Ampersand Growth Opportunities Fund Scheme – I

FUND UPDATE: August 31, 2023

Fund objective and strategy

Ampersand Growth Opportunities Fund Scheme – I (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 393.4cr	25 SEP 2017	INR 286.3	INR 100	S&P BSE 500	Multi-cap

Fund Performance: Another strong showing

Ampersand NAV was up 6.6% this month, well ahead of the best performing market indices. Our benchmark BSE500 severely lagged (down 0.8%) as did the Nifty (down 2.5%). Our superior performance was aided by a host of winners, where investments made in the past have started to bear fruition now.

Since inception in Sept 2017, our fund delivered cumulative returns of 186%, again significantly ahead of most leading indices.

Table 1: Fund and Market Performance

Returns	Since Inception	1 Month	3 Months	6 Months	1 Year	3 Year CAGR	5 Year CAGR
AGOFS NAV	186.3%	6.6%	18.6%	32.3%	27.4%	32.9%	19.9%
BSE 500	94.1%	-0.8%	7.1%	16.3%	9.9%	21.7%	11.1%
Nifty 50	93.2%	-2.5%	3.9%	11.3%	8.4%	19.1%	10.5%
Nifty Midcap 100	112.7%	3.7%	15.9%	29.9%	24.3%	32.9%	14.5%
AFOFS-I NAV*							**286.3**

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

Table 2: Portfolio Metrics

Valuation		Risk	
PE	44.5x	Standard Deviation *	18.83
PB	8.1x	Beta	0.91
ROCE *	23.3%	Sharpe Ratio	1.22

*PE,PB & ROCE calculated based on 1 year forward estimated values. *ROCE for portfolio is calculated ex-financials.*
**Annualised standard deviation of returns has been calculated.*

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Top portfolio holdings undergo singular alteration

Our top-10 positions underwent just one change. We increased exposure to Power Mech projects during the recent price correction, which thereby replaced Amara Raja Batteries. Our top-5/10 holdings now account for ~24% and ~40% of corpus respectively, which is similar to the end of previous month, despite relative underperformance of our largest position ICICI.

Table 3: Top Holdings

Company	% Weight	Company	% Weight
ICICI Bank	7.0%	Maruti Suzuki	3.6%
Polycab	5.2%	PI Industries	3.2%
Jupiter Wagons	4.4%	Varun Beverages	3.1%
Trent	3.7%	Neuland Laboratories	3.0%
Schneider Electric	3.6%	Power Mech Projects	3.0%
Top 5 Holdings	**23.8%**	**Top 10 Holdings**	**39.7%**

Increased allocation to preferred space

Sectoral allocation underwent some alterations compared to the previous month namely, (1) Increase in exposure to our preferred theme i.e. Engineering and Capital goods at 29%, through combination of new stocks and addition to existing holdings, and (2) Reduction in the Consumption space, again through the same modus operandi. We increased our exposure in IT, by adding a new name C.E. Infosystems, which we believe can deliver strong growth. We continued to add to Pharma and also maintained our relatively high exposure to Autos.

During the month of August, our portfolio weights related to market cap classification mainly spiked in small caps mostly due to strong performance. On the flip side, exposure to large caps was cut due to underperformance as well as some reduction to holdings. Cash surplus spiked temporarily to 8.5% due to inflows towards the end of month.

As on August 31, 2023, our fund consists of 33 stocks, which is the same as previous month.

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 10000cr	29.4%
INR 10000-25000cr	17.4%
INR 25000-50000cr	12.1%
>INR 50000cr	32.6%
Cash & Cash Equivalents	8.5%
Weighted Avg. Market Cap (Rs bn)	1,020.6

Table 5: Sectoral Allocation

Sector	% Weight
Engineering & Capital Goods	29.0%
Consumer (Goods & Services)	18.3%
Auto and Auto Ancillaries	11.3%
IT Services	9.8%
Pharma & Healthcare	7.8%
Others*	16.0%

**Includes Financials Services and Chemicals*

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Stock specific moves defined our portfolio

Our selection of winners last month was a mixed bag. While several mid and small caps yet again contributed to our superior performance, there were also a few losers in the same space. Sectorally, Banks again fared poorly, and our portfolio was no different. However, our restricted exposure to financials helped us a bit.

Table 6: Key Movers

Performers	% Weight	% Return	Laggards	% Weight	% Return
Jupiter Wagons	4.2%	67.2%	Cummins	2.8%	-13.2%
TARC	2.4%	30.7%	Power Mech Projects	2.9%	-8.4%
Schneider Electric	3.6%	25.6%	Carborundum	2.1%	-6.2%
Cera Sanitaryware	2.1%	25.6%	ICICI Bank	7.0%	-4.0%
Escorts Kubota	2.0%	24.4%	Orchid Pharma	2.7%	-3.5%

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

Fresh investments through bottom-up ideation

During the month, we made investments in the 3 new names i.e. Inox Wind, Sonata, and C.E. Infosystems. Pharma space too witnessed an increase in exposure during August, mostly due to addition to existing holdings i.e. Piramal Pharma.

As far as divestments are concerned, we mainly pruned our exposure to stocks which we believe had run their course and are now closer to fair value. All of them have been reasonably profitable for us and include Titan, Coforge and Blue Dart.

Table 7: Key Portfolio Changes

Company	% Weight Increase	Company	% Weight Decrease
Inox Wind*	259bps	Titan**	(240 bps)
C E Info Systems*	241bps	Blue Dart**	(185 bps)
Sonata Software*	199bps	Coforge**	(162 bps)

*Note: * New Buys, ** Complete Exit*

Indian markets fared poorly after 4 months of successive rise, although mid and small caps suggest that the broader market continued to fare well for the 5th straight month. As can be observed, sectors which underperformed were mostly domestic-centric such as Real Estate, Autos, FMCG and of course Banks. This was due to renewed fears of sub-par monsoon and inflation. On the other hand, external facing sectors such as IT and Pharma fared well. Our portfolio has stayed diversified by choice, and benefited our performance.

Sectorally, IT was up 4.1% and Pharma 0.7%, while Banks were down 3.6%, FMCG 2.9%, Real Estate down 1.2% and Autos down a tad.

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Festival season set to provide further fillip to market

Recovery in consumer demand is likely to gather pace soon, and thereby address primary concern of investors. Over the past year, robust wage growth in corporate sector (Chart 1), along with softening of consumer inflation has boosted disposable income. Higher salaries have also boosted borrowing power, leading to stronger bank credit growth (Chart2). These factors in turn are already reflecting in strong growth in demand for real estate, luxury cars/SUVs, and travel. As per recent comments by several consumer discretionary product manufacturers, demand in upcoming festival season starting September is likely to be quite strong, while previous year demand growth was muted. Even a dismal monsoon so far in 2023 is not derailing demand recovery, partly due to improved irrigation. Also, festival season this year is about 15% longer in duration, so good for augmenting consumer demand and ergo, economy as well as market.

Key concerns are stretched valuation in several pockets, and possible rise in political uncertainty in the run up to May 2024 general election.

Chart 1: Robust rise in corporate employees income

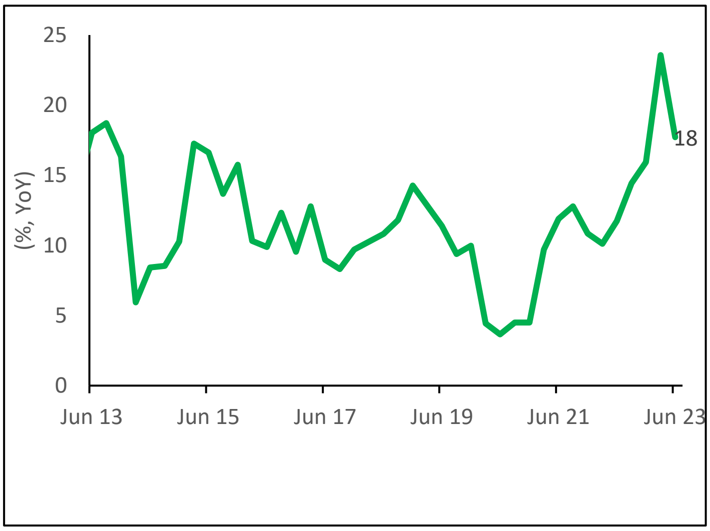
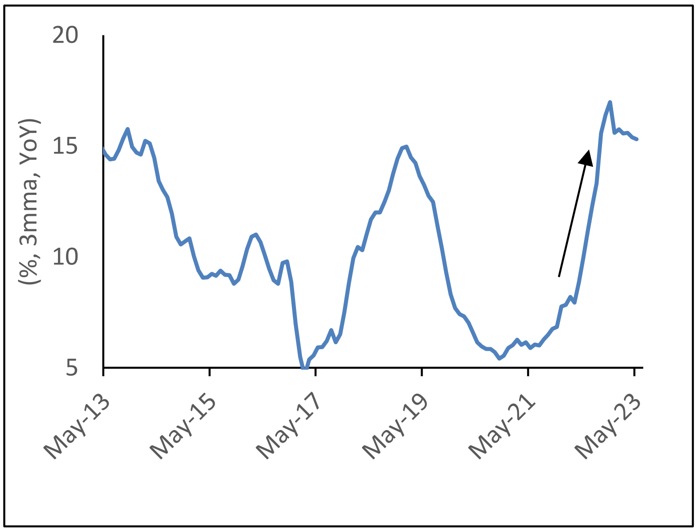


Chart 2: Strong borrowing growth



Source: BSE, RBI, Nuvama Securities

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Fund Information

Minimum investment	Subscriptions	Redemptions	Registered for Sale
INR 10 million	Monthly	Monthly, subject to 12 months lock-in	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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***DISCLAIMER**:*

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