

MONTHLY INSIGHT

12th September, 2022

Indian equity market further built on their stellar outperformance in the month of August 2022 – the Nifty, Nifty Midcap 100 and Nifty Smallcap 100 indices returned +3.5%, +6.2% and +4.9% vs. -4.3%, 0.0%, -4.2%, -5.1% and +1.0% for the MSCI World, MSCI Emerging Markets, S&P 500, Euro Stoxx and Nikkei 225 indices. Calendar year to date returns for the Nifty have been +2.3% vs. -17.0% for the S&P 500 – amongst the sharpest outperformances in the past 12 years (only barring 2014).

Commodity prices and financial conditions have been somewhat of a mixed bag after their considerable easing over the past few months – while (crucially for India) crude oil and edible oils have corrected significantly from the highs, coal, natural gas and wheat prices are still problematic. “Dr Copper” continues to point to global growth concerns.

Global financial conditions have however unambiguously tightened with the US 10 year bond up 50 bps in August 2022 alone (and up a further 19 bps in Sept-22 till date) and the ECB just delivering a jumbo 75 bps rate hike. The inflation picture overall is mixed – while it seems to be incrementally easing in the US, it remains too high in the EU and with a strong dollar Asian economies will face challenges (the yen continued to touch multi-decade lows). Even with US inflation easing at the moment, US labour market conditions remain very strong with a sharp increase in job openings to 11.239 million as of July-22, August-22 wage growth still strong at 5.2% YoY and August-22 job additions a still strong 315k.

The Indian economy, while a net beneficiary of falling commodity prices, is starting to show some pockets of weakness – non-oil exports fell again -6.1% month on month (-2.4% YoY) reflecting falling metals prices and weak textiles demand. Other metrics however continued on a solid footing – non-food credit accelerated to a 8.9% 3 year CAGR, GST collections grew at a 13.5% 3 year CAGR and kharif sowing has recovered smartly to just 0.9% lower YoY.

Portfolio Stance: Valuations Pricey but Tactically Strong Market

India is currently the one eyed king in the land of the blind. With growth and tighter financial conditions a challenge across the US, EU and China (in fact, a deep recession in the case of China), India continues to be relatively better positioned buoyed by better discretionary and higher income consumption, a recovering housing sector and cleaner corporate/banking sector balance sheets. The rapid drop in crude oil prices best signifies markets apprehension on global growth and demand. However, whether global demand impacts India’s growth prospects remains to be seen (for example a potential delay in capex plans for India Inc due to global growth pressures).

Tactically, Indian equity markets remain strong. With passive flows estimated to be 80% or thereabouts of the global flows India receives and a reallocation of flows from China and Russia, India seems to be attracting very considerable interest. Domestically, flows and sentiment, while moderating, are still reasonably strong. It is therefore possible that the momentum for India continues to the upside even as the risk reward increasingly worsens given our valuations (getting close to 20x FY 24 earnings for the Nifty).

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)

August 2022: 0.82% (3.50%)

Since Inception* 76.41% (70.73%)

*Till Aug 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	Since Inception*
ITI LS	2.93%	12.08%	-0.83%	-1.20%	-0.29%	3.31%	76.41%
Nifty	7.02%	12.06%	-1.50%	0.64%	-9.65%	12.54%	70.73%

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	Since Inception*
ITI LS	-2.16%	2.35%	-0.43%	2.46%	0.82%	76.41%
Nifty	-2.07%	-3.03%	-4.85%	8.73%	3.50%	70.73%

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	6.3%
SBI Life	5.3%
Bharti Airtel	5.0%
HDFC Bank	4.0%
RIL	3.7%

Top Tactical Longs – Top 5

Stock	PF Weight
M&M	3.3%
ICICI Bank	3.0%
Torrent Pharma	2.9%
ICICI Lombard	1.8%

Top Tactical Shorts – Top 3

Stock	PF Weight
Information Technology	1.5%
Information Technology	1.4%
BFSI	1.1%

Exposure

Gross Exposure (month-end)	40%
Net Exposure (month-end)	21%
Gross Exposure (month-avg)	69%
Net Exposure (month-avg)	46%

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

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