



**Renaissance Investment Managers**

Dear Investors,

Citius Altius Fortius

In retrospect, 2023 was undoubtedly a strong year both for Indian economy and equity markets. GDP numbers surprised positively on the upside and Corporate India earnings have also been largely resilient. In terms of equity markets, it was a year of midcaps and smallcaps, though large caps also joined the part towards the end of the year. As can be seen from the chart below, midcaps not only outperformed the large cap indices, but perhaps by the highest margin in last many years. The year saw the highest ever number of IPOs and as is typical of every bull market, these IPOs were heavily oversubscribed. The entire rally was largely fuelled by domestic flows, as FII flows continue to remain muted. State elections results have further emboldened market confidence on political stability and continuity of economic policies.

### Performance of various Indices over the years

Year	Nifty	Nifty MidCap	Midcap returns over Nifty	Nifty SmallCap	Smallcap returns over Nifty
<b>Dec-23</b>	<b>20.00%</b>	<b>46.60%</b>	<b>26.60%</b>	<b>55.60%</b>	<b>35.60%</b>
<b>Dec-22</b>	4.30%	3.50%	-0.80%	-13.80%	-18.10%
<b>Dec-21</b>	24.10%	46.10%	22.00%	59.30%	35.20%
<b>Dec-20</b>	14.90%	21.90%	7.00%	21.50%	6.60%
<b>Dec-19</b>	12.00%	-4.30%	-16.30%	-9.50%	-21.50%
<b>Dec-18</b>	3.20%	-15.40%	-18.60%	-29.10%	-32.30%
<b>Dec-17</b>	28.60%	47.30%	18.70%	57.30%	28.70%
<b>Dec-16</b>	3.00%	7.10%	4.10%	2.30%	-0.70%
<b>Dec-15</b>	-4.10%	6.50%	10.60%	7.20%	11.30%
<b>Dec-14</b>	31.40%	55.90%	24.50%	55.00%	23.60%
<b>Dec-13</b>	6.80%	-5.10%	-11.90%	-8.30%	-15.10%
<b>Dec-12</b>	27.70%	39.20%	11.50%	36.80%	9.10%
<b>Dec-11</b>	-24.60%	-31.00%	-6.40%	-33.90%	-9.30%

Source – NSE, BSE

A strong banking/ financial system is a pre-requisite and bedrock of a strong economy. In this respect, the RBI in its latest Financial Stability Report has stated that the health of the financial sector continues to be steady amidst sustained growth in bank credit, adequate capital, liquidity buffers, strong earnings and lower NPAs. Balance sheets of both corporate and banking sector have also strengthened, and this is prompting anew investment and credit cycle. Apart from this, stress tests results indicate that even under severe stress scenario, capital reserves of SCBs remain adequate and GNPA ratios are also likely to inch up only marginally. Net NPA of the banking sector stands at a multi-decade low of 0.8% versus 1% in Mar-23. A proactive RBI and strong banking sector lay a strong foundation for a multi-year economic growth of the country.

We have been extremely sanguine on the revival in capex cycle in the country. We expect the same to further gain momentum in 2024. This time around, government has got its cards right in terms of policies to drive manufacturing into the economy. Initial level of success is visible across multiple sectors like electronics manufacturing, chemicals, defence and railways amongst others. This is driven largely by the landmark PLI scheme. As more sectors undergo the planned capex in this scheme, we expect manufacturing as a theme to gain further ground in 2024. However, driving manufacturing in the country in a large way will be a multi-year affair, especially in the Indian democratic set-up.

While most variables seem to be fine for the India growth story, the one big disappointment so far has been the delay in rural recovery. Covid and high inflation had a major dent to rural consumption. While income levels in rural India are reasonable fine, the much-anticipated rural recovery faced headwinds in terms of uneven monsoon and consequent negative sentiments around it. Recent 2-wheeler sales volume do show some signs of recovery, but a full-fledged recovery is still not visible. Revival in rural spending is highly important for India to accelerate its growth rates to over 7.0-7.5% levels going ahead.

The year prior to 2023 was the year of high inflation and high interest rates. Unlike that, the year after 2023 will be marked by moderating inflation and falling interest rates. In this backdrop, we feel quite confident that emerging market economies, especially India will receive high amount of FII flows thereby further driving buoyancy in the equity markets. However, the geopolitical scenario continues to remain a spoil sport. Apart from the cold war between US & China, the world had to grapple with 2 military conflicts in the last 2 years. Unfortunately, there is a complete impasse with no clarity on the endgame for both the wars. World economy has taken both these conflicts in its stride and adjusted to the new normal. Global commodities, currencies, inflation and supply chain are fairly stable now. However, initiation of some more conflicts, pose risk to global growth and to the thesis of FII inflows into emerging markets. This would be closely watched out going ahead.

Overall, we believe Indian economy is in a good health. 2024 will see 2 large democracies (India & US) getting into election mode, which is a big event in both countries. In the current scenario, the outcome in both elections appear to be one-sided and unlikely to change closer to the date. With political stability, growth leadership and inflation moderation, we expect 2024 to be another exciting year for the equity markets. However, investors should remain cautious in their fund/ stock selection process. Bull markets have a tendency to create bubbles and burst them. Investors should avoid investing into low quality mid cap/ small cap stocks which are in the bubble zone and are waiting get burst with time. We remain focused on high quality companies with strong growth and robust balance sheets, as we believe these companies emerge stronger with every economic cycle and are long term wealth creators.

Best Wishes for 2024.

Happy Investing.

**Pawan Parakh**

Portfolio Manager

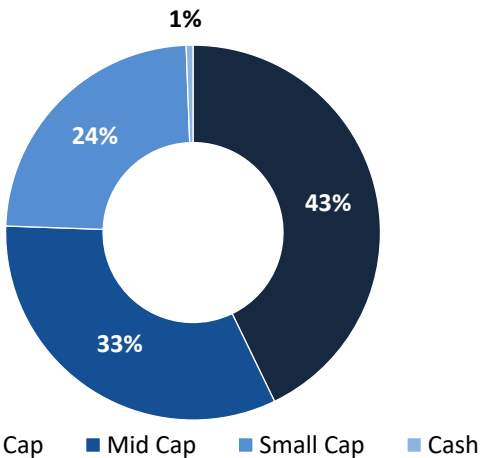
## Returns

(As on 30<sup>th</sup> 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: Brand, Internet, Technology & Science (BITS)

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24E	FY25E
PAT growth (%)	21.3%	20.7%
ROE (%)	15.8	17.8
P/E	34.0	30.1

Top Holdings

Company	Weight(%)
Birlasoft Ltd	6.75%
Info Edge (India) Ltd	6.74%
Zyklus Lifesciences Ltd	5.27%
Tech Mahindra Ltd	5.00%
Varroc Engineering Ltd	4.84%

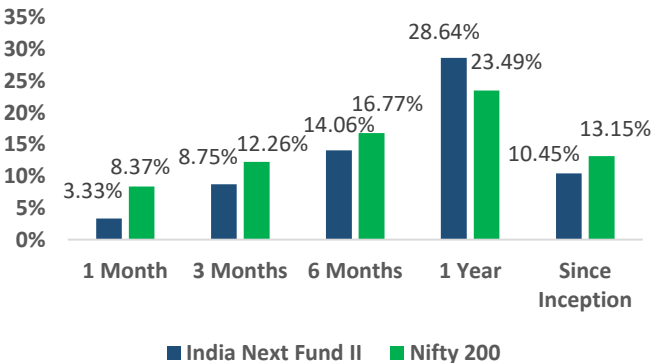
Renaissance India Next Fund II - Risk

Time Period: 01/11/2022 to 31/12/2023  
Calculation Benchmark: IISL Nifty 200

	Portfolio	Index
Std Dev	11.65%	9.66%
Sharpe Ratio	1.85	1.69
Beta	0.97	1.00
Treynors Ratio	0.22	0.00
Information Ratio	0.75	0.00

Returns

Calculation Benchmark: IISL Nifty 200



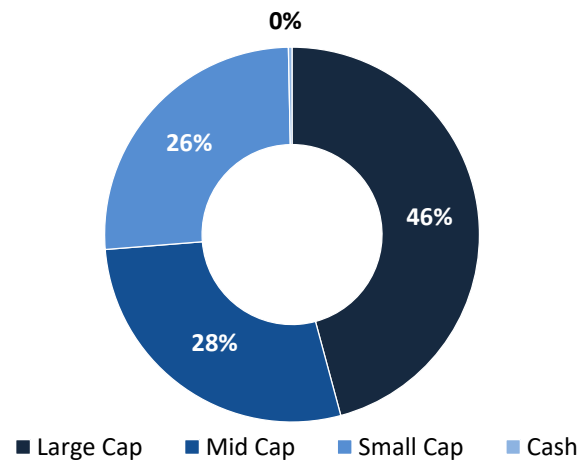
Sectoral Weights

Sector	Weight(%)
IT & Tech	27.90%
BFSI	18.92%
Pharma & Chemicals	15.07%
Auto & Logistics	13.59%
Industrials	8.01%

Fund and Benchmarks returns are Pre-tax

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24E	FY25E
PAT growth (%)	14.5%	21.3%
ROE (%)	14.9	16.6
P/E	28.0	25.7

Top Holdings

Company	Weight(%)
State Bank of India	7.75%
One 97 Communications Ltd	7.44%
Tata Motors Ltd	6.52%
Poonawalla Fincorp Ltd	5.43%
Infosys Ltd	5.17%

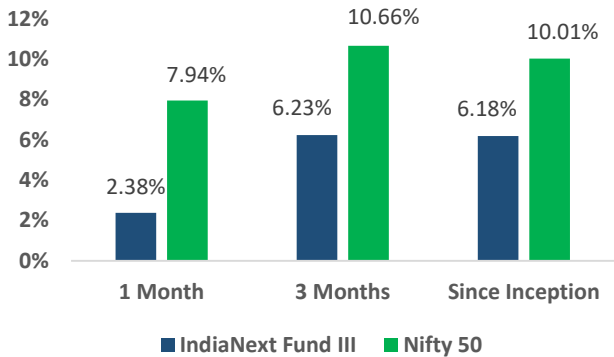
Renaissance India Next Fund III - Risk

Time Period: 01/08/2023 to 31/12/2023  
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



Sectoral Weights

Sector	Weight(%)
BFSI	34.18%
IT & Tech	16.27%
Pharma & Chemicals	12.83%
Industrials	8.73%
Auto & Logistics	8.14%

Fund and Benchmarks returns are Pre-tax

## 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.

**Statutory Details:** Renaissance Investment Mangers Private Limited ("RIMPL") is registered under SEBI (Portfolio Managers) Regulations, 1993 as a Portfolio Manager vide Registration No. INP000005455. RIMPL is also an Investment Manager to Renaissance Alternate Investment Fund – Category III which is registered with SEBI as Alternate Investment Fund under SEBI (Alternative Investment Funds) Regulations, 2012 vide Registration No: IN/AIF3/18-19/0549.

**Disclaimer:** The Fund/strategy returns are of a Model Client. The performance related information provided herein is not verified by SEBI. The performance of the stock across Individual portfolios may vary significantly from the data depicted above. Returns of individual client may differ depending on timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the above performance depictions and that of the stock within individual client portfolios. Neither RIMPL, nor the Fund/Asset Management Company, its Directors, employees or Sponsors shall in any way be liable for any variation noticed in the returns of individual portfolios.

Performance of RIMPL shall have no bearing on the expected performance of the fund/strategy. Past performance of the financial products, instruments and the portfolio may or may not be sustained in future and should not be used as a basis for comparison with other investments. Fund/Strategy returns shown above are post fees & expenses. Clients are not being offered any guaranteed/assured returns. The stocks / sectors mentioned hereinabove should not be construed as an investment advice or a forecast of their expected future performance. These stocks / sectors may or may not form part of the portfolio in future.

**Risk Factors:** Investing in securities involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would be achieved. Prospective investors are advised to review the Disclosure Document, PPM and/or, Client Agreement, and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under this Portfolio, before making an investment decision. RIMPL is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. This document represents the views of Renaissance Investment Mangers Private Limited and must not be taken as the basis for an investment decision. Neither Renaissance Investment Mangers Private Limited nor its affiliates, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. RIMPL reserves the right to make modifications and alterations to this statement as may be required from time to time.