

1<sup>st</sup> January 2020

Equity markets continued to benefit from tailwinds from easing trade tensions in December 2019. MSCI Emerging Markets Index was up 7.2%, propelled by gains in China (+6.2%), South Korea (+5.3%) and Taiwan (+4.4%). Global markets also benefitted from the clear pathway to Brexit resolution with the UK elections and possibly also through the monetary stimulus from the sharp growth in the Fed balance sheet. The MSCI World Index was up 2.9% in December, with the SPX leading the way (+2.85%).

In this context, it was no surprise the Nifty continued to build on recent gains, returning 0.93% for the month – even as India macros continued to remain in a (fairly unprecedented) period of extended uncertainty. Some quick illustrations of this recently include:

- In a watershed moment – and a sign of enacted reforms finally delivering tailwinds to the economy – 42 months after the enactment of the IBC, India's biggest corporate bankruptcy resolution finally fructified. On 15th Dec 2019, lenders recovered close to Rs. 400bn in the Essar Steel case.
- Despite rate cuts and substantial systemic liquidity, bank credit has remained anaemic at just 0.9% YTD as of Nov-19. The shadow banking and real estate sectors continue to await a decisive turn of corner from their troubles.
- Economics of the long-suffering telecom business, despite the AGR blow, repaired considerably in Dec-19 with coordinated 30%-40% tariff increases by all the 3 private operators.
- IIP numbers remained in negative territory for the month of October at -3.8%, continuing the August and September contractions.
- While rising agricultural commodity and dairy inflation seem to point towards better prices for farmers, negative real rural wage growth and the sustained sharp wedge between rural and urban food inflation indicate continued overall rural demand weakness (perhaps impacted by the approx 61% of rural output which is non-agri).

There are clearly several hoops the Indian economy must jump through before we can decisively call a recovery.

#### **Portfolio Stance: Participate selectively**

In terms of a broad undercurrent for capital markets, we continue to believe that persevering with the assumption that the present stable government will accelerate growth-inducing reforms is an appropriate stance. Additionally, global tailwinds and risk reduction are only becoming firmer. Of course, the specific challenges India faces are real and possibly significantly damaging. Our portfolio positioning therefore acknowledges this 'potentially positive but selective participation' reality.

## 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)

Dec 2019 2.57% (0.93%)

Since Inception\* 24.51% (16.98%)

\*Since Apr 11, 2018

(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	Since Inception*
ITI LS	5.32%	7.38%	0.62%	4.57%	-0.75%	-1.14%	6.64%	24.51%
Nifty	3.00%	2.02%	-0.62%	7.00%	1.42%	-2.67%	6.05%	16.98%

### Monthly:

Gross Returns	Apr-19	May-19	Jun-19	Jul-19	Aug-20	Sep-20	Oct-19	Nov-19	Dec-19	Since Inception*
ITI LS	0.21%	-1.07%	0.11%	-2.64%	-2.81%	4.48%	1.43%	2.50%	2.57%	24.51%
Nifty	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	1.50%	0.93%	16.98%

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;

Fund returns are after expenses, before management fees and taxes

## Portfolio Snapshot

### Strategic Long Positions - Top 5

Stock	PF Weight
HDFC Bank	9.4%
HDFC Limited	7.4%
Reliance Industries	5.6%
Infosys Limited	4.8%
SBI Life Insurance	4.2%

### Top Tactical Longs - Top 5

Stock	PF Weight
ICICI Bank	9.9%
SBI	9.9%
Bharti Airtel	9.7%
TVS Motors	5.1%
Mahindra	5.1%

### Top Tactical Shorts - Top 3

Sector	PF Weight
Media	2.5%
Pharma	2.0%
Consumer	2.0%

### Exposure

Gross Exposure (month-end)	121%
Net Exposure (month-end)	99%
Gross Exposure (month-avg)	119%
Net Exposure (month-avg)	85%

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