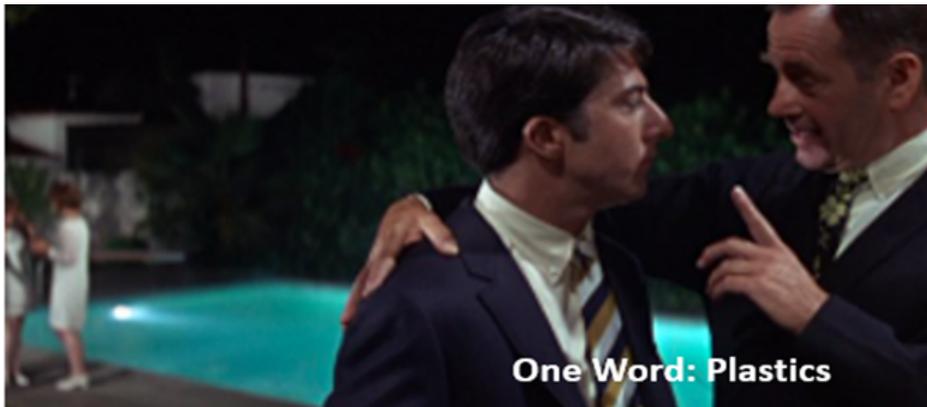


MONTHLY INSIGHT

November, 2023

Remember the 1967 film “The Graduate”? In that classic movie, there is an unforgettable iconic scene where a certain Mr McGuire takes a young Ben (played by Dustin Hoffman) aside at the party and says he has one word of advice – just one word – and the word is “Plastics”. In the film, the advice is meant to be the opportunity of a lifetime for the young man. While plastics would have turned out quite well for Ben since, these days you are more likely be hearing the word “India



At over US\$3.5 trillion economy and growing at 6-7% per annum, India is the 5th largest and the fastest growing economy in the world. In a forecasted growth starved world, the certainty and high predictability of the India growth decade appears alluring.

Bank as well as corporate balance sheets are the best in a decade. There is also visible strong multiyear growth opportunity in a breadth of sectors, including:

- a) Software and other knowledge-based services exports to more than double in 10 years to over US\$500 Bn,
- b) Domestic consumption potential from rising income levels of 1.4 billion people (per capita GDP is estimated to rise from US\$2k in 2021 to US\$3.9k by 2027 and further US\$5.6k in 2031 – source Citi research),
- c) A capital expenditure cycle (including a real estate cycle) has just begun in 2021 after a decade of stagnation,
- d) Opportunity to emerge as a manufacturing hub in several sectors driven by the global need to de-risk supply chains, especially away from China. Electronic manufacturing (Apple Inc plans to grow its India production by 5x to US\$40 Bn by 2027), speciality chemicals, engineering goods, auto ancillaries, textiles etc are estimated to be beneficiaries of the trend.

Indian equity markets have delivered a 40+ year cagr of around 15-16% in Indian rupee terms.

The Return on Equity (RoE) of the Indian Nifty Index is also around 16% over long periods and that helps. Stay tuned to know how the India thesis pans out.

FUND PROFILE

Key Fund Information

Launch Date : 11th April 2018
Structure : Open-ended, CAT III AIF
Domicile : Currency : India
Min Initial : INR 1 crore
Investment

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 2023: - 1.40% (-2.84)

Since Inception* 90.16% (83.42%)

*Till October 31st, 2023
(figures in brackets correspond to Nifty returns)



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

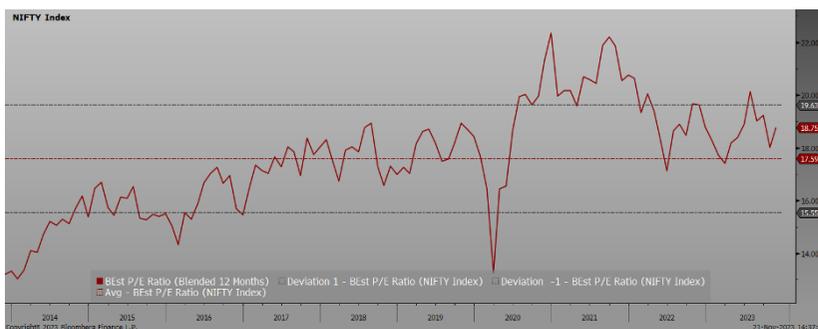
As we zoom in, we notice that after a prolonged period of what can be described as a side-ways market since peaking in October 2021, the Indian Nifty has seen a bounce since March 2023 by 9.91%. The mid-cap and small-cap indexes have returned even more rising by 28.31% and 36.82% on absolute basis respectively. In terms of valuations, the Nifty is just above its 10 year average of 18-19x one year forward.

Market returns:

Benchmark	CAGR (%)			Absolute (%)
	5 Years	CYTD	19-Oct-21 To 31-Oct-23	1-Apr-23 To 31-Oct-23
NIFTY 50	12.93	6.47	1.75	9.91
Nifty Midcap 150	19.19	27.56	10.09	28.31
Nifty Smallcap 250	18.90	32.88	10.42	36.82

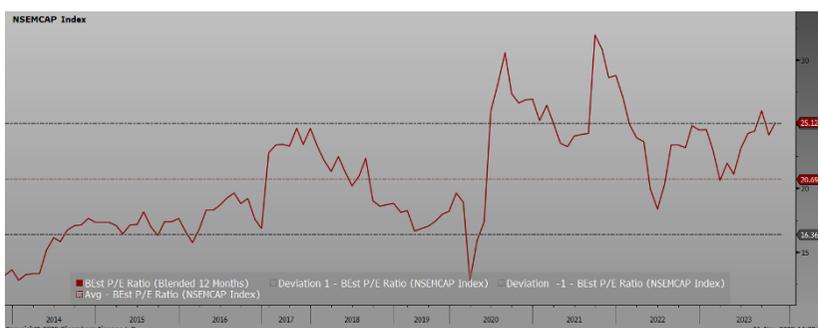
Market valuations:

Nifty 50 12M Forward PE Ratio



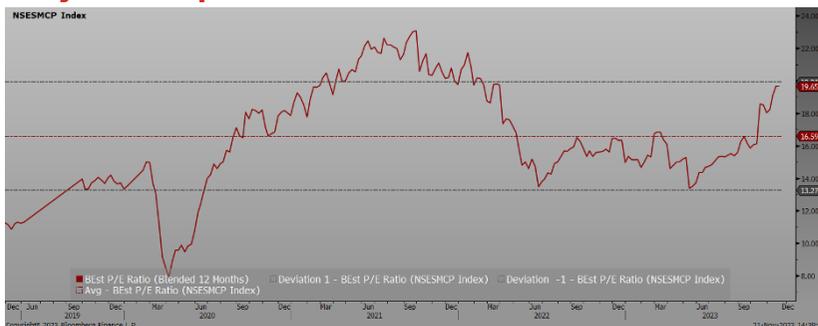
(Source: Bloomberg)

Nifty Midcap100 12M Forward PE Ratio



(Source: Bloomberg)

Nifty Smallcap100 12M Forward PE Ratio



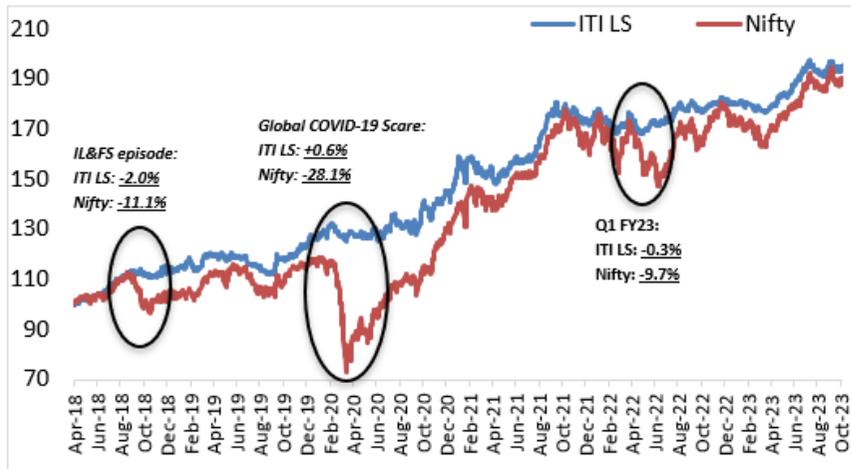
(Source: Bloomberg)

What has impressed us about the rise of the markets since March 2023 is the breadth of sector participation based on positive fundamental sector narratives (auto, banks, non-banking finance companies, capital goods, insurance, telecom, pharma etc). **Our experience is that when the breadth of the market is so broad, it suggests that the quality of the market is very good and unlikely to be shaken quickly. Also, when so many economy-related sectors start to rise, it usually also portends the start of an economic cycle** (remember, the markets are the lead indicator).

There have been a lot of arguments around whether Indian markets are expensively valued. We would say that contrary to perceptions of the Indian markets having done well, the Nifty Index has not done as much over the last two years. The Nifty has had a time correction over the last two years and is more reasonably priced at closer to its long-term averages. The non-Nifty portfolios, on the other hand, have done quite well and are not as compellingly valued (not in a bubble either). Equally, you are more likely to find companies growing at 20-25% in revenues and profits in the non-Nifty stocks. **The India story seems to be playing out better in the broader markets.**

So what about risks? As Long-Short managers, we are always on the lookout for any risk that can disproportionately impact markets (any decline of 10% or more; for instance Covid 2019 was one of them). Our primary dharma as a Long-Short fund is to protect downside. These days the markets are worried about high (or rising) global and Indian interest rates, US and global recession, wars and its impact on oil, rural weakness in India, upcoming central government elections etc. **Of these, we think a potential US recession (especially if the “mind of the market” starts to believe in a potential hard landing for the US) is the key risk to watch out for.**

Here, we want to point out our historical record in navigating risks which can disproportionately impact markets (see our track record below). **Ours is a process-based approach to risk management, which gives us enough comfort of its repeatability.** We strongly believe that a strong risk management DNA is core to a successful and consistently performing long short fund.



To conclude, we like the broad based nature of multi-year growth opportunity of the portfolio we own and are biased to the long side. Our stock picks are in the capital goods, defence, telecom, life insurance, domestic pharma, banks and auto sectors. We remain less excited about stocks in the consumer staples, gas distribution, specialty chemicals and metals sectors.

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	Q2 FY 24	Q3 FY 24	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.56%	0.88%	-1.40%	8.55%	0.96%	-1.40%	90.16%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.33%	5.91%	-4.43%	10.54%	2.34%	-2.84%	83.42%

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	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Since Inception*
ITI LS	2.60%	1.43%	4.31%	1.29%	-2.02%	1.73%	-1.40%	90.16%
Nifty (%)	4.06%	2.60%	3.53%	2.94%	-2.53%	2.00%	-2.84%	83.42%

*till 31st October 2023

Returns	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-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	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%

ANNEXURE

PERFORMANCE

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%

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
HDFC Bank	5.80%
Bharti Airtel	5.60%
RIL	4.70%
SBI Life	3.50%
Infosys	2.90%

Top Tactical Longs – Top 5

Stock	PF Weight
Larsen & Toubro	6.30%
BEL	3.10%
COAL	3.00%
ITC	3.00%
ICICIBANK	2.60%

Top Tactical Shorts – Top 3

Stock	PF Weight
Consumer	1.60%
Consumer	1.50%
Insurance	1.20%

Exposure

Gross Exposure (month-end)	100%
Net Exposure (month-end)	70%
Gross Exposure (month-avg)	92%
Net Exposure (month-avg)	67%

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

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