



Renaissance Investment Managers

Dear Investors,

Coalition government and politics returns; however, policy and macro direction unlikely to change

Markets are digesting the negative surprise of BJP retaining power without a simple majority on its own this time. As long as Mr. Modi remains at the helm and coalition/alliance partners remain supportive, we expect policy-continuity in a directional sense, be it Capex (Infra, Defense spending) or Manufacturing (PLI schemes, Make in India initiatives).

Some increase in populist/welfare spending seems likely, depending on the lessons learnt from the election setback, and given that a few major States are scheduled to go for Assembly Elections this year (Maharashtra, Haryana). However, this need not be at the expense of government's infra/capex spending budgets in our view, which points to a slower-than-expected fiscal-consolidation path in future.

India growth story is broadly intact—more and more stars continue to align

1. **GDP growth momentum continues to surprise positively.** 4QFY24 GDP growth was 7.8%, and the full-year FY24 growth came in at 8.2%, led by 9.0% growth in GFCF, even as Private Consumption growth was muted at 4.0%. Looking at the supply side, real GVA growth was 7.2% in FY24, led by Manufacturing/Construction growth of 9.9%/9.9%, while Services grew by 7.6%. Growth outlook for FY25 has now been raised to near 7% by most analysts, as well as by IMF/WB/ADB/S&P.

2. **Domestic CPI inflation is under control** at 4.8%, while core-CPI remains even lower at 3.2% as of April 2024. Outlook for average CPI inflation in FY25 is 4.5%.

3. **Brent Crude Oil prices** have now fallen below US\$80/bbl, on concerns of demand slowdown.

4. **US 10-year Treasury yields have softened** from their recent peak of 4.70% in April to now below 4.35%, on prospects of a slowing US economy amid continued dis-inflationary trends.

5. **India 10-year G-Sec yield** hovering around 7.0%, down from 7.4% around six-months ago.

6. **Prospects of 25-50 bps of repo rate cut in 2HFY25 by RBI** remain intact, as inflation has been coming under control, and USD-INR remains fairly stable in the 83-84 band.

7. **Green shoots of rural recovery** are being spotted—consumer companies such as Dabur, Emami, Pidilite and even Crompton, have highlighted good rural growth in their 4QFY24 results. Monsoons have been predicted by IMD to be good, at 106% of LPA (long period average).

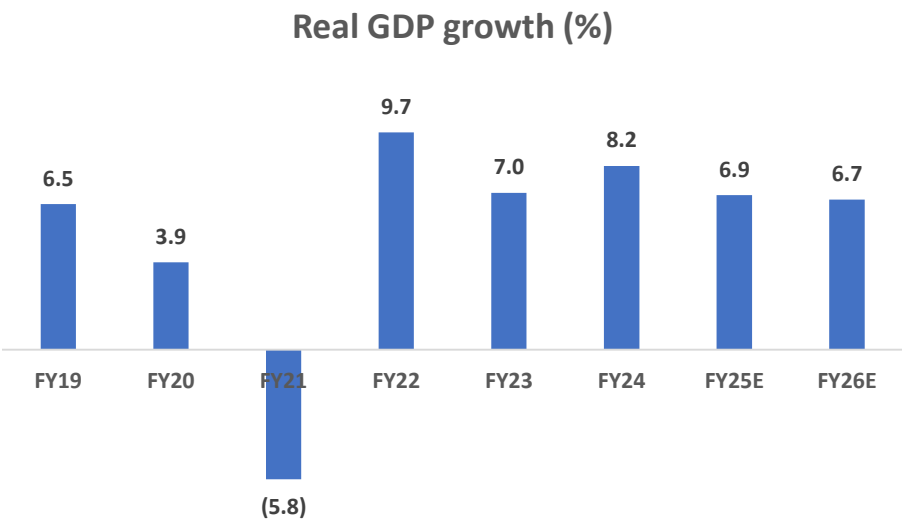
8. **Corporate earnings growth:** Nifty-50 profits rose 12% in 4QFY24, driving upgrades to FY25/26 EPS forecasts. The FY24 profit growth was 20%, boosted by accounting/abnormal profit growth of Coal India, and BPCL/HPCL; excluding these three, Nifty-50 profit growth was 13% in FY24.

9. **Domestic MF equity inflows** remain supportive, even as FPI outflows have been around US\$3bn CYTD. Domestic monthly equity flows have been in the range of INR 190-270bn.

10. **Geopolitical conditions have been stable** and do not seem to be worsening at the margin.

Any adverse tax changes (including taxes on capital gains) in the Union Budget in July could cause short-term volatility in the market.

Exhibit 1: Real GDP growth is expected at 6.5-7.0% in the next two years



Source: Broker Report

Portfolio & Market Outlook

We expect Nifty-50 earnings outlook to remain intact at about mid-teen CAGR in the medium-term. Post recent earnings upgrades, Nifty index [21,900 on 4th June] is trading at just under 17x on FY26 estimates, which is marginally below its last 10-year average of 17.5x (forward P/E multiple).

We see the much-needed correction and near-term volatility as opportunities to put incremental capital to work as the medium-term growth outlook for Indian economy continues to remain healthy on back of continuity in economic policies. Engineering and Capital Goods sector has done very well in the last 12 months; our portfolios were fairly exposed to the sector with investment in good quality companies like ABB, Cummins, Siemens, Larsen & Toubro. We have done partial profit booking in the sector due to stretched valuations, though the medium-term outlook for the sector continues to remain healthy. We have increased our exposure to the IT sector in the last few months as we believe IT sector should witness healthy recovery from 2H FY25. Our portfolios are well balanced across sectors with focus on good quality, high growth companies.

Happy Investing

Pankaj Murarka
Founder & CIO

Renaissance Opportunities Portfolio

Inception Date: 1st JANUARY, 2018

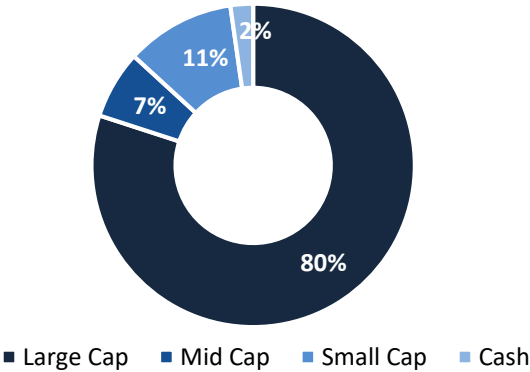
Data as on 31st MAY, 2024



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



Top Holdings

Company	Weight (%)
State Bank of India	7.38%
Bharti Airtel Ltd	6.26%
HDFC Bank Ltd	5.86%
Tech Mahindra Ltd	5.60%
HDFC AMC Ltd	5.31%

Top Sectorial Weights

Sector	Weight (%)
BFSI	25.96%
IT & Tech	17.98%
Industrials	13.35%
Pharma & Chemicals	12.09%
Auto & Logistics	10.46%

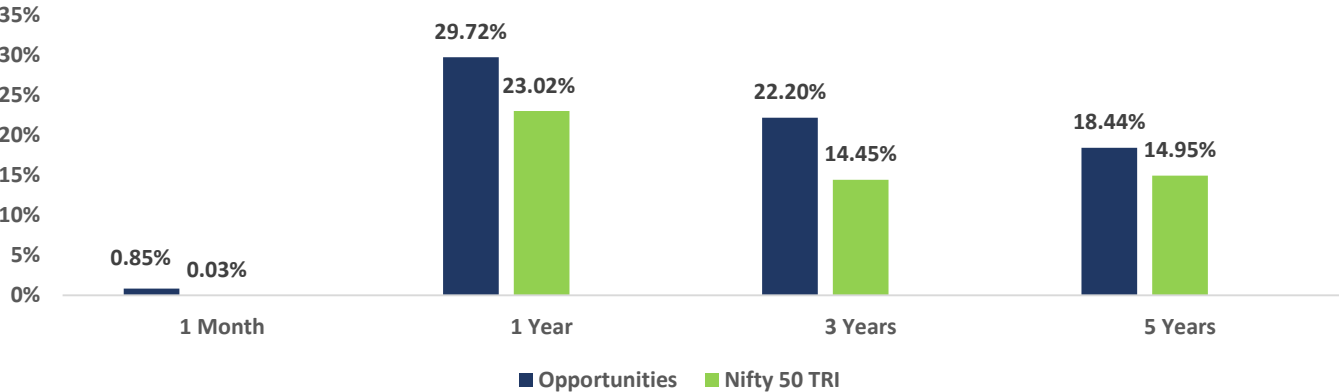
Portfolio – Fundamental Attributes

Particular	FY24	FY25E	FY26E
PAT growth (%)	30.8	21.3	19.9
ROE (%)	16.3	19.0	19.8
P/E	52.0	40.5	30.9

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	10.75%	10.05%
Information Ratio	1.05	0.00
Sharpe Ratio	2.11	1.59
Beta	0.87	1.00
Treynors Ratio	0.26	0.00
Up/Down Capture	113%/62%	

Returns



* Returns are for all clients on TWRR basis

Renaissance India Next Portfolio

Inception Date: 19th APRIL, 2018

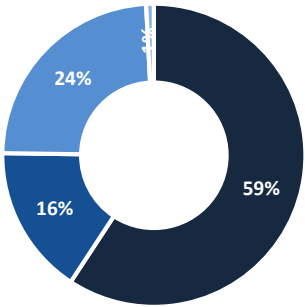
Data as on 31st MAY, 2024



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 (%)
Motilal Oswal Financial Services Ltd	7.42%
Tech Mahindra Ltd	5.71%
Hindustan Petroleum Corporation Ltd	5.42%
State Bank of India	5.18%
Infosys Ltd	5.09%

Sectoral Weights

Sector	Weight (%)
BFSI	30.76%
IT & Tech	19.52%
Pharma & Chemicals	13.40%
Industrials	12.56%
Auto & Logistics	5.77%

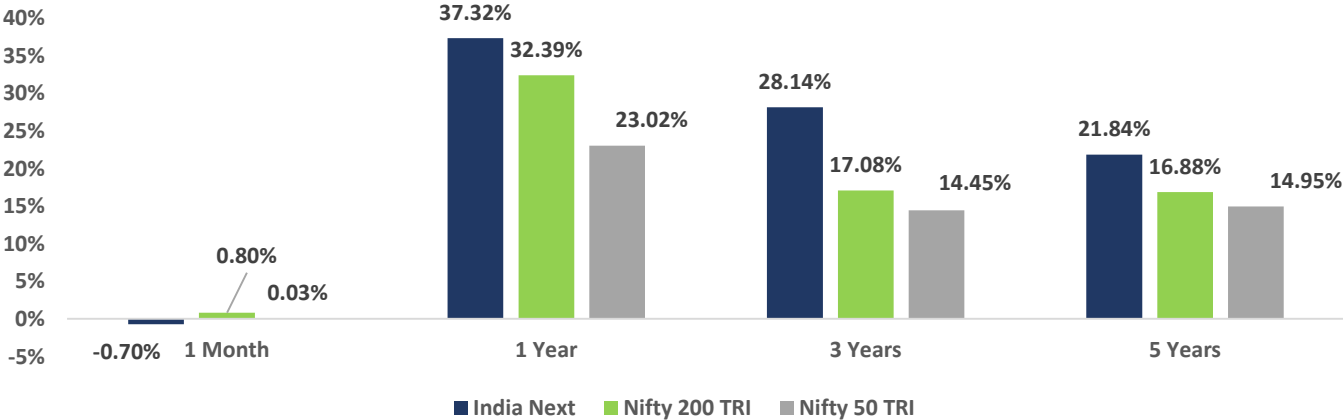
Portfolio – Fundamental Attributes

Particular	FY24	FY25E	FY26E
PAT growth (%)	49.9	22.5	21.3
ROE (%)	16.9	17.0	18.2
P/E	54.3	38.7	29.7

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	12.14%	10.41%
Information Ratio	0.80	0.00
Sharpe Ratio	2.50	2.44
Beta	1.00	1.00
Treynors Ratio	0.30	0.00
Up/ Down Capture	107%/64%	

Returns



* Returns are for all clients on TWRR basis

Renaissance Mid Cap Portfolio

Inception Date: 1st JANUARY, 2018

Data as on 31st MAY, 2024



Investment Strategy

- Mid Cap & Small Cap Strategy
- Identify Mid Cap / Small Cap ideas which can become tomorrow's Large Cap / Mid Cap respectively
- Good Quality Companies
- Long term approach to realise the full potential. Remain invested during the high growth phase of the business.
- Focused approach – Around 25 stocks

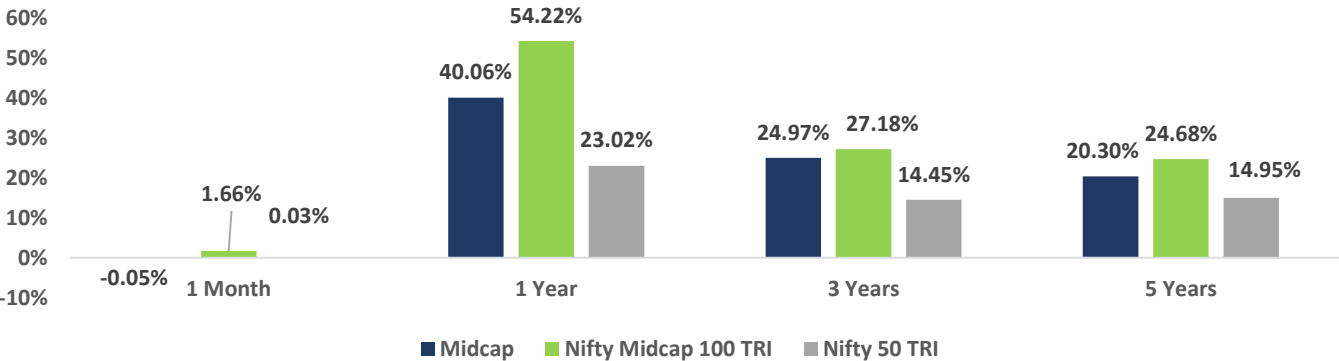
Top Holdings

Company	Weight (%)
Power Finance Corporation Ltd	6.07%
Hindustan Petroleum Corporation Ltd	5.82%
Cummins India Ltd	5.75%
Aditya Birla Fashion & Retail Ltd	5.57%
Vodafone Idea Ltd	4.48%

Portfolio – Fundamental Attributes

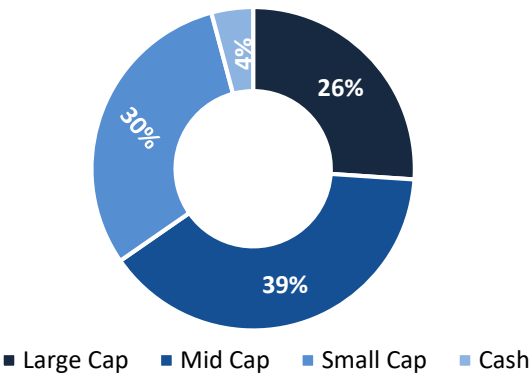
Particulars	FY24	FY25E	FY26E
PAT growth (%)	38.4	25.7	22.7
ROE (%)	12.4	16.5	18.1
P/E	33.4	29.0	21.9

Returns



* Returns are for all clients on TWRR basis

Portfolio Capitalization



Top Sectorial Weights

Sector	Weight (%)
BFSI	24.72%
Pharma & Chemicals	17.35%
IT & Tech	10.43%
Industrials	9.94%
Consumer Discretionary	9.13%

Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	15.02%	14.21%
Information Ratio	-2.12	0.00
Sharpe Ratio	2.20	3.32
Beta	0.95	1.00
Treynors Ratio	0.35	0.00
Up/Down Capture	84%/139%	

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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