Monthly Insight

THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

8th April 2021

Indian equity markets had a relatively subdued Mar-21 after the strong Feb-21 Budget-driven rally. The Nifty, Nifty Midcap and Nifty Smallcap returned 1.1%, 1.8% and 0.8% vs. 6.60% for the Dow Jones, 3.60% for the FTSE, 8.9% for the DAX, 7.8% for the Euro Stoxx and 3.1% for the MSCI World Index. For the calendar year to date, developed markets have handily outperformed emerging markets (4.5% for the MSCI World Index vs. 1.9% for MSCI Emerging Markets) reflecting the relative scope of the fiscal stimuli enacted and the progress on vaccinations. This is also reflected in the acceleration in 10 year sovereign bond yields for all developed markets to now above their pre COVID levels.

Accelerating global interest rates have raised fears of a "disorderly" exit in terms of financial conditions from the COVID pandemic, reviving painful memories of the 2013 taper tantrum. The key difference now however is that this time rates increases are reflective of far better growth prospects, powered by stimulus, vs. almost no change in underlying economic prospects in the earlier episodes of exit from crisis policy conditions. Markets have largely therefore till date taken interest rates increases in their stride.

For India however, an additional wrinkle for short-term growth prospects has arisen from the recent spike in COVID-19 cases, mostly in Maharashtra and adjoining states. The new variants, referred aptly as "a new, 2nd pandemic" by Chancellor Angela Merkel, have altered the equation considerably. The extent of spread and the duration of this new wave are currently a big unknown. For markets, the uncertainty of new economic costs however are balanced by vaccinations which continue apace and which will provide an end point eventually to this wave - allowing markets to potentially look through temporary weakness.

Portfolio Stance: Preference for lower risks

The relative acceleration of growth in developed markets have made emerging markets less attractive at the moment. Further, their pace of vaccinations also point to a quicker exit and relatively lower risks. For India specifically, the prospects of more lockdowns and perhaps a washed out couple of months of earnings have increased uncertainty. We believe a more tactical orientation is warranted at the current juncture.

We however continue to maintain our stance on IT services businesses and strongly expect earnings growth to further surprise positively. The secular tailwinds for these businesses have a long runway yet.

FUND PROFILE

Key Fund Information

Launch Date 11th April 2018

Structure: Open-ended, CAT III AIF

Domicile: India

Currency: INR

Min Initial Investment: INR 1 crore

About the Fund

Investment Manager:
The Investment Trust of India

Investment Strategy: To outperform the Nifty index over a full equity market cycle, while protecting downside during equity market downturns

Performance
(before fees and taxes)
Mar 2021 0.15% (1.11%)

Since Inception* 50.09% (41.23%)

*Till Mar 31, 2021
(figures in brackets correspond to Nifty returns)

Managing Director & CIO
Rajesh Bhatia

Fund Managers
Rajesh Aynor
Siddhartha Bhotika

Research Analyst
Akash Jhaveri

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ANNEXURE

Performance

Quarterly:

Returns	Q1 FY 19*	Q2 FY 19	Q3 FY 19	Q4 FY 19	Q1 FY 20	Q2 FY 20	Q3 FY 20	Q4 FY 20	Q1 FY 21	Q2 FY 21	Q3 FY 21	Q4 FY 21	Since Inception*
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.34%	12.55%	3.26%	50.09%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	6.04%	-29.35%	19.81%	9.18%	24.30%	5.07%	41.23%

Monthly:

Returns	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Since Inception*
ITI LS	0.24%	-1.05%	-0.71%	5.40%	-1.94%	-0.01%	2.08%	4.50%	5.51%	0.53%	2.52%	0.15%	50.09%
Nifty	14.68%	-2.84%	7.53%	7.49%	2.84%	-1.23%	3.51%	11.39%	7.81%	-2.48%	6.56%	1.11%	41.23%

Returns	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
ITI LS	0.22%	-1.12%	0.11%	-2.76%	-2.92%	4.69%	1.50%	2.62%	2.70%	1.02%	0.92%	-0.34%
Nifty	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	1.50%	0.93%	-1.70%	-6.36%	-23.25%

Returns	Apr-18*	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
ITI LS	2.32%	1.36%	1.56%	4.69%	2.04%	0.55%	-1.68%	3.03%	-0.67%	1.85%	-2.54%	5.42%
Nifty	3.24%	-0.03%	-0.20%	5.99%	2.85%	-6.42%	-4.98%	4.72%	-0.13%	-0.29%	-0.36%	7.70%

*From 11th April, 2018;
Fund returns are after expenses, before management fees and taxes

Annual (post fees and taxes):

	FY 19	FY 20	Cumulative for FY 19 and FY 20
ITI LS	13.9%	-0.8%	13.0%
Nifty	11.7%	-26.0%	-17.3%

Fund returns are after expenses, management fees and taxes

Portfolio Snapshot

Strategic Long Positions - Top 5

Stock	PF Weight
HDFC Bank	7.1%
HDFC Ltd	5.6%
Reliance Industries	5.3%
Infosys Limited	6.7%
Bharti Airtel	3.5%

Top Tactical Longs - Top 5

Stock	PF Weight
HCL Tech	5.8%
Infosys	5.6%
Dabur	4.1%
M&M	3.5%
Bharat Petroleum	3.3%

Top Tactical Shorts - Top 3

Sector	PF Weight
Auto	2.0%
Auto	1.9%
BFSI	1.0%

Exposure

Gross Exposure (month-end)	121%
Net Exposure (month-end)	36%
Gross Exposure (month-avg)	104%
Net Exposure (month-avg)	47%

Disclaimer: