

10th November 2020

Emerging markets had a stellar Oct-20, handily outperforming developed markets as US elections-related uncertainty, fresh exponential coronavirus cases and fresh lockdowns weighed on the latter even as a weakening dollar buoyed the former. The MSCI Emerging Markets Index was up 1.98% for the month vs. -3.14% for the MSCI World Index (driven by -4.61% for the DJIA and -7.37% for the Euro Stoxx indices). Indian equity markets were further lifted by a one-time MSCI Index weight increase (expected inflows of \$2 billion), signs of economic recovery and better than expected corporate earnings.

The US elections proved to be a stalemate – a scenario viewed as positive for EMs on the trade front (expected reduction in trade wars weighing on global trade) and positive for continued monetary policy easing and low rates (lack of big bang fiscal stimulus given a Senate still controlled by the Republicans) and therefore also bearish for the dollar (given continued negative real US yields). EM risk-on has only accelerated in November.

On the economic front, India's fundamentals continued to be much better than the worst case expected – across the board indicators on manufacturing PMI (further acceleration), first month of services PMI expansion, cement, auto, steel and real estate demand, GST collections also turning the corner this month (10.25% growth in Oct – Sept numbers not comparable as it included 4 months of payment by small firms) and positive guidance from the banking system on COVID credit costs and financial impairment.

Has India really turned the corner on COVID-19? Barring a handful (China notably), most large countries across the world have seen 2nd or even 3rd waves of COVID-19. Most notably, the US and Europe have seen a massive surge in cases, hospitalizations and unfortunately deaths with their current waves on their way to being as bad as their first ones. France, the UK and Germany are already at the Mar-20 exit rate of the 7 day moving average of deaths and have had to implement lockdowns – albeit the increase in deaths is much, much less exponential than before (thanks to the rapidly improving medical response). The US has started seeing rapidly increasing hospitalizations (should exceed 1st wave peak in a week) with rising tests positivity rates and slowly increasing deaths.

Can India successfully buck the trend? Whether large (Europe, US) or small (Japan, Australia), almost no country has been spared a 2nd wave. The current festive season should show whether our population has learnt to beat the virus.

Portfolio Stance: Need for short-term vigilance, negative real rates buoy medium term outlook

We reiterate our medium-term outlook shared of negative real rates buoying the case for equities. Emerging markets in particular have clearly taken to this trend with money in the past month seemingly searching, quite decisively, for a home where there is some hope of growth and long-term appreciation. A 2nd coronavirus wave in India is an unknown risk we are currently looking out for.

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 2020 2.08% (3.51%)

Since Inception* 31.88% (11.92%)

*Till Oct 30, 2020

(figures in brackets correspond to Nifty returns)

Managing Director & CIO

Rajesh Bhatia

Fund Managers

Rajesh Aynor

Siddhartha Bhotika

Research Analyst

Akash Jhaveri

ANNEXURE

Performance

Quarterly:

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	Since Inception*
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.34%	2.08%	31.88%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	6.04%	-29.35%	19.81%	9.18%	3.51%	11.92%

Monthly:

Returns	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Since Inception*
ITI LS	0.24%	-1.05%	-0.71%	5.40%	-1.94%	-0.01%	2.08%	31.88%
Nifty	14.68%	-2.84%	7.53%	7.49%	2.84%	-1.23%	3.51%	11.92%

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	0.22%	-1.12%	0.11%	-2.76%	-2.92%	4.69%	1.50%	2.62%	2.70%	1.02%	0.92%	-0.34%
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	2.32%	1.36%	1.56%	4.69%	2.04%	0.55%	-1.68%	3.03%	-0.67%	1.85%	-2.54%	5.42%
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

Annual (post fees and taxes):

	FY 19	FY 20	Cumulative for FY19 and FY20
ITI LS	13.9%	-0.8%	13.0%
Nifty	11.7%	-26.0%	-17.3%

Fund returns are after expenses, management fees and taxes

Portfolio Snapshot

Strategic Long Positions - Top 5	
Stock	PF Weight
HDFC Bank	7.9%
Reliance Industries	7.7%
Infosys Limited	6.3%
HDFC Ltd	6.0%
L&T Infotech	5.8%

Top Tactical Longs - Top 5	
Stock	PF Weight
ACC	3.2%
HCL Tech	2.9%
Cipla	2.4%
Dr Reddy's Lab	2.4%
Axix Bank	1.8%

Top Tactical Shorts - Top 3	
Sector	PF Weight
IT	3.6%
Auto	2.0%
BFSI	1.6%

Exposure	
Gross Exposure (month-end)	74%
Net Exposure (month-end)	32%
Gross Exposure (month-avg)	101%
Net Exposure (month-avg)	77%

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