FACTSHEET
OCTOBER 2023

Renaissance Investment Managers

Dear Investors,

Intermittent corrections are good

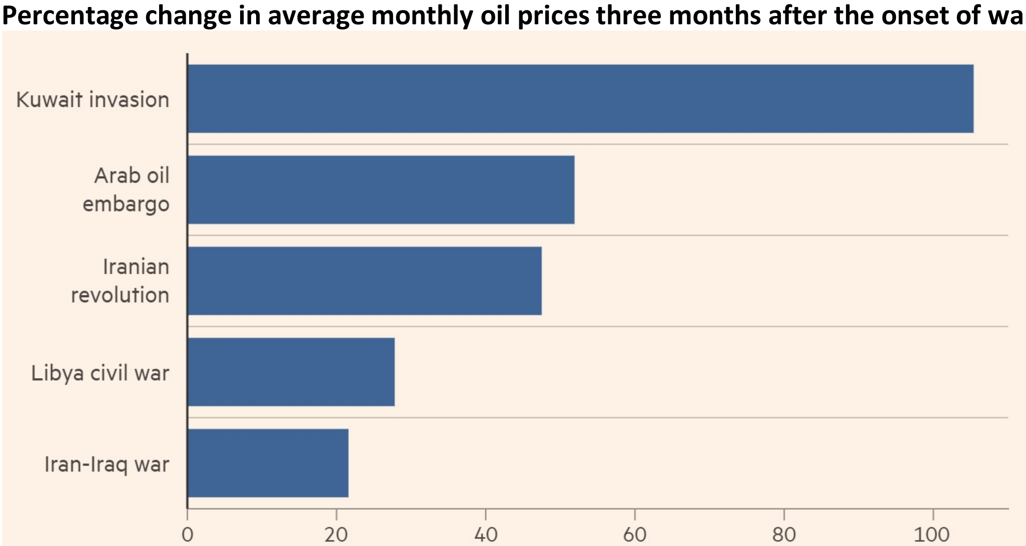
In the last note we highlighted our discomfort on the euphoric rise in select low quality mid cap/ small cap stocks over the last 4-5 months. We highlighted that the ratio of Smallcap 250 index to Nifty 50 Index has moved one side up, thereby approaching its 20-year peak. Some correction over the last 15 days has brought some sanity to the stock prices of these companies. Every bull market, across the globe, creates bubble. But we believe, it's important to burst the bubble before it becomes too big. In that sense, intermittent corrections are good for a healthy equity market.

US Fed, in the latest meeting, maintained its status quo on interest rates. They have kept the doors open for further rate hikes, which we think will continue unless US Fed sees comfortable level of inflation rate for a reasonable period. As always, the commentary was more important. Fed Chairman, Jerome Powell, sounded quite pleased with the effort to bring down inflation. He sounded optimistic that fading pandemic distortions and rising labor supply could help ease supply side inflation pressures. Powell noted that he, like most of the FOMC members, still believes some further softening of the labor market and slowing of growth will be necessary going ahead. However, the more important thing was that US Fed doesn't foresee a recession given the strength of the economy. Consequently, there was some respite to treasury yields. Overall, we believe benign inflation/interest rates augurs well in terms of flows towards growing emerging markets like India.

In another global development, Israel-Hamas war has kept the global markets nervous over last 2 weeks. While the war has had massive impact on human lives, there could be sharp economic consequences for the world as well. The impact would be contingent on two pointers - How severely and how far might the war and its political ramifications spread? Very clearly, this would have a direct impact on energy markets which can in-turn influence global economy.

The Gulf region is a large producer of Oil & Gas resources. Historically, wars in the Gulf region have proved very costly for the world via the steep rise in oil prices (refer chart below). Fortunately, so far, the impact hasn't been huge. In the event the war escalates into a multi-country affair, it would mean high oil prices and its consequent impact on inflation/ global growth would certainly be negative. However, as things stand today, the probability of the Israel-Hamas war getting escalated appears to be on the lower side. Though this would remain a key monitorable over the coming few weeks.

Percentage change in average monthly oil prices three months after the onset of war



Source: World Bank

Corporate India's Q2FY24 results have been broadly on expected lines. In overall context, this is the leanest quarter of the year and delayed festive season has made it relatively less important as well. The earnings season so far, reiterates our belief on two important themes – (a) Strong capex cycle – driven by rising infrastructure spends, private sector capex and continued strengthening of real estate markets and (b) Make in India – this spans across multiple sectors like electronics, defence and railways amongst others.

While Indian economy is not entirely immune to global events, there are inherent strong growth drivers in the economy, which would put it back on growth path after any potential negative global event. We believe that initiatives like Make in India is a multi-decade growth driver. This is further complemented by a very strong banking system, digital economy and increasing consumption spend. This makes us remain optimistic on the prospects of Indian economy. We continue to remain largely invested into the markets. However, we have not compromised on quality, and we will refrain to do so going ahead as well. Our portfolios are positioned in sectors/ stocks which we believe will be the growth leaders over the next 3-5 years.

Happy Investing

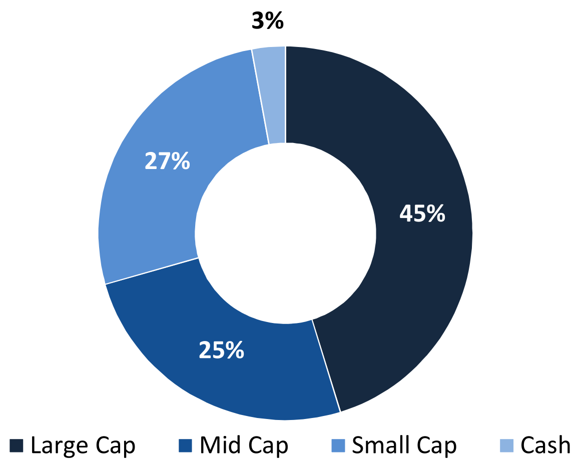
Pawan Parakh
Portfolio Manager

Returns **(As on 30th September 2022)**

Fund / Index	1 Year	2 Years	3 Years
CRISIL AIF Index – CAT III (INR)	**-1.53%**	**23.63%**	**16.04%**
INDIA NEXT FUND	**11.3%**	**48.77%**	**24.5%**
INDIA NEXT FUND II	**N/A**	**N/A**	**N/A**

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24E	FY25E
PAT growth (%)	19.3%	18.1%
ROE (%)	12.9%	14.2%
P/E	26.4	21.7

Top Holdings

Company	Weight(%)
Infosys Ltd	6.54%
One 97 Communications Ltd	6.36%
Poonawalla Fincorp Ltd	6.23%
Motilal Oswal Financial Services Ltd	6.11%
Siemens Ltd	5.89%

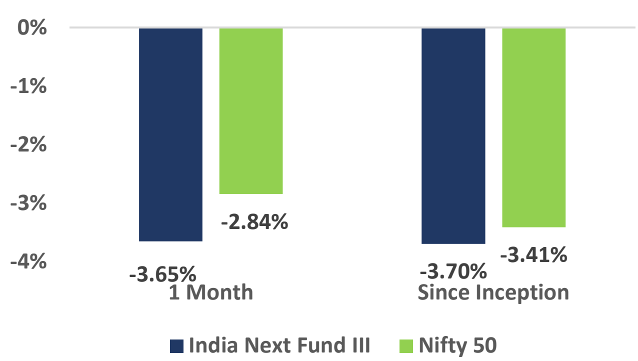
Renaissance India Next Fund III - Risk

Time Period: 01/08/2023 to 31/10/2023
Calculation Benchmark: IISL Nifty 50

	Portfolio	Index
Std Dev	NA	NA
Sharpe Ratio	NA	NA
Beta	NA	NA
Treynors Ratio	NA	NA
Information Ratio	NA	NA

Returns

Calculation Benchmark: IISL Nifty 50



Fund and Benchmarks returns are Pre-tax

Sectoral Weights

Sector	Weight(%)
BFSI	33.31%
IT & Tech	19.46%
Pharma & Chemicals	16.81%
Industrials	10.33%
Real Estate & Building Materials	6.80%

Renaissance

THE SCIENCE OF INVESTING

Investment Philosophy

Sustainable Quality Growth At Reasonable Price (SQGARP)

Sustainability	Companies with sustainable and durable business models.
Quality	Superior quality businesses as demonstrated by Competitive edge, Pricing power, ROE, FCF. Good quality and competent management teams.
Growth	Business that can deliver superior growth over medium term to long term.
Price	Ability to invest at reasonable valuations. Fair value approach to valuations. Focus on economic value of business.