

10th November 2019

The month of October was a month of two halves for Indian equities. While the first half saw some selling pressure post the sharp post corporate tax cut rally, on October 11 US President Donald Trump announced the reaching of a tentative agreement for the "first phase" of a trade deal with China. Indian equities, buoyed by a subsequent global emerging markets risk-on rally of 4.6%, in the second half of the month returned 5.1%, 8.1% and 6.5% for the Nifty, Nifty Midcap and Nifty Smallcap indices respectively.

The global risk-on sentiment has particularly strengthened and progressively gathered steam of late: the global stock of negative yielding bonds has fallen by more than \$5 trillion to less than \$12 trillion currently, US, Japanese, German and French sovereign bonds have recently spiked 10-20 bps, yield curves are steepening and equity indices across the developed world are at or very near new all-time highs. A key contributor to this has also been the ongoing, but recently sharply increased monetary easing – the Fed has expanded its balance sheet by 4.7% (approx \$180 billion) in just the past month.

India economy – current weakness persists: The Indian economy continued its current trend of weakness – GST collections have continued to trend below Rs. 1 lakh crore, industrial production numbers have been very weak, and while the rabi season is expected to be very positive for production, 1st advance estimates for kharif were disappointingly flat YoY, despite a strong monsoon (perhaps given the widespread flooding in many areas of the country).

On the financial system front, incremental bad news took a breather with no fresh real estate or NBFC/HFC stresses crystallizing. In cognizance of the risks emanating from the real estate sector, the Cabinet formally approved the previously announced a Rs. 25,000 AIF aimed at helping stranded homebuyers by completing unfinished projects (this time including NPA/NCLT cases). This fund will be run by SBI Caps and is expected to be operationalized by the end of this calendar year.

Trade war risks persist, however markets are assuming otherwise: The Sino-US trade war has had many, hard-to-keep-up-with, twists and turns. On several occasions, grand pronouncements have been followed by disappointment – in recognition of this perhaps, the Chinese have been far more circumspect in their expectations of the trade war abating than US leadership. For now though, as mentioned above, financial markets seem to be factoring in the worst is truly behind.

Portfolio Stance: Cautious participation

We continue to believe the Indian economy is on a path of continued reform and of medium-term accelerated growth. The statement of intent provided by the tax cuts, responsiveness of policymakers for example in the inclusion of NPA/NCLT cases for the stressed fund AIF etc provide evidence to reasonably expect further growth-boosting reforms (privatization, land, labour). We are cautious given the current phase of demand weakness and of possible financial system risks. Overall, we continue to position our portfolio relatively cautiously.

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)

Oct 2019 1.43% (3.51%)

Since Inception* 18.43% (14.18%)

*Till Oct 31, 2019

(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	Oct-19**	Since Inception**
ITI LS	5.32%	7.39%	0.62%	4.59%	-0.75%	-1.12%	1.43%	18.43%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	3.51%	14.18%

Monthly:

Gross Returns	Apr-19	May-19	Jun-19	Jul-19	Aug-20	Sep-20	Oct-19**	Since Inception**
ITI LS	0.21%	-1.07%	0.11%	-2.64%	-2.81%	4.50%	1.43%	18.43%
Nifty	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	14.18%

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%	5.35%
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;

**Till 31st Oct, 2019;

Fund returns are after expenses, before management fees and taxes

Portfolio Snapshot

Strategic Long Positions

Stock	PF Weight
HDFC Bank	9.5%
HDFC Limited	6.8%
Infosys Limited	4.7%
L&T Infotech	2.7%
SBI Life Insurance	2.4%
ICICI Lombard Gen	2.4%

Top Tactical Longs

Stock	PF Weight
Reliance Ind.	9.6%
ICICI Bank	8.9%
Hindustan Unilever	6.0%
Cipla	5.5%

Top Tactical Shorts

Sector	PF Weight
BFSI	2.9%
Auto	2.4%

Exposure

Gross Exposure (month-end)	121%
Net Exposure (month-end)	86%
Gross Exposure (month-avg)	76%
Net Exposure (month-avg)	41%

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