

5th August 2020

The month of July saw a strong outperformance for emerging markets as risk made a comeback with a weakening dollar and improving economic indicators through the large fiscal and monetary support governments and central banks have unleashed. The MSCI Emerging Market Index rose 8.4% in the month of July vs. 4.7% for the MSCI World Index. Indian equity markets participated with the Nifty up 7.5%, Nifty Midcap up 5.2% and the Nifty Smallcap up 8.6%. From the pandemic lows, the Nifty is now amongst the top 5 best performing markets in the world with a 45.5% recovery.

The key question for markets going forward is the continuation of this government & central bank support as the world continues to grapple with rising cases, 2nd virus waves and even fresh localized shutdowns to combat the virus. Until a vaccine is found, markets will depend heavily on continued policy support.

Current data, a mixture of noise and signals: High frequency data and Q1 FY 21 corporate results remain firmly in high noise to signal ratio territory. Most businesses have reported sequential, and in some cases strong sequential, improvement in recent months with the lifting of lockdowns resulting in the resumption of economic activity and the unlocking of pent-up demand. Sustainability of both of these aspects however remains a difficult question to answer i.e. potential reimposition of lockdowns (India already saw this in several local jurisdictions in the month of July) and normalization of pent-up demand.

Certain secular trends have however benefitted from a sharp acceleration. The digitization of businesses has sped up considerably with actors across the value chain (from digital platforms to vertical players to IT service providers) winning. Other COVID-induced trends such as larger businesses gaining an increasing share of the corporate profit pie or diversification and onshoring of global supply chains (seen most sharply this quarter in the fortunes of Indian API manufacturers) have also garnered quick momentum.

Portfolio Stance: Participate in the recovery theme

Despite the uncertainties of the virus and its economic costs, governments and central banks have clearly worked tremendously hard to establish a beachhead against any potential economic fallout. Real world suffering and uncertainties continue by all accounts, nevertheless markets are discounting mechanisms and belief in the ability of policymakers and a potential vaccine in 6 months are trumping fears of a collapse. Present data does not suggest positioning our portfolio otherwise.

Our very long-held belief in the potential of Indian IT businesses has played out and we continue to remain significantly overweight the sector along with consumer staples, insurance companies and select private retail banks.

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)

July 2020 5.40% (7.49%)

Since Inception* 31.77% (6.45%)

*Till July 31, 2020

(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 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%	5.40%	31.77%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	6.04%	-29.35%	19.81%	7.49%	6.45%

Monthly:

Returns	Apr-20	May-20	June-20	July-20	Since Inception*
ITI LS	0.24%	-1.05%	-0.71%	5.40%	31.77%
Nifty	14.68%	-2.84%	7.53%	7.49%	6.45%

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	8.1%
HDFC Bank	7.2%
HDFC Ltd	5.8%
Infosys Limited	6.0%
Bharti Airtel	5.5%

Top Tactical Longs - Top 5	
Stock	PF Weight
HCL Tech	8.7%
TCS	8.2%
HDFC Life	7.9%
SBI	5.2%
Infosys	5.1%

Top Tactical Shorts - Top 3	
Sector	PF Weight
BFSI	3.8%
Auto	2.1%
Auto	1.9%

Exposure	
Gross Exposure (month-end)	110%
Net Exposure (month-end)	85%
Gross Exposure (month-avg)	99%
Net Exposure (month-avg)	78%

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