Monthly Insight

THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

6th October 2020

September 2020 was an interesting month of polarities for equity markets. A combination of global economic uncertainties (with waning stimulus and continued elevated public health concerns), idiosyncratic, sector-specific business risks, technical corrections for "hot" sectors and some belated COVID beneficiary sector recognition all played out during the month. For example,

- In the US, after a stupendous performance YTD, the tech sector faced technical pressures on suspected options-linked market activity with the Nasdaq correcting -5.2% vs. -2.3% for the Dow Jones Index.
- In Europe, the Euro Stoxx index was down -2.4% for the month as a sharply escalating 2nd COVID-19 wave saw marked corrections in countries with relatively poorer public health responses (CAC down -2.9% vs -1.4% for the DAX).
- Domestically, while the benchmark Nifty was down -1.2% for the month the divergences within were very sharp – the Bank Nifty was down -9.7%, Nifty Metal was down -7.4%, Nifty Energy was down -3.7% and Nifty FMCG was down -2.5%. In comparison, Nifty IT returned +11.3%, Nifty Pharma +6.3% and the Nifty Auto 0.9%.

The rather muddled price action is perhaps suggestive of the waning impact of the massive fiscal and monetary "steroids" which had resulted in all boats rising – in different degrees of course, but essentially equity asset prices had largely become a globally driven phenomenon in recent months. Lack of fresh fiscal and monetary stimulus even as the virus rages on and economies haven't fully recovered from the forced lockdown-caused recessions portends to such price behaviour continuing.

Indian economy, continued improvement: The Indian economy continued to show signs of improvement in the month of September, with exports growth back in positive territory at 5.27%, manufacturing PMI showcasing sharp month on month expansion at 56.3, power demand up 4.6%, railway freight up 13.5% and primary auto sales up a strong 15%. GST collections and credit growth however continued to struggle. GST collections while optically +4% for September continued to languish however as the collections reflected the payment of 4 months of GST in 1 month by taxpayers up to Rs. 5 crore turnover – for FY 20, these taxpayers were 20% of GST collections. Credit growth remained at sub 5.5%.

Portfolio Stance: Need for short-term vigilance, negative real rates buoy medium term outlook

In the short-term, markets remain heavily dependent on policymakers until the current "fog of war" of COVID recedes. Already signs on jobs, US consumer spending, personal incomes etc for the US reflect a potentially stalling recovery. The Eurozone remains in deflation territory for the 2nd consecutive month. For India, the stand-off between the RBI and bond markets on sovereign bond yields (with 4 auction devolvements now) are an interesting marker of the support markets need to guarantee a smooth economic recovery. We remain watchful of this going ahead.

The medium-term trend for equities however remains structurally constructive – current negative real interest rates and the promise of "lower for longer" contrive to make earnings more valuable and the only choice for generating positive real returns.

The belated recognition of the market of the growth prospects for Indian IT service companies in September was a validation of our consistently constructive view on the run way ahead for these businesses. We continue to maintain positive on the same.

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)
Sept 2020 -0.01% (-1.23%)
Since Inception* 29.19% (8.13%)
*Till Sept 30, 2020
(figures in brackets correspond to Nifty returns)

Managing Director & CIO
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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	Since Inception*
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.34%	29.19%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	6.04%	-29.35%	19.81%	9.18%	8.13%

Monthly:

Returns	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Since Inception*
ITI LS	0.24%	-1.05%	-0.71%	5.40%	-1.94%	-0.01%	29.19%
Nifty	14.68%	-2.84%	7.53%	7.49%	2.84%	-1.23%	8.13%

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 FY19 and FY20
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
Reliance Industries	9.1%
HDFC Bank	7.8%
HDFC Ltd	5.9%
Infosys Limited	5.8%
L&T Infotech	5.4%

Top Tactical Longs - Top 5

Stock	PF Weight
HCL Tech	6.0%
Wipro	5.1%
M&M	4.2%
Tech Mahindra	3.8%
Infosys Limited	3.6%

Top Tactical Shorts - Top 3

Sector	PF Weight
Cap Goods	2.7%

Exposure

Gross Exposure (month-end)	90%
Net Exposure (month-end)	85%
Gross Exposure (month-avg)	100%
Net Exposure (month-avg)	72%