Ampersand Growth Opportunities Fund Scheme – 1

FUND UPDATE: December 31, 2023

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 477.8cr	25 SEP 2017	INR 330.8	INR 100	S&P BSE 500	Multi-cap

Fund Performance: Continued gains, albeit at slower pace

Ampersand fund continued to deliver positive returns in December but lagged other indices. This accounts for a sizable 70bps impact due to advance tax instalment outgo during the month. More significantly the performance some of our larger holdings was restricted by, (1) normal stock correction after exceptional rise in recent months, (2) extraneous event of income tax raid on Polycab, which is our 2nd largest holding, and (3) continuing underperformance of our top holding ICICI.

As a result, Ampersand fund was up 4.8%, compared to 8% rise in our benchmark BSE 500. Our performance across various time periods in 2023 as well as earlier years, were ahead of 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%	15.8%	29.9%	50.5%	31.2%	24.3%	21.3%
BSE 500	8.0%	12.1%	17.8%	24.8%	18.8%	16.1%	13.8%
Nifty 50	7.9%	10.7%	13.2%	20.0%	15.8%	14.9%	13.4%
Nifty Midcap 100	7.6%	13.9%	29.2%	46.6%	30.4%	20.9%	16.0%
AFOFS NAV*							**330.8**

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

Table 2: Portfolio Metrics

Valuation		Risk	
PE	38.5	Standard Deviation *	18.65
PB	8.8	Beta	0.9
ROCE *	19.2	Sharpe Ratio	1.08

*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 largely unaltered

Our Top-5/10 holdings account for 22.6% and ~40% of corpus respectively, similar to the end of previous month. The list underwent just one alteration, with TARC coming in at the expense of Phoenix Mills solely due to relative stock performance.

Table 3: Top Holdings

Company	% Weight	Company	% Weight
ICICI Bank	6.5%	Jupiter Wagons	3.7%
Polycab India	4.6%	Neuland Laboratories	3.5%
Trent	4.0%	TARC	3.4%
LTIMindtree	3.8%	MCX	3.3%
Varun Beverages	3.8%	Sonata Software	3.3%
Top 5	**22.6%**	**Top 10**	**39.8%**

Exposure to Autos has been cut further

Sector-wise allocation of the portfolio has remained broadly unchanged for the month, barring Autos. Engineering & Capital goods stays as our preferred investment destination, followed by the Consumer space. Our exposure to Pharma & Healthcare remains healthy and we remain constructive. We have continued to cut our exposure to Autos, exiting Eicher Motors following decent returns, as well as limited return expectations hereon. We still are absent in the Metals sector, which hurt us by faring well last month.

Our weights related to market cap classification too remained largely unaltered, with the universe exceeding Rs 50,000cr accounting for around 40% of AUM.

Despite inflows, our cash and equivalents were marginally lower at ~4% (previous month ~5%) due to new investments.

As on Dec 31, 2023, our fund consists of 34 stocks, which accounts for 1 exit and 2 additions.

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 10,000cr	22.8
INR 10,000-25,000cr	30.5
INR 25,000-50,000cr	4.8
>INR 50,000cr	37.9
Cash & Cash Equivalents	3.9
Weighted Avg. Market Cap (Rs bn)	1,019.2

Table 5: Sectoral Allocation

Sector	% Weight
Engineering & Capital Goods	23.4
Consumer (Goods & Services)	20.3
Financial Services	14.5
Pharma & Healthcare	13.0
IT Services	12.7
Auto and Auto Ancillaries	4.4
Others	7.9

**Includes Real Estate, E-Commerce*

FUND UPDATE: December 31, 2023

We had a host of winners, but some losers as well

Our portfolio gains came mostly through Small Caps, with Inox Wind standing out for the successive month. On the other hand, we had some unexpected losers, mostly in Mid-caps, which restricted our performance.

Table 6: Key Movers

Performers	% Return	% Weight	Laggards	% Return	% Weight
Inox Wind	78.2%	2.6%	C E Info Systems	-12.6%	2.8%
Orchid Pharma	25.3%	2.2%	Jupiter Wagon	-8.3%	3.4%
Schneider Electric	23.1%	2.8%	PI Industries	-6.8%	2.5%
TARC	20.9%	3.2%	The Phoenix Mills	-5.3%	3.0%
REC	18.4%	3.0%	Escorts Kubota	-5.3%	2.2%

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

Banks and Realty stood out, while Pharma lagged

Sectorally, Realty Banks and IT delivered ahead of Nifty while Pharma and to some extent Auto and FMCG sectors lagged. Our portfolio lagged due to relative underperformance of ICICI (within Banks) and Autos.

Portfolio saw couple of additions

We started to add Motilal Oswal Financial Services, a leading wealth management company available at significant valuation discount to peers. We also added Zomato to our portfolio to fill the gap in the e-commerce retail space, as the prospect of profitable growth has become more apparent.

Table 7: Key Portfolio Changes

Company	% Weight Increase	Company	% Weight Decrease
Zomato*	168 bps	Eicher Motors**	(196 bps)
Motilal Oswal*	152 bps	C E Info Systems	(57 bps)
Jupiter Wagons	55 bps	PI Industries	(41 bps)

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

Markets ended on a high in 2023

Stock markets globally and in India had a strong follow up to previous months rally, largely due to, (1) Positive state election results, which increased chances of political continuity in the upcoming General Elections, and (2) Revised policy stance of US Fed with a dovish position. FIIs became more aggressive buyers, combined with sustenance of domestic inflows.

As we had indicated in the previous month, Nifty stocks seem poised to do well given the extended underperformance and relative valuations. While we continue to favour Mid-caps, it is likely that we are inclined to push towards some of the larger names within the Mid-cap universe. Also, as part of our multi-cap investment strategy, exposure to Small caps is limited to manageable levels (20-25%)

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Bracing for modest returns in 2024

India stock market has started on a rather sombre note in 2024, due to softening of several leading macro indicators. Sharp moderation in automobile sales, electricity demand, and government capex in recent months could indicate worsening of fundamentals.

However, markets have ignored these red flags, and instead built in the benefits of, (1) softening of interest rates, and (2) favourable election results. Significant rerating across sectors in the previous three months therefore warrants a note of caution.

Upcoming earnings season is likely to throw up several earnings disappointments in sectors like IT, Consumer staples as well as discretionary, and Banks. Order inflow of capital goods companies is also likely to be poor for the quarter ending Dec 2023. Adverse weather for 2 consecutive years has already raised food inflation, and income of rural households. As such, the ability to withstand another year of sub-par monsoons is quite low.

Risk management along with moderation of return expectations will be the key focus area for us in the coming months. We, however, continue to believe that the ongoing bull market is far from over, even though we will possibly see increased volatility and low double digit returns in 2024. We however continue to see attractive opportunities in healthcare, technology, and capital goods space.

Chart 1: Automobiles slowed down in Dec 23

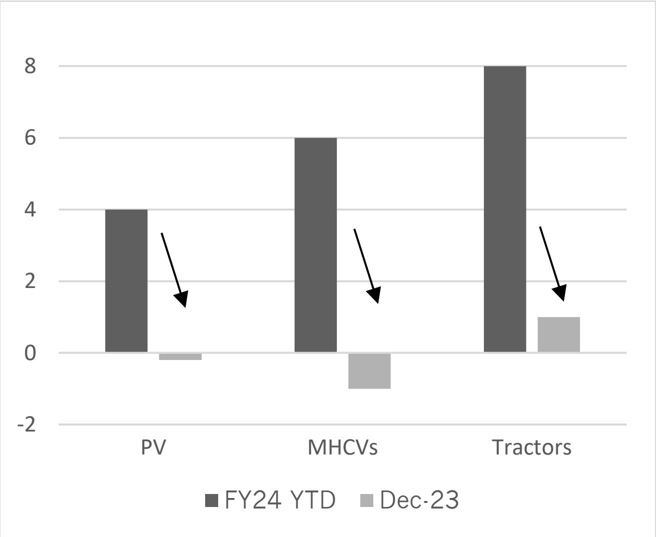
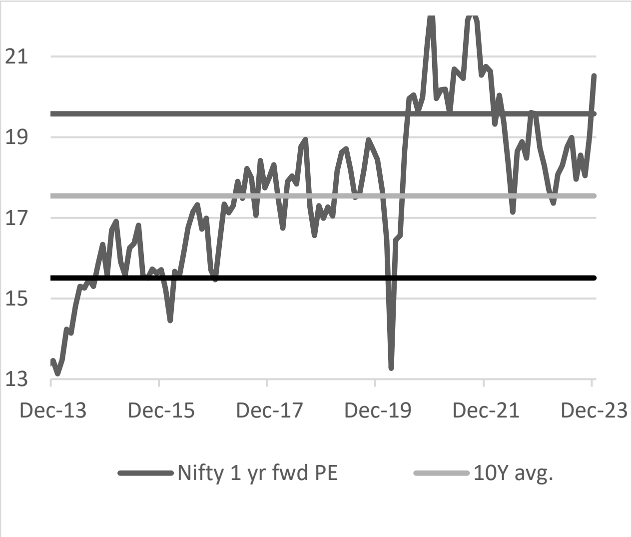


Chart 2: NIFTY50 1-yr fwd PE is 8-10% above avg



Source: Vahan, NSE Website, Nuvama Research

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Ampersand Growth Opportunities Fund Scheme – 1

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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