

# ALPHA DYNAMIC THEMATIC

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%
<b>Mar 2022 - Sep 2022</b>	<b>6</b>	<b>2.36</b>	<b>6.77%</b>

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.

# ALPHA DYNAMIC THEMATIC

October 2022

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

# ALPHA DYNAMIC THEMATIC

October 2022






It is with the help of Alpha Dynamic Thematic that you will be able to invest in stocks that are part of a specific theme. Selection of the theme is a dynamic process based on the macroeconomic environment and sectoral trends that are taking place in the economy today.

Currently, we are going with the "GROWTH & INCOME" theme. Growth focuses on companies in sectors like Consumer Discretionary, Capital Goods, Financials and IT & Retail whereas Income focuses on sectors like Utilities, Telecom, Pharmaceuticals and Real Estate.

By targeting a specific theme, we focus on quality and financial capabilities and management of the companies we invest in.

After the theme's completion, the fund gradually switches to another theme matching with the current economic cycle.

## Key Features

-  **BENCHMARK:**  
NIFTY 200
-  **NO OF STOCKS:**  
20-25
-  **RISK:**  
Medium
-  **TIMEFRAME:**  
Medium to Long Term
-  **EXPECTED CAGR:**  
15-20%

### Advisory Portfolio Performance (%) as on 31<sup>st</sup> October 2022

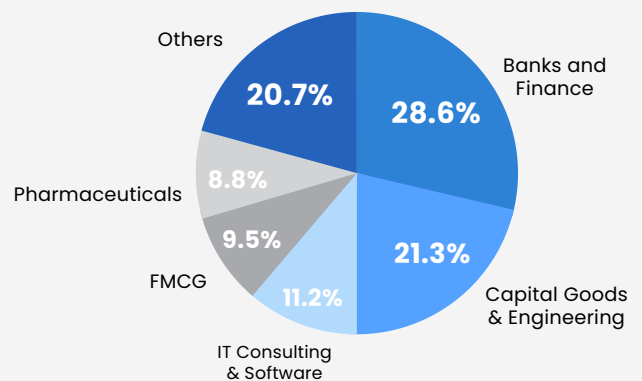
Period	1 Month	6 Months	1 Year	Since Inception CAGR
Alpha Dynamic Thematic	5.8	7.8	14.0	33.4
Nifty 200	4.3	4.6	2.2	11.2

#### TOP 5 HOLDINGS

1	ITC LTD	9.5%
2	STATE BANK OF INDIA	7.9%
3	ICICI BANK LTD	7.6%
4	SUN PHARMACEUTICAL INDUSTRIES LTD	5.7%
5	ABB INDIA 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



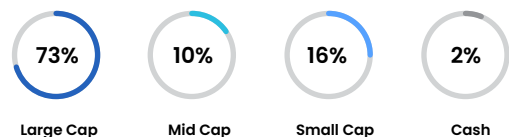
#### WEIGHTED AVERAGE MARKET CAP

2,66,889 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

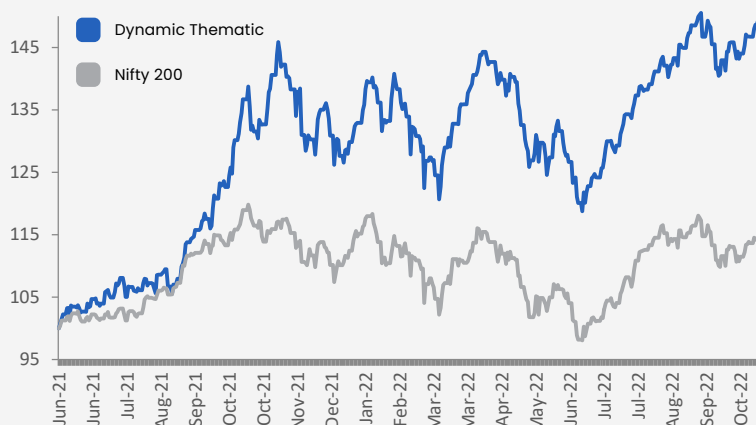


*\* (Amfi Capital Classification is considered for market cap classification)*

# ALPHA DYNAMIC THEMATIC

October 2022

## 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

Complete address with telephone no. – C-710 MITTAL COMMERCIA PREMISES CHSL CTS 1629 MAROL, OFF M V RD, NR MITTAL ESTATE ANDHERI EAST – 400059

Contact details of Principal Officer – 022- 49711561 Email ID- info@alphaportfolios.in

Corresponding SEBI regional / local office address – Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, G Block, BKC-Bandra East, Mumbai- 400051

SEBI Registered Investment Advisor (Reg. No.: INA000016436)

### Disclaimer :

The performance / returns of the stock across individual portfolios may vary significantly from the data depicted above. No claims may be made or entertained for any variances between the above performance depictions and that of the stock within individual client portfolios neither the Investment Advisor, nor its Directors, employees shall in any way be liable for any variation noticed in the returns of individual portfolios. Performance of RSTPL shall have no bearing on the expected performance of the fund. Past performance of the financial products, instruments and the portfolio may or may not be sustained in future and should not be used as a basis for comparison with other investments.

### Holdings and Disclosure of Interest :

RSTPL or its affiliates or employees/directors or funds advised/managed by RSTPL/ Renaissance Investment Managers Private Limited (sister concern) may have same or contra positions in personal or fiduciary capacity in the above securities/stocks. Investors should take caution while executing the advice based on their risk/return profile and suitability.

### Risk Factors :

The value of the investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. RSTPL is not liable or responsible for any loss or shortfall resulting from the operation of the fund. This document represents the views of Renaissance Smart Tech Private Limited and must not be taken as the basis for an investment decision.