ALPHA MOMENTUM

Renaissance INVESTMENT ADVISORS

A separate identifiable division of Renaissance Smart Tech Private Limited (RSTPL).

November 2024

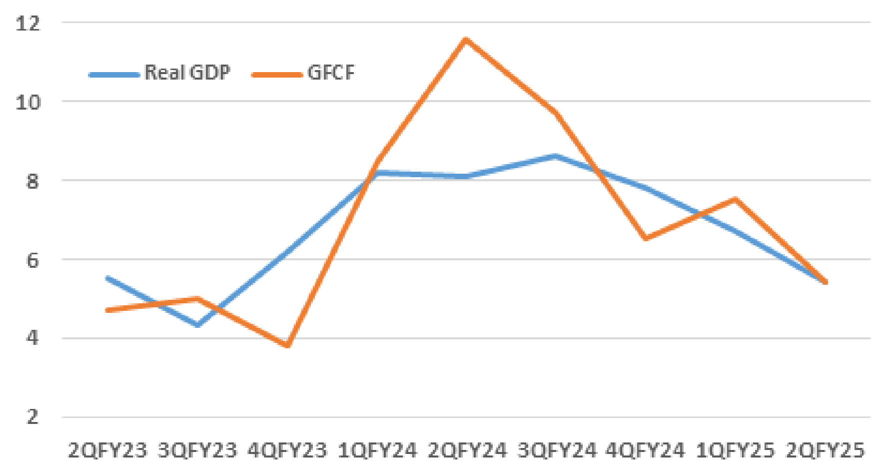
2Q GDP print confirms what was already known – a cyclical slowdown

2QFY25 Real GDP growth of 5.4% yoy, was 100-150bps below market consensus and RBI expectations, led by a sharp slowdown in Capex or GFCF, which was up 5.4% vs 7.5% in 1Q and 11.6% in the base quarter (2QFY24). Private consumption growth decelerated to 6.0% from 7.4% in 1Q, but came ahead of the Capex growth, after lagging behind for seven straight quarters. In terms of Real GVA (supply side), the slowdown came from Industrial segment, which saw sharply lower growth at 3.6% vs 8.3% in 1Q. Within Industrial segment, growth in manufacturing was merely 2.2% (vs 7.0% in 1Q), partly due to the base effect (14.3% growth in 2QFY24).

This cyclical slowdown is primarily an outcome of: (1) lower govt. capex (i.e. fiscal drag); (2) slowdown in credit growth (tightening in unsecured retail credit); (3) higher interest rates (i.e. tight monetary policy); (4) heatwaves and extended monsoon rains.

Weak 2Q GDP print has prompted cuts in the consensus FY25 GDP growth forecasts, to a 6.0-6.5% range from 6.5-7.0% previously. This may suggest that chances of an RBI rate cut have improved in the coming 3-4 months, despite recent uptick in the food inflation. We also expect government-capex to come back with a vengeance in 2H, and consumption growth to pick up based on: (1) improved hiring trends, especially in IT and BFSI sectors; (2) likely decline in inflation; (3) probable rate cuts; and (4) improving outlook on agricultural output and wages.

Growth in Real GDP and in GFCF (%)



Source: Broker reports.

Commodities and Consumption sectors drag down profit growth; expect 2H to be better

In 2QFY25, the combined revenues of ~4400 listed-companies rose 7.3% yoy (vs. 9.4% in 1Q), while PAT growth slowed down to 1.5% (4.5%). For non-financial companies, aggregate topline grew by 4.5%, while profits were down 9% [Source: CMIE]. Corporate profit growth in the non-financial sectors was impacted by weak topline growth and/or margin pressure in Commodities (Oil/Gas, Metal, Chemical and Building-Material) and Consumption sectors (FMCG, Autos). The best results, in terms of profit growth came from Banks, Insurance, Capital Goods and Healthcare/Pharma sectors. Earnings in the IT services sector broadly came in line with expectations.

For the Nifty-50 companies, 1HFY25 EPS growth was 4% (11% excluding Metal/Oil/Gas). FY25 EPS forecasts have seen cuts of 2-3% post 2Q results, and FY25 EPS is now projected to grow at 5-7%. Nonetheless, the FY26 EPS growth expectations remain healthy at over 15%.

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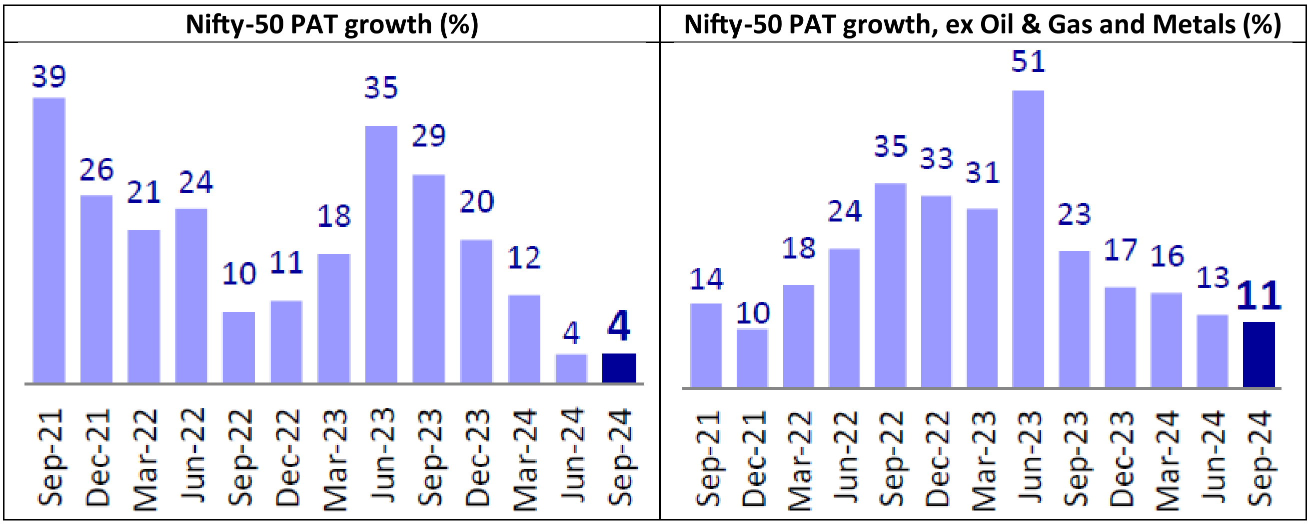

Source: Broker reports.

Markets stabilizing as FII selling moderates; near-term consolidation to continue

Unprecedented FPI outflows of INR 940bn (US$11.2bn) in October pulled down all the major stock indices; Nifty-50, Nifty-100, Nifty MidCap-100 and Nifty SmallCap-100 were down by 3-7% in October, with maximum drawdown of 9-11% seen during November from late-September market peak. However, thanks to strong domestic net-flows into equity mutual funds (INR 420bn in October, +22% vs Sept.), reduced FPI outflows in November (INR 190bn) and Maharashtra state-election results, the markets are showing signs of some stability; major stock indices moved between -0.3% to +0.5% in the month of November.

We expect indices to consolidate in the near-term, as FPI flows may remain negative (volatile at the very least) because of a strong dollar and India's expensive valuations relative to other EMs. Markets also await Trump's inauguration and a fresh outlook on interest rate cuts by the FED and the RBI. Most importantly in our view, markets await a pick-up in India's GDP growth and in corporate earnings growth in 2HFY25.

Valuations and outlook—time to be selective

At roughly 24,400 level currently, Nifty-50 index is priced at a 1-year forward P/E of 21x on consensus earnings estimates, which is marginally ahead of the last 10-year average valuations (20x). We remain constructive from a medium-to-long term perspective, and believe that markets now primarily offer a compounding opportunity, driven by earnings growth. We expect Nifty-50 index to deliver about 10% return over next one year.

A largely side-ways market with narrowing breadth, aligns favorably with our investment approach of building focused portfolios of quality companies that can deliver sustainable growth over the medium to long term. We are invested in pockets having attractive valuations (e.g. private sector financials, housing NBFCs, select PSUs), as well as in pockets that we expect would deliver a higher amount and/or longevity of earnings growth at reasonable prices (such as IT, Pharma, Industrials & Capital Goods, Telecoms etc.). This should protect our portfolio in the events of any intermittent corrections. We continue to maintain our disciplined and stock selection process to ensure long term, sustainable returns for our investors.

Pankaj Murarka
Director

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The Alpha Momentum portfolio is a concentrated collection of companies with strong earnings momentum and companies that are benefiting from current economic/sector trends. Investing in the portfolio gives you the opportunity to benefit from the changing trends of the sectors.

Our experts carefully pick the companies that will be included in the portfolio so as to ensure that the investors can enjoy high quality growth and profits that can be realized on a timely basis as a result of their investments.

EARNINGS MOMENTUM

PRICE MOMENTUM

Key Features

BENCHMARK: NIFTY 50

NO OF STOCKS: 15 - 20

RISK: High

TIME FRAME: Medium to Long Term

Advisory Model Portfolio Performance (%)*

Period	1 Year	2 Year CAGR	3 Year CAGR	Since Inception CAGR
Alpha Momentum	53.9	36.4	30.4	38.0
Nifty 50	19.9	13.4	12.4	22.1

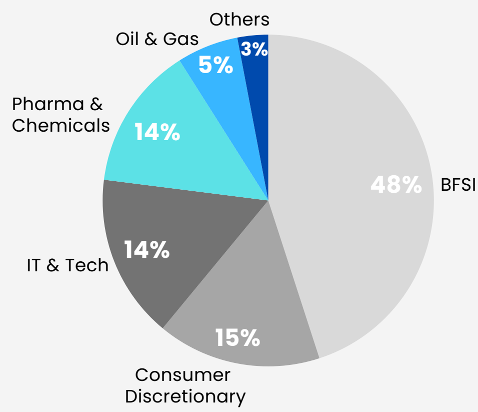
*Performance as on 30th November 2024
##Inception Date : 1st June 2020

TOP 5 STOCKS (Advisory Model Portfolio)

1	MOTILAL OSWAL FINANCIAL SERVICES LTD	15.4%
2	HDFC BANK LTD	10.0%
3	SUN PHARMACEUTICAL INDUSTRIES LTD	9.4%
4	TECH MAHINDRA LTD	7.3%
5	INFOSYS LTD	6.9%

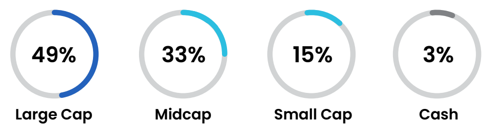
(The current advisory portfolio holdings may or may not be a part of future portfolio holdings and may or may not be part of all client advisory portfolios)

SECTORAL ALLOCATION



WEIGHTED AVERAGE MARKET CAP
3,08,802 cr

MARKET CAPITALIZATION#



#On the basis of AMFI classification

Since RIMPL transferred its advisory business to RSTPL, inception date is in reference to the deed of assignment executed between RIMPL and RSTPL.

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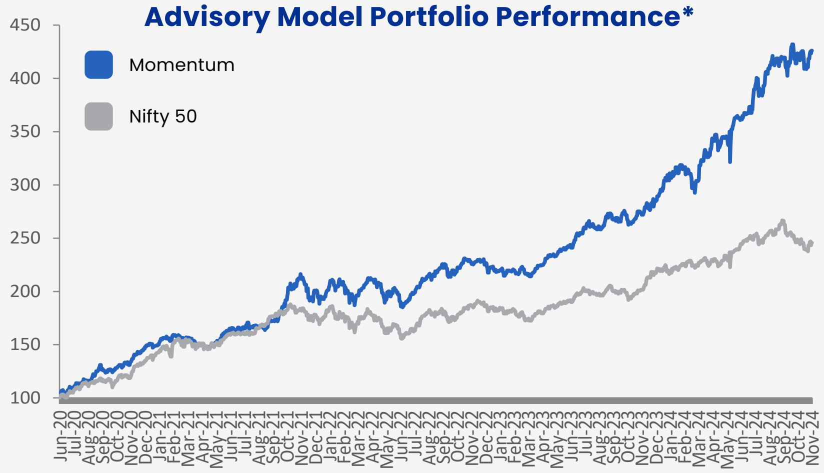
Advisory Model Portfolio Performance*



(Benchmark Source: NSE India)
(##Inception Date: : 1st June 2020)

RISK ATTRIBUTES

	Benchmark	Portfolio
SD	13.92%	21.89%
Sharpe Ratio	0.95	2.16
Beta		1.08
Treynors Ratio		0.44
IR		2.13

(Period: Last 12 months)
(##Inception Date: : 1st June 2020)

Renaissance Smart Tech Private Limited

Separate Identifiable division of IA: Renaissance Investment Advisors
CIN: U67200MH2020PTC338091 **SEBI Registration Number:** INA000016436 **BSE Membership ID:** BSE1494
Type of Registration: Non– Individual **Validity of Registration:** Perpetual
Registered Office Address: A- 103, Mittal Commercia Premises CHS Ltd.,Off. M.V. Road. Near Mittal Estate, Marol, Andheri (East), Mumbai- 400059.
Name of Principal Officer: Mr. Harshil Shethia **Contact details:** 022– 49711561 **Email ID:** support@renaissanceadvisors.in
Name of Compliance and Grievance officer: Ms Nidhi Kamani **Contact details:** 022– 49711561 **Email ID:** support@renaissanceadvisors.in
Corresponding SEBI Head office address: Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, G Block, BKC-Bandra East, Mumbai- 400051

About us :

Renaissance Smart Tech Private Limited ("RSTPL") is registered with SEBI as an Investment Advisor with registration no. INA000016436. Renaissance Investment Managers Private Limited ("RIMPL"), a sister concern of RSTPL is registered with SEBI as a Portfolio Manager with registration no. INP000005455 and is also an Investment Manager to Renaissance Alternate Investment Fund, a Category III Alternative Investment Fund registered with SEBI with registration no. IN/AIF3/18-19/0549.

*Disclaimer :

The performance / returns of the stock across individual advisory model portfolios may vary significantly from the data provided. The benchmark performance shown is only for illustration purposes and not for any comparison. No claims may be made or entertained for any variances between the above performance depictions and that of the stock within individual client advisory 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 model advisory portfolio. Past performance of the financial products, instruments and the model advisory portfolio may or may not be sustained in future and should not be used as a basis for comparison with other investments. The information is only for consumption by the client and such material should not be redistributed.

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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 model advisory portfolio.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BSE and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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