

5<sup>th</sup> March 2020

An overview of various asset class movements in the month of February 2020 is instructive:

- The MSCI World Index returned -8.6%, with the S&P 500, Nikkei 225 and Euro Stoxx indices returning -8.4%, -8.9% and -8.6% respectively.
- The MSCI Emerging Markets Index returned -5.3%, supported by -1.6% for the CSI 300 Index. Most other emerging and frontier markets had much sharper falls.
- US 10 year Treasury yields fell more than 35 bps to all-time lows of 1.14%. Japanese, German and French 10 year sovereign bonds fell between 9-20 bps and are all now once again firmly ensconced in negative territory. The global stock of negative yielding debt has surged from \$11.4 trillion at the start of this year to \$14.3 trillion currently.
- During the month gold surged by 4.4% even as it closed flat on possible margin calls in the volatile last few days of Feb.
- Commodity prices corrected sharply with crude prices down 13%, metals down 9.5% from mid-Jan peak and agricultural commodity futures down up to 5%.

While a large part of these movements were on the back of a strong rally in global stocks and bonds post the US-China trade deal in Oct-19, the sudden magnitude of the drop nevertheless was fairly unprecedented. As an example, the last week of Feb was the worst in % terms for the Dow barring only Oct 2008 and Sept 2001 in more than 45 years.

In this context, it was no surprise Indian markets too fell sharply. The Nifty returned -6.4%, and the Nifty Midcap and Smallcap reversed their Jan-20 outperformance and returning -6.8% and -8.8% respectively.

Clearly, Mr. Market has tested positive for the coronavirus.

#### **Portfolio Stance: Primary dharma to protect capital, long-term view unchanged**

We do not profess to offer any special insight on the coronavirus (and when therefore Mr. Market can recover for the same). As a long-short fund, our primary dharma is to protect capital on the downside – we remain focused on doing so until clear news flow indicates otherwise.

Our extant view on the Indian economy and its fundamentals continue – the initial signs of green shoots we spoke about in our previous communication remain in place (of course, these can be completely derailed depending on the coronavirus) and we remain confident in the demonstrated intent and clear direction India's policymakers have been providing towards accelerating medium term growth.

## FUND PROFILE

### Key Fund Information

Launch Date 11<sup>th</sup> 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)

Feb 2020 0.87% (-6.36%)

Since Inception\* 26.82% (7.69%)

\*Till Feb 29, 2020

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

Rajesh Bhatia

Fund Managers

Rajesh Aynor

Siddhartha Bhotika

Research Analyst

Akash Jhaveri

# Monthly Insight

## 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 20TD	Since Inception*
ITI LS	5.32%	7.38%	0.62%	4.57%	-0.75%	-1.14%	6.64%	4.47%	26.82%
Nifty	3.00%	2.02%	-0.62%	7.00%	1.42%	-2.67%	6.05%	-7.10%	7.69%

### Monthly:

Gross Returns	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Since Inception*
ITI LS	0.21%	-1.07%	0.11%	-2.64%	-2.81%	4.48%	1.43%	2.50%	2.57%	0.97%	0.87%	26.82%
Nifty	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	1.50%	0.93%	-1.70%	-6.36%	7.69%

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

## Portfolio Snapshot

### Strategic Long Positions - Top 5

Stock	PF Weight
HDFC Bank	8.6%
HDFC Limited	6.6%
Reliance Industries	4.8%
Infosys Limited	4.7%
Bharti Airtel	4.6%

### Top Tactical Longs - Top 5

Stock	PF Weight
ICICI Bank	3.9%
Kotak Mahindra Bank	2.9%
BPCL	2.4%
Torrent Pharma	2.3%
Bharti Airtel	0.9%

### Top Tactical Shorts - Top 3

Sector	PF Weight
Transportation	2.9%
Cap Goods	2.5%
Pharma	1.8%

### Exposure

Gross Exposure (month-end)	83%
Net Exposure (month-end)	11%
Gross Exposure (month-avg)	114%
Net Exposure (month-avg)	62%

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