

MONTHLY INSIGHT

12TH MAY, 2022

Indian equity market continued their streak of strong outperformance in April 2022 with calendar year returns till date further widening vs. peers. For the month of April 2022, the Nifty, Nifty Midcap and Nifty Smallcap indices returned -2.1%, +0.6% and -1.7% - far stronger than the -8.4% for the MSCI World, -5.7% for the MSCI Emerging Markets, -8.8% for the S&P 500, -2.6% for the Euro Stoxx and -3.5% for the Nikkei 225 indices. Indian equity markets remain by far the strongest performing major market versus pre COVID levels.

The underlying strength of Indian equity markets is further evidenced by the recent smooth sailing through of the largest IPO in Indian market history – the Rs. 21,000-30,000 crore IPO of the Life Insurance Corporation of India. The IPO has concluded despite arguably amongst the most challenging market backdrop in many years (barring the depths of the COVID crisis). War (and continued high commodity costs), COVID (China), rising interest rates (not just global but also domestic after the RBI's sudden recent rate hike), sharply correcting global equity markets and consequently amongst the largest and most sustained FII outflows ever have all failed to impact India's outperformance.

The Indian economy continues its pace of strong recovery. The IMF now expects India's FY 23 GDP growth rate to be 8.2% – indicating a FY 19-23 CAGR of 3.4% and therefore a full recovery over pre COVID levels. This is not the case with several other major global economies with the EU and China in particular expected to struggle with war and COVID respectively (for China in particular this is on the back of an already deepening real estate crisis).

Incipient signs of rural recovery? Rural India has had a tough FY 22. With the Delta variant at the start of the year having a disproportionate impact on lower income quintiles, with incrementally lower tailwinds for most of the year from fiscal stimulus and agri exports and with inflation (especially in essentials such as fuel and food) hurting real wages, consumption has taken a beating in recent times. Some potential green shoots are however on the horizon – a jump in food prices while hurting consumption also has a salutary effect on the terms of trade for rural households; the chance to replace Ukraine/Russia in global wheat exports; potential peaking of inflation on recessionary impulses in several major economies and finally continued government fiscal support via fertilizer and fuel subsidies bodes well for the worst potentially being behind.

Portfolio Stance: Reducing Exposures

For the first half of the month of April-22 we maintained our exit March-22 high net exposures given the underlying strength of Indian equity markets and the expectations of a strong earnings season for corporate India. While earnings have been largely in-line there have been some notable misses largely related to either short-term challenges or margin issues.

Central banks the world over are tilting even more hawkish – joining the Federal Reserve and the Bank of England in raising rates was the RBI this month with a wholly unexpected 40 bps repo rate hike. We think the RBI rate hike was the catalyst to remind Indian investors that India is not decoupled from global inflation issues. This market has been a case of gyrating PEs – a rerating and subsequent derating of the equity asset class led by changes in monetary policy and expectations thereof.

Given the above, towards the 2nd half of the month we began reducing our net exposures sharply and as we speak is amongst the lowest we have had since Feb/Mar 2020. We believe as markets find their feet in this new economic and monetary paradigm reducing exposure 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 : ₹ 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)

Apr 2022 -2.16% (-2.07%)

Since Inception* 65.46% (64.41%)

*Till Apr 30th, 2022
(figures in brackets correspond to Nifty returns)

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ANNEXURE

PERFORMANCE

QUARTERLY

Returns	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 22	Q1 FY 23	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-2.16%	65.46%
Nifty	7.02%	12.06%	-1.50%	0.64%	-2.07%	64.41%

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	Since Inception*
ITI LS	-2.16%	65.46%
Nifty	-2.07%	64.41%

Returns	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-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 21:

ITI LS Fund: 31.97%

Nifty: 41.23%

ANNEXURE

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
Infosys Limited	6.2%
HDFC Ltd	5.4%
Grasim Ind	4.8%
Bharti Airtel	4.7%
HDFC Bank	4.2%

Top Tactical Longs – Top 5

Stock	PF Weight
M&M	4.0%
ICICI Bank	3.9%
RIL	3.9%
SBI	3.8%
Hero Motocorp	2.0%

Top Tactical Shorts – Top 3

Stock	PF Weight
Cement	3.4%
BFSI	1.9%
Auto	1.7%

Exposure

Gross Exposure (month-end)	86%
Net Exposure (month-end)	26%
Gross Exposure (month-avg)	73%
Net Exposure (month-avg)	42%

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

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