

10<sup>th</sup> July 2019

Global equity markets recovered on expectations of another round of monetary easing by major central banks. A temporary truce in the Sino-US trade war announced at the G-20 Summit on June 29th helped maintain the gains. The S&P 500, MSCI World Index, FTSE 100, DAX and Nikkei 225 all closed June approximately within 0.5% of their May beginning values (vs. starting at approx 3%-7% down).

Indian markets on the other hand have been showing concerning (albeit, expected given the backdrop of the current shape of the Indian economy) signs – despite a stable, strong mandate (with the implied policy continuity) for the Modi government, a now-accommodative RBI cutting interest rates and the above global breather, Indian equity markets have been flat to negative this fiscal year. The Nifty, Nifty Midcap and Nifty Smallcap have returned -0.4%, -6.5% and -9.2% respectively this fiscal till June. Clearly, the macroeconomic challenges for the Indian economy are fairly severe.

**Decisive shift for most major central banks:** In June, fixed income markets hit a new milestone – the world now has more than \$13 trillion of negative yielding debt. Across the globe, major central banks have dropped hints on easy monetary conditions: in its June meeting, the Federal Reserve signalled a move towards interest rate cuts, a stance subsequently reaffirmed in testimony by Chairman Powell in early July; various ECB policy-makers, across the board, reaffirmed their commitment to act as required in the face of “inflation that is too low”. BOJ Governor Kuroda also joined the growing chorus of his fellow central bankers pledging to ease, if needed.

**Continued Indian macroeconomic challenges; maiden Budget of Modi 2.0:** Incoming economic data pointed towards continued weakness: auto sales continue to be weak, money market defaults by stressed entities have increased, GST collections fell below the Rs. 1 trillion mark and consumer staples & discretionary companies too reported weakness in their pre-quarterly updates for Q1 FY 20.

On July 5th, Modi government 2.0 presented its maiden full Budget for FY 20. While maintaining its fiscal deficit target, the Budget struck a balance between its constrained fiscal space (with downward revisions in expected tax collections) and investments in infrastructure, rural income support etc. The balance was also maintained via increases in custom duties and central excise and increased taxes on the super-rich. Immediate revival of animal spirits by this Budget seem unlikely, however continued monetary easing and the faster monetary transmission the government is aiming to facilitate (via fiscal deficit maintenance and proposed plan of sovereign bond issuances) should help in the medium term.

#### **Portfolio Stance: Participate with caution**

With the strong mandate to the current government and attendant policy continuity and accommodative local & global monetary policy, the downside to equity markets seem limited (barring global events such as very sharp escalations in either US-Iran tensions or the Sino-US trade war). At the same time, the relatively deep trough the Indian economy is currently also means upside is capped. In the current range equity markets find themselves in, we prefer participating cautiously i.e. ensuring we are adequately protected while positioning for an economic recovery too.

## 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)

June 2019 0.11% (-1.12%)

Since Inception\* 18.12% (13.32%)

\*Till June 30, 2019

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

*Rajesh Bhatia*

Fund Managers

**Rajesh Aynor**

**Siddhartha Bhotika**

Research Analyst

**Akash Jhaveri**

Head –Business Development

**Vinay Mahajan**

# Monthly Insight

## Performance

Gross Returns	April-19	May-19	Jun-19**	Since Inception**
ITI LS	0.21%	-1.07%	0.11%	18.12%
Nifty	1.07%	1.49%	-1.12%	13.32%

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%	5.35%
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;

\*\*Till 30th June, 2019;

Fund returns are after expenses, before management fees and taxes

## Portfolio Snapshot

### Strategic Long Positions

Stock	PF Weight
HDFC Bank	10.3%
HDFC Limited	7.6%
Infosys Limited	5.5%
L&T Infotech	3.2%

### Top Tactical Longs

Stock	PF Weight
ICICI Bank	7.2%
Titan Ind.	5.8%
Axis Bank	5.5%

### Top Tactical Shorts

Sector	PF Weight
Oil & Gas	3.5%
BFSI	1.7%

### Exposure

Gross Exposure (month-end)	101%
Net Exposure (month-end)	58%
Gross Exposure (month-avg)	73%
Net Exposure (month-avg)	54%

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