AIF FACTSHEET

FEBRUARY 2025

Renaissance

THE SCIENCE OF INVESTING

Renaissance Investment Managers

Dear Investors,

3Q GDP print confirms macro-economic recovery is underway

3QFY25 Real GDP growth came in-line at 6.2% yoy, reflecting a strong pick up from 2Q growth rate of 5.6% (revised up from 5.4%). Full year FY25 GDP growth is expected to be close to 6.5%, down from 9.2% in FY24 (sharply revised up from 8.2% previously). Growth deceleration in FY25E versus FY24 is a result of sharp moderation in: (1) capex—GFCF growth of 6.1% vs 8.8% in FY24; and (2) government consumption—3.8% vs 8.1% in FY24. Nonetheless, private consumption growth is expected to recover sharply to 7.6% in FY25 from 5.6% in FY24.

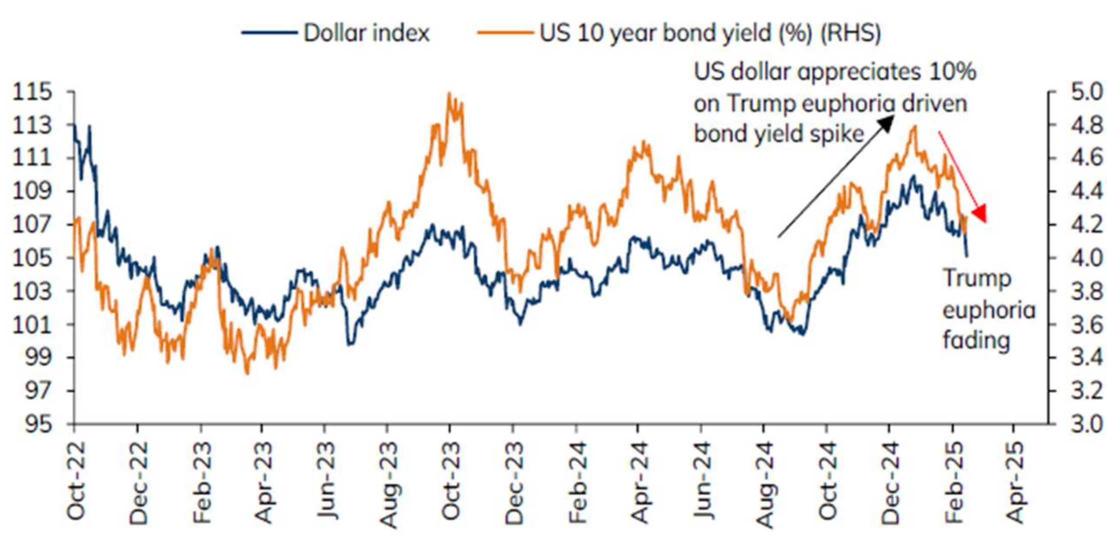
Looking at the supply side, the Real GVA growth was 6.2% in 3Q vs 5.8% in 2Q. Growth in 3Q was fairly broad-based, with Agriculture shining brightly at 5.6%, Industrial output growth of 4.5%, and Services growth of 7.4%**.**

Emerging data points indicate a market-bottom is close

With Nifty-50 and Nifty-500 witnessing a decline of 6.4% and 11.1% respectively during Jan-Feb 2025, the investor mood has varied from subdued to sour. Nonetheless, several market drivers indicate that we may close to a bottom, at least in the large-cap segment of the markets.

1. **GDP growth acceleration** confirmed in 3Q. Other macro indicators continue to be promising as well—strong services PMI, good growth in government capex, GST collections, E-Way bills, Air traffic, rural employment, steel consumption etc.
2. **RBI supportive of higher credit and deposit growth** as evident from its various measures recently, including repo rate cut, CRR cut, other liquidity easing measures, risk- weight reductions on bank loans to NBFCs and MFIs, postponement of new LCR norms and of provisioning norms in project financing.
3. **Continued inflation moderation in India**–4.3% in January 2025 vs 5.2% in Dec’24.
4. **Brent crude oil at a 3-year low** at just under US$70/bbl–OPEC+ has promised output increase amid US slowdown fears, even as Chinese GDP growth is stabilizing.
5. **Sharp decline in US 10-year bond yield to 4.2%** (down 60bps since mid-January) **and further pull back in the US Dollar** (DXY index down 4.5% since mid-Jan), as fears emerge of a sharp slowdown in US economy driven: (a) weakening consumer sentiment and retail sales; (b) likely slowdown or decline in government expenditure under DOGE; (c) slower private capex because of uncertainty around trade and tariff policies.
6. **Valuations now fair** especially in the large cap segment. At 22,400 level, Nifty-50 has an implied forward P/E of c.19x, which is 5% below its 10-year historical average. Further, MSCI-India premium over MSCI-EM is back to its historical average of 50-55%. However, valuations of small cap and mid-cap indices continue to be above their historical averages.
7. **Domestic inflows into active equity MFs have remained robust**. This trend is expected to continue with monthly net inflows of around US$4bn. Net FPI outflows came down to US$5.4bn in Feb’25 versus US$8.4bn in Jan’25.

Exhibit: Both the US 10-yr bond yield and DXY index have declined from recent peaks



Source: Broker Report

Earnings growth recovery awaited—the most important driver

In 3QFY25, the combined revenues of ~4450 listed-companies rose 6.6% yoy (vs. 7.4% in 2Q), while PAT growth improved to 8.0% (1.5%). For non-financial companies, aggregate topline/profits grew by 5.0%/5.1% [Source: CMIE]. Energy and IT services companies saw upgrades, while Banks and Pharma sector results were broadly in line with expectations.

For the Nifty-50 companies, 3QFY25 EPS growth was 5% (7% excluding Metal/Oil/Gas). FY25 EPS forecasts saw minor cuts by of around 1% post 3Q results, and FY25 Nifty-50 EPS is now projected to grow at 5-6%. Nonetheless, the FY26 Nifty-50 EPS growth expectations remain healthy at around 15%.

Markets to remain in consolidation mode; we remain constructive and selective

India's GDP growth rate is likely to improve in coming quarters, thanks to a cyclical pick up in government's capex spending, consumption boost in the union budget and monetary easing by the RBI. Further, even as near-term global GDP growth may weaken on the back of US slowing down, we see global growth becoming more widespread from 2026 with a potential recovery in Euro-zone (higher defense and infra spending), and stable growth prospects for China (stable property market, stimulus) and Japan.

However, for a decisive uptrend to re-start in the Indian markets, corporate earnings growth needs to recover back into double digits and US 10-yr bond yield needs to come down further. These factors should largely help reverse the recent trend of FPI outflows.

Nifty-50 was down 5.9% in February, but the broader market (Nifty-500) was down 7.9%. A largely side-ways market with narrowing breadth, aligns favorably with our investment approach of building focused portfolios of quality companies that can deliver sustainable growth over the medium to long term. Our portfolio is skewed towards credit growth, export/outsourcing and select consumer discretionary plays. We are invested in pockets having attractive valuations (e.g. private sector financials, housing NBFCs), as well as in pockets that we expect would deliver a higher amount and/or longevity of earnings growth at reasonable prices (such as IT, Pharma, Telecoms etc.). We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

Pankaj Murarka
Founder & CIO

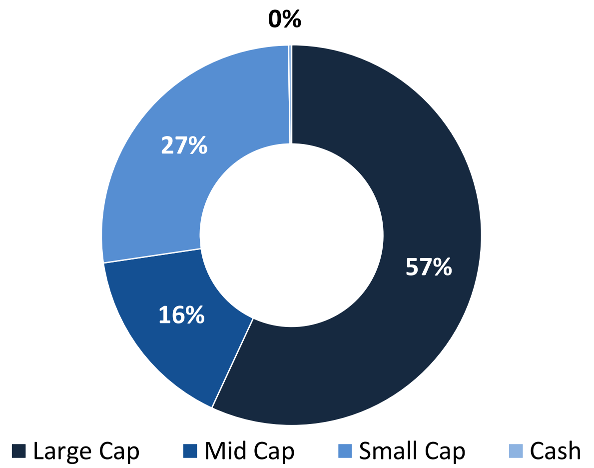
Pre-Tax Returns **(As on 31st March 2024)**

Fund / Index	1 Year	2 Years	3 Years	5 Years
CRISIL AIF Index – CAT III (INR)	31.1%	13.5%	16.0%	14.9%
INDIA NEXT FUND II	47.9%	15.2%	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 31st March 2024. Returns for more than one year are annualized.

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E	FY27E
PAT Growth (%)	15.8	7.2	15.2	15.1
ROE (%)	13.4	12.4	12.9	13.4
P/E	21.9	20.5	17.8	15.4

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.98%
Reliance Industries Ltd	8.66%
Tech Mahindra Ltd	5.69%
Infosys Ltd	5.38%
ICICI Bank Ltd	4.99%

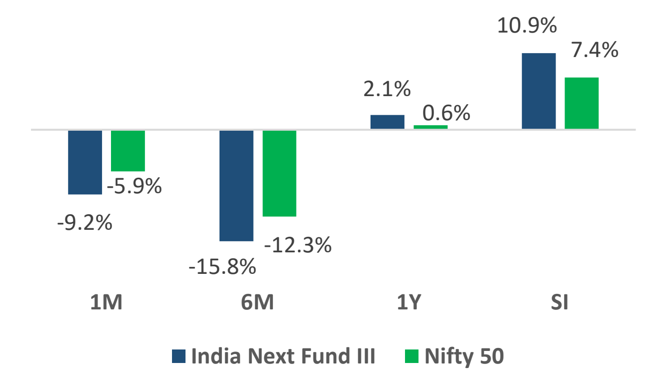
Renaissance India Next Fund III - Risk

Time Period: Since Inception
Calculation Benchmark: Nifty 50

	Portfolio	Nifty 50
Std Dev	19.00%	16.08%
Sharpe Ratio	0.59	0.35
Beta	0.98	1.00
Treynors Ratio	0.11	-
Information Ratio	0.53	-

Returns

Calculation Benchmark: Nifty 50



Fund and Benchmarks returns are Pre-tax

Returns for more than one year are annualized
The performance related information provided herein is not verified by SEBI.

Sectoral Weights

Sector	Weight(%)
BFSI	38.49%
IT & Tech	22.08%
Pharma & Chemicals	9.22%
Diversified	8.66%
Consumer Discretionary	7.22%

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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.

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.

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