

MONTHLY INSIGHT

October, 2023

The story of first half of fiscal 2024 has been quite divergent across the geographies, with India emerged as the growth oasis for the world. Nikkei is the only global index outperforming India in 1H, although it is now just breaching the levels last seen in 1990s.

The latest Fed meeting has further pushed the ‘higher for longer’ rhetoric, which pushed the US 10-year yields by 45 bps to 4.80, the level last seen in 2007. This hardening of 10-year yield, did elevate the concerns around long-term inflation expectations getting entrenched in the economy and a come-back of inflation in the near term. However, there have been few other factors from demand supply perspective as well in US bond markets. The Fed has continued to shrink its balance sheet and demand from erstwhile buyers such as China has been waning. High frequency indicators are still indicating economic activity weakening at the margin, affected by the interest rate rises. Fed does not want to err on the wrong side with its inflation control target and may keep its rhetoric continuing for some time to come.

Domestically, though the headline index has posted return of 13%, the real story is underneath – the midcap and small cap indices, giving a return of 35% and 42% respectively in 1H F24. Indian economy has seen lot of reforms in last 9 years, along with significant Govt push for infrastructure creation, domestic manufacturing, export focus and efficiency. However, large part of this action cannot be captured in megacap Nifty stocks, as many of these fields are new. The investment themes related to these areas saw good investor interest. Some of the themes, yielding strong results are – defence, electronics manufacturing, private capex, new energy etc, where the stocks are largely in midcap and small cap space. Apart from these, some old-economy areas that saw significant interest have been power sector and PSU banks/NBFCs.

In the largecap space, the hopes continue to remain pinned on domestic demand recovery in upcoming festive season and earnings support due to falling raw material prices (WPI remains negative for 5 months in a row till August 2023). Although Nifty is closer to its new high, its valuation is reasonable at close to its 7 year median multiple value.

FPI inflows have remained strong in 1H FY24 (USD 17bn+), though hardening of US yields led to some outflow in September 2023. Domestic equity inflows have been strong at USD 7bn, which has been back-ended, with higher flows into midcap and smallcap schemes. India continues to remain a bright spot in global markets so any meaningful correction could attract flows.

Key contributors of 1H Fy24

Our February 2023 newsletter started with the thought that its too late to be pessimistic. Since then, we have been endeavouring to actively participate in the market, unlike our stance in the previous 18 months post October 2021. The fund exposure in the market has been ~65% in past 6 months, versus ~39% average exposure in preceding 18 months.

With the objective to participate actively in the market, the fund also focused on stock-picking, as the macro backdrop has been conducive. Some of the themes where the fund could capture alpha included defence, hospitals, PSU Banks, NBFCs (play on initial peaking of interest rates), power generation, automotive demand revival, to name a few. On the short side, stocks with higher global linkages such as chemicals, commodities etc were shorted, along with stock specific shorts.

Portfolio Stance

Since February 2023, when we had turned positive on the market, September 2023 was perhaps the first time, with some hints of caution. The trigger was the continued Fed rhetoric to push ‘higher for longer’ narrative, which could potentially restrict room for RBI in domestic market and heighten the global worries. Given the sharp run up in domestic midcap and smallcap space, one needs to be watchful of any developments. However, we maintain bullish exposure in the portfolio with preference towards domestic facing sectors as we continue to focus on themes such as select financials, capex and auto. Among export driven sectors, we are turning incrementally positive on select pharma names, while keeping measured exposure to IT.

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 2023: 1.73% (2.00%)

Since Inception* 92.86% (88.79%)

*Till September 30th, 2023
(figures in brackets correspond to Nifty returns)



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

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	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.56%	0.88%	-1.40%	8.55%	0.96%	92.86%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	8.33%	5.91%	-4.43%	10.54%	2.34%	88.79%

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	June-23	July-23	August-23	September-23	Since Inception*
ITI LS	2.60%	1.43%	4.31%	1.29%	-2.02%	1.73%	92.86%
Nifty (%)	4.06%	2.60%	3.53%	2.94%	-2.53%	2.00%	88.79%

*till 30th September, 2023

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

ANNEXURE

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
ITILS	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

PORTFOLIO SNAPSHOT

Portfolio Snapshot

Strategic Long Positions – Top 5

Stock	PF Weight
HDFC Bank	5.6%
Bharti Airtel	5.3%
RIL	4.4%
SBI Life	3.1%
Infosys	2.8%

Top Tactical Longs – Top 5

Stock	PF Weight
ITC	3.0%
Larsen & Toubro	3.0%
HDFC life	2.7%
NTPC	2.6%
Maruti Suzuki	2.5%

Top Tactical Shorts – Top 3

Stock	PF Weight
Consumer	1.5%
Oil	1.5%
Consumer	1.5%

Exposure

Gross Exposure (month-end)	84%
Net Exposure (month-end)	65%
Gross Exposure (month-avg)	101%
Net Exposure (month-avg)	82%

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

Disclaimer

This presentation is being furnished to you on a private placement basis by Investment Trust of India strictly on a confidential basis and must not be reproduced or redistributed to any other person. This document is for informational purpose only and does not constitute an offer for participating in ITI Long Short Equity Fund ("Fund"). This information document has been provided to its recipient upon the express understanding that the information contained herein, or made available in connection with any further investigation, is strictly confidential and is intended for the exclusive use of its recipient. The information contained in this presentation is subject to the information contained in the other Fund documents including its private placement memorandum. This document is neither a prospectus nor an invitation to subscribe to the units of Fund. Nothing in this document is intended to constitute legal, tax, securities or investment advice, or opinion regarding the appropriateness of any investment, or a solicitation for any product or service. The information herein is subject to change without notice. The facts and figures used in this presentation reflect the latest available information and have been sourced from public sources and various past transactions handled by ITI Long Short Equity Fund including its affiliates.

Investments in securities are subject to market and other risks and there is no assurance or guarantee that the objectives of the Fund will be achieved. Prospective investors in Fund are not being offered any guaranteed/assured returns. The name of the Fund does not in any manner indicate its prospectus of return. The investment strategy may not be suited to all the categories of investors. The material is based upon information that we consider reliable, but we don't represent that it is accurate or complete, and it should be reliable as such. All forward-looking statements are forecasts and may be subject to change without notice. Such forward-looking statements included are based on information available on the date hereof and none of ITI Long Short Equity Fund or any of its affiliates assumes any duty to update any forward-looking statement. Certain important factors that could cause actual results to differ materially from those in any forward looking statement include the general economic, market, legal and financial conditions, among others its efforts on resolution of NPAs of banking system, disinvestment/divestment, revival of capex cycle and most importantly job creation. These if implemented effectively would result in improvement in India sovereign ratings and improve business confidence and spur economic growth.