



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

Renaissance Opportunities Portfolio

Inception Date: 1st January, 2018

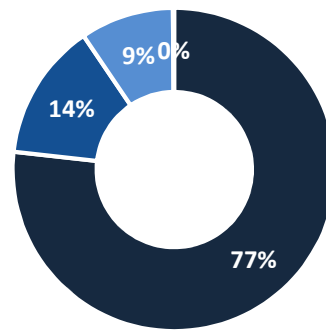
Data as on 31st DECEMBER 2023



Investment Strategy

- **Large Cap Strategy**
- **Blend of Growth & Quality**
- **Focused portfolio of 20 - 25 stocks**
- **High Conviction Ideas**
- **Investing across businesses which are at different stages of their business lifecycle**

Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Top Holdings

Company	Weight (%)
Tech Mahindra Ltd	6.53%
Sun Pharmaceutical Industries Ltd	6.18%
Bharti Airtel Ltd	6.16%
State Bank of India	5.35%
United Spirits Ltd	5.22%

Top Sectorial Weights

Sector	Weight (%)
BFSI	28.96%
IT & Tech	13.91%
Auto & Logistics	13.35%
Pharma & Chemicals	12.45%
Industrials	10.86%

Portfolio – Fundamental Attributes

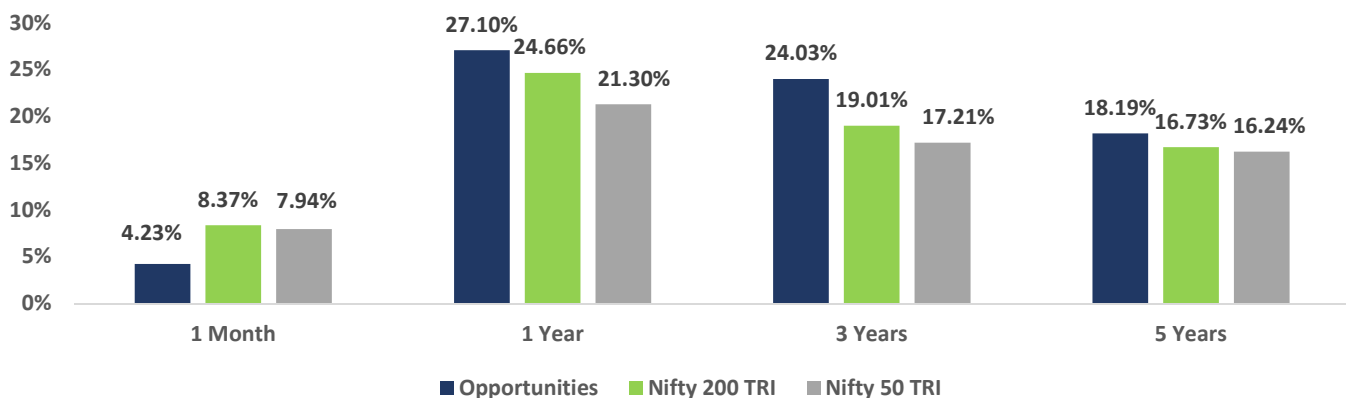
Particulars	FY24E	FY25E
PAT growth (%)	21.1%	23.2%
ROE (%)	18.6	19.6
P/E	29.3	25.1

Portfolio – Risk Attributes

(Last 12 Months)

	Portfolio	Index
Std Dev	9.45%	9.65%
Information Ratio	0.51	0.00
Sharpe Ratio	2.11	1.82
Beta	0.86	1.00
Treynors Ratio	0.23	0.00
Up/Down Capture	93%/55%	

Returns



* Returns are for all clients on TWRR basis

Renaissance Mid Cap Portfolio

Inception Date: 1st January, 2018

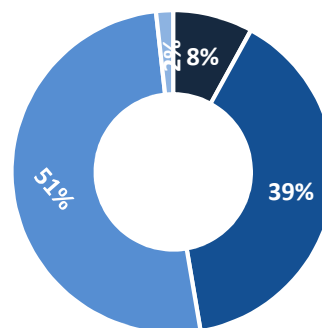
Data as on 31st DECEMBER 2023



Investment Strategy

- **Mid Cap & Small Cap Strategy**
- Identify Mid Cap / Small Cap ideas which can become tomorrow's Large Cap / Mid Cap respectively
- Long term approach to realise the full potential. Remain invested during the high growth phase of the business.
- Focused approach – Around 25 stocks
- Small Caps max 50% of portfolio to manage risk

Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Top Holdings

Company	Weight (%)
Inox Wind Ltd	6.31%
Power Finance Corporation Ltd	5.04%
Bharat Dynamics Ltd	4.84%
Cummins India Ltd	4.63%
Birlasoft Ltd	4.48%

Top Sectorial Weights

Sector	Weight (%)
BFSI	27.61%
Industrials	15.78%
Consumer Discretionary	13.23%
Auto & Logistics	9.94%
Real Estate & Building Materials	7.64%

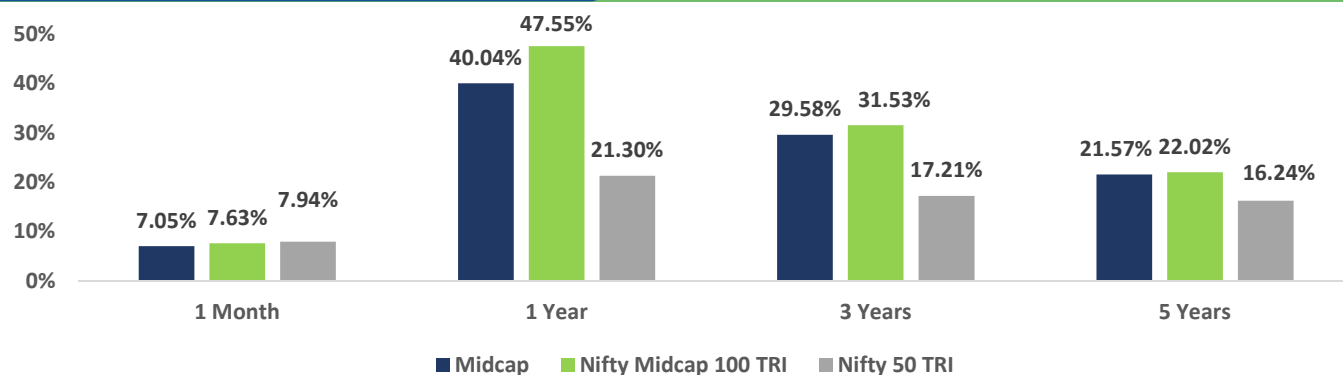
Portfolio – Fundamental Attributes

Particulars	FY24E	FY25E
PAT growth (%)	25.7%	29.9%
ROE (%)	13.9	18.1
P/E	29.3	25.0

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	12.28%	11.73%
Information Ratio	-1.25	0.00
Sharpe Ratio	2.68	3.44
Beta	0.92	1.00
Treynors Ratio	0.36	0.00
Up/Down Capture	89%/95%	

Returns



* Returns are for all clients on TWRR basis

Renaissance India Next Portfolio - PMS

Inception Date: 19th April, 2018

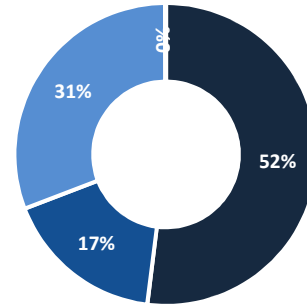
Data as on 31st DECEMBER 2023



Investment Strategy

- **Flexi Cap Strategy**
- Allocation across different market caps, considering the current economic cycle, with an objective to maximise return
- Targeting superior risk adjusted returns.
- Blend of Top-down and Bottoms up approach
- Focused portfolio of 20-25 stocks.

Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Top Holdings

Company	Weight (%)
HDFC AMC Ltd	6.00%
Birlasoft Ltd	5.37%
Motilal Oswal Financial Services Ltd	5.37%
Infosys Ltd	5.28%
NTPC Ltd	5.23%

Sectoral Weights

Sector	Weight (%)
BFSI	24.93%
IT & Tech	20.04%
Industrials	10.48%
Pharma & Chemicals	10.33%
Real Estate & Building Materials	6.96%

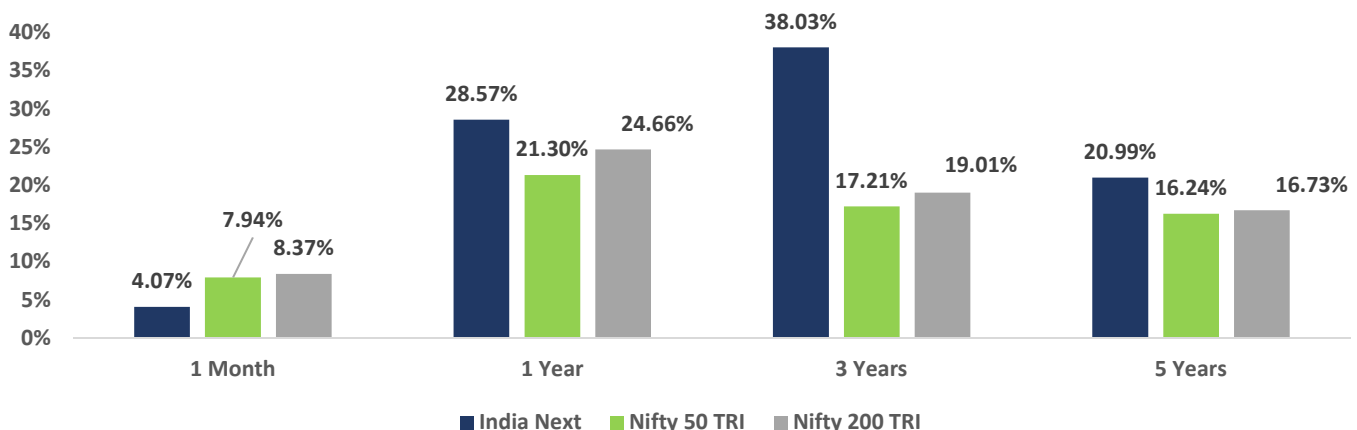
Portfolio – Fundamental Attributes

Particulars	FY24E	FY25E
PAT growth (%)	24.9%	24.8%
ROE (%)	17.4	19.2
P/E	30.9	25.2

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	9.95%	9.66%
Information Ratio	1.24	0.00
Sharpe Ratio	2.15	1.47
Beta	0.85	1.00
Treynors Ratio	0.25	0.00
Up/ Down Capture	109%/57%	

Returns



* Returns are for all clients on TWRR basis

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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