Ampersand Growth Opportunities Fund Scheme – I

FUND UPDATE: April 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 305 cr	25 SEP 2017	INR 224.3	INR 100	S&P BSE 500	Multicap

Fund Performance

Ampersand NAV was up 4% this month, largely in line with the Nifty. This was despite our contra overweight stance in the IT sector, which performed poorly relative to all market indices and restricted our performance as well. As a result, we underperformed benchmark and the mid cap indices.

Our 3-month and 12-month performances have been ahead of benchmark and major market indices. Also since inception, our fund delivered cumulative returns of 124.3%. In comparison, Nifty registered 81.3% and Nifty Midcap 72.9%.

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	124.3%	4.0%	4.8%	-0.7%	7.1%	30.5%	13.6%
S&P BSE 500 (Benchmark)	75.0%	4.5%	1.8%	-1.5%	2.8%	23.9%	10.0%
NIFTY 50	81.3%	4.1%	2.3%	0.3%	5.6%	22.4%	11.0%
NIFTY MIDCAP 100	72.9%	5.9%	3.6%	1.2%	6.4%	33.0%	9.4%
AFOFS-I NAV*							**224.3**

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

Table 2: Portfolio Metrics

Valuation		Risk	
PE	32x	Standard Deviation	18.6%
PB	9.4x	Beta	0.89
ROCE *	27.9%	Sharpe Ratio	0.84

*PE,PB & ROCE calculated based on 1 year forward estimated values. *ROCE for portfolio is calculated ex-financials.*

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Core portfolio is more balanced

Our Top-10 holdings account for 44.2% of corpus, which is a lower proportion compared to the end of previous month. This is mainly due to significant pruning of IT exposure, which knocked out a couple of the names from the list. The list has therefore seen a few alterations, with recent acquisition PI Industries now part of our core portfolio. Also, legacy holdings Tata Elxsi and Asian Paints have moved up the rank.

Table 3: Top Holdings

Company	% Weight	Company	% Weight
ICICI Bank	8.6%	PI Industries	3.9%
Polycab	5.3%	Trent	3.8%
Varun Beverages	4.3%	Cummins India	3.6%
Axis bank	3.9%	Tata Elxsi	3.6%
Maruti Suzuki	3.9%	Asian Paints	3.3%
Top 5 Holdings	**26.0%**	**Top 10 Holdings**	**44.2%**

Sector allocation diversified with IT neutral stance

Sectoral allocation has undergone significant changes compared to the previous month. First, post disastrous results and weak outlook of Infosys, we cut our exposure to our positions in the IT sector (from 17.1% to 10.5%). We also exited our marginal position in the metals sector. And finally, we increased exposure to Engineering and Capital goods (18.5% from 14.4%).

Post re-allocation, Consumer continues to be our preferred investment destination. And within this space, FMCG accounts for 10.0% of corpus covering Tobacco, Beverages and Foods. We remain underweight in Financials, although we added a bit of Axis Bank during the early April dip. We still do not own any PSUs or NBFCs. Sectors where we do not hold any investments include Energy, Real Estate and now Metals.

As on April 30, 2023, our fund consists of 31 stocks but cash surplus has increased to 9.8%, mostly due to the exits and partial deployment of funds.

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 100 billion	17.7%
INR 100 – 250 billion	9.0%
INR 250 – 500 billion	24.5%
> INR 500 billion	39.0%
Cash & liquid investments	9.8%
Weighted Avg. Market Cap (Rs bn)	1,457

Table 5: Sectoral Allocation

Sector	% Weight
Consumer (Goods & Services)	35.9%
Engineering & Capital Goods	18.5%
Financial Services	12.5%
Information Technology	10.5%
Others	7.5%
Auto & Auto Ancillaries	5.3%

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Small and mid-caps fared better for us

Key contributors from our portfolio included a mix of mid and small cap names, and also includes Tata Elxsi, an IT company. However, stocks which restricted overall returns were some of the larger positions, especially IT stocks.

Table 6: Key Movers

Performers	% Avg Weight	% Return	Laggards	% Avg Weight	% Return
Lemon Tree Hotels	2.8%	14.0%	LTI Mindtree*	5.0%	-7.1%
Schneider Electric	2.2%	13.7%	Cummins India	3.6%	-3.3%
PI Industries	3.2%	11.7%	Trent	3.9%	-0.5%
Tata Elxsi	3.1%	11.5%	Axis Bank	3.8%	0.2%
Polycab	5.1%	11.3%	Solar Industries	2.4%	0.8%

** LTI Mindtree average weight for the month calculated on pro-rata basis.*

Cut in IT exposure was a key strategic decision

Recovery prospects of the IT services sector have been dented by the Banking crisis in the USA. Following sharp price corrections last year, we had raised our exposure in the IT space during early-Jan, as most companies were guiding for better times April 2023 onwards. However, several leading global banks failed to survive at such elevated levels of interest rate and announced bankruptcy in March/April 2023. Considering that banks form over 40% of Indian IT companies business, we now believe that earnings recovery could take longer than anticipated. Also, spurt in usage of AI (Artificial Intelligence) is threatening the existing business model of Indian IT companies. Given such uncertainty, we have drastically cut our exposure to the sector. Majority of our current holdings are companies having differentiated service offerings in areas like product engineering and R&D etc.

Table 7: Key Portfolio Changes in April

Company	% Weight Increase	Company	% Weight Decrease
MTAR Technologies	199 bps	LTI Mindtree	(395 bps)
Kirloskar Pneumatic	173 bps	VRL Logistics	(215 bps)
Page Industries	132 bps	Persistent Systems	(214 bps)
PI Industries	130 bps	Jindal Steel & Power	(149 bps)
Blue Star	79 bps	Coforge	(120 bps)

Indian equities pulled back strongly

After three successive months of decline, India stock markets bounced back in April. In fact, we even fared better than most global markets. Mid-cap indices, which had witnessed extended underperformance, led the recovery with 5.9% gains.

This performance was aided by (1) institutional buying, including FIIs, (2) better financial results as the month progressed and (3) valuations appearing more reasonable.

Sectorally, IT was an acute underperformer (down 3.4%), while most other sectors did well rising at least as much as the broader market.

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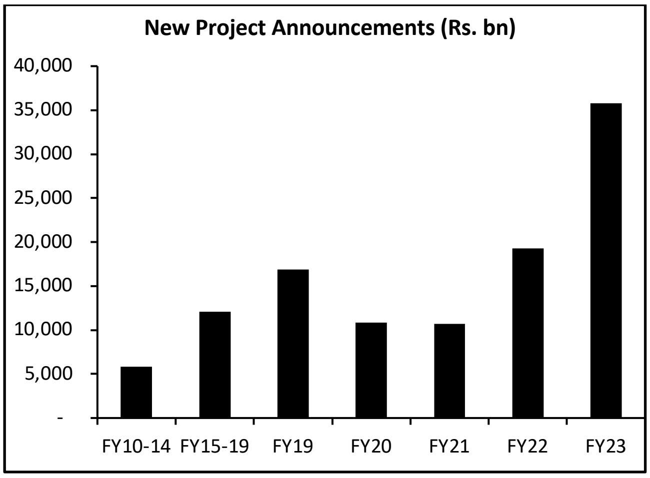
Capex cycle recovery could help sustain uptrend

The doubling of India's capex orders in recent months is encouraging, as spending revival is essential to sustain GDP growth at 6-7%. Despite the slow pace of project completion in the past, the prospect of 20%+ capex growth is quite high, and likely to be led by transport, manufacturing and renewable energy. Increased pace of project execution will also be the key driver of India stock performance in coming years, considering that consumption led demand seems to have topped out.

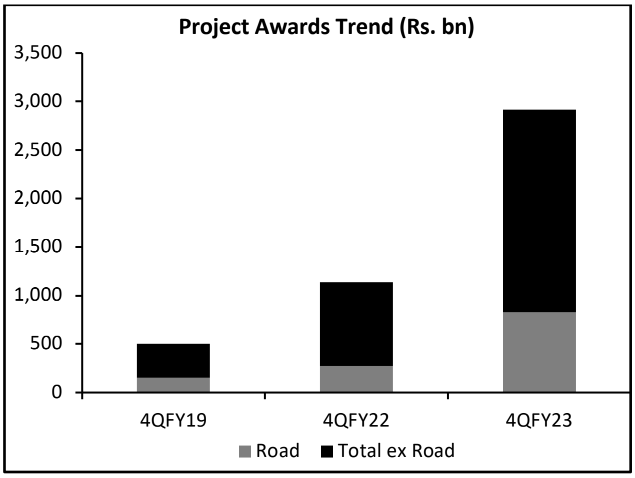
Charts of the month

New Project announcements surged in FY23



Source: Projects Today, Emkay Research

Contracts awarded doubled in March quarter



Source: Projects Today, Emkay Research

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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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***DISCLAIMER**:*

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