

8th September 2020

Emerging markets took a breather in the month of August 2020 compared to global peers, as the rise from the last week of May consolidated. The MSCI Emerging Market Index rose 2.09% for the month compared to 6.53% for the developed market heavy MSCI World Index. The US, in particular technology stocks (up 11.83%), drove the lion share of these gains.

Domestically while the benchmark Nifty was up 2.84% for the month, August saw a strong “recovery rally” with cyclicals and broader markets posting very strong gains. The BSE metals index was up 13% in the month, capital goods up 7.9%, auto up 7.3%, banks up 9.6% and the Nifty Midcap and Smallcap up 7.83% and 11.54% respectively. Primarily the foundations of this “recovery rally” continue to be global factors: a weakening dollar (positive for metals, emerging markets) due to suppressed real rates, a promise to keep interest rates low for (very) long and supportive fiscal policies to ensure incomes are cushioned and bankruptcies minimal.

The Indian domestic economic picture has seen incrementally encouraging albeit mixed data – whereas composite PMI remained in contractionary territory for August, power demand, railway freight and passenger vehicle dispatches have all grown vs August 2019. GST collections, as a % of last year's number, grew from 85.6% in July to 88% in August. Rural data (tractor sales, fertilizer sales, sowing data and management commentary of demand seen from rural areas) continued to be strong, backed by the strong government fiscal support till date and optimism for the monsoon. Credit growth however remained at the 5.5% level.

That the worst seems to be behind for the Indian economy but the worst still ahead for the virus (in terms of cases and mortality) is our new reality – with the virus much less fatal now due to medical advances and with widespread adoption of common sense protocols, the vast majority of the losses from the virus seem to have been recouped. The unknown of course remains whether we plateau at 85%-90% of pre COVID economic activity or find a way to grow or perhaps end up with a mixture of certain sectors resuming at 120% while others stay at 80%.

Portfolio Stance: Macro-driven market, expect volatility to continue

The sharp movements in equity prices, especially in the “recovery rally”, are in our opinion underpinned more by global macros than a cyclical economic recovery (given the many unknowns yet – for example of how a tremendously fiscally challenged government will be able to support an economic recovery).

Our strategy will be to continue to be long sectors which have clear visibility of growth independent of strength of economic recovery. We recognise this is a globally driven rally and we would continue to be nimble in reducing risk in case of change in market outlook.

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)

Aug 2020 -1.94% (2.84%)

Since Inception* 29.21% (9.47%)

*Till Aug 31, 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	Since Inception*
ITI LS	5.33%	7.41%	0.62%	4.64%	-0.79%	-1.17%	6.97%	1.60%	-1.52%	3.36%	29.21%
Nifty	3.00%	2.01%	-0.62%	7.00%	1.43%	-2.67%	6.04%	-29.35%	19.81%	10.54%	9.47%

Monthly:

Returns	Apr-20	May-20	June-20	July-20	Aug-20	Since Inception*
ITI LS	0.24%	-1.05%	-0.71%	5.40%	-1.94%	29.21%
Nifty	14.68%	-2.84%	7.53%	7.49%	2.84%	9.47%

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
Reliance Industries	8.2%
HDFC Bank	7.9%
HDFC Ltd	6.0%
Infosys Limited	5.8%
Bharti Airtel	5.2%

Top Tactical Longs - Top 5	
Stock	PF Weight
ICICI Bank	6.0%
Divi's Labs	4.6%
M&M	4.1%
HCL Tech	3.9%
RIL	3.2%

Top Tactical Shorts - Top 3	
Sector	PF Weight
BFSI	4.0%
Auto	1.9%
Pharma	1.4%

Exposure	
Gross Exposure (month-end)	94%
Net Exposure (month-end)	63%
Gross Exposure (month-avg)	101%
Net Exposure (month-avg)	84%

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