



Renaissance Investment Managers

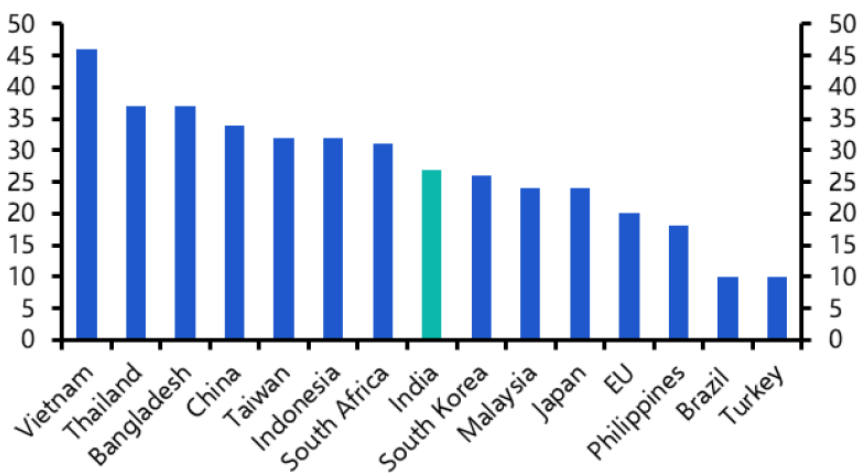
Trump tariffs pose risk of a slowdown in global GDP growth

The sweeping country-wise tariffs on US goods-imports announced by President Trump on 2nd April 2025, are neither reciprocal in nature, nor are they aimed at protecting any of the US industries. The simplistic formula for estimating these tariff rates reveals the real target is **bilateral goods trade surplus of exporting countries**. There is no tariff on Services as of now—US runs a surplus in Services trade. The ‘reciprocal’ tariffs on goods range from 10-49% for major countries. Several items are currently exempted from reciprocal tariffs, such as: Steel/Aluminum articles, Copper, Minerals not available in the US, Auto parts, Semiconductors, Pharmaceuticals etc.

While the short-term goals of this shotgun approach are debatable, we believe the move is connected with Trump’s longer-term goals of onshoring manufacturing and reducing US budget deficits. Thus, these tariffs will have the effect of ‘fiscal tightening’ at a global level.

Various estimates suggest the import duty revenues garnered by US government could balloon from 2024-level of US\$100bn to around US\$700bn, based on a weighted average tariff rate of 23% on US\$3tn+ of annual goods imports [Source: Capital Economics]. This is effectively a consumption tax akin to sales tax, amounting to 2.5% of US GDP (an increase of >2pps vs 2024), and 60-65bps of Global GDP. The incremental tariff burden of US\$600bn will be shared mainly among: (1) US consumers; (2) US importers/corporations; and (3) foreign exporters. Some of the cost will naturally be incurred by foreign governments by way of lower tax collections because of reduced profits of exporters to the US. To the extent this tariff/tax hike is passed on to US consumers, there will be an adverse impact on global trade and GDP growth.

Exhibit 1: Reciprocal tariffs on select countries (%)

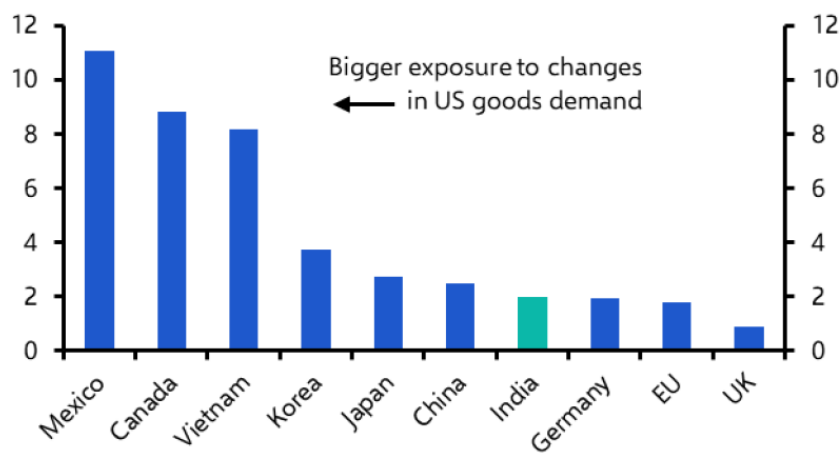


Source: White House, Capital Economics

India impacted relatively less compared to other countries

We believe India can significantly dilute the impact of 25% tariff, by reaching a bilateral trade agreement (BTA) with the US. This is already under discussion, and a BTA may well be announced within the next 3-6 months. Nonetheless, as things stand today, India’s exposure to US demand is about 2% of GDP. US accounts for US\$80bn or c.19% of our goods exports; total surplus being US\$40bn after accounting for imports of a similar amount. Excluding sectors currently exempted, India’s exposure is around 1% of GDP. A high share of services exports also provides a buffer against any slowdown in goods exports. Thus, overall impact would be limited as India is well diversified and is driven more by domestic demand.

Exhibit 2: Share of GDP exposed to US Goods Demand (% , 2024 estimate)



Source: OECD, IMF, Capital Economics

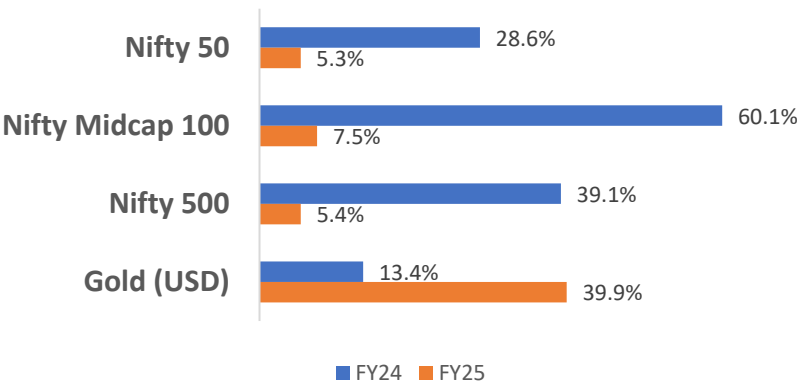
Most importantly, the 25% tariff on India is lower versus tariff on key peers and rivals exporting to the US. This places India at a relative advantage, and opens up the possibility of export share gains. The biggest downside risk for India is a global slowdown and a US recession, even as India benefits from lower crude oil prices, which at US\$63/bbl are currently at a 3.5 year low.

Exhibit 3: India’s major exports to the US

Exempted Products		Key exports under reciprocal tariff	
Products	Exports to U.S. (FY24)	Products	Exports to U.S. (FY24)
Pharmaceuticals	\$8.1 Billion	Electricals & Electronics*	\$9.0 Billion
Petroleum	\$5.8 Billion	Machinery	\$6.2 Billion
Gems & Jewellery**	\$4.6 Billion	Diamond Jewellery	\$5.4 Billion
Semiconductors	\$2.0 Billion	Textiles & Garments	\$4.7 Billion
		Iron & Steel Products	\$3.3 Billion
		Automobiles & Parts	\$ 2.7 Billion
** Excluding diamond jewellery		*Electronics excludes semiconductor equipment	

Source: Broker Report

Exhibit 4: Returns in FY24 and FY25



Source: prices from NSE, Investing.com

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

Sharp correction in global markets post Trump tariff announcements has taken Nifty-50 closer to its recent lows. Nonetheless, Indian equity markets are close to a bottom in our view, as we expect a pick-up in macro and earnings growth in coming quarters, even as valuations are unlikely to see a significant re-rating this fiscal unless global uncertainty reduces and there is a decline in US 10-yr bond yields. For the Nifty-50 companies, FY25 EPS is projected to grow at 5-6%, while the FY26 Nifty-50 EPS growth expectations remain healthy at around 14-15%.

Nifty-50 index was up 6.3% in March, while the broader market (Nifty-500) was up 7.3%. A largely sideways 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. We continue to add exposure to consumption-driven stories in the wake of: (1) declining rate of inflation; (2) improving rural consumption; (3) recent tax cuts for middle and upper income households; and (4) announcement of the 8th Pay Commission with expected incremental allocation of around INR 2tn in salaries and pensions from FY27.

Our portfolio is skewed towards credit growth (including consumer proxies), select consumer plays (across staples, durables and discretionary), and export/outourcing. 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 Consumer, Pharma, Telecoms, IT etc.). We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

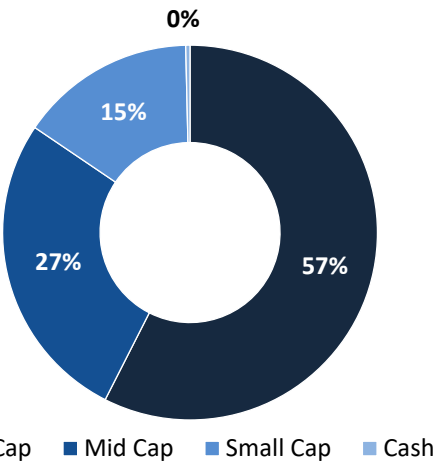
Pankaj Murarka
Founder & CIO

Pre-Tax Returns		(As on 31 st 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: Brand, Internet, Technology & Science (BITS)

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E	FY27E
PAT Growth (%)	22.9	9.7	14.8	16.7
ROE (%)	14.3	13.3	13.7	14.4
P/E	27.1	24.7	21.5	18.4

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.42%
Info Edge (India) Ltd	7.85%
Tech Mahindra Ltd	6.53%
One 97 Communications Ltd	5.49%
Kotak Mahindra Bank Ltd	5.00%

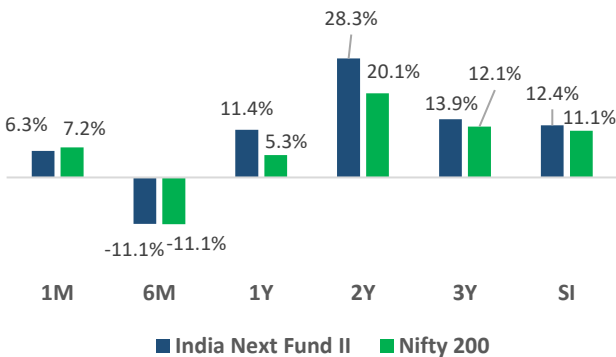
Renaissance India Next Fund II - Risk

Time Period: Last 3 Years
Calculation Benchmark: Nifty 200

	Portfolio	Nifty 200
Std Dev	26.88%	23.51%
Sharpe Ratio	1.55	1.47
Beta	1.00	1.00
Treynors Ratio	0.42	-
Information Ratio	0.55	-

Returns

Calculation Benchmark: Nifty 200



Sectoral Weights

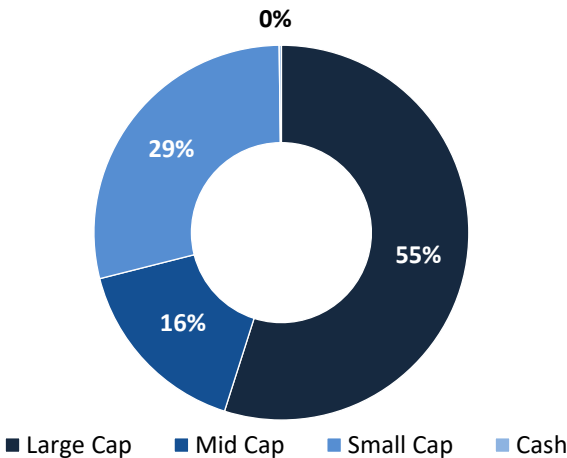
Sector	Weight(%)
BFSI	32.74%
Consumer Discretionary	17.40%
Information Technology	15.78%
Pharma & Chemicals	10.84%
Internet	7.85%

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.

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E	FY27E
PAT Growth (%)	18.0	8.1	14.5	15.3
ROE (%)	14.2	13.1	13.5	14.0
P/E	23.1	21.3	18.6	16.1

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.74%
Tech Mahindra Ltd	5.46%
Reliance Industries Ltd	5.32%
ICICI Bank Ltd	5.15%
Infosys Ltd	4.61%

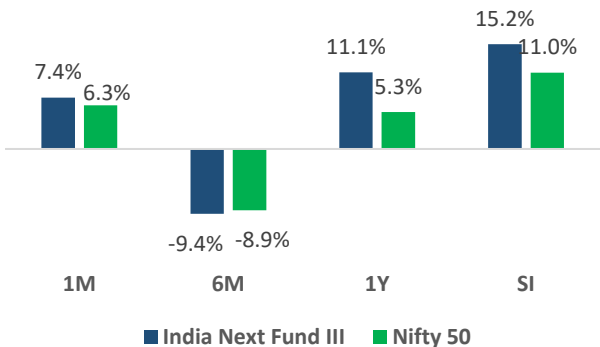
Renaissance India Next Fund III - Risk

Time Period: Since Inception
Calculation Benchmark: Nifty 50

	Portfolio	Nifty 50
Std Dev	19.51%	16.36%
Sharpe Ratio	1.04	0.78
Beta	0.99	1.00
Treynors Ratio	0.20	-
Information Ratio	0.69	-

Returns

Calculation Benchmark: Nifty 50



Sectoral Weights

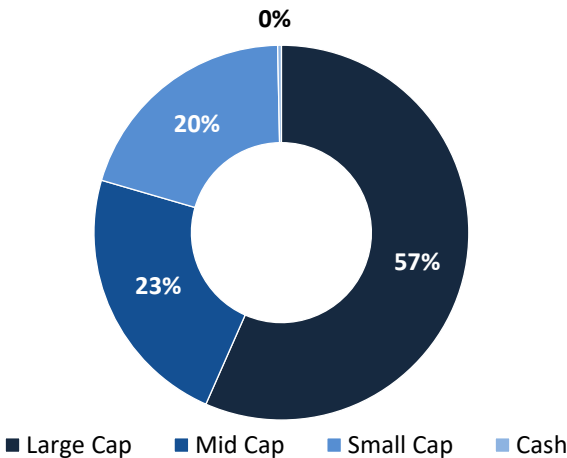
Sector	Weight(%)
BFSI	39.29%
Consumer Discretionary	12.52%
Information Technology	12.36%
Pharma & Chemicals	10.70%
Diversified	5.32%

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.

Theme: India Next

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E	FY27E
PAT Growth (%)	22.9	9.0	15.5	16.6
ROE (%)	14.1	13.1	13.6	14.3
P/E	25.1	23.0	19.9	17.1

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.81%
Reliance Industries Ltd	6.01%
Tech Mahindra Ltd	5.62%
Infosys Ltd	4.76%
HDFC AMC Ltd	4.07%

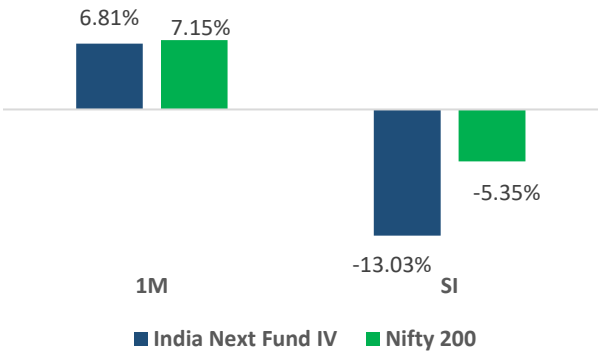
Renaissance India Next Fund IV - Risk

Time Period: Last 12 Months
Calculation Benchmark: Nifty 200

	Portfolio	Nifty 200
Std Dev	NA	NA
Sharpe Ratio	NA	NA
Beta	NA	NA
Treynors Ratio	NA	NA
Information Ratio	NA	NA

Returns

Calculation Benchmark: Nifty 200



Sectoral Weights

Sector	Weight(%)
BFSI	36.13%
Consumer Discretionary	11.25%
Information Technology	11.11%
Pharma & Chemicals	9.49%
Auto & Logistics	6.38%

Fund and Benchmarks returns are Pre-tax

The performance related information provided herein is not verified by SEBI.

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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