



## CAPITAL INVESTMENT ADVISORS

*(a division of Buoyant Capital Pvt Ltd)*

# INVESTOR MEMO : Aug 2024

## *A 'yen' for investing...*

Recently, the Yen carry trade saw a partial unwind, leading to widespread global turmoil, across markets. The lesson to learn here is that vulnerability in many multi-factor systems (whether it is stock markets, snow-laden mountain slopes or piles of sand grains) **remains dormant until the proverbial tipping point is reached.** And it is mostly unpredictable, which only adds to risk.

Such insights make us more conscious of risks embedded in Indian markets today. We maintain that while India as a country is likely to do very well over the next decade, the short term trajectory of some highly overvalued parts of the Indian stock market may well play spoilsport. **In particular, it is the small cap space** where the irrational exuberance of relatively inexperienced retail investors is inflating some stock valuations to unsustainable levels.

Over longer periods, stocks perform only as well as the earnings or profits of the companies they represent. The five-year (annualised) return of the Large Cap Index is 19% which equals the earnings CAGR of the Index over the period. **But the Small Cap Index has seen 35% annualised returns vs a mere 17% earnings CAGR!** If this doesn't make small caps seriously vulnerable in Amrit Kaal, what does?

Our portfolio advisory approach remains balanced and cautious, across platforms.

## *Yen carry trade unwinding*



Persistently low/zero interest rates in Japan had led to trillions of yen being borrowed cheaply to invest in Western markets



Interest rate hikes led to unusual, sharp movements in USD-JPY (dollar-yen) as well as Nikkei/Topix (leading Japanese stock indices)...

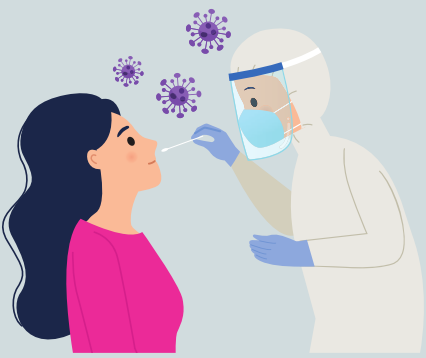


A domino effect played out, as a small vulnerability in an unstable system (Yen carry trade) led to a tipping point being breached and markets globally felt the heat



**Indian markets are better placed since domestic inflows remain robust, mostly driven by SIPs into mutual funds**

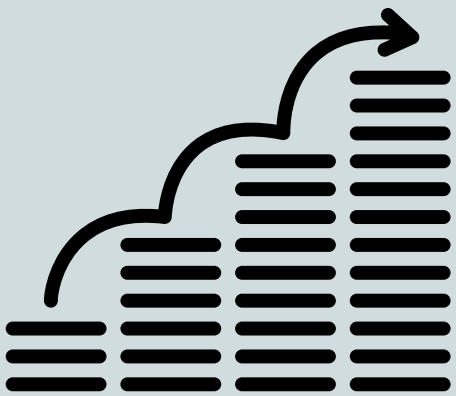
### *Small/mid caps' risk-reward not justifiable*



Retail investors have generated unprecedented returns post COVID



Any adverse trigger (election results, Yen unwind) is absorbed quickly and recovery kicks in soon



This pattern is driven by strong SIP inflows and S/Mid exuberance, rather than dramatic earnings growth in the near future



History teaches us that the cycle turns eventually and the mean reversion is not pleasant

## *Portfolio positioning*

1

Our model portfolio stance remains cautious, with large caps + cash at 52% weight

2

Mid cap bargains are rare, and most of the rest is in small caps where we see stock specific upside

3

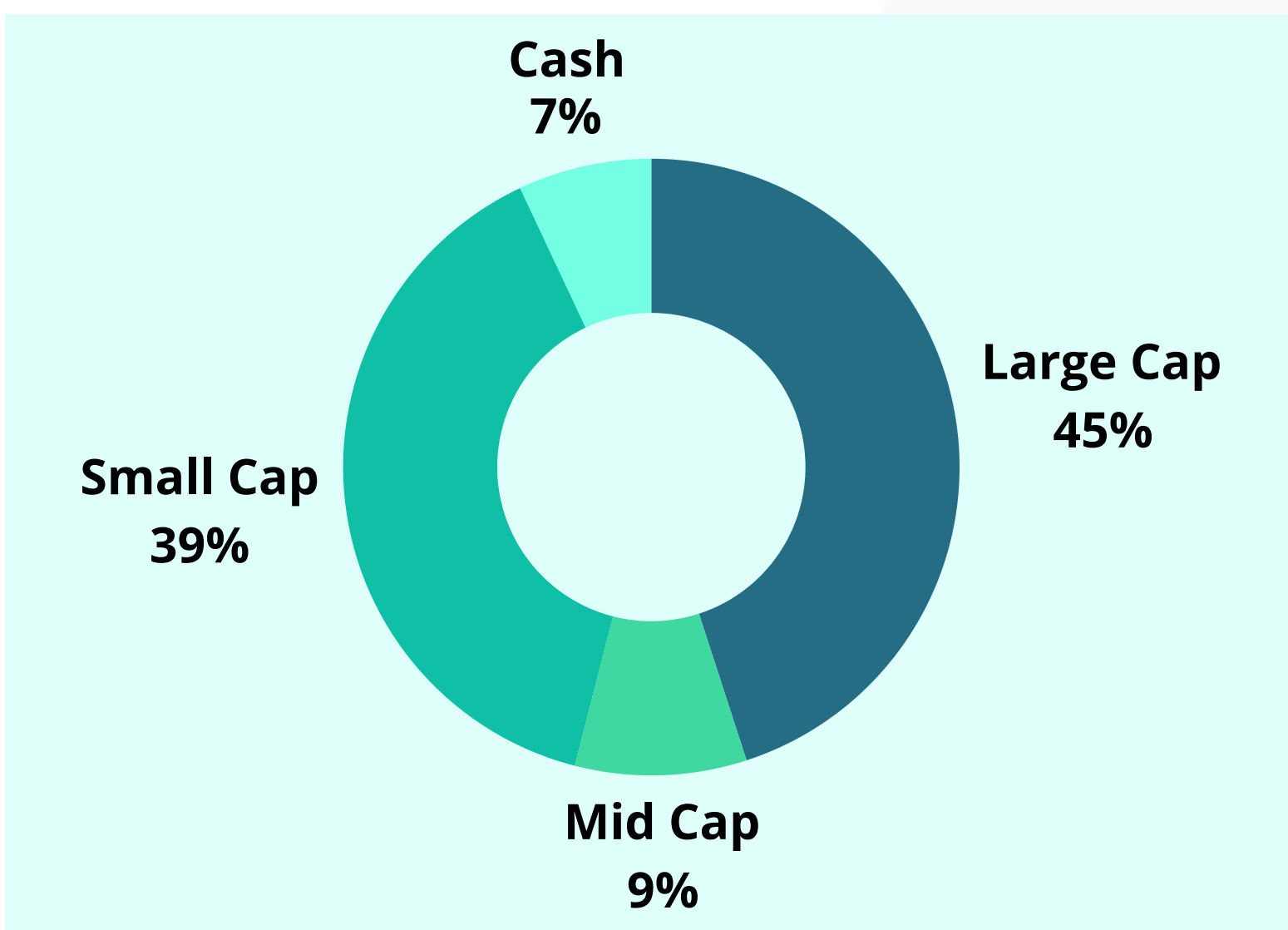
We will add large caps and lighten S/MID if the latter rises further

4

Current cash levels of ~7% will be used opportunistically

# India Flexicap Portfolio

## MARKET-CAP ALLOCATION



Source : Buoyant Capital IA

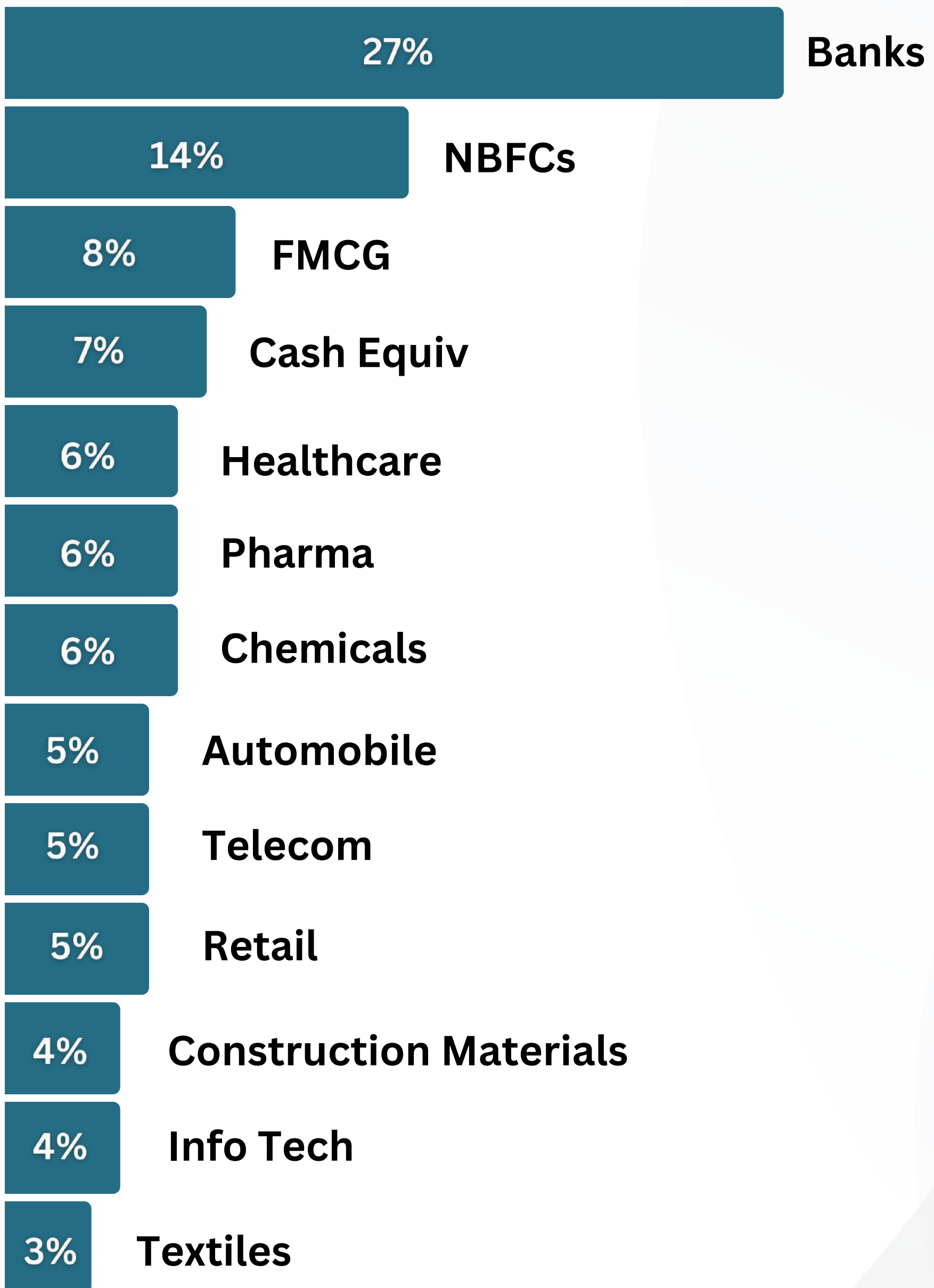
## TOP 5 HOLDINGS\*

ITC Ltd	8%
HDFC Bank Ltd	7%
DSP BSE Liquid Rate ETF	7%
Indegene Ltd	6%
Divi's Laboratories Ltd	6%

Source : Buoyant Capital IA

*\* Holdings may or may not be a part of all client portfolios. The securities quoted are for illustration only and are not recommended. Data as at end-July 2024*

# SECTOR ALLOCATION



Data as at end-July 2024

Source : Buoyant Capital IA

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### OPPORTUNITIES PORTFOLIO

- A **cross-cycle, flexi-cap, moderately diversified** portfolio of listed stocks benchmarked with a broad market index.
- Model portfolio advisory service by **Buoyant Capital**, a SEBI-licensed Investment Advisor.
- Available on the **digital advisory platform of Smallcase**.



### PORTFOLIO STRATEGY

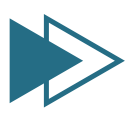
- Aggressive during good times / favourable cycle, defensive in tough times.
- **Cross cycle investing philosophy** to reduce volatility and manage risks in line with macro, market, market-cap and sector cycles.
- Flexible, bottom-up portfolio construction that is **industry and market cap agnostic**.
- No permanent bias towards market cap (large/mid/small), sector or theme.

## CAPITAL INVESTMENT ADVISORS

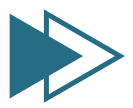
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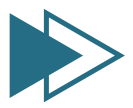
## DIGITAL, AFFORDABLE & CONVENIENT!



Investor, broker and advisor linked on a digital platform for trade execution with **minimal effort for the investor\***!



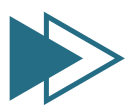
**100% digital sign-up**, risk profiling and onboarding via PAN & Aadhar OTP.



PMS/AIF-like portfolio strategy now available at min. Rs. 2 lacs ticket size with top ups in multiples of Rs. 50K.



## REBALANCING STRATEGY



In line with Advisor's research view on cycles, stocks and sectors.



Churn will also follow a flexible dynamic, with heavy churn when cycles change.



***\*Disclaimer : Right of Execution of Investments remains with the Investor only.***





## **CAPITAL INVESTMENT ADVISORS**

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### **Risk Category**

Aggressive (high risk)

### **Advisor**

Dipen Sheth

### **Benchmark**

NIFTY 500 TRI

### **Subscription fees**

2% p.a. of AUA (Charged half yearly)

### **Fees collection**

Every six months

### **Investment Style**

Cross cycle, Flexicap

### **Recommended Time Horizon**

3-5 Years

### **No of Stocks**

12-18

# OPPORTUNITIES PORTFOLIO

## USP

**A cross-cycle strategy that uses a combination of aggressive or defensive stance depending on the cycle at play.**

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**Flexi-cap portfolio construction across small, mid and large caps to balance risk vs. reward at different points of time in the cycle.**



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### *Contact us*

For more information on our cross cycle investing framework, or to start an advisory relationship with **Buoyant Capital Investment Advisors,**

write to us at

**[advisory@buoyantcap.com](mailto:advisory@buoyantcap.com)**

or WhatsApp us at

**+91-99307-35364**

***Start your Digital Advisory Portfolio today!***



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## **CAPITAL INVESTMENT ADVISORS**

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### ***Disclosures & disclaimers***

**Name of Investment Adviser as registered with SEBI:** Buoyant Capital Private Limited.  
**Type of Registration:** Non-Individual. **SEBI Registration number:** INA000016995.  
**Validity of SEBI registration:** 13th June 2022 - Perpetual. **BSE IA Enlistment Number (BASL membership ID)-1844. CIN of the IA** U65990MH2014PTC253. **Registered office address:** 3501, B- Wing, Kohinoor Square, N C Kelkar Marg, R G Gadkari Chowk, Shivaji Park, Dadar West, Mumbai 400028. INDIA. **Phone:** +91-22-6931-9994. **Separately Identifiable division of IA/Trade name:** Buoyant Capital Investment Advisors (a division of Buoyant Capital Private Limited).

**Standard Warning:** Investments in securities markets are subject to market risks. Read all the related documents carefully before investing.

**Standard Disclaimer:** Registration granted by SEBI, enlistment as IA with Exchange and certification from National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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