

MONTHLY INSIGHT

May, 2023

April capped a strong month for Indian equities, delivering significant outperformance and steadiness as opposed to the previous month. Most global indices ended on flat note as data and central bank cues remain mixed. Contagion fears over US regional banks were mitigated to a large extent by takeover of First Republic Bank by JP Morgan, though concerns remain.

As mentioned in last month's letter, the Fed narrative has swung decisively towards peak rates and the Federal Reserve, both in its policy statement as well as media interactions, have strongly hinted towards a pause for coming meetings. The disconnect however remains in terms of assessment of economic growth prospects and inflationary pressures. Fed Chair Powell strongly indicated that the Board does not believe inflation shall cool off quickly and remains vigilant on wage pressures and second round effects. Markets however continue to price in as many as three rate cuts this calendar year starting Sep 2023, which is possibly driven by expectations of a much slower US economy.

On the other hand, the India macro narrative remains robust as ever. GST collections touched an all-time high in April, a seasonally weaker month, giving more comfort in terms of available fiscal space for the Government to implement its capex programs. Manufacturing PMI hit a 4-month high while UPI transactions scaled a new record high. The earnings season so far has been sanguine with more positive surprises and steady performances, except a couple of mishaps in the global cyclical space.

As highlighted in previous letters, we have turned more constructive on equities as a lot of risks have materialised (rate increases, liquidity reduction) or mitigated (commodity prices), although a steeper slowdown or a full-blown recession in the US can pose downside risks. A realignment in US rate expectations would only result when growth outlook worsens considerably and therefore, we believe global equities could see some disappointment on this factor. We expect the inconsistent response in bonds and equities to rationalise over the next 2 quarters and maintain expectation for increasingly volatile markets.

Given the favourable macro backdrop, **any significant downside owing to global turbulence could present attractive entry points.** We however do not expect the euphoric phase of past few years to come back and expect the market to reward stock-picking going forward.

Portfolio Stance – Focusing on specific themes

We maintain a relatively moderate exposure as we expect to see some displacement in global equities, while focusing on specific themes such as select financials, consumer discretionary and capital goods that are likely to generate alpha over the coming months. As mentioned above, opportunity to turn more aggressive may be nigh. We remain focused on domestic economy specific sectors/ stocks while maintaining caution on global cyclicals.

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)

April 2023: 2.60% (4.06%)

Since Inception* 80.55% (73.66%)

*Till April 30th, 2023
(figures in brackets correspond to Nifty returns)



Celebrating
ITI Long Short Equity Fund
5 Year completion...

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	Q1 FY 24	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.56%	0.88%	-1.40%	2.60%	80.55%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.33%	5.91%	-4.43%	4.06%	73.66%

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-23	Since Inception*
ITI LS	2.60%	80.55%
Nifty (%)	4.06%	73.66%

*till 30th April 2023

Returns	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
ITI LS	-2.16%	2.35%	-0.43%	2.46%	0.82%	0.24%	0.64%	0.90%	-0.65%	-0.18%	-1.22%	0.04%
Nifty	-2.07%	-3.03%	-4.85%	8.73%	3.50%	-3.74%	5.37%	4.14%	-3.48%	-2.45%	-2.03%	0.32%

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%

ANNEXURE

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 23:

ITI LS Fund: 46.5%

Nifty: 58.9%

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
HDFC Ltd	8.7%
Infosys	7.2%
Bharti Airtel	6.5%
SBI Life	5.4%
RIL	4.0%

Top Tactical Longs – Top 5

Stock	PF Weight
ICICI Bank	6.0%
L&T	4.3%
Axis Bank	2.7%
Indraprastha Gas	2.3%
SBI Bank	2.0%

Top Tactical Shorts – Top 3

Stock	PF Weight
Auto	1.7%
Pharma	1.6%
Consumer Discretionary	1.1%

Exposure

Gross Exposure (month-end)	86%
Net Exposure (month-end)	65%
Gross Exposure (month-avg)	76%
Net Exposure (month-avg)	52%

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

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