

# MONTHLY INSIGHT

10<sup>TH</sup> JANUARY, 2022

Global equity markets recovered in the month of December 2021 with the MSCI World Index returning 4.2% (the S&P 500, Euro Stoxx and Nikkei 225 returned 4.4%, 5.8% and 3.5% respectively). Emerging markets continued to underperform however in the face of dollar strength - the MSCI Emerging Markets Index rose 1.6%. The Nifty, Nifty Midcap and Nifty Small cap indices rose 2.2%, 2.7% and 5.9% respectively.

2022 has started off on a very choppy note for global financial markets - bond markets in particular have had amongst the worst beginnings to the year in decades. US 30 year, 10 year and 10+ TIPS Index total returns notched -9.35%, -4.24% and -6.09% in the first week of 2022, ranking amongst the top 3 worst calendar week returns in atleast 30 years. While equity markets have held up relatively well in comparison, some pockets (such as US non-mega cap tech, particularly SaaS businesses) are facing serious pressure with 40% of stocks in the Nasdaq down 50%+ from their 52 week highs.

The Indian economy continues to recover at a robust pace - export momentum kickstarted again after stalling somewhat and 9M FY 22 2 year CAGR increased back to 12.4%. GST numbers were strong with collections pertaining to this financial year till date now at a 8.3% 2 year CAGR. Encouragingly, credit growth has started picking up now with growth at 7.3% overall (7.4% non-food) YoY as per latest RBI data.

The wrinkle in the works of course remains COVID - with the Omicron variant spreading like wildfire, restrictions on activities, weakening consumer sentiment and a pause in economic momentum seems to be on the cards. Cases globally have seen a very sharp and parabolic rise (>2 million a day) and while hospitalizations & deaths have decoupled to a significant degree they are still increasing rapidly too from the troughs. Whether this variant signals the end of the pandemic as some argue (given its transmissibility) or not remains to be seen.

Finally, after a brief respite, commodity prices and supply chain issues have started resurfacing - the backlog of ships at the LA/LB port in the US (the largest and responsible for ~30% of all US imports) is currently at all-time highs and freight rates globally are back to their Sept/Oct highs. Crude oil is back above the \$80 mark and much of the commodity pressure across vegetable oils, natural gas, urea, cotton etc is back to inflationary to highly inflationary territory. As the pandemic recedes, underlying trends should become clearer over time.

## 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)

Dec 2021 0.97% (2.18%)  
Since Inception\* 73.33% (66.83%)

\*Till Dec 31st, 2021  
(figures in brackets correspond to Nifty returns)

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## Portfolio Stance: Maintain Caution

2022 is expected to be the year where interest rates – both globally and domestic – will start to move up as a consequence of loose monetary policy translating into higher inflation numbers. Price-earnings ratios for equity markets are therefore expected to compress. Yet, both the global and India growth narrative is extremely encouraging which will lead to strong earnings growth, especially for cyclicals.

Long duration, no profit sectors are therefore expected to see PE contraction whereas cyclical businesses PEs will adjust upwards – so while overall PE might see contraction there is likely to be greater dispersion underneath the hood.

The big risk is if inflation gets out of hand. In the US for instance while we are looking at full employment yet the Fed continues to expand its balance sheet (albeit only for a few more months now) clearly suggesting it is behind the curve. If inflation were to get out of hand and force central banks to act far more forcefully there is a chance equity markets could suffer even more. At this moment however markets do not expect the same.

In this backdrop and expected volatility, our portfolio is positioned cautiously.

# ANNEXURE

## PERFORMANCE

### QUARTERLY

Returns	Q1 FY 22	Q2 FY 22	Q3 FY 22	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	73.33%
Nifty	7.02%	12.06%	-1.50%	66.83%

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	Sep-21	Oct-21	Nov-21	Dec-21	Since Inception*
ITI LS	-0.94%	3.27%	0.62%	1.90%	8.72%	1.17%	-0.97%	-0.83%	0.97%	73.33%
Nifty	-0.41%	6.50%	0.89%	0.26%	8.69%	2.84%	0.30%	-3.90%	2.18%	66.83%

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	8.3%
HDFC Ltd	7.0%
Grasim Ind	5.1%
HDFC Bank	5.0%
SBI Life	4.7%

Top Tactical Longs - Top 5	
Stock	PF Weight
Wipro	7.2%
HCL Tech	5.4%
Mindtree	5.2%
Tech Mahindra	5.0%
ICICI Bank	2.3%

Top Tactical Shorts - Top 3	
Stock	PF Weight
BFSI	2.0%
BFSI	2.0%
Auto	1.6%

Exposure	
Gross Exposure (month-end)	79%
Net Exposure (month-end)	41%
Gross Exposure (month-avg)	77%
Net Exposure (month-avg)	50%

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

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