AIF FACTSHEET

JULY 2024

Renaissance
THE SCIENCE OF INVESTING

Renaissance Investment Managers

Dear Investors,

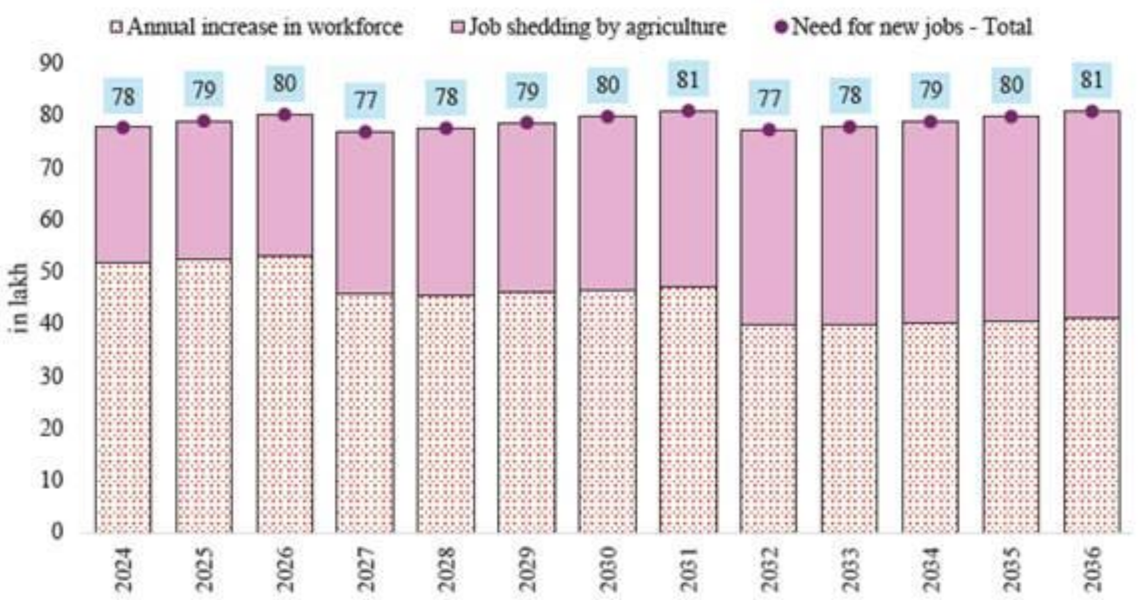
Union Budget – Capex, Employment and Fiscal Consolidation

The FY25 budget delivered a balance across capex-led growth, fiscal-consolidation and enhanced welfarism.

Fiscal Deficit: The government has projected FY25 gross fiscal deficit (GFD) at 4.9% of GDP, which is lower than the 5.1% ratio in the interim budget (Feb'24).

Capital expenditure: FY25BE capex has been maintained at INR 11.1tn (+17% growth), similar to the level in the interim budget (Feb'24).

Revenue expenditure: Revenue expenditure growth (excluding interest payments) has been upped to 2.5% (on FY24RE base) as against a decline of 1.6% expected in FY24RE. More importantly, the government seems to have sharpened its focus on skilling and youth employment generation—Rs100 bn has been budgeted as incentives for FY25BE, toward job creation and skilling, by subsidizing employers who generate fresh jobs. The total amount of incentives is Rs2 tn over a five-year period. Further, Rural Development expenditure is budgeted to grow this year at 4% against a decline of 3% in FY24RE – this should provide some impetus to the rural consumption that has been sluggish post Covid.



Source: The Economic Survey 2023-24

Mixed trends in 1Q FY25 earnings…

The combined revenue of ~1200 listed-companies that have declared their June-quarter results so far, has risen 9.2% yoy, while net profits have been flattish at <1%. For non-financial (non-BFSI) companies, the topline grew by 5.5%, while profits were down 9% [Source: CMIE].

Nonetheless, aggregate profits of 39 Nifty-50 companies that have declared results have seen 5% growth, which is reasonable in the context of elections-impact, heat-waves in several parts of India, high base in terms of margin-comparisons, and RBI-induced deceleration in system credit growth. In terms of sectoral trends: (1) Non-lenders (AMCs, Insurance) have delivered strong 1Q performance; (2) Lenders (Banks, NBFCs) have delivered largely in-line results: (3) IT sector saw stabilization in growth forecasts; and (4) Global cyclicals (Oil/Gas, Metals, Chemicals) largely underperformed on earnings vs market expectations.

…but growth outlook remains intact

We believe growth is likely to pick up, as monsoons are now normal (2% surplus till 31st July) and government-spending including capex is likely to come back with a vengeance through the remainder of FY25. We expect 1-2 rate cuts by the RBI in 2HFY25, on back of FED rate cuts (2-3 cuts likely in 2024), subdued crude-oil prices, and a likely decline in food/vegetable inflation post monsoon season.

Market outlook and portfolio positioning

Based on 1Q results declared so far, Nifty-50 'EPS' is expected to see a modest downgrade of around 1% for FY25E and for FY26E. Thus, low-teen EPS growth outlook for Nifty remains intact for FY25, while for FY26 the market currently expects low-to-mid teen EPS growth.

At the 23,900 level, Nifty is priced at 18.6x FY26E consensus earnings estimate, which is in line with the last 10-years mean valuations. India's GDP growth forecasts have been revised up, from 7.0% to 7.2% by the RBI for FY25E after the blow-out 4QFY24 GDP numbers (+7.8% yoy), and India's medium-term story is unchanged.

We remain invested in quality companies, which enjoy significant growth-tailwinds and have high earnings certainty in sectors such as: capital goods, information technology, private sector financials, telecoms, select PSUs and select real estate stocks. This should protect our portfolio in the events of any intermittent corrections. We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

Pankaj Murarka
Founder & CIO

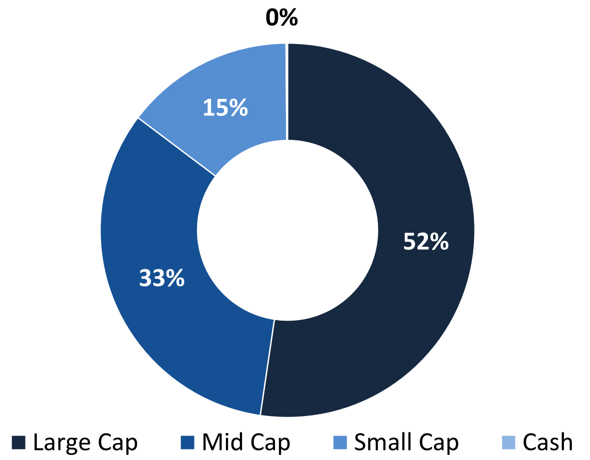
Pre-Tax Returns **(As on 30th September 2023)**

Fund / Index	1 Year	2 Years	3 Years	5 Years
CRISIL AIF Index – CAT III (INR)	15.5%	7.0%	20.6%	13.5%
INDIA NEXT FUND II	15.1%	N/A	N/A	N/A
INDIA NEXT FUND III	N/A	N/A	N/A	N/A

N/A – As the respective fund has not completed 1yr, 2yr, 3yr and 5yr as on 30th September 2023. Returns for more than one year are annualized.

Theme: Brand, Internet, Technology & Science (BITS)

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	51.9	36.3	32.5
ROE (%)	15.3	15.7	17.3
P/E	49.0	43.1	35.3

Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	7.85%
Info Edge (India) Ltd	6.98%
Motilal Oswal Financial Services Ltd	5.88%
Infosys Ltd	4.63%
Varroc Engineering Ltd	4.22%

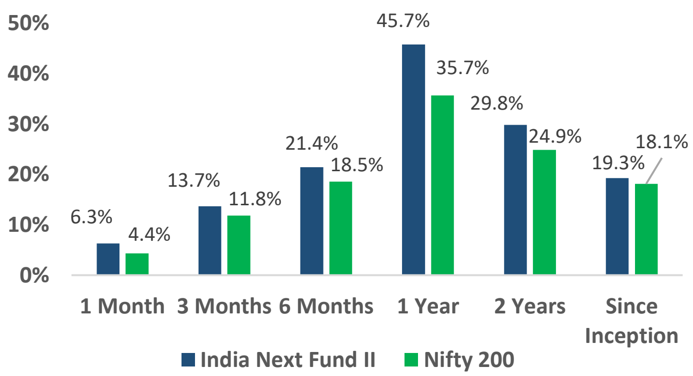
Renaissance India Next Fund II - Risk

Time Period: Last 12 Months
Calculation Benchmark: IISL Nifty 200

	Portfolio	Index
Std Dev	16.08%	13.53%
Sharpe Ratio	2.42	2.13
Beta	1.04	1.00
Treynors Ratio	0.38	-
Information Ratio	1.28	-

Returns

Calculation Benchmark: IISL Nifty 200



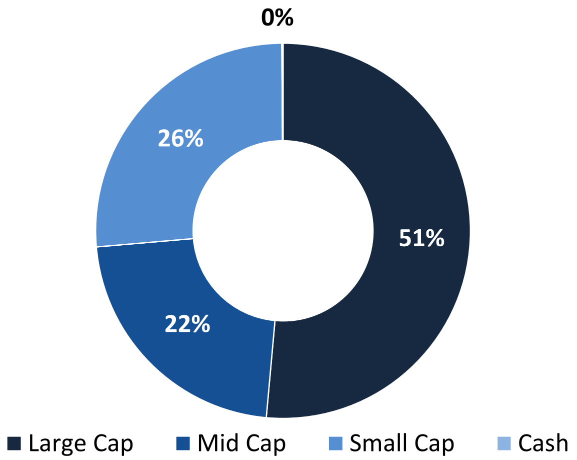
Fund and Benchmarks returns are Pre-tax

Sectoral Weights

Sector	Weight(%)
IT & Tech	29.53%
BFSI	18.19%
Consumer Discretionary	13.06%
Pharma & Chemicals	12.15%
Industrials	10.12%

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	21.3	23.1	19.0
ROE (%)	14.8	15.7	16.6
P/E	40.4	33.6	28.1

Top Holdings

Company	Weight(%)
State Bank of India	6.45%
Infosys Ltd	6.31%
Tech Mahindra Ltd	6.07%
ICICI Bank Ltd	5.99%
Larsen & Toubro Ltd	5.65%

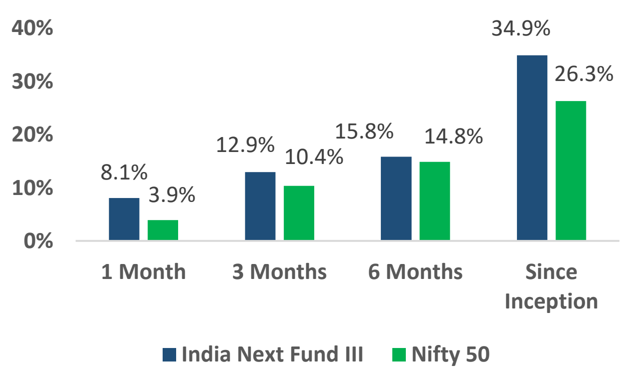
Renaissance India Next Fund III - Risk

Time Period: Last 12 Months
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	30.26%
IT & Tech	21.43%
Pharma & Chemicals	13.66%
Industrials	11.45%
Consumer Discretionary	10.01%

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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.