

MONTHLY INSIGHT

10TH FEBRUARY, 2022

Indian equity markets outperformed in Jan 2022 – the Nifty, Nifty Midcap and Nifty Smallcap indices returned -0.1%, -0.6% and -1.5% respectively compared to -5.3% for the MSCI World Index and -1.9% for the MSCI Emerging Markets Index. This strength was despite the global backdrop of rising interest rates and commodity costs (particularly crude) which have spooked global equity markets in general and certain pockets in particular (technology stocks across SaaS, consumer internet, ecommerce etc). Volatility in markets has been a particular feature of this environment with both the single largest one day gain in market cap (Amazon, gaining more than \$190 billion post its results) and one day loss (Facebook, losing more than \$230 billion post its results) occurring within a day of each other.

Jan-22 also witnessed the full onset of the Omicron variant – global COVID cases rose to a peak of more than 3 million per day (7 day moving average) in the month, more than 3.5x prior wave peaks. The descent however has also been equally sharp with cases now 20%+ below peak and declining rapidly. Given its limited duration, the widespread availability of vaccines and limited severity the economic costs of Omicron are expected to be only minor.

On the economic front, Jan-22 was another month of mostly robust activity for the Indian economy – 10M FY 22 GST collections have grown at 9% 2 year CAGR, 10M FY 22 exports have grown at a 12.3% 2 year CAGR, credit growth has accelerated to 8.1% as of mid-Jan 22 and the latest rabi sowing figures are 1.2% higher YoY. Power demand however slowed to 2.6% growth as the 3rd COVID wave impacted activity – the composite PMI too slowed to 53 for the month.

Budget 2022

Budget 2022 was a continuation of the government’s focus on enabling a long-term, durable economic upcycle (over short-term “pump priming”) via supply-side reforms – the common thread behind the reforms till date across GST, RERA, IBC, corporate tax cut, PLI schemes, labour law reforms, the thrust on privatization, the government’s digitization push etc etc and now the Budgets of 2021 and 2022. The highlight of Budget 2022 was the 16% (adjusted for one-offs) growth in total govt capex (including IEBR) YoY, although this figure does also include loans given to states by the central government. Measures around localization of manufacturing (via correction in custom duty structures), increased allocation to PLI schemes and increase in the credit guarantee scheme by Rs. 50,000 crores were also announced.

Portfolio Stance: Maintain Caution

We maintain our stance that there we are potentially now in an environment wherein the primary trend of markets since the onset of COVID-19 is potentially reversing. There is a need to have a nimble approach now and allow the macro situation to evolve.

Indeed, commodity pressure and inflation has been on full display in results of India Inc this quarter with some companies even calling out an impact on demand – this trend therefore (i.e. of a reversal of the primary trend of extremely stimulative policy conditions) is real and material.

In the event inflation subsides in the coming months, the India domestic growth story remains an attractive opportunity given the data. At the moment, we prefer to reduce our exposures in this environment and position our portfolio cautiously.

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)

Jan 2022 -0.82% (-0.08%)

Since Inception* 71.92% (66.69%)

*Till Jan 31st, 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	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-0.82%	71.92%
Nifty	7.02%	12.06%	-1.50%	-0.08%	66.69%

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	Dec-21	Jan-22	Since Inception*
ITI LS	-0.94%	3.27%	0.62%	1.90%	8.72%	1.17%	-0.97%	-0.83%	0.97%	-0.82%	71.92%
Nifty	-0.41%	6.50%	0.89%	0.26%	8.69%	2.84%	0.30%	-3.90%	2.18%	-0.08%	66.69%

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 21:

ITI LS Fund: 31.97%

Nifty: 41.23%

ANNEXURE

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
Infosys Limited	7.2%
HDFC Ltd	6.6%
Grasim Ind	5.2%
Bharti Airtel	4.9%
HDFC Bank	4.8%

Top Tactical Longs – Top 5

Stock	PF Weight
Axis Bank	4.3%
L&T	4.0%
United Spirits	4.0%
ICICI Bank	3.5%
IndusInd Bank	3.1%

Top Tactical Shorts – Top 3

Stock	PF Weight
Consumer	3.3%
Consumer	2.1%
Consumer	1.6%

Exposure

Gross Exposure (month-end)	80%
Net Exposure (month-end)	30%
Gross Exposure (month-avg)	91%
Net Exposure (month-avg)	47%

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

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