

10<sup>th</sup> December 2019

The Nifty, Nifty Midcap and Nifty Smallcap indices returned 1.5%, 2.4% and 1.2% in the month of November, continuing the solid performance of the preceding two months. The month of November saw the highest FII inflows of FY 20 till date.

Curiously, while the Nifty outperformed the MSCI Emerging Markets Index (flattish at -0.2% for the month) as several positive local idiosyncratic events coalesced (telecom industry repair, resolution of large stressed accounts), the global tailwinds from an easing Sino-US trade war seemed to uplift developed markets materially more than developing and frontier markets. In November, the MSCI World Index rose 2.6%, propelled by gains in the US (3.7%), the Euro area (2.8%) and Japan (1.6%) – in contrast markets such as China (-1.5%) and South Korea (0.2%) underperformed. Sharp increase in monetary and/or fiscal stimulus in these developed markets perhaps explains the outperformance.

Looking forward, India's Q2 FY 20 GDP print at 4.5% real and just 6.1% nominal confirmed the worst fears of the market that we are in a fairly unprecedented slowdown (viewed in the context of steady oil prices and a stable government). Monetary easing of 110 bps since February 2019 hasn't stemmed the tide either. The opposing forces of clear medium-term economic strengthening as the slew of measures undertaken take root, versus the current sharp demand weakness and financial system lacunae (with the two reinforcing each other) are a conundrum for observers of the Indian economy. The latter can snowball towards serious medium-term consequences and in the worst-case undo the effects of the former too – whether this happens remains to be seen.

**Trade war seemingly on the path to resolution:** Both US and Chinese officials continued to make concerted and frequent efforts to show progress being made in the so-called "Phase 1" of the US-China trade deal. Even a potential curveball in the form of the Hong Kong Human Rights and Democracy Act did not derail the progress at least optically being made for a preliminary deal by 15th Dec (a date when additional US tariffs will come into effect). With a notoriously unpredictable US President however, any unpleasant surprises cannot be ruled out.

**Q2 FY 20 earnings season:** As discussed earlier, the Indian economy continues to be in a trough – Q2 FY 20 earnings for India Inc reflected this. Sales growth for both the Nifty and BSE200 companies was negative, reflecting demand weakness. Profit before tax declined too, however the tax cut resulted in overall growth.

### Portfolio Stance: Participate selectively

We are cognizant of the opposing forces tugging at the path the Indian economy viz. medium-term reforms (tax cut, GST, RERA, IBC resolution etc), a stable government versus current problems which can threaten to derail any positive momentum. At the same time, global macros and monetary easing have looked at potentially providing some respite too. We believe being nimble and agile, and most importantly participating selectively in this environment, is the most appropriate stance to take.

## 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)

Nov 2019 2.50% (1.50%)

Since Inception\* 21.39% (15.90%)

\*Till Nov 30, 2019

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

Rajesh Bhatia

Fund Managers

Rajesh Aynor

Siddhartha Bhotika

Research Analyst

Akash Jhaveri

# Monthly Insight

## Performance

### Quarterly:

Gross Returns	Q1 FY 19*	Q2 FY 19	Q3 FY 19	Q4 FY 19	Q1 FY 20	Q2 FY 20	Q3 FY 20 (QTD)	Since Inception**
ITI LS	5.32%	7.38%	0.62%	4.57%	-0.75%	-1.14%	3.97%	21.39%
Nifty	3.00%	2.02%	-0.62%	7.00%	1.42%	-2.67%	5.07%	15.90%

### Monthly:

Gross Returns	Apr-19	May-19	Jun-19	Jul-19	Aug-20	Sep-20	Oct-19**	Nov-19**	Since Inception**
ITI LS	0.21%	-1.07%	0.11%	-2.64%	-2.81%	4.48%	1.43%	2.50%	21.39%
Nifty	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	1.50%	15.90%

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
ITI LS	2.32%	1.36%	1.55%	4.68%	2.03%	0.55%	-1.66%	3.00%	-0.66%	1.83%	-2.51%	5.34%
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;

\*\*Till 30st Nov, 2019;

Fund returns are after expenses, before management fees and taxes

## Portfolio Snapshot

### Strategic Long Positions

Stock	PF Weight
HDFC Bank	9.5%
HDFC Limited	7.1%
Infosys Limited	4.6%
L&T Infotech	2.6%
SBI Life Insurance	4.2%
ICICI Lombard Gen	2.3%

### Top Tactical Longs

Stock	PF Weight
Bharti Airtel	10.1%
Reliance Ind.	9.7%
Maruti Suzuki	7.1%
ICICI Bank	6.7%

### Top Tactical Shorts

Sector	PF Weight
BFSI	3.4%
Pharma	2.1%
Aviation	2.0%

### Exposure

Gross Exposure (month-end)	102%
Net Exposure (month-end)	74%
Gross Exposure (month-avg)	123%
Net Exposure (month-avg)	90%

### Disclaimer

This presentation is being furnished to you on a private placement basis by Investment Trust of India strictly on a confidential basis and must not be reproduced or redistributed to any other person. This document is for informational purpose only and does not constitute an offer for participating in ITI Long Short Equity Fund ("Fund"). This information document has been provided to its recipient upon the express understanding that the information contained herein, or made available in connection with any further investigation, is strictly confidential and is intended for the exclusive use of its recipient. The information contained in this presentation is subject to the information contained in the other Fund documents including its private placement memorandum. This document is neither a prospectus nor an invitation to subscribe to the units of Fund. Nothing in this document is intended to constitute legal, tax, securities or investment advice, or opinion regarding the appropriateness of any investment, or a solicitation for any product or service. The information herein is subject to change without notice. The facts and figures used in this presentation reflect the latest available information and have been sourced from public sources and various past transactions handled by ITI Long Short Equity Fund including its affiliates.

Investments in securities are subject to market and other risks and there is no assurance or guarantee that the objectives of the Fund will be achieved. Prospective investors in Fund are not being offered any guaranteed/assured returns. The name of the Fund does not in any manner indicate its prospectus of return. The investment strategy may not be suited to all the categories of investors. The material is based upon information that we consider reliable, but we don't represent that it is accurate or complete, and it should be reliable as such. All forward-looking statements are forecasts and may be subject to change without notice. Such forward-looking statements included are based on information available on the date hereof and none of ITI Long Short Equity Fund or any of its affiliates assumes any duty to update any forward-looking statement. Certain important factors that could cause actual results to differ materially from those in any forward looking statement include the general economic, market, legal and financial conditions, among others its efforts on resolution of NPAs of banking system, disinvestment/divestment, revival of capex cycle and most importantly job creation. These if implemented effectively would result in improvement in India sovereign ratings and improve business confidence and spur economic growth.