

# MONTHLY INSIGHT

**December 2022**

Global markets continued their stellar run in Nov-22 with the MSCI World, S&P 500, Euro Stoxx and Nikkei 225 indices returning +6.8%, +5.4%, +9.6% and +1.4% respectively. China bounced back as hopes of ending of the COVID economic slump surfaced – the CSI 300 and Hang Seng indices returned 9.8% and 26.6% respectively. Consequently, the MSCI Emerging Markets index was up 14.6% for the month. While the Indian equity markets relatively underperformed for the month (the Nifty, Nifty Midcap 100 and Nifty Smallcap 100 indices returned +4.1%, +1.9% and +3.0% respectively), they are still handsomely outperforming for the year (Nifty up +8.1% in calendar year 2022 vs. -15.8% for the MSCI World and -21.1% for the MSCI Emerging Market indices).

Financial conditions and the inflation outlook eased considerably in Nov-22 as concerns of a global slowdown took hold on the back of concerns on the Chinese economy and commodity demand, energy-driven recession in Europe and continued (albeit incrementally slowing) Fed interest rate hikes. The US 10 year bond eased by 38 bps during the month and crude oil had one of its worst months since COVID, down 9.9%. DXY eased by 5.08%.

Signs of slowdown have begun to surface in India too – the final Oct-22 export numbers came in at just 4.4% 3 year CAGR, a sharp contraction from the ~12% range till just a few months ago. MNREGA demand compared to pre-COVID levels in Nov-22 was higher by 22%. GDP numbers for Q2 FY 23 came at 2.3% 3 year CAGR for both real GDP and GVA, indicating a modest recovery from pre-COVID levels. GST collections for Oct-22 (collected in Nov-22) growth trajectory slowed from 16.7% 3 year CAGR the previous month to 12.1% (although change in festive period timing might have impacted the same – average remains in line with Apr-Aug trajectory of 13.8%). While bank credit remains robust at 9.5% 3 year CAGR, it is broadly in line with nominal GDP growth (Q2 FY 23 3 year CAGR of 9.7%).

**Is the inflation genie back in the bottle?** There are numerous signs of a reversal in the torrid pace of inflation the globe has endured over the past 10-12 months. Commodity prices are meaningfully off the boil. Demand slowdown concerns abound from weak consumer goods demand in the US, weak housing and auto US demand (i.e. interest-rate sensitive sectors), the European energy crisis particularly in the upcoming winter and the still unknown extent of the eventual bounce back from COVID lockdowns of the Chinese economy (i.e. will the other troubled sectors of the economy such as real estate, technology etc continue to drag even post COVID). On the other hand, the US labour market remains very strong, Europe has belied the worst expectations on energy (both in terms of energy supply and fiscal stimulus-supported demand) and Chinese policymakers have vowed “forceful and targeted” monetary policy next year.

On balance therefore, while the short-term picture looks materially better for inflation the medium-term story remains quite inconclusive.

## **Portfolio Stance: Tactically Strong Market but Fundamentally Weak**

We believe the Indian equity market is currently tactically strong but fundamentally weak. The earnings outlook and investment narrative for most sectors are quite challenged (from global cyclicals to domestic consumption weakness, stretched fiscal balance sheet and limited monetary room). Corporate earnings to GDP actually fell in the most recent quarter and market hopes on both margin expansion as inflation abates but also demand acceleration are possibly too optimistic. While markets have continued to rally over the past few months despite bottoms-up weakness, we believe risk-reward currently calls for moderating our equity exposures.

## 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)

November 2022: 0.90% (4.14%)

Since Inception\* 79.56% (80.33%)

\*Till November 30th, 2022  
(figures in brackets correspond to Nifty returns)

### Rajesh Bhatia

*Managing Director & CIO*

### Rajesh Aynor Siddhartha Bhotika

*Fund Managers*

### Akash Jhaveri

*Senior Research Analyst*

# ANNEXURE

## PERFORMANCE

### QUARTERLY

| Returns | Q1 FY 22 | Q2 FY 22 | Q3 FY 22 | Q4 FY 22 | Q1 FY 23 | Q2 FY 23 | Q3 FY 23 | Since Inception* |
|---------|----------|----------|----------|----------|----------|----------|----------|------------------|
| ITI LS  | 2.93%    | 12.08%   | -0.83%   | -1.20%   | -0.29%   | 3.56%    | 1.54%    | 79.56%           |
| Nifty   | 7.02%    | 12.06%   | -1.50%   | 0.64%    | -9.65%   | 8.33%    | 9.73%    | 80.33%           |

| 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 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Since Inception* |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|------------------|
| ITI LS  | -2.16% | 2.35%  | -0.43% | 2.46%  | 0.82%  | 0.24%  | 0.64%  | 0.90%  | 79.56%           |
| Nifty   | -2.07% | -3.03% | -4.85% | 8.73%  | 3.50%  | -3.74% | 5.37%  | 4.14%  | 80.33%           |

| 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%      |
| Bharti Airtel   | 5.8%      |
| SBI Life        | 5.0%      |
| HDFC Bank       | 4.2%      |
| RIL             | 3.7%      |

#### Top Tactical Longs – Top 5

| Stock     | PF Weight |
|-----------|-----------|
| Axis Bank | 5.2%      |
| HCL Tech  | 5.0%      |
| TCS       | 5.0%      |
| SBI       | 3.0%      |
| L&T Tech  | 2.9%      |

#### Top Tactical Shorts – Top 3

| Stock                  | PF Weight |
|------------------------|-----------|
| Consumer Discretionary | 1.5%      |
| BFSI                   | 1.0%      |
| BFSI                   | 0.9%      |

#### Exposure

|                            |     |
|----------------------------|-----|
| Gross Exposure (month-end) | 66% |
| Net Exposure (month-end)   | 46% |
| Gross Exposure (month-avg) | 75% |
| Net Exposure (month-avg)   | 42% |

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

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