CAPITAL's Opportunities Strategy has appreciably outperformed its benchmark (BSE-500) since inception in June-2016, seven years ago. We try not to get distracted by our short-term performance metrics, whether we lead or lag our benchmark.

We continue to sharpen what we believe is a durable cross-cycle investing framework and philosophy. This framework enables us to offer a SINGLE PMS scheme/strategy for investors wherein we take the allocation decisions across market caps, sectors and themes flexibly over time, thus sparing investors the confusion of having to choose (and allocate sporadically) across various schemes. We see our cumulative returns since inception as reasonable evidence of the robustness of this investment framework, even as we recognise that we will inevitably have to navigate challenges to deliver outperformance hereon.

31-May-23	1 month	6 months	1 year	2 years	3 years	5 years	Since Inception
CAGR (%)							
Buoyant Portfolio	**5.8%**	**10.8%**	**27.4%**	**24.0%**	**50.3%**	**15.4%**	**21.4%**
BSE-500 TR Index	3.8%	-0.8%	12.9%	10.6%	28.0%	12.6%	14.3%
Absolute (%)							
Buoyant Portfolio				54%	239%	105%	288%
BSE-500 TR Index				22%	110%	81%	154%

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.

BLOGS & MEDIA

Blogs

- The new Electricity Act and India's power sector - The Economic Times 22 May 2023
- Indian Equity Markets – Moneycontrol 16 May 2023
- Anatomy of rate hike cycles - The Economic Times 2 May 2023
- US Generics : time for a cyclical upturn? The Economic Times 11 April 2023

Media Appearances

- Viral Berawala (CNBC Bajar) 25 Apr 2023
- Jigar Mistry (ET Now Swadesh) 21 Apr 2023
- Viral Berawala (CNBC Bajar) 18 Apr 2023
- Jigar Mistry (CNBC TV18) 17 Apr 2023
- Viral Berawala (CNBC Bajar) 12 Apr 2023
- Viral Berawala (CNBC Bajar) 11 Apr 2023

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