Dear Investor,

We certainly live in interesting times. The safety haven that debt as an asset class was supposed to be, operating with the premise of capital protection has been tested multiple times this year. More importantly some of mutual fund institutions have taken a double digit hit on their liquid fund investments, which has been the closest to risk free returns one gets.

In the equity markets, there have been very few companies that has seen earnings growth and that has resulted in a lack of liquidity in many of the smaller companies. The only pocket that has shown respite are 15 of the largest 150 companies in India, where one has seen double digit growth rates (primarily coming from IT, private sector banks and Reliance).

I was privy to multiple conversations with investors who wanted to wait for the uncertainty of elections to pass through before looking to deploy capital into the markets, and we are seeing that happen with our fund.

From a macro perspective, with liquidity being tight, I personally believe that the RBI has little room, but to keep rates low and to provide liquidity to the market. However, the problem from a macro economy has been translation of the low rates to spur capex for growth, which has been a missing link over the last 2 years.

With uncertainty high, I do believe that the opportunities in the market continues to present itself around buying growth at reasonable prices, which is what we as a fund management house are looking to do in this environment. Historically, if one measures the sentiment and investor perception in the market, I have always seen that rising stock price can blind the investor and instill false confidence in the business, while falling stock price can completely shatter confidence and conviction in a business inducing further volatility in prices. The last year has been a typical example of showing the same.

While many investors are waiting for the budget to give a sense of the focus areas of the government, I continue to believe that budgets will not change the course of a business model – meaning, poor allocators of capital will continue to do that , destroying shareholder wealth and its important that one stays away from hope trades during such periods.

I continue to maintain an optimistic view of portfolio returns in 2019, however with a strong focus on selective investments being the core theme for the fund.

From the CEO's Desk

**FUND RETURN SINCE INCEPTION:**

| Time Period | Jan – Jun 2019 | CY 2018 | CY 2017 | ITD ( IRR) |
|---|---|---|---|---|
| Fund Returns ( %) | 7.1% | -8.4% | 55.1% | 18.5% |

1 Rs invested in the fund on 1 Jan 2017 (since inception) is worth 1.52 today (as of June 2019)

info@ituscapital.com II Foor, No.40, II Main Road, R.A. Puram, Chennai 600028 ituscapital.com