Monthly Insight

THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

5th June 2020

Global financial markets continued their sharp recovery from the sharp COVID-19 fall as expectations grew of normalization of economy activity and sufficient stimulus to cover potential medium to long term costs. Unprecedented central bank monetary support and liquidity provision played a starring role in this blockbuster rally.

In terms of equity markets, from the lows the S&P 500 is now up 39%, the Nikkei 225 is up 38%, the FTSE 100 is up 28%, the DAX is up 50% and the MSCI Emerging Markets Index is up 29%. India, which had materially underperformed for a large part of the past 2 months (due to our extended lockdowns, already weak economy and limited fiscal & monetary support), had a very strong rally starting in the last week of May (through which the Nifty has risen 12% till date) taking the total gains from the lows to a strong 33%.

Financial market participant's visibility currently clearly hovers around the next few months or quarters – rationally, given the unknowns of the virus and also somewhat optimistically given the assumption of no medium or long-term costs due to monetary and fiscal support to markets, businesses and households. In that context, without adverse news flow on the virus front (fresh potential lockdowns) or on policy inadequacy to meet evolving needs, buoyancy should remain and could potentially accelerate too.

Indian fiscal and monetary package – biggest stimulus yet is reopening of the economy: While the much touted Rs. 20 lakh crore fiscal + monetary package of the government of India fell short of expectations (even as several of the long term reforms in agriculture for example were very laudable), the biggest fiscal stimulus for the economy clearly would be resumption of economic activity. After a punishing 50 plus day lockdown, the kickstarting of activity would be the biggest tool to arrest increasing unemployment, halt the slide towards bankruptcy for MSMEs and also unleash some amount of consumer spending (and potentially, some revenge spending too).

“Unlock 1.0” is still firmly in experiment territory however – daily coronavirus cases continue to rise in India (close to 10,000 daily currently from 500 prior to the lockdown). While our mortality rate and hospital occupancy ratios nationally look manageable (Mumbai remains the only city with hospitals almost overwhelmed; occupancy ratio in Delhi is still at 30% and just 5% in Bangalore; data for Kolkata, a very high risk hotspot, and Chennai however are not available), the movement of migrants (75% of COVID cases in Bihar for example are of returning migrants – 3,079 totally), living conditions in many hotspots and very inadequate healthcare infrastructure (particularly in states like West Bengal) mean coronavirus deaths could quickly reach socially unacceptable levels very soon. Further lockdowns or restrictions on economic activity (either enforced or self-motivated) are therefore still a question mark.

Portfolio Stance: Watchful of risks, participate on the upside

As above, absent negative news flow on the virus and subsequent new lockdowns/restrictions or inadequate policy support, we believe financial market buoyancy should continue and possible accelerate for the short-term. We are mindful of risks and the disconnect of markets with the economy – but we believe there are good reasons for the same. Until these reasons change, we believe participation is appropriate.

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)
May 2020 -0.95% (-2.84%)
Since Inception* 25.47% (-7.90%)
*Till May 31, 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%	-0.74%	25.47%
Nifty	3.00%	2.02%	-0.62%	7.00%	1.42%	-2.67%	6.05%	-29.35%	11.42%	-7.90%

Monthly:

Gross Returns	Apr-20	May-20	Since Inception
ITI LS	0.21%	-0.95%	25.47%
Nifty	14.68%	-2.84%	-7.90%

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	6.4%
Reliance Industries	4.9%
HDFC Ltd	4.6%
Bharti Airtel	4.5%
Infosys Limited	4.1%

Top Tactical Longs - Top 5	
Stock	PF Weight
TCS	3.1%
Bharti Airtel	2.1%

Top Tactical Shorts - Top 3	
Sector	PF Weight
Consumer Disrectionary	1.4%
Consumer Staples	1.4%

Exposure	
Gross Exposure (month-end)	47%
Net Exposure (month-end)	39%
Gross Exposure (month-avg)	42%
Net Exposure (month-avg)	21%