Monthly Insight

THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

5th July 2020

Equity markets have continued their upswing on the back of an assumed "V" shaped economic recovery along with central bank backstops on potential balance sheet crises via adequate liquidity. In the month of June, Indian equity markets sharply outperformed most global markets and were up 7.5% vs. 2.8% for the S&P 500, 6.0% for the Euro Stoxx Index, 1.9% for the Nikkei 225 and 7.0% for the MSCI Emerging Market Index. From the March 23rd lows the Nifty is now up 35% only worse than the 40% of the S&P 500 and 41% of the DAX (amongst major global equity markets).

Economic indicators have improved both globally and domestically from the troughs driven primarily by enormous government support. In the US for example, the PPP program and gradual opening up of the economy by states has resulted in a clawing back of 7.3 million jobs in May and June from the 22 million jobs lost. Other indicators such as retail sales (+18% in May), total consumer spending (now down -7.4% vs Jan-2020) and strong housing demand also point towards US government and Fed actions significantly buttressing the COVID-19 fallout.

In India, Bharat has been leading the resurgence – again in this case backed by a massive increase in government support. Post lockdown, a total of approx. Rs. 1.50 lakh crore has been pumped into the rural economy directly by the government via agri procurement (Rs. 1.16 lakh crore), PM-KISAN (Rs. 16,750 crore) and MNREGA wages (Rs. 17,622 crore). This excludes indirect support via various credit extension policies announced through NABARD, Kisan Credit Cards etc. No wonder therefore tractor sales, fertilizer sales and two-wheeler sales particularly in rural areas (also helped by the need for social distancing post COVID) are at a scorching pace at the moment.

Looking ahead, the trajectory of COVID-19 case increases will however have an impact on the continued pace and extent of improvement in economic indicators – while the science has materially improved (via better therapeutics such as remdesivir, dexamethasone, better medical resources availability particularly ventilators, better treatment protocols and doctor experience etc etc), cases growth can still prolong a recovery by a) overwhelming medical resources available, even if the current death rates are materially lower, b) affecting consumer sentiment and spending and c) the continued need for social distancing impacting business models in hospitality, aviation, entertainment, retail etc sectors. Hopes for a potential vaccine in 6 months i.e. early 2021 continue to build.

Portfolio Stance: Participate in the recovery theme

The month of June had several idiosyncratic events which the market shrugged off very quickly – India-China border tensions, accelerating global COVID-19 cases counts particularly in the US and Supreme Court hearings in the telecom and moratorium matters. This coupled with continued risks to the economic recovery made us choose a cautious stance during the month. Looking ahead, we believe the improving economic indicators merit participation in the potential "V" shaped recovery. We are mindful of the risks as above and continue to keep an eye out in th event they crystallize.

FUND PROFILE

Key Fund Information

Launch Date 11th 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 2020 -0.65% (7.53%)
Since Inception* 24.65% (-0.96%)
*Till June 30, 2020
(figures in brackets correspond to Nifty returns)

Managing Director & CIO
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ANNEXURE

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	Q4 FY 20	Q1 FY 21	Since Inception*
ITI LS	5.32%	7.38%	0.62%	4.57%	-0.75%	-1.14%	6.64%	1.51%	-1.39%	24.65%
Nifty	3.00%	2.02%	-0.62%	7.00%	1.42%	-2.67%	6.05%	-29.35%	19.81%	-0.96%

Monthly:

Gross Returns	Apr-20	May-20	June-20	Since Inception
ITI LS	0.21%	-0.95%	-0.65%	24.65%
Nifty	14.68%	-2.84%	7.53%	-0.96%

Gross 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	0.21%	-1.07%	0.11%	-2.64%	-2.81%	4.48%	1.43%	2.50%	2.57%	0.97%	0.87%	-0.33%
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%

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

Annual (post fees and taxes):

	FY 19	FY 20	Cumulative for FY19 and FY20
ITI LS	13.9%	-0.8%	13.0%
Nifty	11.7%	-26.0%	-17.3%

Fund returns are after expenses, management fees and taxes

Portfolio Snapshot

Strategic Long Positions - Top 5

Stock	PF Weight
HDFC Bank	6.8%
Bharti Airtel	6.2%
Reliance Industries	5.7%
HDFC Ltd	4.7%
Infosys Limited	4.2%

Top Tactical Longs - Top 5

Stock	PF Weight
Reliance Ind.	4.1%
Nestle India	3.6%
Bharti Airtel	3.0%
BPCL	2.9%
Hind. Unilever	2.0%

Top Tactical Shorts - Top 3

Sector	PF Weight
Auto	2.1%
Auto	2.0%
Auto	1.9%

Exposure

Gross Exposure (month-end)	76%
Net Exposure (month-end)	53%
Gross Exposure (month-avg)	65%
Net Exposure (month-avg)	51%