FACTSHEET
APRIL 2023

Renaissance
THE SCIENCE OF INVESTING

Renaissance Investment Managers

Dear investors,

Another FOMC meeting, another rate hike!

Over the last one year, inflation and rate hikes have been the buzz words across the financial markets. As per consensus estimates, US Federal reserve is likely to hike interest rates for the 'TENTH' time in the FOMC meeting scheduled this week. However, there are increasing voices which hint that this would perhaps be the last rate hike in the current series of monetary tightening. Given that US economy has started showing signs of slowdown and more importantly, the brewing crisis in the banking sector, we believe the odds are in favor of a pause in rate hikes post May-22. We view this extremely positively as pause in US interest rates will bring sanity to global interest rates, currencies and consequently their economies as well.

Back in India, two key events dominated the market chatter over the last one month viz. Mar23 quarterly/ annual results and Monsoons. Let's discuss both. The results season so far has been dominated primarily by two sectors – IT services and BFSI. On expected lines, both the sectors have shown extreme divergent trends. In the backdrop of deteriorating global macros, IT sector is suffering from growth challenges. Surprisingly few companies have even reported a QoQ decline in revenues, which was way below analyst expectations. Consequently, there have been a spate of downgrades in earnings for most companies in this space. On the contrary, BFSI sector continued its glorious run. The sector is in its golden phase marked by strong growth and steady asset quality.

Revival in capex cycle, buoyant real estate market coupled with steady GDP growth continue to provide tailwinds for the BFSI space, in our opinion. On similar note, we believe sectors/ companies exposed to global markets would face growth challenges and muted demand outlook in the near to medium term. Another important trend, that we would like to monitor is the QoQ improvement in gross/EBITDA margins. This should be an important earnings driver for sectors which are large buyers of commodities viz. Auto, Consumer durables & Industrials amongst others.

On the monsoons for 2023, there have been two conflicting predictions - first by Skymet and then by IMD. Importantly the difference between the two is very marginal. Skymet's prediction stands at 94% vs 96% of IMD. Given that the band for normal range stands at 96% to 104%, IMD's prediction technically stands as 'Normal' and that of Skymet as 'Below Normal'. Going away from jargons, we don't overtly depend on these predictions for making for financial/ economic estimates. This is because, Firstly, because no agency has a consistent track record of predicting with reasonable accuracy. Secondly, more than overall rainfall, what is more important is the temporal & spatial distribution of rainfall. Good part of the country has irrigation facility which can also be an offsetting factor to poor rainfall. Hence, on this issue, we are in wait and watch mode and would monitor the situation as it pans out.

FY23 ended on a high note as far as GST collections are concerned. In this financial year, government revenues have been above estimates which is an indication of multiple things viz. strong underlying growth, increasing formalization of the economy and promising outlook on infrastructure spends. Other key indicators like PMI growth, FASTag collections and UPI transactions point towards a steady domestic macro-economic scenario. In fact, we see some green shoots of recovery in rural sentiments which should get further tailwinds as inflation eases gradually. Recovery in capex cycle is a multi-year theme in India and is now playing out after a lull of over a decade. Despite the global slowdown or intermittent weak consumer demand, private sector capex plans remain unhindered. The same is also reflected in growing order books of industrial companies. Our medium to long term view on the Indian economy continues to remain very sanguine as both consumption and investment theme is expected to witness strong growth.

Happy investing!

Pawan Parakh

Portfolio Manager

Renaissance India Next Portfolio - PMS

Inception Date: 19th April, 2018

Data as on 30th APRIL 2023

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Investment Strategy

Dynamic Thematic Portfolio

Theme 1 — **India Economic Recovery** *(19th April 2018 to 15th June 2022)*

Theme 2 (Current Theme) — **Growth & Income**

Growth + **Income**

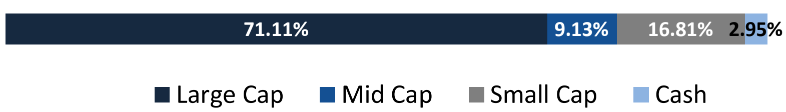
SUSTAINABLE QUALITY GROWTH AT REASONABLE PRICE

- ❑ Indian GDP growth of 7% in next 3 years
- ❑ Focus on investing in growth sectors
  - ✓ Consumer Discretionary
  - ✓ Capital Goods
  - ✓ Financials
  - ✓ IT & Retail

INFLATION HEDGE

- ❑ Focus on Income Yields
- ❑ Business with strong pricing power
  - ✓ Utilities
  - ✓ Telecom
  - ✓ Pharmaceuticals
  - ✓ Real Estate

Portfolio Capitalization



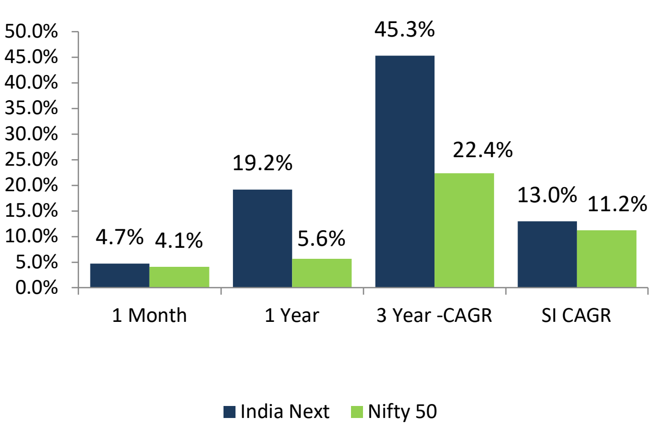
Top Holdings

Company	Weight (%)
ITC	7.78%
State Bank of India	7.68%
ICICI Bank	7.37%
HDFC Bank	6.13%
Sun Pharmaceuticals	5.33%

Sectoral Weights

Sector	Weight (%)
Banks & Finance	32.92%
Capital Goods & Engineering	15.58%
IT Consulting & Software	12.71%
Pharmaceuticals	11.45%
FMCG	7.78%

Returns



* Returns are for all clients on TWRR basis

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	13.81	13.84
Information Ratio	2.20	0.00
Sharpe Ratio	0.89	-0.09
Beta	0.89	1.00
Treynors Ratio	0.14	0.00

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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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