THE INVESTMENT TRUST OF INDIA
Long-Short Equity Fund

MONTHLY INSIGHT

11th July, 2022

June 2022 saw sharp corrections across almost all asset classes and financial markets – equities, bonds, commodities, currencies, CDS, leveraged loans, cryptocurrencies etc etc. The breadth of the correction was noteworthy. Some examples:

1) Equities: the MSCI World, MSCI EM, S&P 500, Nikkei 225, Euro Stoxx indices returned -8.8%, -7.1%, -8.4%, -1.7% and -8.8% respectively.
2) Fixed income: the Bloomberg Global Aggregate Index returned -3.2% while the Bloomberg Global Aggregate Corporate Index returned -3.6%. The US 10 year bond yield, the benchmark cost of capital for global financial markets, rose 13 bps from 2.84% to 2.97% (with yields going as high as 3.48% during the month).
3) Currencies: the Dollar Index strengthened 2.9% with USD-JPY in particular breaching the 135 level from 129 in May.
4) Commodities: the Bloomberg Industrial Metals Index fell -16.1%, Agriculture Index fell -9.2% and the Energy Index fell -14.7%.
5) Others: With severe risk of recession in Europe given its energy linkages to Russia, European junk CDS spreads have more than doubled and the benchmark European leveraged loan index had its 3rd worst month in 20 years (barring COVID and the GFC). Speculative assets such as Bitcoin fell -40%.

Not surprisingly, June 2022 was also the highest month of FII outflows from the Indian equity market since March 2020 (coming on the back of 9 months of continuous large outflows). In the above context, the resilient -4.8% return for the Nifty was particularly noteworthy.

Broadly speaking, economies and financial markets continue to adjust to a range of tugs and pulls – from rapid tightening of financial conditions by central banks, the ongoing Russia-Ukraine war and its attendant impacts on food and energy prices, continuing COVID-19 lockdowns in China and some isolated but severe crises in weak spots (Sri Lanka, Pakistan). The path ahead is unfortunately therefore necessarily uncertain, without precedent and complex.

The Indian economy had a mixed bag performance in Jun-22. While overall exports grew at a healthy 14.9% CAGR over pre-COVID levels, non-oil exports growth trajectory was a more moderate 10.4% CAGR. Strong GST collections of Rs.1.44 lakh in May-22 (collected in June-22), and the windfall tax measures on the oil & gas sector are expected to bolster public finances significantly, however the subsidy burden continues to build on oil marketing companies – estimates range upto Rs. 1.8-2 lakh crore of costs annually for petrol, diesel and LPG. The implicit demand stimulus due to freezing of fuel prices is showing up in the record trade deficit of Jun-22 – the pressure of rupee depreciation consequently continues to build. Credit growth remains a bright spot with 13% YTD growth as of June-22.

Portfolio Stance: Moderated Exposure

As above, the various current tugs and pulls on financial markets make for highly uncertain and volatile times. We believe the inherent ability to be nimble which is native to a long-short strategy is a prized edge in such times for investors. We continue to moderate our exposure to equity markets as appropriate while being on the lookout for potential signs of change in trends (either a bottoming out in some of the forces pulling at markets such as inflation or commodity prices etc or perhaps a continuation of the extant trajectory as the case may be).

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)

June 2022: -0.43% (-4.85%)

Since Inception* 70.76% (51.70%)

*Till June 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	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	70.76%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	51.70%

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	Since Inception*
ITI LS	-2.16%	2.35%	-0.43%	70.76%
Nifty	-2.07%	-3.03%	-4.85%	51.70%

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	5.7%
Bharti Airtel	4.3%
RIL	4.0%
HDFC Bank	4.0%
SBI Life	3.8%

Top Tactical Longs – Top 5	
Stock	**PF Weight**
RIL	4.4%
HCL Tech	3.9%
L&T	2.1%
Eicher	2.0%
M&M	1.9%

Top Tactical Shorts – Top 3	
Stock	**PF Weight**
BFSI	2.0%
Oil & Gas	1.6%
Consumer Discretionary	1.5%

Exposure	
Gross Exposure (month-end)	56%
Net Exposure (month-end)	19%
Gross Exposure (month-avg)	57%
Net Exposure (month-avg)	21%

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