Ampersand Growth Opportunities Fund Scheme – I

FUND UPDATE: March 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 around 35 stocks.

Fund facts

Fund Size	Inception Date	Unit NAV	Unit Face Value	Benchmark	Category
INR 294 cr	25 SEP 2017	INR 215.7	INR 100	S&P BSE 500	Multicap

Monthly Fund Update

Starting with this edition and every month, we will be presenting a factsheet along with commentary, thereby replacing our quarterly newsletter. This is in line with the feedback given by some of our investors.

Fund Performance

Following strong showing in Feb 2023, Ampersand fund underperformed a tad this month. The slippage was mainly due to an overweight stance in the IT sector, which performed poorly. Also, significant outgo related to final advance tax instalment impacted NAV by around 0.7%. So our fund NAV was down 0.3%, lagging both the Nifty and benchmark BSE 500 (both up 0.3%).

Notably, performance during the quarter was in line with major indices. This is a reversal of sorts from Oct-Dec 2021, which was impacted both by IT exposure and small cap capitulation (in Dec).

During the last financial year i.e. April-Mar, our fund NAV increased 1.0%, compared to 0.6% decline for Nifty and 2.3% decline for BSE 500.

Since inception, our fund delivered returns of 14.9% CAGR. In comparison, Nifty registered 10.6% CAGR and Nifty Midcap 9.3% CAGR.

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	115.7%	-0.3%	-1.9%	-3.2%	1.0%	33.3%	14.6%
S&P BSE 500 (Benchmark)	67.4%	0.3%	-5.9%	-2.0%	-2.3%	27.8%	10.4%
NIFTY 50	74.2%	0.3%	-4.1%	1.6%	-0.6%	26.4%	11.4%
NIFTY MIDCAP 100	63.3%	-0.3%	-4.7%	-2.1%	1.2%	36.9%	9.9%
AFOFS-I NAV*							**215.7**

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

FUND UPDATE: March 31, 2023

Table 2: Portfolio Metrics

Valuation		Risk	
PE	29x	Standard Deviation	18.8%
PB	8.5x	Beta	0.89
ROCE *	28.9%	Sharpe Ratio	0.85

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

Core portfolio holdings largely unaltered

Our Top-10 holdings account for 48% of corpus, mostly skewed towards large caps and quality mid-caps. This list has remained unchanged over the past month, although a couple of names (Persistent and Britannia) made it to the list during the Jan-March 2023 quarter.

Table 3: Top Holdings

Stock Name	% Weight	Stock Name	% Weight
ICICI Bank	8.5%	Varun Beverages	4.3%
LTI Mindtree	6.5%	Trent	4.0%
Maruti Suzuki	4.9%	Cummins India	3.6%
Polycab	4.9%	Axis Bank	3.5%
Persistent	4.5%	Britannia Industries	3.3%
Top 5 Holdings	**29.3%**	**Top 10 Holdings**	**48.0%**

Consumer as a space remains our preferred investment destination, although the single largest allocation is towards the IT sector. Within consumers, FMCG accounts for 10% of corpus covering Tobacco, Beverages and Foods. We are underweight in Financials, as we do not own any PSUs or NBFCs. Also, sectors where we have not invested or have limited exposure include Energy, Real Estate and Metals. Sectoral allocation has been largely similar to the previous month, although we have increased exposure to the IT sector during the past quarter.

As on March 31, 2023, our fund consists of 30 stocks and has remained in a narrow band for a while now.

Table 4: Market Cap Classification

Market Cap	% Weight
< INR 100 billion	17.7%
INR 100 – 250 billion	10.2%
INR 250 – 500 billion	24.8%
> INR 500 billion	40.1%
Cash & liquid investments	7.2%
Weighted Avg. Market Cap (Rs bn)	1,383

Table 5: Sectoral Allocation

Sector	% Weight
Consumer (Goods & Services)	34.9%
Information Technology	17.1%
Engineering & Capital Goods	14.4%
Financial Services	12.0%
Auto & Auto Ancillaries	6.4%
Others	8.0%

Smaller holdings fared better for us

Key contributors from our portfolio included VRL Logistics, Power Mech Projects, Trent, Varun Beverages and Neuland Labs, so a mix of mid and small cap names. However, stocks which restricted overall returns were some of the larger positions such as Polycab, Coforge, Maruti Suzuki, Persistent Systems and Britannia, all high quality names so possibly an aberration.

Table 6: Key Movers for the month

Performers	% Weight	% Return	Laggards	% Weight	% Return
VRL Logistics	2.2%	15.8%	Coforge	3.2%	-11.3%
Neuland Laboratories	2.1%	11.8%	Polycab	4.9%	-6.5%
Trent	4.0%	7.6%	Schneider Electric	2.1%	-3.9%
Varun Beverages	4.2%	6.6%	Maruti Suzuki	4.9%	-3.9%
Titan	2.4%	6.0%	Persistent Systems	4.5%	-3.8%

Increased allocation to quality mid-cap name

We increased exposure in PI Industries, a leading player in agro-chemicals. The rationale for investing in this name is due to solid growth expectations, mainly driven by exports. Despite domestic sluggishness, we expect overall revenues to positively surprise consensus. Outlook is also well supported by a robust orderbook and strong execution track record. Stock has seen extended time, and sharp price correction over the past few weeks, dragging down valuations to extremely attractive levels (1-Year Forward PE of 30x), thereby aiding our purchase decision.

India has been an underperformer

India equities would have declined for the 4th consecutive month this March, but sharp recovery during the last 2 trading sessions avoided this rare occurrence. Still, our markets underperformed most global markets by a distance, as they have done for a while. Small and midcap indices declined by 1.8% and 0.3% respectively during the month, and lagged large caps in March, as has been the pattern since last Dec.

India's relatively weaker performance can be attributed to, (1) Uncertain rainfall prospects, which weighed on domestic consumption names, (2) Increase in tax rate on several savings schemes, which disrupted flows into equities, and (3) Increased political bickering ahead of several state and general elections, which added to the uncertain macro outlook.

Sectorally, Energy (up 5.2%), Metals (up 4.3%) and FMCG (up 2.1%) outperformed. On the other hand, Autos (down 3.8%) and IT (3.3%) fared poorly, thereby restricting markets. Banks were up a tad, starting to brush off the impact of the global situation.

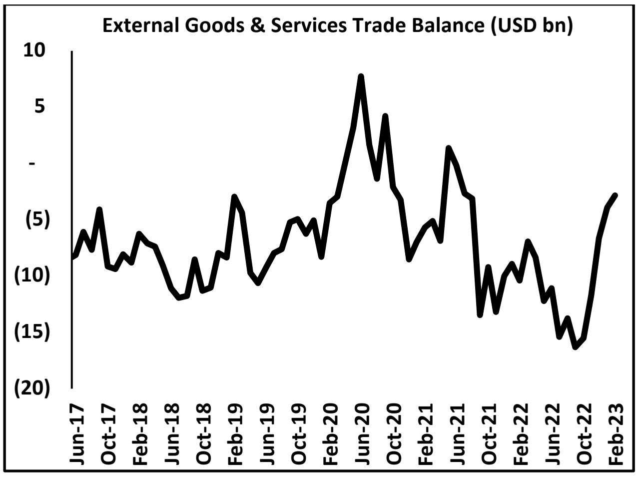
FUND UPDATE: March 31, 2023

Markets could be on cusp of recovery

India macros are starting to witness some recovery, as the negatives of Russia-Ukraine conflict seem to have abated. This is reflected in the price of crude and fertilizers. Consequently, the external trade deficit has narrowed substantially. Also, inflation and interest rates seem to have peaked. Both price and time led correction has brought market valuations to attractive levels. Typically under such circumstances, equities on an average have delivered annual returns of 15% CAGR, as measured over a 3-year period. So the current situation warrants increased allocation to equities.

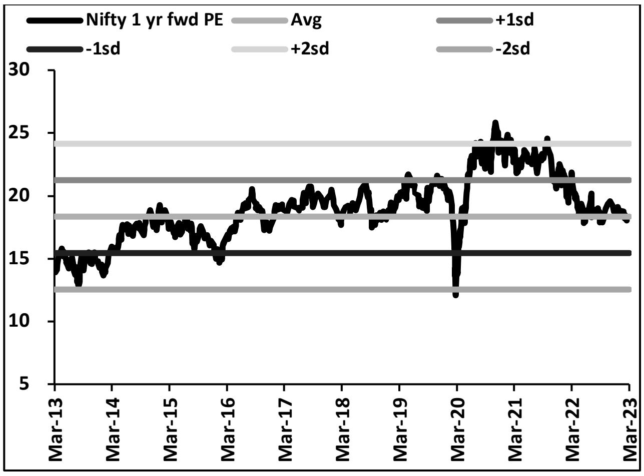
Chart of the Month

External Trade deficit back to comfort zone



Source: Ministry of Commerce

Valuation downside limited (Nifty PE)



Source: Bloomberg Consensus

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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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