



Ampersand Growth Opportunities Fund Scheme – 1

FUND UPDATE: February 29, 2024

Fund objective and strategy

Ampersand Growth Opportunities Fund Scheme-1 (AGOFS) seeks to generate long term capital appreciation by investing in a portfolio of listed equity and equity related securities. AGOFS will follow a multi-cap strategy focusing on investment opportunities across the growth themes with a typical portfolio of 30-35 stocks.

Fund facts

Fund Size	Inception Date	Unit NAV	Unit Face Value	Benchmark	Category
INR 526.0cr	25 SEP 2017	INR 369.7	INR 100	S&P BSE 500	Multi-cap

Fund Performance: Performance sustained in volatile market

Ampersand fund has continued to do well and significantly outperformed benchmark and other key indices, delivering 4.8% returns in Feb. This was despite significant tax provisioning.

Since inception, our fund has delivered 22.5% CAGR, again ahead of all major indices.

Table 1: Fund and Market Performance

Returns	1 Month	3 Months	6 Months	1 Year	3 Year CAGR	5 Year CAGR	Inception CAGR
AGOFS NAV	4.8%	17.1%	29.1%	70.8%	33.7%	28.2%	22.5%
BSE 500	1.5%	11.7%	18.4%	37.7%	17.9%	17.5%	13.8%
Nifty 50	1.2%	9.2%	14.2%	27.0%	14.8%	15.3%	13.1%
Nifty Midcap 100	-0.3%	12.8%	23.8%	60.7%	27.7%	23.7%	16.2%
AFOFS NAV*							369.7

* NAV (post expenses & taxes paid till date), Class & Series-wise NAV may differ

Table 2: Portfolio Metrics

Valuation		Risk	
PE	41.50	Standard Deviation *	18.54
PB	10.68	Beta	0.88
ROCE *	21.43	Sharpe Ratio	1.15

PE, PB & ROCE calculated based on FY24 estimated values. *ROCE for portfolio is calculated ex-financials.

*Annualised standard deviation of returns has been calculated.



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Core holdings witness couple of alterations

Our Top-5/10 holdings account for ~22% and ~39% of corpus respectively, similar to the end of previous month. However, the core holdings list has undergone a couple of alterations, due to trimming in Power Mech and MCX (both rallied well ahead of our medium-term expectations), and replaced by Cummins and Schneider (relative outperformance due to sharp move last month).

Table 3: Top Holdings

Company	% Weight	Company	% Weight
ICICI Bank	5.5%	TARC	3.7%
Trent	4.6%	Cummins India	3.4%
Schneider Electric	4.2%	Sonata Software	3.3%
Jupiter Wagons	3.9%	REC	3.3%
Varun Beverages	3.9%	Neuland Laboratories	3.2%
Top 5	22.1%	Top 10	38.9%

Consumer, IT exposure cut, Real estate upped

Our sector-wise allocation within the portfolio too has undergone alterations, notably increase by 280bps in already preferred space of Engineering & Capital goods (through new addition L&T). Ranking of exposures to other sectors has remained largely similar to previous month, with some tweaking of positions. And we finally did add exposure to the Metals sector. This was reflected through Jindal Steel & Power, albeit reflected in 'Others' due to marginal weight.

Our weights related to market cap classification has witnessed relevant alterations. This follows concerted efforts to increase exposure in relatively larger and liquid names, but satisfying the key criteria of being an growth oriented company. This is reflected in the increase in weights in the >50K cr market cap segment. However, our small cap exposure i.e. <10k cr market cap, did not decline but for a favourable reason, that several of our portfolio holdings in that space have continued to perform extremely well.

Our cash and equivalents declined to ~4% (previous month ~7%) due to significant deployment of funds towards fresh investments as well as final instalment of tax.

As on Feb 29, 2024, our fund consists of 35 stocks, which accounts for 1 exit (i.e. Varroc Engineering) and addition of 3 new names.

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 10,000cr	22.2
INR 10,000-50,000cr	34.2
INR 50,000-100,000cr	15.7
>INR 100,000cr	24.0
Cash & Cash Equivalents	3.9
Weighted Avg. Market Cap (Rs bn)	1,065.2

Table 5: Sectoral Allocation

Sector	% Weight
Engineering & Capital Goods	25.9
Consumer (Goods & Services)	18.6
Financial Services	14.1
Pharma & Healthcare	11.8
IT Services	9.8
Real Estate	9.3
Others*	6.6

*Includes Auto, E-Commerce, Metal and Mining



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Fund performance yet again driven by Mid and Small caps

While mid and small cap indices fared relatively poorly in the previous month, several of our holdings in those spaces performed well. Notable winners were Orchid, Schneider, Trent and Cummins. Our losers too came in the same space, but to a much lesser degree. This was mostly due to corrective pull back after solid gains earlier (REC, Motilal Oswal).

Table 6: Key Movers

Performers	% Return	% Weight	Laggards	% Return	% Weight
Orchid Pharma	40.0%	2.8%	REC	-11.4%	3.3%
Schneider Electric	35.0%	4.2%	Motilal Oswal Financial	-9.7%	2.5%
Inox Wind	26.1%	2.9%	Elecon Engineering Co	-8.9%	2.2%
Trent	25.7%	4.6%	Piramal Pharma	-8.6%	2.5%
Cummins India	19.4%	3.4%	C E Info Systems	-8.0%	2.0%

Note: Average weight used when stocks are bought/sold during the month

PSU banks, Autos and Pharma stood out, while private banks, FMCG lagged

Sector-wise, Pharma, Realty and Autos did well (up 7-8%) while private banks and FMCG fared poorly during the month under review. As a category, PSU banks continued to do extremely well (up 14%).

Since Mid and Small caps contributed significantly to our fund outperformance, sectoral moves did not impact us much. Despite relatively low exposure to PSUs, we yet again delivered a superior performance.

Portfolio saw 3 additions

We have added 3 new names to our portfolio, including (1) Oracle Financial Software Services, a leading software products company focussing in the BFSI space, (2) Larsen & Toubro, India's largest engineering and construction company with global presence, and (3) Jindal Steel & Power, one of the leading steel producers with significant presence in sectors like mining and power generation. As mentioned earlier, we exited auto ancillary Varroc Engineering, as operational performance belied our expectations.

Table 7: Key Portfolio Changes

Company	% Weight Increase	Company	% Weight Decrease
Oracle Financial Services*	248 bps	Varroc Engineering**	(229 bps)
Larsen and Toubro *	215 bps	PI Industries	(96 bps)
Jindal Steel & Power*	184 bps	Power Mech	(73 bps)

*Note: * New Buy, ** Complete Exit*

During the month under review, stock markets globally performed better than they did in India. Institutional activity seems to have slowed down. There was perceptible profit taking in Mid and Small Caps, and shift to larger names. Post results season, Feb was anyway supposed to be a quieter month. We believe that ahead of advance tax commitments and the run up to elections, market volatility is likely to be higher over the next couple of months.

As we had been indicating over the past couple of months, we put to practice investing in larger names even as we took some profits in the small and mid-caps.



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Growth gambit paying off

At Ampersand, we prioritise growth as key driver of wealth generation, and outperform relative to benchmark. In the recently concluded earnings season of Q3FY24, our portfolio of stocks collectively delivered 18% revenue and 32% profit growth compared to previous period. This is well above growth of ~7%/18% in growth of revenues/profit respectively for the BSE 500.

We expect our portfolio of stocks to deliver 28% profit growth in FY25E, while BSE-500 could register growth of 15-16%.

Superior growth of our portfolio stocks does come at the cost of higher valuation. However, this growth premium is likely to expand further, as pockets of growth are narrowing due to persistent high interest rates, both in India and globally.

Upside risk to the India growth story will emerge if 2024 rainfalls are normal, as is being expected by Meteorological department. Better monsoons after two successive years of poor rainfall will ease inflation as well as interest rates, thereby leading to further upside to our base case.

Chart: Ampersand : Relatively stronger growth parameters

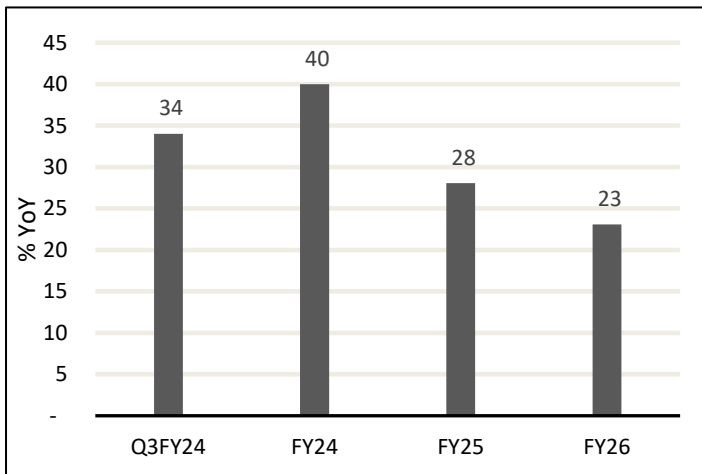
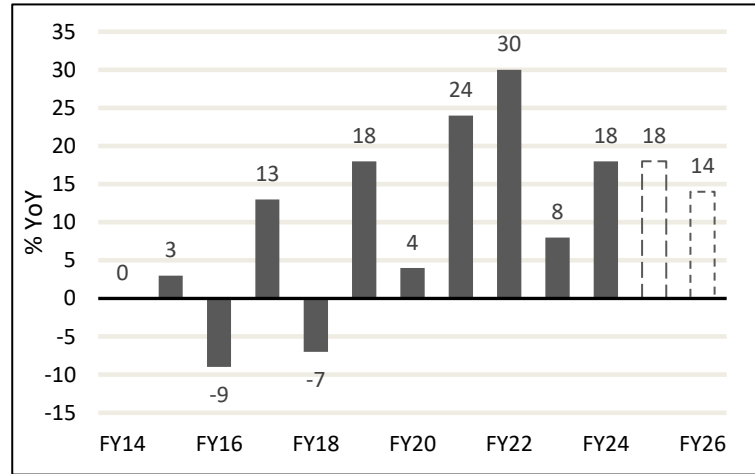


Chart: BSE500 Earnings forecast in high teens



Source: Refinitive-Reuters

Note: OMCs are excluded from the BSE500 sample space



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Fund Information

Minimum investment

INR 10 million

Subscriptions

Monthly

Redemptions

Monthly, subject to
12 months lock-in

Registered for Sale

Registered with SEBI

Legal and Fund Consultant

Khaitan & Co.

Administrator

Kotak Mahindra Bank Ltd.

Registrar & Transfer Agent (RTA)

CAMS Limited

Statutory Auditor & Tax Consultant

Deloitte Haskins & Sells LLP

Investment Manager

Ampersand Capital Investment Advisors LLP

Investment Manager

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