

MONTHLY INSIGHT

12TH APRIL, 2022

Indian equity markets closed the month of March 2022 strong bringing the calendar year returns till date for the Nifty, Nifty Midcap and Nifty Smallcap indices to +0.6%, -2.5% and -7.6% respectively. In comparison, the MSCI World Index and the MSCI Emerging Markets Index have returned -5.5% and -7.3%, and the S&P 500, Euro Stoxx and Nikkei indices have returned -4.9%, -9.2% and +1.4% respectively. Indian equity markets have delivered sustained outperformance with fiscal year returns of 18.9% for the Nifty (and 25%-30% for mid and small caps) vs. +8.6% for the MSCI World Index and -13.3% for the MSCI Emerging Markets Index. The strength and resilience of Indian equity markets have been its defining feature over the past 18-24 months.

The shadow of war continues to loom over the economic health of the global and Indian economy. Commodity prices, albeit off the highs, continue to be in debilitating territory with limited visibility of immediate respite. Global food prices increased at a 3 year CAGR of 19.6% in March-22, up from 14.6% and 13.3% in the previous 2 months. Global crude oil, natural gas and coal prices are still up anywhere from 28% CAGR to 200%+ CAGR over pre COVID levels just as economies were exceeding their pre COVID sizes and beginning to recoup lost growth. Metal prices, buoyed by energy prices, sanctions and supply constraints have also galloped.

Separately, China seems to be facing possibly its worst phase of the COVID crisis currently due to the surfacing of the Omicron variant in the country. Limited efficacy of Chinese vaccines against the new variant, limited existing population immunity (evidenced by the incredible death tolls in Hong Kong), extremely high transmissibility of Omicron and a zero compromise zero COVID policy have once again brought massive lockdowns, supply chain disruption and demand destruction in the 2nd largest economy in the world. That this is happening in the aftermath of a general economic slowdown in China already (in Feb-22, contracted sales of the top 100 real estate developers fell 47.2% YoY, separately smartphone Feb-22 sales also hit a 10 year low) portend sharper challenges going ahead.

The implications for India are mixed – while on the one hand as a net commodity importer and with a manufacturing sector still quite dependent on China-linked supply chains there will be significant costs, on the other the extant forces of China+1 and the acceleration of a shift away from fossil fuels will only strengthen both of which are very favourable for India over the long term.

In the context of the above it was not surprising to see the dreaded “yield curve inversion” with the 10 year US Treasury yielding below the 2 year for the first time since 2019. However curiously in the economic zone most affected by current events i.e. Europe yield curves have only been steepening – indeed even in the US, the yield curve has steepened quickly after the initial inversion. Whether the global growth impulse has decisively turned is still an undecided question.

The economic data out of India continues to be positive – FY 22 merchandise exports have closed at a 3 year CAGR of 8.1%, GST collections are likely to be a 3 year CAGR of 8%-10% and credit growth closed FY 22 with 9.6% YoY growth.

Portfolio Stance: Upside Participation

The strength and resilience of Indian equity markets in the face of a torrent of challenges has been quite surprising – war, COVID resurgence, commodity cost pressures, monetary policy normalization both global and local, currency depreciation etc etc have all been looked through. We believe the TINA – there is no alternative – factor is writ large on equity markets. We have increased our net exposures and while we have reduced the extent of overweight on Indian IT services businesses, we still believe the long-term secular trend of digitization will continue to drive growth over the coming years, short-term challenges notwithstanding.

FUND PROFILE

Key Fund Information

Launch Date : 11th April 2018

Structure : Open-ended, CAT III AIF

Domicile : India

Currency : INR

Min Initial Investment : ₹ 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 2022 2.36% (3.99%)

Since Inception* 71.25% (67.89%)

*Till Mar 31st, 2022
(figures in brackets correspond to Nifty returns)

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ANNEXURE

PERFORMANCE

QUARTERLY

Returns	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 22	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	71.25%
Nifty	7.02%	12.06%	-1.50%	0.64%	67.89%

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
ITI LS	5.37%	7.45%	0.68%	4.72%	-0.67%	-1.08%	7.09%	1.70%	-1.45%	3.45%	12.64%	3.30%
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	Sept-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Since Inception*
ITI LS	-0.94%	3.27%	0.62%	1.90%	8.72%	1.17%	-0.97%	-0.83%	0.97%	-0.82%	-2.69%	2.36%	71.25%
Nifty	-0.41%	6.50%	0.89%	0.26%	8.69%	2.84%	0.30%	-3.90%	2.18%	-0.08%	-3.15%	3.99%	67.89%

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	0.25%	-1.03%	-0.68%	5.44%	-1.91%	0.02%	2.11%	4.53%	5.53%	0.56%	2.55%	0.17%
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	0.25%	-1.06%	0.14%	-2.72%	-2.90%	4.72%	1.54%	2.65%	2.74%	1.06%	0.95%	-0.31%
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	2.35%	1.36%	1.57%	4.69%	2.05%	0.57%	-1.66%	3.04%	-0.64%	1.88%	-2.52%	5.44%
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%

ANNEXURE

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
Infosys Limited	7.6%
HDFC Ltd	5.9%
Bharti Airtel	4.8%
Grasim Ind	4.7%
HDFC Bank	4.5%

Top Tactical Longs – Top 5

Stock	PF Weight
SBI	4.4%
RIL	3.2%
Tata Comm.	2.2%
IDFC Ltd	2.2%
Metropolis HC	2.2%

Top Tactical Shorts – Top 3

Stock	PF Weight
BFSI	2.2%
Internet	1.4%
Internet	1.1%

Exposure

Gross Exposure (month-end)	80%
Net Exposure (month-end)	60%
Gross Exposure (month-avg)	64%
Net Exposure (month-avg)	40%

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

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