

MONTHLY INSIGHT

March 2023

Feb-23 was a story of two halves for global equity markets. Till 16-Feb-23, most markets, including Indian equity markets, returned between 1%-5% positive returns – by the end of the month however the MSCI World, MSCI Emerging Markets, S&P 500, Euro Stoxx and Nikkei 225 indices were -2.5%, -6.5%, -2.6%, +1.8% and +0.4% respectively. The Nifty, Nifty Midcap and Nifty Smallcap indices returned -2.0%, -1.8% and -3.6%. This sharp turn in fortunes in the 2nd half were primarily due to hopes of a soft landing and/or imminent monetary policy pivot being belied by strong economic data. A stronger than expected US labour market, continued high US and Eurozone core inflation, the easing energy crisis in Europe and hopes of a rebound in China have meant that market expectations of less aggressive monetary policy have been disappointed.

2023 till date has been a negation of the narrative of “in the land of the blind, the one-eyed man is king” that characterized Indian equity markets in the post COVID years. While Jan-23 saw the hopes of a global soft landing, China rebound and the Adani Group issue hurt Indian market’s relative performance, in Feb-23 we saw economic data out of India somewhat in contrast to the healthy valuation premium of Indian equity markets. On the one hand, GST collections (up 12% YoY in Feb-23), credit growth (15.5% YoY), a growth-oriented Budget, resolution of the Adani Group issues and being comfortably placed currently on the crude oil and currency fronts have been strong positives. But on the other, weak consumption numbers (and particularly commentary from the leading listed consumer businesses in India), weak merchandise exports due to global headwinds (with even IT services exports commentary being guarded) and an overall weaker-than-expected GDP trajectory have meant that the market’s outperformance has taken a pause.

China – Vacating Its Place As the Global Growth Engine?

Will 2022 end up being the year marked as the decisive shift of the global economic role China has played over the previous decades? Over 2013 to 2021, China accounted for close to close to 40% of global growth (6.6% annual growth vs. 2.6% for the world) powered by its exports engine, mammoth real estate sector and a political system focused on maximizing economic growth (indeed, often at any cost – environmental, social, political etc etc). COVID, geopolitical tensions, regulatory crackdowns and perhaps most fundamentally a change in character of the Chinese political system to pre-Deng Xiaoping days has seemingly permanently lowered growth prospects going ahead. Structural factors such as demographics are adverse too.

In line with the above, China’s rebound from COVID has been modest relative to expectations and policymakers have set a target of “around 5%” (on a base of 3% last year) for 2023. While consumers are flush with excess savings (bank deposits 32% above pre COVID levels) and with private consumption (40% of GDP) being the most depressed category last year, policymakers have put their hopes on consumption driving growth and have refrained from any strong stimulus for investment/construction. However with Chinese consumers still dealing with the economic pain from COVID and negative wealth effect from property sector troubles, whether this pans out remains to be seen.

Portfolio Stance – Protecting Downside, However Watchful of Worst Being Behind

We retain our extant communicated stance that it is perhaps too late to be pessimistic now after markets have been flat since 16 months (i.e. Oct-21) now.

While our exposures are at this moment relatively moderate, we are watching stocks and sectors that are correcting and believe the time to aggressively increase our exposures could be on the anvil.

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)

February 2023: -1.22% (-2.03%)

Since Inception* 75.90% (66.35%)

*Till Feb 28th, 2023
(figures in brackets correspond to Nifty returns)

HAPPY TO SHARE
ITI Long Short Equity Fund
got nominated for

Best Hedge Fund

under

‘Indian Equity Category’

at HFM Asian Performance Awards 2022*

Date: Wednesday, 30th November, 2022 | Venue: Shangri-La Singapore.

ANNEXURE

PERFORMANCE

QUARTERLY

Returns	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 22	Q1 FY 23	Q2 FY 23	Q3 FY 23	Q4 FY 23	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.56%	0.88%	-1.40%	75.90%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.33%	5.91%	-4.43%	66.35%

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	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Since Inception*
ITI LS	-2.16%	2.35%	-0.43%	2.46%	0.82%	0.24%	0.64%	0.90%	-0.65%	-0.18%	-1.22%	75.90%
Nifty	-2.07%	-3.03%	-4.85%	8.73%	3.50%	-3.74%	5.37%	4.14%	-3.48%	-2.45%	-2.03%	66.35%

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	7.5%
Bharti Airtel	6.2%
SBI Life	5.3%
HDFC Bank	5.1%
RIL	3.9%

Top Tactical Longs – Top 5

Stock	PF Weight
L&T	2.7%
Tech Mahindra	2.1%
Indraprastha Gas	2.0%
Ultratech Cement	1.1%
Maruti Suzuki	1.1%

Top Tactical Shorts – Top 3

Stock	PF Weight
Auto	1.5%
Pharma	1.5%
Consumer Discretionary	1.1%

Exposure

Gross Exposure (month-end)	34%
Net Exposure (month-end)	19%
Gross Exposure (month-avg)	51%
Net Exposure (month-avg)	31%

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

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