

9th September 2021

August 2021 was a spectacular month for Indian equity markets. The Nifty returned 8.7%, far outperforming the MSCI Emerging Markets Index (2.4%) and the MSCI World Index (2.3%). In 2021, the above indices have returned 22.5%, 1.3% and 16.8% respectively. Indian mid and small cap indices in turn have returned 36.3% and 44.8% each. Indian equity markets have handsomely outperformed almost all equity markets in the world since the onset of the pandemic – the Nifty, Nifty Midcap and Nifty Smallcap have returned 41.8%, 56.9% and 66.6% since 16-Feb-20 vs. 29.8% for the MSCI World Index and 19.5% for the MSCI Emerging Markets Index.

August 2021 economic data threw up a few hiccups but nevertheless remained resilient – while MoM merchandise exports contracted by -6.5%, on the 2 year CAGR they remained a robust 12.9% p.a. significantly above pre COVID growth rates of mid single digit. GST collected in Aug-21 grew at a 6.8% 2 year CAGR. Power demand (6.7% 2 year CAGR), railway freight (10.1% 2 year CAGR) and mobility data were healthy. On the flip side, the twin global supply chain issues of chip shortages and container shortages continued to throw a wrench in auto sales and agricultural exports (low value to weight commodities most impacted by the parabolic increase in global freight costs). Finally, on a cautionary note for rural demand, the monsoon was 24% deficient in August. The IMD however continues to forecast an overall normal monsoon this year, albeit lower from 101% of LPA to now 96% of LPA.

Supply chain challenges – not immaterial: One feature of the post COVID policy driven economic recovery has been steadily worsening supply chain shortages – with the two biggest being chips and shipping containers. The chip shortage in particular has already started to bite – auto OEMs all over the globe are slashing production and now consumer durable makers are bracing for challenges ahead. For context, the auto sector as a whole including 2W, PVs, CVs etc contributes 35% to manufacturing GDP – while only a few segments are impacted, nevertheless supply chain challenges certainly are biting.

Similarly on the container shortage front, goods with low value to weight are being disproportionately hurt by the massive spike in global freight rates. At approx. 10% of agri GDP, and a large contributor last year with 17.34% growth, agri exports are facing the brunt of the container shortage in global supply chains.

Portfolio Stance: Buoyant Outlook Remains

We continue to believe the outlook for equities remains buoyant. To reiterate, in a growth-starved world with low cost of capital the underlying basis for the tremendous rally in equities continues. We continue to stay invested chiefly in predictable, multi-year growth opportunities.

We also continue to keep an eye out for risks as they emerge given signs of possible excesses in pockets.

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)

August 2021 8.70% (8.69%)

Since Inception* 70.98% (64.70%)

*Till July 31st, 2021

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

Rajesh Bhatia

Fund Managers

Rajesh Aynor

Siddhartha Bhotika

Research Analyst

Akash Jhaveri

ANNEXURE

Performance

Quarterly

Returns	Q1 FY22	Q1 FY22	Since Inception *
ITI LS	2.86%	10.75%	70.98%
Nifty	7.02%	8.97%	64.70%

Returns	Q1 FY19*	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.34%	12.55%	3.21%
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%

Monthly

Returns	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Since Inception *
ITI LS	-0.97%	3.24%	0.60%	1.89%	8.70%	70.98%
Nifty	-0.41%	6.50%	0.89%	0.26%	8.69%	64.70%

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
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%
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%

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

Cumulative returns post fees and taxes since inception till FY 21:
ITI LS Fund: 31.97%
Nifty: 41.23%

Monthly Insight

ANNEXURE

Portfolio Snapshot

Strategic Long Positions - Top 5		Top Tactical Longs - Top 5		Top Tactical Shorts – Top 3		Exposure	
Stock	PF Weight	Stock	PF Weight	Stock	PF Weight		
HDFC Bank	6.3%	ICICI Bank	8.4%	BFSI	3.1%	Gross Exposure (month-end)	127%
HDFC Ltd	6.7%	Tech M	6.2%	Auto	1.8%	Net Exposure (month-end)	91%
Infosys Limited	5.7%	Wipro	5.8%	Pharma	1.8%	Gross Exposure (month-avg)	120%
Reliance Industries	5.2%	Bharti Airtel	5.7%			Net Exposure (month-avg)	83%
SBI Life	4.5%	SBI	5.5%				

* Note: Gross and Net Exposures above are calculated only on exposure to direct equity instruments of the fund

Risk Metrics

Key Ratios*		
	ITI LS Fund	Nifty
Sharpe Ratio	1.92	0.82
Annualized Standard Deviation	8.69	20.92
CAPM Beta	0.22	1.00
Treynor Ratio	77.35	17.20

* for the period 11-Apr-18 to 31-Aug-21
Source: Kotak Fund Accounting

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