

ALPHA CORE AND SATELLITE

October 2022

Dear Investors,

Another US Fed meeting; expect more noise and volatility

We are at the brink of another US fed meeting and given its cruciality for equity markets, none of my monthly notes have missed mentioning about global inflation, in the last 6 months. This month should be no different. While a 75bps increase in interest rates is almost a certainty, the more important thing to watch out for would be the commentary of the fed chair. Equity markets have rallied over the last month in the expectation that the size of the rate hikes is likely to reduce from Dec-22 onwards. Post this FOMC meet, calendar year 2022 would stand as the year of fastest rate hike cycle in US over multiple decades. Despite such severe rate hikes, there are hardly any economic indicators which signal a slowdown in the US economy. This makes a very difficult case for the fed chairman and hence his speech would be closely analyzed by economists.

Interest rate hike cycle in USA over the last 3 decades

Time period	Duration (Months)	Total change in EFFR* (% points)	Inflation rate at the start of cycle
Mar 1998 - May 1989	14	3.23	3.60%
Feb 1994 - Feb 1995	12	2.67	2.06%
Jun 1999 - May 2000	11	1.51	1.40%
Jun 2004 - Jun 2006	24	3.96	2.89%
Dec 2015 - Dec 2018	36	2.03	0.30%
Mar 2022 - Sep 2022	6	2.36	6.77%

Source: weforum.org
*EFFR - Effective federal funds rate

Meanwhile, Indian economy continues to tread gradually in the right direction. We are in the midst of Q2FY23 earnings season. Consumption demand in India is a tale of two stories. While urban demand continues to be very robust, rural demand is a bit subdued. This seems to be a secular trend across multiple sectors like consumer staples, organized retail, building material and auto amongst others. Our channel check suggests that the real problem with rural demand is inflation and not really income decline. For instance, the price of an entry level motorcycle has increased from ~Rs 40,000 to ~Rs 60,000 in last 2 years. This implies a serious increase of ~50% in just 2 years. During the same period, income levels have grown but certainly not to the extent of cost increases. Consequently, it would take some time for rural consumer to adjust to the new reality. Fortunately, the reservoir levels post the monsoon season, paint a promising outlook for the Rabi season. We expect rural demand to recover gradually over the next 1 year.

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Our views on recovery in capex cycle has been further bolstered in the current earnings season. Most corporates have been busy deleveraging over the 2012-2020 period. Now the theme has shifted to capacity creation, while maintaining balance sheet discipline. This is secular trend across multiple sectors like Metals, Auto, Chemicals, Renewables, Data centres and several others. While part of robust tax collections is diverted towards funding the fertilizer/ food subsidies in the short term, the long-term outlook for infrastructure spends in the country remains promising. This would give further strength to investment climate in the country.

Despite the volatile global economic and geopolitical environment, the fundamentals of Indian economy remains strong. India cannot remain completely immune to global macros, but we believe Indian economy would escape the global turmoil with a few minor bruises. Apart from improving fundamentals, domestic retail liquidity has come as a major support for equity markets. Over the next 1 year, as the global volatility mellows down, FII flows would chase growth assets. India being the fastest growing economy, would stand to benefit from global flows as well. Notwithstanding short-term volatility, we remain sanguine on the economic outlook for India. Our portfolios have performed extremely well over the last 1-2 years. Our portfolio comprises of companies with high quality businesses/ managements and moderate to low debt, which makes us confident on the portfolio performance going ahead as well.

Happy investing!

Pawan Parakh

Investment Advisor

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Gain from opportunities in short and long term, with one investment that gives you a perfect blend of both. Core portfolio ensures wealth creation by investing in high-quality businesses for long term and Satellite portfolio seeks to explore profits and rebalancing with businesses that gain from changing economic cycles.

70% Core Portfolio

High Quality Growth Portfolio

- Investment in long term wealth creators
- Buy and Hold portfolio (2-3 years)

30% Satellite Portfolio

Tactical Satellite Portfolio

- Companies which witness strong earnings growth led by sectoral tailwinds
- Short term tactical calls (6-12 months)

Zero Tolerance on "QUALITY"

Key Features



BENCHMARK:
NIFTY 200



NO OF STOCKS:
15-20



RISK:
Medium



TIMEFRAME:
Medium to Long Term



EXPECTED CAGR:
15-20%

Advisory Portfolio Performance (%) as on 31st October 2022

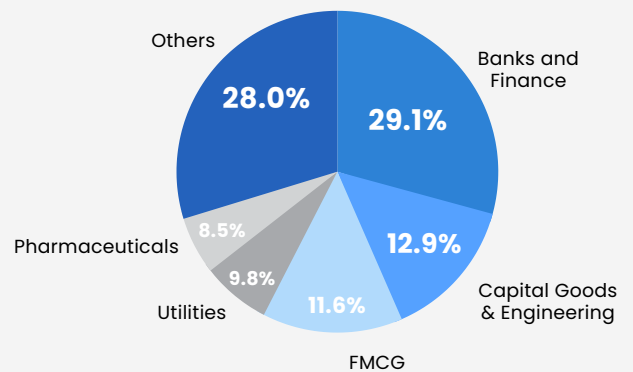
Period	1 Month	6 Months	1 Year	2 Year CAGR
Alpha Core & Satellite	5.0	14.2	20.7	38.2
Nifty 200	4.3	4.6	2.2	25.9

TOP 5 HOLDINGS

1	BHARTI AIRTEL LTD	6.5%
2	STATE BANK OF INDIA	5.9%
3	ITC LTD	5.8%
4	ADITYA BIRLA FASHION AND RETAIL LTD	5.8%
5	ICICI BANK LTD	5.5%

(The current advisory portfolio holdings may or may not be a part of future portfolio holdings and may or may not be part of all client advisory portfolios)

SECTORAL ALLOCATION

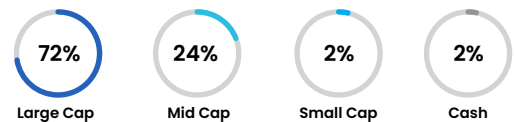


WEIGHTED AVERAGE MARKET CAP

2,05,622 cr

(Companies/stocks/Sectors mentioned above may or may not be the part of one or more of Investment Manager's (Renaissance Investment Managers Private Limited - a sister concern of RSTPL), Advisory and/or AIF Schemes. The stocks/sectors are for representation purpose only and are not recommendations to invest and the IA may or may not have exposure to the same)

MARKET CAPITALIZATION

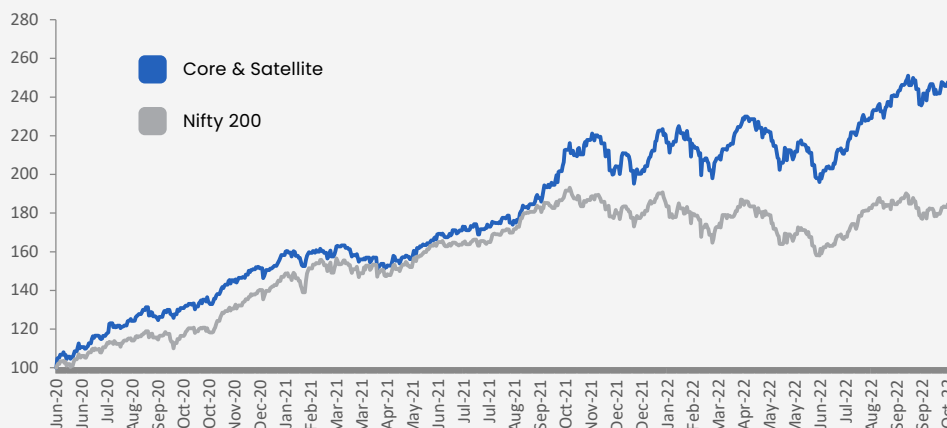


* (Amfi Capital Classification is considered for market cap classification)

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ADVISORY PERFORMANCE



⊗ (Past performance may or may not sustain in the future. The benchmark performance shown here is only for illustration purposes and not for any comparison.)

(Benchmark Source: NSE India)

Core Team



Pankaj Murarka

(Founder & Director)

Pankaj is the founder of Renaissance Investment Managers. He has over 25 years of experience in Fund Management and has several accolades to his credit. He was awarded as Best Fund Manager – Runner up Award for Axis Midcap Fund by Outlook Money in 2014. The fund delivered a CAGR return of 24% (2011–2015) significantly outperforming the benchmark and was a top decile fund for 2012 & 2013. It was ranked the No 1 performing fund in India across all funds in 2014 on 3 year basis. He was also recognized by Outlook Money as a Leading Fund Manager with 5 years of track record of consistent performance in the year 2015. Pankaj was associated with Axis Mutual Fund as the Chief Investment Officer (CIO) managing over \$2bn in Indian Equities.



Pawan Parakh

(Investment Advisor)

Pawan has over 15 years of experience in equity research and fund management. He drives the fund management function at Renaissance. He started his capital markets career as an equity analyst with Edelweiss Securities. He had the privilege of working with marquee organizations like HDFC, HSBC and Deloitte amongst others. As part of his research process, Pawan actively interacts with company managements, industry experts, technocrats and bureaucrats to understand the nuances of businesses. He likes to do field and factory visits to enhance his business understanding. Pawan is a meritorious Chartered Accountant (all India 48th Rank holder). He has also cleared CFA exams from CFA Institute (Virginia, USA).

RENAISSANCE SMART TECH PRIVATE LIMITED – Type of Registration – Non – individual Validity of registration – Perpetual

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