Ampersand Growth Opportunities Fund Scheme – I

FUND UPDATE: June 30, 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 around 35 stocks.

Fund facts

Fund Size	Inception Date	Unit NAV	Unit Face Value	Benchmark	Category
INR 344.3cr	25 SEP 2017	INR 254.6	INR 100	S&P BSE 500	Multi-cap

Fund Performance: Another decent month

Ampersand NAV was up 5.5% this month, ahead of benchmark and the Nifty. And this was despite some of our largest positions faring poorly, which makes this performance even more satisfying. Several portfolio stocks did well, especially our relatively newer positions. Sector-wise, our positions in Capital goods and Autos helped us, as did the underweight stance in financials.

With this, we have significantly outperformed both the Nifty and benchmark (BSE 500) over the last year, and the mid cap index over an extended time period.

Since inception in Sept 2017, our fund delivered cumulative returns of 154.6%, compared to Nifty (92.6%) and Nifty mid cap (up 94.4%)

Table 1: Fund and Market Performance

Returns	Since Inception	1 Month	3 Months	6 Months	1 Year	3 Year CAGR	5 Year CAGR
AGOFS-I	154.6%	5.5%	18.0%	15.8%	30.2%	32.8%	17.6%
S&P BSE 500 (Benchmark)	88.5%	4.1%	12.6%	6.0%	22.3%	24.7%	11.6%
NIFTY 50	92.6%	3.5%	10.5%	6.0%	21.6%	23.0%	12.0%
NIFTY MIDCAP 100	94.4%	5.9%	19.0%	13.5%	35.2%	34.5%	12.2%
AFOFS-I NAV*							**254.6**

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

Table 2: Portfolio Metrics

Valuation		Risk	
PE	33.8x	Standard Deviation *	18.58%
PB	8.0x	Beta	0.89
ROCE *	34.6%	Sharpe Ratio	0.92

*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.*

75–A, 7th Floor, Mittal Tower, Nariman Point, Mumbai – 400 021 | T: +91 22 4213 9500 | E: info@ampersand-cap.com

FUND UPDATE: June 30, 2023

Top portfolio holdings undergo minor alteration

Our Top-5/10 holdings account for 24% and ~42% of corpus respectively, which is similar to the end of previous month. However, the list of top holdings underwent a couple of alterations, with IT stocks Persistent and Tata Elxsi making way for Eicher Motors and Jupiter Wagons. The latter specifically, moved up several places due to strong performance.

Table 3: Top Holdings

Company	% Weight	Company	% Weight
ICICI Bank	7.7%	Trent	3.8%
Varun Beverages	4.2%	Jupiter Wagons	3.7%
Polycab	4.1%	Axis Bank	3.6%
PI Industries	4.0%	Cummins India	3.3%
Maruti Suzuki	4.0%	Eicher Motors	3.1%
Top 5 Holdings	**24.0%**	**Top 10 Holdings**	**41.6%**

Auto and Pharma allocation raised during the month

Sectoral allocation has undergone some alterations compared to the previous month. Consumer continues to be our preferred investment destination with a slightly reduced exposure, followed by Engineering and Capital goods, where exposure has inched up to 23.4%, solely due to performance. The key change we have made is switching positions to Autos at the expense of IT. And another one is significant increase in exposure to the Pharma sector. As always, we continue to be absent in PSUs and Metal sectors.

During the month of June, our portfolio weights too underwent some changes related to market cap classification, with the most significant one being a sizable increase in the small cap space, both due to performance as well as addition of a new name. This also resulted in cash surplus declining to reasonable levels of 5.8% (previous month 8.8%).

As on June 30, 2023, our fund consists of 33 stocks, as we exited 2 positions (Lemon Tree, Persistent Systems) and added 3 names (Piramal Pharma, Orchid Pharma, Amara Raja).

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 100 billion	25.6%
INR 100 – 250 billion	10.7%
INR 250 – 500 billion	9.1%
> INR 500 billion	48.0%
Cash & liquid investments	5.8%
Weighted Avg. Market Cap (Rs bn)	1,404.3

Table 5: Sectoral Allocation

Sector	% Weight
Consumer (Goods & Services)	27.5%
Engineering & Capital Goods	23.4%
Financial Services	11.3%
Auto & Auto Ancillaries	10.4%
Information Technology	8.0%
Others*	13.6%

**Includes Pharma & Healthcare and Chemicals.*

FUND UPDATE: June 30, 2023

We had a bunch of winners this month

Small caps seemingly were the significant contributors, but so were a bunch of larger names across sectors and market capitalisation. As we have mentioned earlier, if not for the notional losses in our Top-2 positions, overall gains and performance would have been even better. Sector-wise, Banks and IT fared poorly, and our portfolio was no different.

Overall the Pharma sector did very well, but we benefited partially as exposure was raised during the course of the month. On the other hand, our Real Estate holdings underperformed the sector just a tad.

Table 6: Key Movers

Performers	% Avg Weight	% Return	Laggards	% Avg Weight	% Return
Jupiter Wagons	3.2%	32.4%	Varun Beverages	4.4%	-5.3%
Trent	3.7%	13.1%	Eicher Motors	3.1%	-2.5%
Elecon Engineering	2.2%	10.5%	ICICI Bank	8.0%	-1.6%
Cummins India	3.5%	10.4%	Solar Industries	2.2%	-0.3%
PI Industries	3.9%	8.4%	MTAR Technologies	2.2%	1.0%

New additions mostly in the Pharma space

During the month, we made significant investments in the pharma space. We discuss a brief rationale of one of those names.

Piramal Pharma, a contract development and manufacturing organisation (CDMO) of pharmaceuticals products, is at the cusp of turnaround in performance after two successive years of decline. Over the next 2-3 years, the company is likely to deliver over 50% growth in revenues and doubling of margins. Debt reduction is also likely to play out during this period. Key drivers are, (1) strong new order win trajectory in recent months, (2) easing of input costs, and (3) proposed rights issue. Stock should re-rate from current levels, in our view.

As far as divestments are concerned, in June we pruned our exposure by ~15% each in a few names which had worked exceptionally well for us so far. These include Axis Bank, Tata Elxsi and Cummins. Risk-reward was no longer as attractive to justify a disproportionately high exposure, and hence this move.

Table 7: Key Portfolio Changes

Company	% Weight Increase	Company	% Weight Decrease
Orchid Pharma	270 bps	Lemon Tree Hotels	(220 bps)
Amara Raja Batteries	198 bps	Persistent Systems	(156 bps)
Piramal Pharma	134 bps	Tata Elxsi	(75 bps)

FUND UPDATE: June 30, 2023

Indian markets surge on foreign flows

Despite headwinds quite early into the month (Hawkish stance by US Fed Reserve, sharp interest rate hikes by BOE, monsoon worries back home), our market proved to be resilient and rallied sharply for the 3rd successive month. India seems to have benefited from a favourable inflation outlook and better growth and external trade/services situation. As such, the latter half of the month witnessed a surge in institutional buying, mainly from foreigners. On the flip side, markets again have trended towards the higher end of the valuation band.

Sector-wise, Real Estate and Pharma performed the best (up 9.4% and 9.2% respectively), while Autos (up 6.8%) and Metals (up 4.6%) too did well. On the other hand, Banks and IT fared poorly on a relative basis, gaining less than 1% each during the month.

Resilience to monsoon vagaries provide downside protection

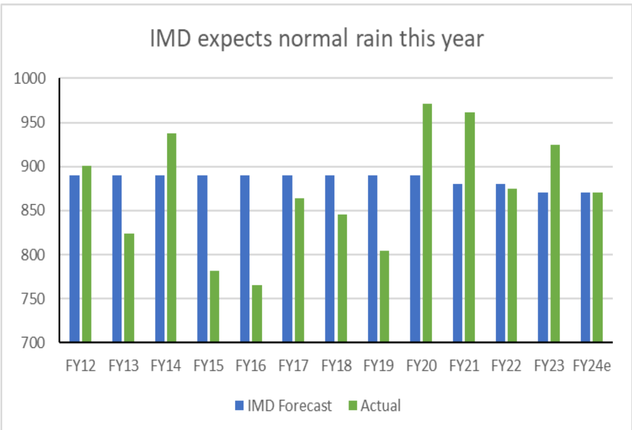
India's Agriculture sector has become less vulnerable to monsoons compared to 20 years ago. Poor rainfall due to El Niño led to a maximum of 4% decline in crop production in the last 6 instances, while the decline used to be over 8% prior to that. Resilience of agriculture is quite important as it employs about 40% of Indian workforce and constitutes nearly 18% of the Indian economy. Increased resilience can be attributed to better irrigation systems and farm automation. Given that the current year is an El Niño year, resilience of the agriculture sector will get tested. However, several experts have opined that impact will be marginal, and hence rural recovery will continue to boost the domestic economy as well as the stock market.

While the first fortnight of June started on a weak note (37% below its long period average (LPA)) due to the formation of cyclone Biparjoy, the past week has witnessed a good onset of monsoon across regions leading to reduction in pan India monsoon deficit to 28% below its LPA. Both the India Meteorological Department (IMD) and Skymet weather team have called for a pick-up in rains over the next fortnight. Also, they have alluded normal monsoon conditions in India during the first half of July.

The overall sowing area for Kharif crops has picked up strongly over the past week with the onset of monsoons, and is currently only around 4.5% below previous year levels (Vs 49% decline a week ago). Key Kharif crops such as paddy, oilseeds and pulses have witnessed a healthy pick-up in sowing.

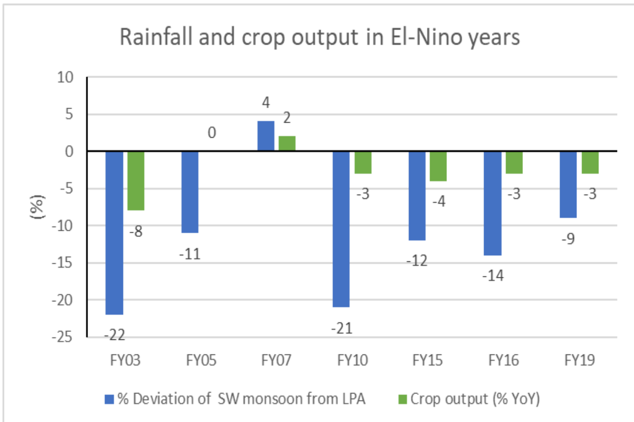
While over 65% of Indian agricultural lands are dependent on monsoon for the cultivation of Kharif crops (paddy, maize, soyabean, cotton, sugarcane, etc.), it is important to note that the reservoir levels are above the 10-year average (both on yearly and weekly basis) and should play a crucial role even if monsoon falters.

Chart 1: Monsoon to be normal despite El-Nino



Source: Indian Meteorlogy Department (IMD)

Chart 2: Crop output not as volatile as rainfall



Source: IMD, and Ministry of Agriculture

Ampersand Growth Opportunities Fund Scheme – I

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

Ampersand Capital Investment Advisors LLP (LLPIN: AAF –1429)
Address: 75-A, Mittal Tower, Nariman point, Mumbai – 400 021
Tel: +91 22 4213 9500 E-mail: info@ampersand-cap.com

DISCLAIMER:

Ampersand Capital Investment Advisors LLP (Ampersand) is an Investment Manager of Ampersand Growth Opportunities Fund Scheme – I (Fund), a Scheme of Ampersand Capital Trust registered as a Category III – Alternative Investment Fund (AIF) under the SEBI (Alternative Investment Funds) Regulations, 2012. This document does not constitute or is not intended to constitute an offer to buy or sell, or a solicitation to an offer to buy or sell financial products, units or securities. The information provided by Ampersand is obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness and expressly disclaims all warranties and conditions of any kind, whether express or implied.

Ampersand and its employees, personnel, partners will not be responsible for any direct/ indirect loss or liability incurred by the user as a consequence of him or any other person on his behalf taking any investment decisions based on the contents and information provided herein. Use of this information is at the user's own risk, as investments in shares and securities are subject to market risks and user's risk profile. The user must make his own investment decisions based on his specific investment objective and financial position and using such independent advisors as he believes necessary. Past performance may not be indicative of future results. All intellectual property rights emerging from this document are and shall remain with Ampersand. This is for your personal use and you shall not resell, copy, or redistribute this document or any part of it, or use it for any commercial purpose.