

12th April 2019

Markets entered financial year 2020 consolidating the momentum of the closing months of the previous year. For FY 19, benchmark indices closed with gains of +14.1% for the Nifty and losses of -3.7% for the Nifty Midcap and -15.2% for the Nifty Smallcap (sharp gains from the mid-Feb FY 19 YTD returns of +5.3% for the Nifty, -14.5% for the Nifty Midcap and -27.2% for the Nifty Smallcap).

Continued global flows to emerging markets – emerging market equity funds recorded their 3rd best ever quarterly flows in the first 3 months of 2019, with \$18 billion of net inflows – as EMs take strength from the Federal Reserve easing off (similar to other asset classes) predominately explained the strength of Indian equities. Going forward, while the importance of the India general elections (and the hope of a stable government) is well understood for Indian markets to maintain their current strength, it is also important that global risk-off triggers (US economic issues as signalled by the recent yield curve inversion, US-China trade reconciliation, China economic rebound) do not reappear.

Large global flows to emerging markets have given significant strength to Indian markets: FIIs invested Rs. 32,371 crores in March – their highest investment on a monthly basis in 10 years. In general, lower US interest rates are accompanied by a weaker US dollar and lower US Treasury yields – both beneficial to emerging market equities. The broad EM bullishness (rather than country-specific factors) was evident in the heavy weight of ETFs and index funds in the total net inflows of emerging market funds: of the total \$18 billion, \$13.1 billion were in ETFs and a significant part (>50%) of the balance mutual funds inflows were in EM index funds.

Global risk-off triggers: The US Treasury yield curve, between the 3 month and the 10 year, inverted in the last week of March for the first time since 2007. This has historically been an indicator for a recession within 12 to 18 months. On the other hand, some indicators pointed towards a mixed outlook: the US Corporate High Yield Index – one of the potential bubbles/problem areas identified by recession hawks – has rebounded strongly from end-2018 lows, US job growth has accelerated to the fastest pace in 18 months, jobless claims are at the lowest point since 1969 and global all-industry output PMI expanded for the second successive month in March.

Similarly, for the Chinese economy, while risks are still firmly balanced towards the downside, the effects of the stimulus announced in March, and vocal commitments by Chinese authorities towards further easing, has brightened prospects somewhat. Chinese manufacturing returned to growth territory in March and home sales rebounded too. Expectations also continue to favour a favourable outcome to the US-China trade talks.

Overall therefore, the probability of global risk-off triggers remain mixed.

Portfolio Stance: Participate with caution

We continue to believe the probability tilt is towards continued strength for equity markets. Nonetheless, while the risks haven't worsened since the change towards risk-on, we acknowledge significant uncertainty on various fronts both local and global. We continue to participate cautiously.

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 2019 5.26% (7.70%)

Since Inception* 18.74% (11.75%)

*Till Mar 31, 2019

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

Rajesh Bhatia

Fund Managers

Rajesh Aynor

Siddhartha Bhotika

Research Analyst

Akash Jhaveri

Head – Business Development

Vinay Mahajan

Monthly Insight

Performance

Gross 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	Since Inception**
ITI LS	2.31%	1.34%	1.53%	4.66%	2.00%	0.53%	-1.69%	3.00%	-0.66%	1.83%	-2.51%	5.26%	18.74%
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%	11.75%

Gross Returns	1M	3M	6M	Since Inception**
ITI LS	5.26%	4.50%	5.11%	18.74%
Nifty (%)	7.70%	7.00%	6.33%	11.75%

*From 11th April, 2018;

**Till 31st March, 2019;

Fund returns are after expenses, before management fees and taxes

Portfolio Snapshot

Strategic Long Positions

Stock	PF Weight
HDFC Bank	10.0%
HDFC Limited	7.0%
Infosys Limited	5.7%
L&T Infotech	4.3%

Top Tactical Longs

Stock	PF Weight
Reliance Industries	9.9%
Axis Bank	9.7%
ICICI Bank	9.0%
SBI	7.2%

Top Tactical Shorts

Sector	PF Weight
Auto	2.6%
Auto	1.8%

Exposure

Gross Exposure (month-end)	99%
Net Exposure (month-end)	86%
Gross Exposure (month-avg)	94%
Net Exposure (month-avg)	69%

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