



Renaissance Investment Managers

Dear investors,

Strong wave which lifts all boats!

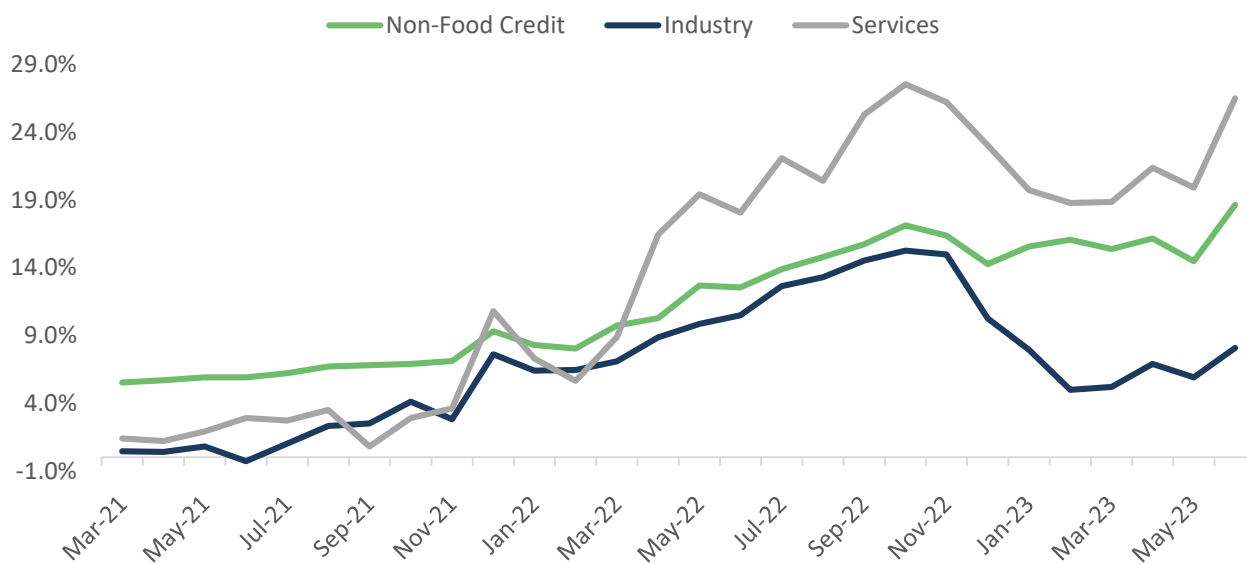
Markets globally have been buoyant Strong wave which lifts all boats!

Equity markets are pricing a full blown economic recovery. Consequently, the rally has become far more secular and broad-based engulfing the Small-caps and Micro-caps as well. Inflation across the globe is moderating, albeit gradually. However, there isn't a meaningful deterioration in economic growth numbers, despite a ~500bps increase in Fed fund's rate. Most economists have been forecasting a recession in US, but all of those have so far been pre-mature. In this backdrop, exuberance in equity market appears to be warranted.

One of the key indicators for growth is the systemic credit growth which has not only been healthy but also improving gradually over the last one year. As of June'23, the Non-Food credit growth in India stood at 16.3% YoY driven by broad based growth. After a strong growth in FY23, the momentum has continued in Q1FY24, which is a seasonally weak quarter. This assumes more importance, as the growth momentum has remained strong even in a rising interest rate scenario. Most large banks/ NBFCs have declared their results and the management commentary continues to indicate a positive bias on credit growth.

Bank Credit growth

Source: RBI



An interesting data point that caught my attention recently has been is the tremendous increase in income tax return filing. As on 31-Jul-23, ~6.77cr individuals have filed their tax returns, which is 16% increase vs. last year. In this financial year, we have added 5.4mn new taxpayers filing their tax returns, which will significantly help in increasing the tax buoyancy in the country. Over the last few years, government has made intense efforts in bringing more and more people into the tax net, which has led to all time high tax collections both on direct taxes and indirect taxes. It is important to note that over 50% of India's revenue receipts go towards meeting subsidies and interest payments, post which there are various revenue expenditures as well. Only a small portion is left for productive revenue and capital expenditure. In this backdrop, increase in tax collection will significantly aid our ability to spend on infrastructure, defence and healthcare sector which would help in driving growth in our economy.

We discussed in our last report, on how one should not be excessively concerned on delayed monsoons. We argued that spatial and temporal distribution of rainfall is more important than the headline number. With fast progress on monsoons in July, crop acreages have picked substantially during the month, which is good for the rural economy. More importantly, most FMCG companies have now started witnessing initial signs of recovery in rural India. We believe that this recovery will get more pronounced over the coming quarters as inflation moderates further and rural incomes increase.

Over the last 3 months, sectors like IT services, which were hitherto lack lustrous, have also started participating in the market rally. We continue to believe that India's growth over the next 3-5 years would be far more broad-based, unlike a narrow one witnessed during 2010-19 period. This augurs well for the equity markets as well. We believe, our portfolios are well placed to benefit from these growth under-currents of the economy. Our performance has been resilient, and we expect the same to continue going ahead as well.

Happy Investing!

Pawan Parakh
Portfolio Manager

Investment Strategy

PAST THEME

Theme 1
INDIA
ECONOMIC
RECOVERY

Dynamic Thematic Portfolio

Every theme has
finite life cycle

“India Next Portfolio
will change themes
with changes in
Economic cycle”

CURRENT THEME

Theme 2
GROWTH
&
INCOME

TENURE: April '18 to June '22

TENURE: June '22 onwards

Portfolio Capitalization

73% 9% 16% 1%

■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

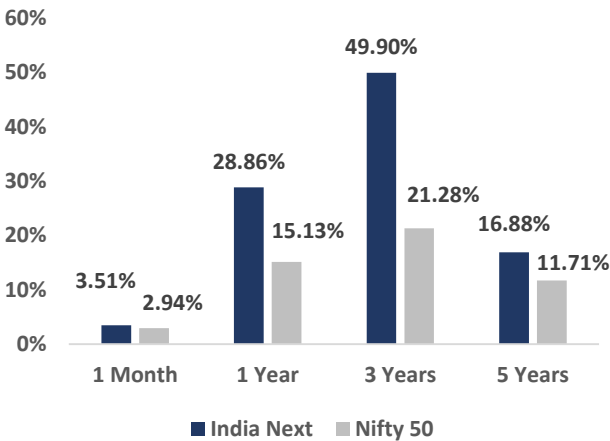
Top Holdings

Company	Weight (%)
ICICI Bank	7.11%
ITC	6.60%
Sun Pharmaceuticals	5.48%
HDFC Bank	5.35%
HDFC AMC	5.32%

Sectoral Weights

Sector	Weight (%)
Banks & Finance	23.49%
Capital Goods & Engineering	15.98%
IT Consulting & Software	15.41%
Pharmaceuticals	11.87%
Automobiles & Logistics	7.10%

Returns



Portfolio – Risk Attributes

(Last 12 Months)

	Portfolio	Index
Std Dev	11.02	11.23
Information Ratio	2.45	0.00
Sharpe Ratio	1.99	0.73
Beta	0.86	1.00
Treynors Ratio	0.26	0.00

* 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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