Ampersand Growth Opportunities Fund Scheme – 1

Monthly Market Review & Outlook -May-2026

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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.

Investment Strategy — Staying Positive on Equities

House View: Constructive on Indian Equities

- Accumulate on dips: Near-term volatility from geopolitics and currency is creating a buying opportunity. Large-cap Nifty valuations are below their 10-year average premium — a compelling entry point for long-horizon investors.
- Earnings recovery is the catalyst: Q4FY26 marks a turning point with double-digit PAT growth across Autos, IT, Infrastructure, and Pharma. Nifty EPS at Rs.1,050-1,080 for FY27 implies a Nifty target of 27,000-29,000.
- Key monitorable: Monsoon data (Jun-Jul), Iran ceasefire/escalation, RBI June MPC outcome, US Fed guidance, Q1FY27 earnings season (Jul-Aug).

Ampersand Capital | MARKET VIEW — MAY 2026

Despite the near-term noise from the US-Iran war, rupee depreciation, and global risk aversion, we at Ampersand Capital believe India's medium-term equity story remains one of the most compelling. The earnings cycle is turning up, domestic demand is resilient, and valuations have corrected to levels last seen before the 2023-2024 bull run. Our major themes –Consumption Premiumization, Energy Transition, New-Age Technology stays intact. We foresee that lower oil prices and the government's increasing focus on renewable energy are supporting a gradual reduction in import dependence, thereby enhancing energy security and de-risking supply chains. The government is reportedly considering a review of capital gains taxation to improve market sentiment amid persistent FII outflows and currency pressures.

We recommend staying invested, using volatility as an opportunity to accumulate high-quality, large-cap businesses in sectors aligned with India's structural growth drivers.

Equity Market Outlook

POSITIVE FACTORS

- India-US trade deal progress — reduced tariff tailwinds for IT, pharma, textiles exports
- Sustained SIP flows (~Rs.23,000-25,000 Cr/month) & DII buying anchoring market against FPI selling
- Q4FY26 earnings recovery gaining momentum — Autos, IT, Infrastructure, Pharma outperforming
- IT sector rally: Wipro +18.5% (US), TCS & Infosys strong on AI-partnership deals with ServiceNow

RISKS TO WATCH

- US-Iran war: Strait of Hormuz disruption termed 'largest oil supply shock in history' by IEA; crude near $96
- El Nino risk: Any monsoon deviation raises food inflation and rural demand concerns for H2 FY27
- Rupee at ~Rs.95-96 raises import costs; trade deficit and CAD pressure set to widen in FY27
- Possible RBI rate hikes in H2 CY26 — Goldman Sachs forecasts two hikes if oil stays elevated
- Small-cap valuations stretched at 28x P/E vs 17x long-term average — risk of de-rating

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- RBI record surplus transfer (~Rs.2.9 lakh crore) to government enhances fiscal headroom for capex
- India's MSCI valuation premium below 10-year average — attractive accumulation zone for long-term investors

- BFSI sector NIMs under pressure — earnings laggard this quarter

Macro Backdrop

INDIA GDP (FY26)	CPI INFLATION (APR '26)	RBI REPO RATE	BRENT CRUDE (MAY)
7.6%	**3.48%**	**5.25%**	**~$96**
RBI revised estimate	Nudging up; benign	On hold — neutral stance	Iran war disruption

- India remains the fastest-growing major economy; FY26 GDP revised up to 7.6% by the RBI, supported by strong rural demand revival and domestic consumption momentum.
- CPI at 3.48% in April 2026 — within the 2–6% tolerance band. Food inflation ticked to 4.2% on vegetables and oils; energy costs managed through government intervention.
- RBI held repo at 5.25% in the April MPC, maintaining a neutral stance. Goldman Sachs now projects two additional rate hikes in CY2026 if oil and inflation stay elevated.
- Rupee weakened to a peak of Rs.96.79/USD on May 20, pressured by the Iran war fuel shock, foreign outflows, and a widening trade deficit. RBI is not using rate hikes to defend the INR.
- FY27 GDP projected at 6.9%. Key risks: prolonged Iran conflict, US tariff escalation, and higher-than-expected imported inflation.
- Global growth outlook dimmed — Goldman Sachs raised US recession probability to 30% on energy-driven inflation and tightening financial conditions.

Performance of Key Indices — Level, MTD (May-2026) & YTD (Apr-May-2026)

Index	Level (CY 26-27)	MTD Return	YTD Return
BSE Sensex	**74,776**	-2.78%	-12.25%
Nifty 50	**23,547**	-1.87%	-9.88%
Nifty Midcap 100	**61,724**	3.24%	2.05%
Nifty Small cap 100	**18,139**	0.73%	2.40%
Nifty Next 50	**71,074**	2.05%	2.46%
Nifty Bank	**54,239**	-1.14%	-8.97%
Nifty IT	**29,080**	-0.93%	-23.24%
Nifty Pharma	**24,346**	4.63%	7.74%
Nifty Auto	**26,338**	1.62%	-6.57%
Nifty Metal	**13,441**	4.74%	20.36%
Nifty FMCG	**49,383**	-3.31%	-10.98%
Nifty Infrastructure	**9,353**	-0.70%	-2.74%
Nifty Energy	**40,878**	0.26%	15.72%

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Q4FY26 Earnings Season — Highlights

NIFTY50 REVENUE GROWTH	EBITDA GROWTH	AGGREGATE PAT GROWTH	EARNINGS BEAT RATE
+8-10%	**+12-14%**	**+15-18%**	**~58%**
YoY Q4FY26E	Margin expansion	Best in 6 quarters	vs 52% last qtr

SECTOR	REVENUE YOY	EBITDA YOY	PAT YOY
Automobiles	+19%	+16%	+35%
IT Services	+13%	+15%	+16%
Pharma & Healthcare	+12%	+14%	+15%
BFSI (Banks & NBFC)	NII +7%	PPOP +8%	+6%
Infrastructure & Cap Goods	+17%	+15%	+20%
FMCG & Consumer	+6%	+7%	+4%

- **Nifty50 EPS for FY27 estimated at Rs.1,050-1,080, implying potential Nifty target of 27,000-29,000 at 25-27x P/E — significant upside from current levels.**
- Standout Q4 sectors: Autos, IT (AI deal pipeline), Capital Goods, Renewable Energy, Export Pharma. BFSI is the key laggard this season.

Debt Market Outlook

10Y G-SEC YIELD	30Y BOND YIELD	2Y YIELD	FY27 GROSS BORROWING
7.00%	**7.81%**	**6.60%**	**Rs.17.2T**
Near 2-year high	Elevated	Curve upward sloping	+17% vs FY26

3M	6M	2Y	5Y	10Y	30Y
5.36%	5.57%	6.60%	6.91%	7.00%	7.81%

- India 10Y G-Sec yield near 7.00% (May 27) — at its highest in nearly two years, driven by elevated crude, rupee weakness, and the government's record borrowing program of Rs.17.2 trillion for FY27.
- Supply-demand imbalance in the bond market; the RBI is expected to continue acting as a marginal buyer in secondary market operations to manage yield levels.
- Goldman Sachs projects two additional RBI rate hikes in CY2026 if oil remains elevated and CPI inches toward the upper tolerance band.
- Strategy: Avoid long-duration bets. Favor short-to-medium duration AAA accrual funds, floating-rate instruments, and dynamic bond funds with tactical flexibility on duration.

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Key Positive Developments for Capital Markets

DOMESTIC CATALYSTS	GLOBAL TAILWINDS
• India-US trade deal framework likely to reduce tariff headwinds for exporters (IT, pharma, textiles) • IMD: above-normal monsoon 2026 — boosts agriculture, rural demand, food inflation moderation • GST collections at Rs.2.43 lakh crore in April 2026 — near-record high, signals robust economic activity • RBI record surplus transfer (~Rs.2.5L crore) enhances fiscal space for government capex spending • JPMorgan GBI-EM flows into G-Secs remain constructive despite global risk aversion • PLI scheme execution accelerating in electronics, semiconductors, and EV components • SIP inflows sustaining at ~Rs.23,000-25,000 crore/month, anchoring DIIs as consistent buyers	• US-Iran ceasefire talks initiated (confirmed by Trump) — reducing Hormuz closure tail risk • US Fed pausing rate hikes — supportive backdrop for EM assets if global oil stabilizes • AI spending super cycle benefiting Indian IT — Wipro-ServiceNow, Infosys pipeline surging • OPEC+ potentially increasing supply to offset Iranian shortfall — crude relief likely in H2 • China + 1 strategy: India gaining as preferred manufacturing alternative to China • India's CAD manageable at ~1.8% of GDP (FY27E) — not a structural concern • Domestic equity market valuations below 10-year average premium — re-rating potential significant

High Frequency Indicators

GST COLLECTIONS (APR '26) **Rs.2.43 L Cr** Near-record; +3% MoM	MANUFACTURING PMI (MAY '26) **54.3** Down from 54.7; expansion zone	SERVICES PMI (FEB '26) **58.1** Robust expansion sustained
NAUKRI JOBSPEAK **+8% YoY** AI/ML +41%; Hospitality +26%	E-WAY BILL GENERATION **Healthy** Double-digit growth YoY	AUTO RETAIL SALES **Broad-based** All categories positive (GST boost)
MFG. INPUT COST INFLATION **Elevated** Highest since Jul '22; energy-driven	PORT CARGO (MAJOR PORTS) **+5.6% YoY** Trade volume recovery	RBI BUSINESS EXP. INDEX **126.2** 6-quarter high; hiring positive

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Fund Information

Minimum investment	Subscriptions	Redemptions	Registered for Sale
INR 10 million	Monthly	Monthly, subject to 12 month lock-in	Registered with SEBI

Legal and Fund Consultant	Administrator	Registrar & Transfer Agent (RTA)
Khaitan & Co.	Kotak Mahindra Bank Ltd.	CAMS Limited

Statutory Auditor & Tax Consultant	Investment Manager
Deloitte Haskins & Sells LLP	Ampersand Capital Investment Advisors LLP

Investment Manager

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