



10<sup>th</sup> August 2021

Indian equity markets and in particular mid and smallcaps continued their strong outperformance in July 2021 with the Nifty, Nifty Midcap and Nifty Smallcap returning +0.3%, +3.1% and +8.1% respectively. The MSCI Emerging Markets Index and the MSCI World Index returned -7.0% and +1.7% respectively.

The robustness of the rally is evidenced by continued outflows from secondary equity markets of foreign institutional investors (driven by dampened sentiment towards emerging markets in general due to the regulatory clampdown on various technology businesses in China). To the approximately Rs. 33k crores FIIs have sold since the 2nd half of Feb-21 (i.e. since the onset of the 2nd COVID wave), an additional ~Rs. 23k crores was pulled out in Jul-21. Record shattering retail participation have cushioned flows considerably.

On the economic front, the Indian economy looks to be in fine fettle all things considered. Jul-21 was a bumper month for exports with merchandise exports growing an extremely strong 15.8% 2 year CAGR and bringing the Apr-Jul export performance to a strong 10.4% 2 year CAGR – much ahead of pre-COVID growth rates. GST collections reported in Jul-21 have rebounded to Rs. 1.16 lakh crore. While the monsoon has been erratic, it has mitigated some of the worst fears – kharif sowing while still down YoY, remains 9.9% over Jul-19 levels.

Supply chain challenges seem to potentially be throwing a wrench in the post COVID global and Indian economic recovery. The two key problems of chip shortages (particularly for the auto sector, which contributes to close to a third of Indian manufacturing) and container shortages continue to worsen globally with only limited respite seen this calendar year.

**Global COVID-19 resurgence:** Jul-21 unfortunately was also the month for a fresh resurgence of COVID-19 globally as the Delta variant truly took hold. Even countries with hitherto high vaccination rates such as the UK and Israel (both with 60% of population fully vaccinated) have seen cases jump to 30%-80% of their respective peaks (although already sharply waning in the UK). While disease impact and death are considerably lower this time thanks to the vaccines, a temporary halt in reopening activities by consumers and impact on sentiment cannot be ruled out.

## Portfolio Stance: Buoyant Outlook

The outlook for equities currently is firmly buoyant. While there continue to be unmistakable signs of froth and possible excesses in pockets (stretched valuations, blockbuster IPOs, frenzy in smaller companies), the underlying basis for the rally remains of a solid post COVID recovery, robust earnings growth and favourable policy conditions. In a growth-starved world with low cost of capital, strong growth businesses will continue to remain in favour. We continue to believe Indian IT services companies merit a favourable view in this paradigm.

## FUND PROFILE

### Key Fund Information

Launch Date 11<sup>th</sup> 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 2021 1.89% (0.26%)

Since Inception\* 57.29% (51.54%)

\*Till July 31<sup>st</sup>, 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%	1.89%	57.29%
Nifty	7.02%	0.26%	51.54%

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	Since Inception *
ITI LS	-0.97%	3.24%	0.60%	1.89%	57.29%
Nifty	-0.41%	6.50%	0.89%	0.26%	51.54%

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%

### 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	Gross Exposure (month-end)	104%
HDFC Bank	6.1%	Wipro	7.1%	BFSI	2.4%	Net Exposure (month-end)	71%
HDFC Ltd	6.2%	Tech M	5.6%	Auto	1.9%	Gross Exposure (month-avg)	95%
Infosys Limited	5.8%	Jubilant Food	4.7%	BFSI	1.0%	Net Exposure (month-avg)	75%
Reliance Industries	5.0%	Bajaj Fin.	3.9%				
SBI Life	4.6%	United Spirits	3.9%				

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

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