THE INVESTMENT TRUST OF INDIA
LONG-SHORT EQUITY FUND

# MONTHLY INSIGHT

## 14th November, 2022

Global equity markets had a stellar Oct-22 bouncing back from the pain of Sept-22 – the MSCI World, S&P 500, Euro Stoxx and Nikkei 225 indices returned +7.1%, +8.0%, +9.0% and +6.4% respectively. After the strong outperformance till date, the Nifty Nifty Midcap 100 and Nifty Smallcap 100 indices relatively underperformed with +5.4%, +2.5% and +2.6% returns respectively. Notably in Oct-22, unlike other "bear market rallies" in recent times, the bounce back was not due to easing financial conditions or liquidity or changes in expectations thereof. It was primarily led by relatively decent earnings in areas such as global banking & financial services, better than expected energy, materials and industrials earnings and pockets of mega cap resilience such as Apple Inc. Financial conditions in fact remained tight with the US 10 year yield ending Oct-22 above 4%, central bankers barring the BOJ remaining hawkish and commodities and the dollar also continuing at relatively adverse levels.

In India, corporate earnings for Q2 FY 23 were a mixed bag – on the plus side, the worst of global recessionary fears have not yet impacted areas such as IT services, the banking sector is enjoying a veritable Goldilocks period of high credit growth, expanding NIMs & muted credit quality concerns and the real estate sector growth story continues to be in the pink of health. Areas such as auto 2W, FMCG, select discretionary consumption (alcobev, media & entertainment, QSR), consumer durables and metals however were weak. Unseasonal rains have impacted the kharif crop and MNREGA demand has once again risen to 20% above pre-COVID levels as of Oct-22. GST collections and bank credit continue to be a bright spot – increasing at 3 year CAGRs of 16.7% and 9.4% respectively in Oct-22.

**Will India buck the global inflation cycle?** Compared to Advanced Economies, and indeed many of our neighbours, Indian policymakers have hitherto not had to really grapple with the vexing problem of inflation – not anywhere close to the extent of others. While aggregate demand questions persist for India, particularly for bottom of the pyramid consumption, for exports growth and for incremental government spending from a high base, it is nevertheless visible that incremental growth from the 1.3% real GDP 3 year CAGR of Q1 FY 23 is clearly improving. Coupled with stubbornly high food prices and crude oil prices that are temporarily benefitting from Chinese lockdowns, it is possible that the RBI will need be far more hawkish on the question of inflation in the coming 3-6 months.

**Portfolio Stance: Lack of Fundamentals-Related Triggers but Tactically Strong Market**

With corporate earnings at the moment a mixed bag at best, the outlook for the same cloudy on global growth concerns and Indian equity market valuations at the higher end of historical norms there are limited fundamental-related triggers for markets as whole as we speak. Nevertheless the narrative of a "a one-eyed king in the land of the blind" for Indian economic growth prospects is clearly a strong one and is reflected in the tactical strength of our market.

Our stance has been cautious in light of global growth concerns and quite unprecedently sharp changes in monetary policy and the costs of capital. Given the tactical attractiveness of Indian equity markets however we have chosen a neutral stance in our portfolio. The focus going ahead we believe needs to be of a stock-specific one with overall exposures continuing to be broadly neutral.

## 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)**

October 2022: 0.64% (5.37%)

Since Inception* 77.96% (73.16%)

*Till October 31st, 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 | Q2 FY 23 | Q3 FY 23 | Since Inception* |
|---|---|---|---|---|---|---|---|---|
| ITI LS | 2.93% | 12.08% | -0.83% | -1.20% | -0.29% | 3.56% | 0.64% | 77.96% |
| Nifty | 7.02% | 12.06% | -1.50% | 0.64% | -9.65% | 8.33% | 5.37% | 73.16% |

| 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 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Since Inception* |
|---|---|---|---|---|---|---|---|---|
| ITI LS | -2.16% | 2.35% | -0.43% | 2.46% | 0.82% | 0.24% | 0.64% | 77.96% |
| Nifty | -2.07% | -3.03% | -4.85% | 8.73% | 3.50% | -3.74% | 5.37% | 73.16% |

| 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% |

| 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 22:**
**ITI LS Fund: 45.9%**
**Nifty: 54.6%**

# ANNEXURE

## PORTFOLIO SNAPSHOT

## Portfolio Snapshot

| Strategic Long Positions – Top 5 | |
|---|---|
| **Stock** | **PF Weight** |
| Infosys Limited | 6.4% |
| Bharti Airtel | 5.8% |
| SBI Life | 5.0% |
| HDFC Bank | 4.0% |
| RIL | 3.5% |

| Top Tactical Longs – Top 5 | |
|---|---|
| **Stock** | **PF Weight** |
| ICICI Bank | 3.4% |
| SBI | 3.3% |
| L&T | 3.3% |
| Eicher Motors | 3.1% |
| Federal Bank | 2.0% |

| Top Tactical Shorts – Top 3 | |
|---|---|
| **Stock** | **PF Weight** |
| Consumer Discretionary | 1.5% |
| IT Services | 1.0% |
| BFSI | 0.9% |

| Exposure | |
|---|---|
| Gross Exposure (month-end) | 60% |
| Net Exposure (month-end) | 42% |
| Gross Exposure (month-avg) | 60% |
| Net Exposure (month-avg) | 34% |

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


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