Monthly Insight

THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

10th June 2021

Indian equity markets rebounded strongly in May 2021 as COVID-19 receded in India – the Nifty, Nifty Midcap and Nifty Smallcap indices returned 6.5%, 6.5% and 8.2% respectively. From the start of the 2nd wave on approximately 16th Feb-2021, the Nifty, Nifty Midcap and Nifty Smallcap indices have returned 1.8%, 10.5% and 16.2% respectively as compared to 5.2% for the MSCI World Index. Markets have clearly emphatically decided to look through COVID-19. Indeed, from 20-Feb-2020 i.e. pre COVID levels, the Nifty, Nifty Midcap and Nifty Smallcap indices are up 29.0%, 42.3% and 50.4% respectively as compared to 23.0% for the MSCI World Index. Versus pre-COVID levels, the Nifty has outperformed US, EU, Japan, China and the MSCI Emerging Markets index with only frontier trading markets or commodity economies doing better.

While May-21 economic data is tainted by COVID, nevertheless there were encouraging signs. Merchandise exports in May-21 were up 12.44% vs. May-19 (a 2 year CAGR above pre COVID levels), agriculture production and procurement both are at record highs (wheat procurement by FCI up 4% despite a high base of 13% YoY last year) and GST collections remained above the Rs. 1 lakh crore mark. With robust global growth, the continued stimulus-driven lifting of all boats economically speaking is expected to continue going forward.

COVID-19 in India – ending much faster than it rose? As discussed in our previous communication, the underlying dynamics of India's 2nd COVID-19 wave pointed to a very rapid decline once a few remaining problem areas stabilized. Thankfully, this did in fact play out – from the start of India's 2nd wave on approximately 16-Feb-21, it took about 80 days for daily cases to peak. On the way down, it has only taken 29 days to retrace 70% of the increase. Fears of a 3rd wave absent widespread vaccination are real too however, especially given the prevalent Delta variant – even a country such as UK with 60.4% of population with 1 dose and 41.4% with 2 doses has seen cases go up 2.4x from the bottom over the past month as the Delta variant spread.

Portfolio Stance: Looking through COVID-19, participating selectively
We continue to believe looking through COVID-19 is the appropriate lens, despite its undoubted severity in the 2nd wave (particularly in rural India – and with lower direct stimulus this time) and maybe even potential resurgence risks until widespread vaccinations are completed. Market participation levels and enthusiasm remain quite buoyant. While we have chosen to participate, we have chosen to do in narrower, selective fashion in order to keep risks in check.

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 2021 3.24% (6.50%)

Since Inception* 53.47% (49.80%)

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

Managing Director & CIO
Rajesh Bhatia

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ANNEXURE

Performance

Quarterly:

Returns	Q1 FY22	Since Inception *
ITI LS	2.25%	53.47%
Nifty	6.07%	49.80%

Returns	Q1 FY19*	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.34%	12.55%	3.21%
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	Since Inception *
ITI LS	-0.97%	3.24%	53.47%
Nifty	-0.41%	6.50%	49.80%

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	0.24%	-1.05%	-0.71%	5.40%	-1.94%	-0.01%	2.08%	4.50%	5.51%	0.53%	2.52%	0.15%
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	0.22%	-1.12%	0.11%	-2.76%	-2.92%	4.69%	1.50%	2.62%	2.70%	1.02%	0.92%	-0.34%
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	2.32%	1.36%	1.56%	4.69%	2.04%	0.55%	-1.68%	3.03%	-0.67%	1.85%	-2.54%	5.42%
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%

Portfolio Snapshot

Strategic Long Positions - Top 5

Stock	PF Weight
HDFC Bank	7.3%
HDFC Ltd	7.3%
Infosys Limited	5.6%
Reliance Industries	4.8%
SBI Life	4.4%

Top Tactical Longs - Top 5

Stock	PF Weight
SBI	8.3%
Max Fin. Serv.	4.6%
Ashok Leyland	4.0%
Wipro	4.0%
ITC	4.0%

Top Tactical Shorts - Top 3

Sector	PF Weight
BFSI	2.0%
Consumer	2.0%
Telecom	1.0%

Exposure

Gross Exposure (month-end)	113%
Net Exposure (month-end)	93%
Gross Exposure (month-avg)	103%
Net Exposure (month-avg)	80%

Disclaimer: