THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

MONTHLY INSIGHT

8TH DECEMBER, 2021

Indian equity markets performed in-line with global markets in the month of Nov-21 – the Nifty, Nifty Midcap and Nifty Smallcap indices fell -3.9%, -2.7% and -1.0% respectively vs. -4.1% for the MSCI Emerging Markets Index, -3.7% for the Dow Jones Index, -4.4% for the Euro Stoxx and -3.7% for the Nikkei 225.

While rising commodity prices and relative outperformance had been weighing on Indian equities already, the discovery of the Omicron variant on 24th Nov threw a real spanner in the works. The initial signs of extremely high transmissibility coupled with fresh uncertainty sparked a sharp risk-off across assets for the remainder of Nov-21 – equity markets corrected globally by 3%-5%, crude oil prices crashed by 15% and global sovereign 10 year bond yields corrected sharply.

The Omicron variant clouds the economic activity prognosis – while the worst case scenario of fresh lockdowns seem to be low probability (but not impossible), fresh restrictions, fresh weakening of consumer sentiment and a pullback in the nascent recovery in the services sector could all play out to various degrees depending on the path of the variant. The good news however is that the economy is going into this (hopefully short-term) storm in strong shape – GST collections FYTD 2 year CAGR stood at 8.3% as of Nov-21 (vs. 7.6% reported in Oct-21), exports continue to be in double digit growth trajectory (FYTD 2 year CAGR at 11.8% as of Nov-21) and the composite PMI posted the strongest upturn since Jan 2012 in Nov-21 to 59.2.

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)

Nov 2021 -0.83% (-3.90%)
Since Inception* 71.66% (63.26%)

*Till Nov 30th, 2021
(figures in brackets correspond to Nifty returns)

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Government spending – additional expenditure of Rs. 3.7 trillion, cash outgo of Rs. 3 trillion:

In our previous communication we had highlighted the potential kicker to the economy from government spending in H2 FY 22 given the relatively sedate expenditure in H1 versus robust tax collections (H1 FY 22 fiscal deficit at 35% of BE, lowest in 18 years). The government has now tabled supplementary demands for grants for gross additional expenditure on several fronts – Rs. 584 bn higher outgo on fertilizer subsidies, Rs. 498 bn higher food subsidy, Rs. 531 bn exports incentive, Rs. 220 bn MNREGA spending and Rs. 621 bn for Air India. This additional spending, along with accelerated deployment of already budgeted expenditures, augurs well for a meaningful acceleration in growth in the near term.

PORTFOLIO STANCE: REITERATING OUR PRIMARY DHARMA

As we have stated in our previous communications, the primary dharma of a long-short fund is 'protecting the downside of the fund in volatile markets, and still participate on equity upside.'

Several cross currents are at play currently – on the one hand there seems to be signs of a potential reversal in the primary trend of expansive monetary policy in developed markets, especially the US (somewhat visible in the flows of foreign investors who are redeeming from all large EM regions – i.e. a broader market derating). On the other, the narrative for domestic economic growth continues to be robust.

While various currents dominate at various points, in the consequent volatile environment of inflation and a virus that refuses to recede we currently seek to reduce risks (especially in the backdrop of sharp outperformance of Indian markets in the recent past).

ANNEXURE

PERFORMANCE

QUARTERLY

Returns	Q1 FY 22	Q2 FY 22	Q3 FY 22	Since Inception*
ITI LS	2.93%	12.08%	-1.79%	71.66%
Nifty	7.02%	12.06%	-3.61%	63.26%

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	Since Inception*
ITI LS	-0.94%	3.27%	0.62%	1.90%	8.72%	1.17%	-0.97%	-0.83%	71.66%
Nifty	-0.41%	6.50%	0.89%	0.26%	8.69%	2.84%	0.30%	-3.90%	63.26%

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

*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

QUARTERLY

Strategic Long Positions – Top 5	
Stock	**PF Weight**
HDFC Ltd	6.7%
Infosys Limited	6.5%
HDFC Bank	5.6%
SBI Life	5.1%
Bharti Airtel	4.5%

Top Tactical Longs – Top 5	
Stock	**PF Weight**
HCL Tech	5.3%
Wipro	5.1%
Tech Mahindra	4.8%
Bharti Airtel	3.1%
HDFC Life	2.6%

Top Tactical Shorts – Top 3	
Stock	**PF Weight**
Pharma	1.7%
Metals	1.6%
Agri & Chemicals	1.1%

Exposure	
Gross Exposure (month-end)	60%
Net Exposure (month-end)	21%
Gross Exposure (month-avg)	82%
Net Exposure (month-avg)	52%

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

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