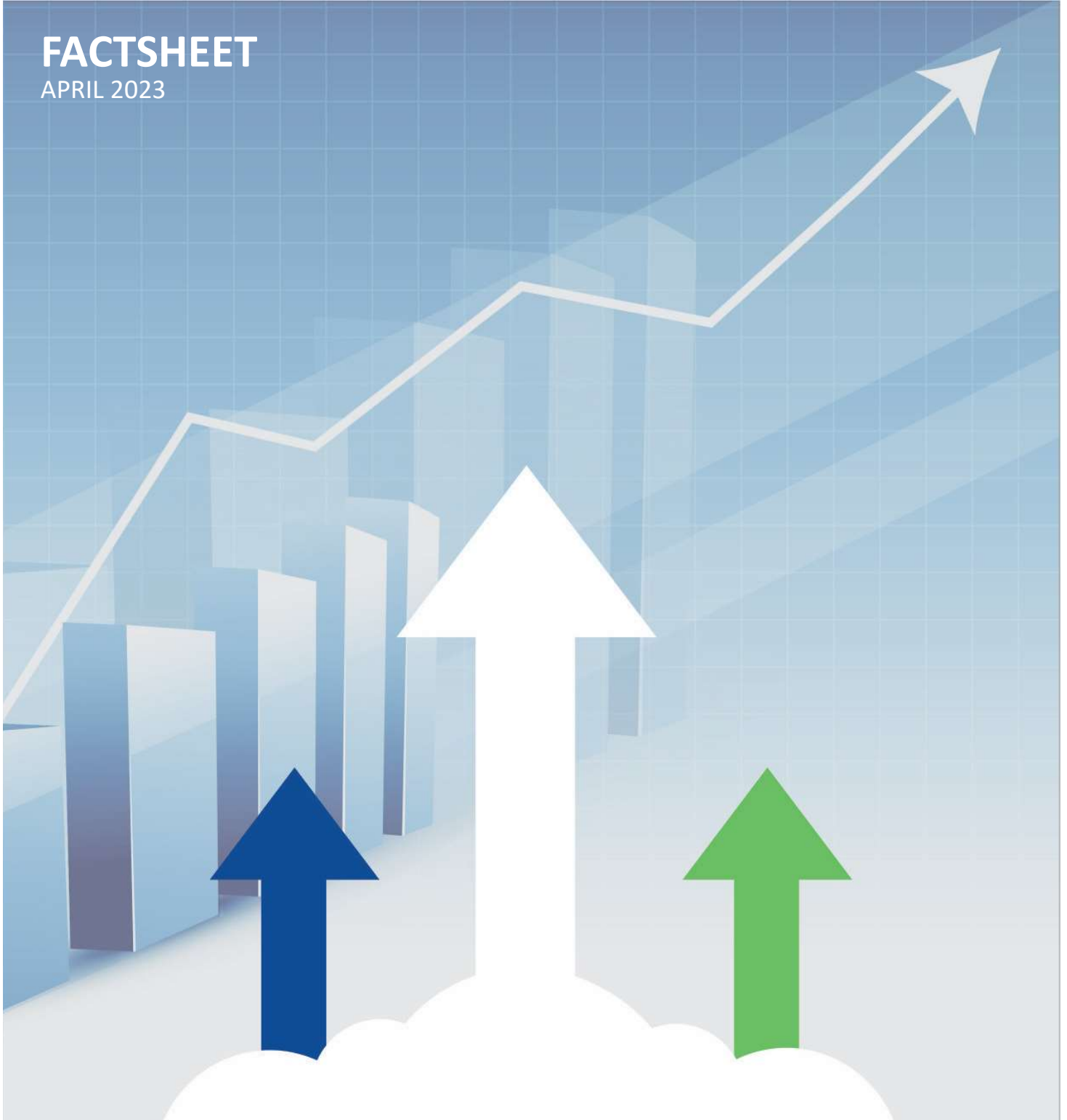


# FACTSHEET

APRIL 2023



## 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 Opportunities Portfolio

Inception Date: 1<sup>st</sup> January, 2018

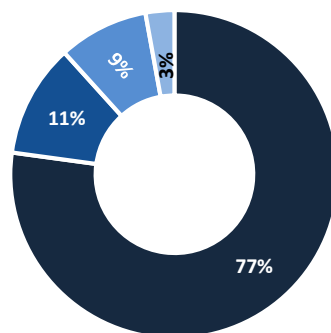
Data as on 30<sup>th</sup> APRIL 2023



## Investment Strategy

- Focused portfolio of 20 - 25 stocks
- High Conviction Ideas
- Investing across businesses which are at different states of their business lifecycle
- Capable of delivering sustainable, market-leading growth
- Reasonable Valuation

## Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

## Top Holdings

Company	Weight (%)
ICICI Bank	8.00%
HDFC Bank	7.81%
ITC	6.42%
Sun Pharmaceuticals	5.96%
Bharti Airtel	5.87%

## Top Sectorial Weights

Sector	Weight (%)
Banks & Finance	34.57%
Capital Goods & Engineering	15.61%
FMCG	13.72%
Pharmaceuticals	12.76%
Automobiles & Logistics	7.23%

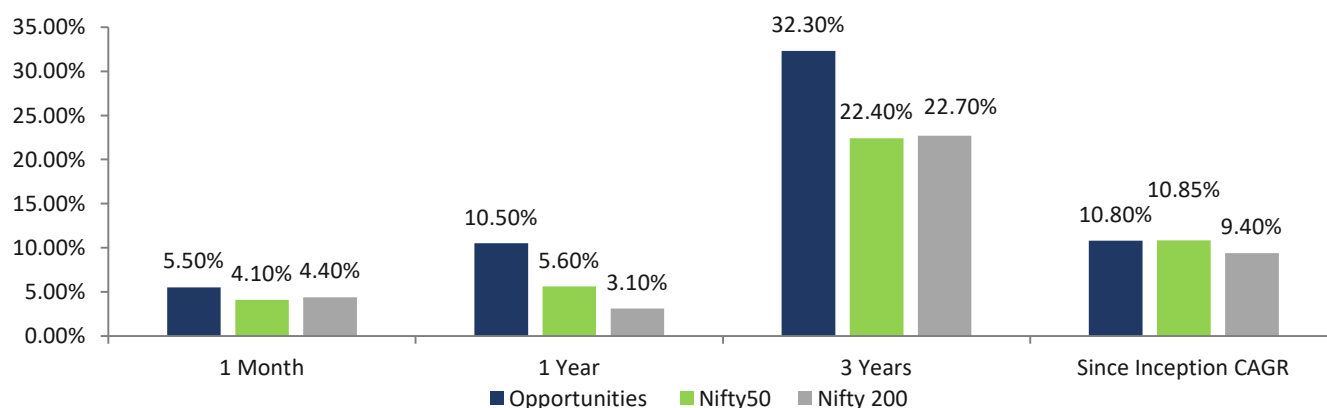
## Portfolio – Fundamental Attributes

Particulars	FY23E	FY24E
PAT growth (%)	34.1%	25.8%
ROE (%)	17.6%	17.6%
P/E	38.4	28.0

## Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	13.90	14.01
Information Ratio	1.48	0.00
Sharpe Ratio	0.26	-0.29
Beta	0.93	1.00
Treynors Ratio	0.04	0.00



## Returns



\* Returns are for all clients on TWRR basis

## Investment Philosophy

### Sustainable Quality Growth At Reasonable Price (SQGARP)

 <p><b>Sustainability</b></p>	<p>Companies with sustainable and durable business models.</p>
 <p><b>Quality</b></p>	<p>Superior quality businesses as demonstrated by Competitive edge, Pricing power, ROE, FCF. Good quality and competent management teams.</p>
 <p><b>Growth</b></p>	<p>Business that can deliver superior growth over medium term to long term.</p>
 <p><b>Price</b></p>	<p>Ability to invest at reasonable valuations. Fair value approach to valuations. Focus on economic value of business.</p>

**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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