

MONTHLY INSIGHT

11th August, 2022

Financial markets bounced back strongly in the month of July 2022 from the June 2022 swoon. Indian equity markets once again outperformed with the Nifty returning 8.7% vs. -0.7% for the MSCI Emerging Markets Index and 7.9% for the MSCI World Index.

With fears of a recession on the anvil, commodity prices and long-term financial conditions eased meaningfully in July 2022. The US 2 Year-10 Year Treasury curve inverted decisively to a level not seen in more than two decades (close to 50 bps inversion now), the DXY eased from its peak and global flows returned to risk assets, including emerging market equities. For equities specifically, given significant pessimism was already built in, the fresh economic data offered some respite from the excessive pessimism of a deep recession that the markets were trying to price in.

From an economic fundamentals perspective, as a net commodity importer, India stands to benefit considerably from falling commodity prices. Nonetheless slower global growth also impacts India's growth momentum – non-oil exports fell -5.3% month on month in July 2022 and on a YoY basis are now flat. On the whole however, the Indian economy continued to maintain its growth trajectory in the month – GST collections grew at a 13.4% 3 year CAGR, railway freight loading was up 7.0% 3 year CAGR and aggregate non-food credit grew at 8.5% 3 year CAGR. As mentioned exports were the weak spot sequentially, however the 3 year CAGR for non-oil exports still remains relatively healthy at 9.5%.

Rural economy – potential worrying signs: A strong monsoon, easing input cost prices & inflation and supportive global agri markets were hoped to herald a turnaround in the fortunes of rural India (rural India's FMCG 3 year CAGR volumes and value are flat as of Q1 FY 23 per Nielsen data). While the monsoon has been strong, spatial distribution has hurt – weak rainfall in key padding growing areas of West Bengal, Eastern UP, Bihar and Jharkand has meant that overall sowing is 3% below 2021 levels and paddy sowing is an alarming 13% below 2021 levels on an aggregate basis. After a heatwave hurt wheat production earlier in the year, rural India is entering H2 on a weak footing – real rural overall and rural agri wages in Jun-22 were -3.1% and -4.6% respectively, MGNREGA July-22 demand is 11.2% above pre COVID levels (albeit improved from the ~25% higher than pre COVID in May & June) and external inflation (fuel, mainly) continues to be at elevated levels. The hope is now for higher government spending and a general cyclical recovery bolstering non-agri sectors of rural India in H2 FY 23.

Portfolio Stance: Neutral Exposure

With the RBI increasing the repo rate by 50 bps, India's benchmark interest rate has now crossed pre COVID levels (although, longer-term interest rates have been above pre-COVID levels for a while now). Broadly speaking, on a global basis, almost all central banks have not only exited the COVID era (barring the PBOC – given China remains afflicted by COVID-19 – and the BOJ) but have decisively moved to neutral settings. Whether they go further is now in question – and markets are signalling they will not (as evidenced by rapidly falling commodity prices, easing of the dollar and global long-term interest rates from the peak and restarting of flows to risk assets such as EMs).

We do not believe the underlying picture is conclusive yet however. A still continuing war, strong labour market conditions in the US and a possible better H2 demand picture from China can mean financial conditions tighten going ahead despite the loosening witnessed in July 2022. Our exposures therefore are at relatively neutral levels currently while we keep an eye on both the evolving global and local monetary and fiscal landscape and also India's underlying economic fundamentals and growth prospects.

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)

July 2022: 2.46% (8.73%)

Since Inception* 74.96% (64.95%)

*Till July 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	Q1 FY 23	Q2 FY 23	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	2.46%	74.96%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.73%	64.95%

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-22	May-22	Jun-22	Jul-22	Since Inception*
ITI LS	-2.16%	2.35%	-0.43%	2.46%	74.96%
Nifty	-2.07%	-3.03%	-4.85%	8.73%	64.95%

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
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%
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%

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 22:

ITI LS Fund: 45.9%

Nifty: 54.6%

ANNEXURE

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
Infosys Limited	6.7%
SBI Life	5.4%
Bharti Airtel	4.9%
HDFC Bank	4.0%
RIL	3.6%

Top Tactical Longs – Top 5

Stock	PF Weight
L&T	5.2%
HUL	4.7%
ICICI Bank	4.3%
Hindalco	4.3%
Britannia	4.3%

Top Tactical Shorts – Top 3

Stock	PF Weight
Consumer Durables	2.0%
Consumer Discretionary	1.4%
Consumer Discretionary	1.4%

Exposure

Gross Exposure (month-end)	102%
Net Exposure (month-end)	77%
Gross Exposure (month-avg)	81%
Net Exposure (month-avg)	48%

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

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