

MONTHLY INSIGHT

11th October, 2022

Indian equity markets had one of the best relative months in Sept-22 versus global peers in recent times. The Nifty, Nifty Midcap 100 and Nifty Smallcap 100 indices returned -3.7%, -2.6% and -1.9% respectively – vs. -11.9% for the MSCI Emerging Markets Index, -9.3% for the S&P 500, -7.7% for the Nikkei 225, -5.7% for the Euro Stoxx and -9.5% for the MSCI World Index. Several markets such as South Korea and Taiwan had double digit declines – the KOSPI returned -12.8% and the TAMSCI returned -12.4%. The calendar year to date differential between the Nifty and the MSCI EM Index is now 27.4% (-1.5% for the Nifty vs. -28.9% for the MSCI EM Index), closing in on a post GFC high. Most other global equity markets are down 25%-30% too underscoring India's resilience.

The global economy stands at a precarious moment at this time. The tugs in several different, indeed opposite, directions make for a very difficult prognosis in the coming months. On the one hand, continued strong labour market conditions in the US, continued fiscal stimuli (both the European energy crisis related spending and the US student loan waiver are estimated to be half a trillion dollars each) and a continuation in the post COVID global economic recovery point to underlying strength. On the other hand, the Russia-Ukraine war and its impact on energy prices in Europe, zero COVID policies and the property crisis in China and the tightening of global financial conditions given the above underlying strength has the potential to cause unforeseen accidents (such as the LDI pension fund crisis in the UK) aside from cooling the cyclical elements of the post COVID recovery. For EMs in particular, a sharp external boost in demand during COVID is now making way for a bust at the same time as financial conditions tighten (i.e. dollar strength) and energy prices remain too high.

The Indian economy, while showing some pockets of weakness, seems to be overall doing well – non-oil exports fell again -5.9% month on month (-7.3% YoY; +5.5% 3 year CAGR) reflecting falling metals prices and weak textiles demand. Other metrics however continued on a solid footing – non-food credit continued at a robust 9.0% 3 year CAGR (in line with nominal GDP 3 year CAGR after undershooting it significantly during COVID times), GST collections accelerated further to a 17% 3 year CAGR, auto and other discretionary numbers are strong and the rural economy should benefit from a good harvest in Q3.

Portfolio Stance: Global Uncertain but Tactically Strong Market

Over the past month, global uncertainty has only increased. Markets seems to be on the edge of their seats waiting for a potential financial accident – volatility, spreads and other measures of market risk (CDS, market liquidity measures etc) are all at historical levels in virtually all markets (from the deepest and most liquid market of US Treasuries to EMs, commodities and currencies). In today's times, good news is bad news (for example a strong labour market in the US) and bad news is good news (for example the \$1.6 trillion pension fund LDI asset class – not to mention their counterparties i.e. the banks – possibly facing a "Lehman moment" and forcing an extraordinary QT to QE volte-face from the BoE).

In such an environment, it is wrong to assume India will remain unaffected. Energy prices (crude oil, coal, natural gas) continue to be adverse too (especially if the Chinese government seeks to end zero COVID and maybe even stimulate their economy). While India's medium-term and long-term story remains intact, which keeps our market tactically strong, we currently are moderating our overall exposure to the equity market and heightening our nimbleness in changing the same as needed.

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)

September 2022: 0.24% (-3.74%)

Since Inception* 76.84% (64.33%)

*Till Sept 30th, 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	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.56%	76.84%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.33%	64.33%

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	Since Inception*
ITI LS	-2.16%	2.35%	-0.43%	2.46%	0.82%	0.24%	76.84%
Nifty	-2.07%	-3.03%	-4.85%	8.73%	3.50%	-3.74%	64.33%

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	5.8%
Bharti Airtel	5.4%
SBI Life	4.9%
HDFC Bank	3.7%
RIL	3.2%

Top Tactical Longs – Top 5

Stock	PF Weight
Eicher Motors	3.9%
M&M	2.1%
Torrent Pharma	1.9%
Maruti Suzuki	1.9%
ICICI Bank	1.7%

Top Tactical Shorts – Top 3

Stock	PF Weight
BFSI	1.8%
Auto	1.7%
Auto	1.0%

Exposure

Gross Exposure (month-end)	60%
Net Exposure (month-end)	44%
Gross Exposure (month-avg)	75%
Net Exposure (month-avg)	35%

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

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