

INVESTOR NEWSLETTER – QUARTER ENDED SEPTEMBER 2025

A. PAST PERFORMANCE:

Period:	Last 3 Months	Last 6 Months	Last 1 Year	Last 2 Years	Last 3 Years	Last 5 Years	Since Inception
Cumulative Returns							
Portfolio	-1.0%	10.7%	-0.9%	38.4%	84.2%	255.6%	362.5%
Sensex TRI	-3.7%	4.6%	-3.6%	24.9%	45.1%	124.1%	108.9%
Outperformance	2.7%	6.1%	2.7%	13.4%	39.1%	131.5%	253.7%
Annualized Returns							
Portfolio			-0.9%	17.6%	22.6%	28.9%	30.5%
Sensex TRI			-3.6%	11.8%	13.2%	17.5%	13.7%
Outperformance			2.7%	5.9%	9.4%	11.4%	16.9%

Notes:

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We remain on track to deliver outperformance for the 6th consecutive year to both Sensex TRI and BSE500 TRI!

The quarter was steady at -1.0%, a 2%+ alpha to Sensex TRI (-3.7%) and BSE500 TRI (-3.2%). The key number right now is the last 1-year performance as it measures performance from the last peak of the market. We are at -0.9%, continuing to protect the portfolio better than the market (Sensex TRI -3.6% / BSE500 TRI -5.5%) during drawdown periods. We have been deploying our dry powder through this correction phase and end the quarter with 13% cash, less than half of what it was last quarter.

The last 12 months of negative Indian equity market returns have been in sharp contrast to equity returns elsewhere. Most Developed Markets are up (US notably +17% yoy). And China is up sharply (+27% yoy). Compared to MSCI EM, MSCI India has underperformed 27% in the last year. This is at least due to 2 reasons: 1) India's outperformance in the previous 3 years, which had made the Indian market unsustainably expensive, and 2) the very specific high tariffs applied by the US on India (probably collateral damage in trying to coerce Russia to end its war), changing the equity market narrative for India.

That said, India's blow has been softened due to strong domestic savings being channeled into the equity markets. We expect this to continue, and potentially further strengthen. The Indian saver has limited options. While debt should be a large part of a saver's allocation, the government makes this highly unattractive due to its taxation policies. Investments in real estate have yielded sub-inflation returns for well over a decade now, despite a healthy bump in prices between '21-'23. And now even gold, the traditional inflation hedge, is at super high levels. Equity seems the only real alternative.

An interesting phenomenon over the last 4 years (all of which have benefitted from strong domestic equity inflows) is that the FII investor has turned into the final arbiter of stock price direction. Since its capital is not land-locked, unlike the Indian saver's, it only enters the market when valuations are more reasonable. And during periods of its exit the market has gone through correction phases. The last quarter market fall can be viewed in the same light.

The silver lining with markets correcting over the last year is that they are more affordable now. Hence, we have been more constructive for the last 2 quarters than we were in the preceding 6.

On a separate exciting note, we are launching a GIFT City version of our current fund, targeted at NRIs and other offshore investors. The initial nudge came from our existing NRI investors given the better tax treatment for capital gains. We have been working hard to get this off the ground for many months. While a few operational elements remain, we anticipate to be live by next quarter.

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Key outperformers last quarter:

- Cash: We had 18% cash on average
- Maruti: Up 29%, GST cuts spark demand recovery expectations
- Yatharth: Up 38%, solid operational performance
- Lumax: Up 39%, good numbers, big customer win

Key underperformers last quarter:

- PNB Housing: Down 22%, CEO left, causing concerns on business direction
- Business Services: Down 5-15%

Key changes to the Portfolio:

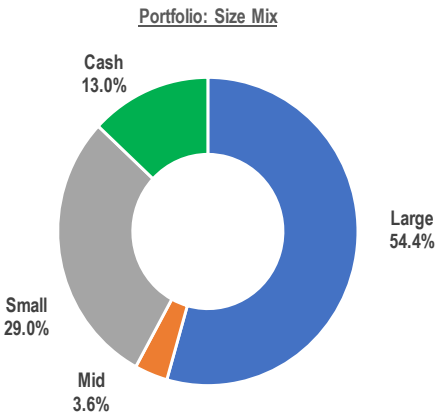
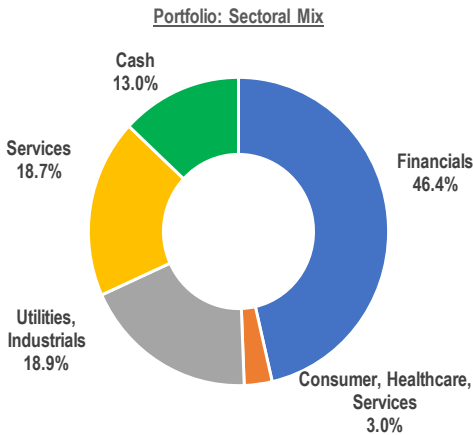
- Entered IT Services: Both TCS and Infosys have been derating, faced with a low demand growth outlook. The H1B news further impacted valuations and provided us an entry at relatively reasonable valuations in TCS at 22x P/E fwd and Infosys at 20x. Our view is that demand will slowly normalize despite the narrative of AI, and with that valuations will too. That said there is risk that these positions further fall in the near term as the headwinds remain. Hence, we have bought only a part of our intended full position, and will use the weakness to scale these positions.
- Entered ONGC: With crude having settled at \$60-70 the risk of further declines is now lower. The stock is cheap, trading at 0.9x P/B, below its long-term average of 1.1x. That said we expect crude to fall when there is a pause in the Russia war, and hence, here again we have bought only a part of our intended full position, and will use falls in crude to scale the position. The main thesis is production moving from -2% yoy levels to +2% levels through technology collaborations with BP, which will cause the rerating. We saw this in OIL in the last few years. The upside case is meaningful conversion of resources to reserves in the Andaman oilfields. Given the massive crude shortage in the country, it is not surprising that the government is subsidizing this exploration cost.
- Increased our position in Axis Bank: At ~1100 the bank was trading at 1.4x P/B fwd and 12.7x P/E fwd. This is a classic “cheap relative to sector trade”, a ~40% discount to HDFC / ICICI, the highest this discount has been in the medium term. We have taken this position to our maximum. While deposit growth will lag the best franchises (HDFC, ICICI, KMB), it will likely be only marginally lower. And though credit risk concerns linger with an uptick in slippages last quarter, they were technical in nature, and we will be monitoring GNPA formation closely.
- Increased our position in Quess: With the demerger complete, Quess is now primarily engaged in staffing, the most scalable segment of business services. Recent numbers have also shown good EBITDA growth, which we think is the best way to view this business (more so than EBITDA margin). At ~250 stock price the business trades at slightly over 10x EV/EBITDA fwd, both cheap relative to itself and on an absolute basis. Two additional demand drivers which make us like Quess even more are 1) the continued strength in GCC rollouts in India (these GCCs tend to outsource staffing aggressively), and 2) the likely benefit of the ELI scheme to the organized players within the staffing sector, of which Quess is the largest.

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Portfolio characteristics:

	P/E (forward)	12m EPS Growth (consensus)	PEG Ratio	P/B (forward)	RoE % (forward)	Sharpe Ratio (3 yr)	Beta (3 yr)
Portfolio	18.1x	12.7%	1.4x	3.0x	17.4%	143%	0.7x
Sensex	21.0x	6.6%	3.2x	3.2x	15.5%	48%	1.0x

Note: Portfolio details are ex Life Insurance



Top 10 positions: (of 23 total positions)

Axis Bank	Quess Corp	HDFC Life	TCS	IOCL
HDFC Bank	ONGC	SBI Life	PNB Housing	Star Health

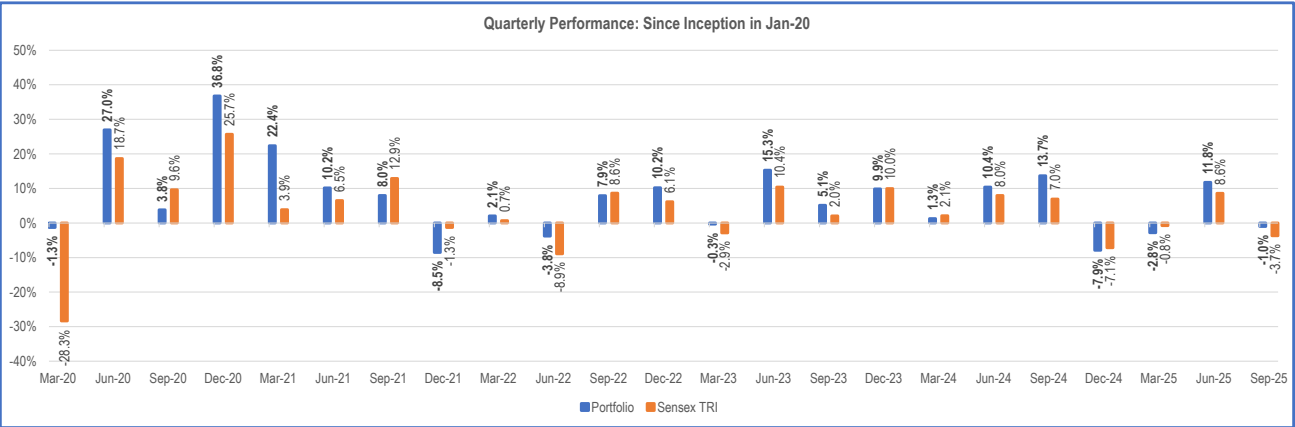
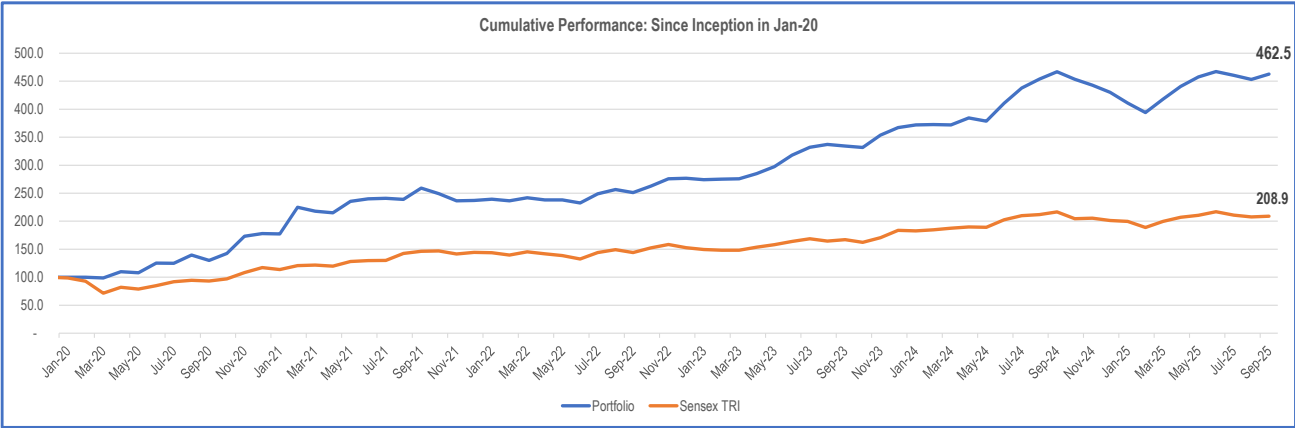
Annualized performance:

Period:	YTD CY25	CY24	CY23	CY22	CY21
Portfolio	7.6%	17.1%	32.7%	16.8%	33.2%
Sensex TRI	3.8%	9.5%	20.3%	5.8%	23.2%
Outperformance	3.8%	7.6%	12.3%	11.0%	9.9%

Period:	YTD FY26	FY25	FY24	FY23	FY22
Portfolio	10.7%	12.4%	34.8%	14.0%	11.1%
Sensex TRI	4.6%	6.4%	26.5%	2.0%	19.5%
Outperformance	6.1%	6.0%	8.3%	12.0%	-8.4%

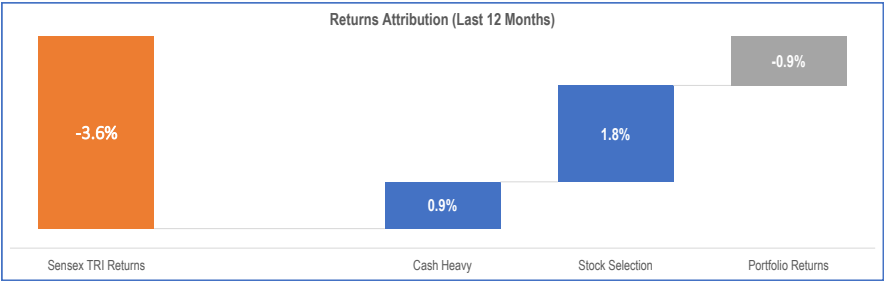
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Performance charts:

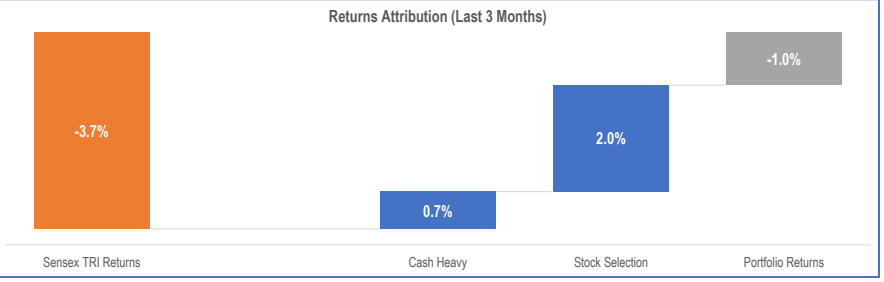


Returns attribution :

Outperformance
For Last Year:
2.7%



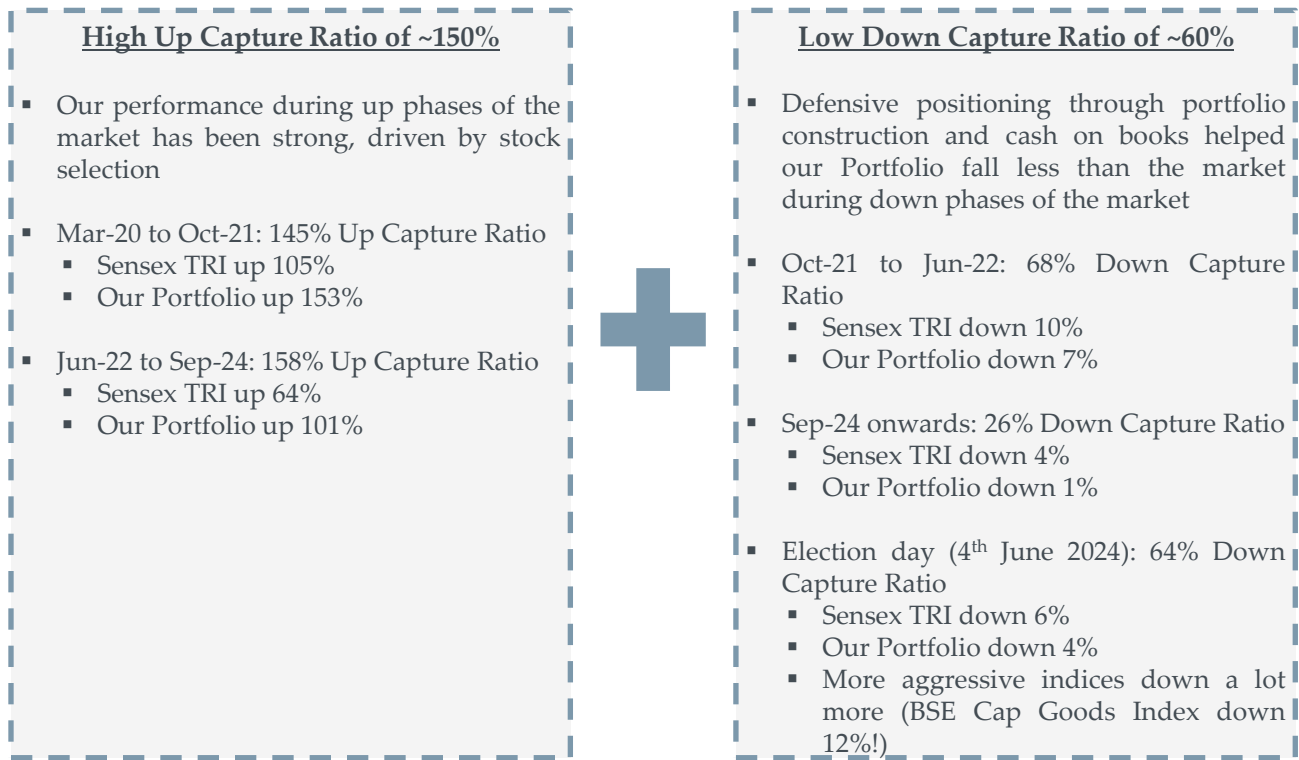
Outperformance
For Last Quarter:
2.7%



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4) Certain approximations have been made in attribution calculations

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Superior risk adjusted returns:



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Superior rolling returns:

Regardless of when one entered GCP the minimum 3 yr return has been 17.1%, so far

- This is higher than the actual 3 year return of Sensex TRI at 13.2%
- The minimum 3 yr rolling return for Sensex TRI was just 10.6% and BSE500 TRI was just 12.6%

GCP Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	34%	28%	27%
Maximum	125%	57%	41%
Minimum	-3%	11%	17%

Sensex TRI Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	19%	17%	16%
Maximum	70%	42%	27%
Minimum	-4%	5%	11%

BSE 500 TRI Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	24%	21%	20%
Maximum	79%	48%	29%
Minimum	-6%	7%	13%

Notes:

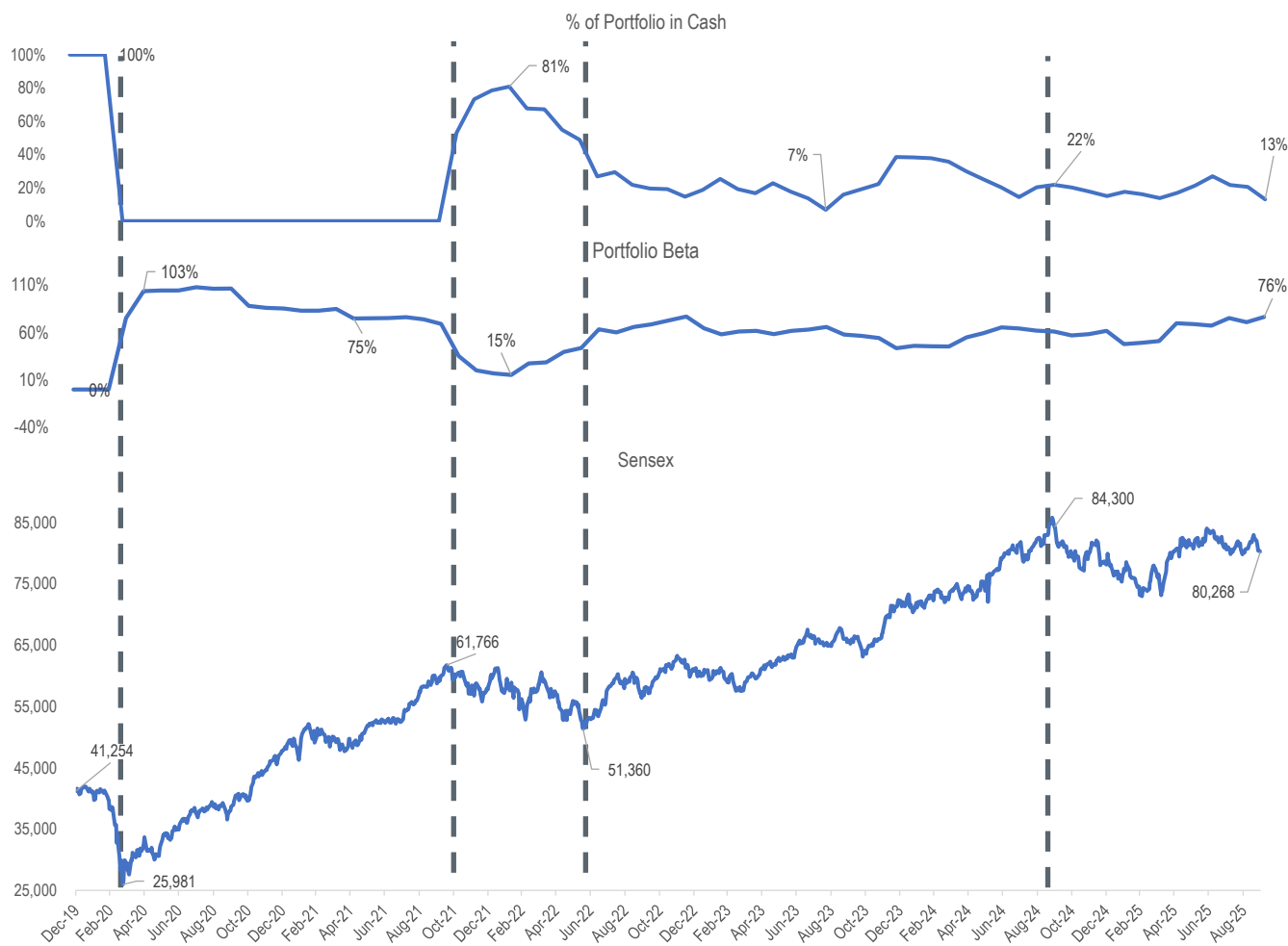
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Our strategy in action:

Our strategy is to buy good companies if they are cheap, and ONLY if they are cheap. If they are not cheap, we stay on the side-lines in cash for periods. Especially for large cap companies we buy them when they trade at discounts to their long-term average valuations and exit them when they start trading above long term average valuations without waiting for peak valuations.

This allows us to capture up market moves (High Up Capture Ratio), reduce our risk positions when markets are expensive, and wait in cash for opportunities when markets become cheap. We have been able to remain in cash for 3 down markets because of this strategy: i) before Covid, ii) from Oct-21 to Jun-22, and iii) from Sep-24 on. This ensures that in down market moves our Portfolio falls less than the market (Low Down Capture Ratio). A high Up Capture Ratio and a low Down Capture Ratio combine to provide our Portfolio with meaningfully higher returns than the market and a high Sharpe Ratio.



Pre-Covid (Jan-20 to Mar-20)	100% in cash before Covid Down Capture Ratio = 0% = Fall in Portfolio / Fall in Sensex TRI = 0% / -28%
Market Bounce Back (Mar-20 to Oct-21)	100% in equity, with Portfolio beta gradually reduced as the markets rallied Up Capture Ratio = 145% = Rise in Portfolio / Rise in Sensex TRI = 153% / 105%
Market Correction (Oct-21 to Jun-22)	Up to 80% in cash Down Capture Ratio = 68% = Fall in Portfolio / Fall in Sensex TRI = -7% / -10%
Market Bounce Back (Jun-22 to Sep-24)	As low as 7% in cash Up Capture Ratio = 158% = Rise in Portfolio / Rise in Sensex TRI = 101% / 64%
Weak Markets (Oct-24 to Sep-25)	Up to 27% in cash Down Capture Ratio = 26% = Fall in Portfolio / Fall in Sensex TRI = -1% / -4%

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B. OUTLOOK:

Our stance has turned (cautiously) constructive over the last 2 quarters. This is because the fall in markets and the time decay of 1 year has made valuations more reasonable. While Sensex at 21x P/E fwd remains above its long-term averages, many sectors have become cheap, or at least less expensive. This has meant our new positions have almost entirely been outside financial services (one of the only large sectors which was cheap a year ago).

We finally invested in IT Services, albeit expecting near term downward pressure. We caught Auto OEMs in the period where the narrative was still of weak demand (quickly combated by the GST cut). We added OMCs when they were irrationally low and have now started adding ONGC in O&G sector. Additionally, we exited Pharma due to possible tariff risks and have ensured very low “goods” exports exposure across the book.

Analysis of the market bounce from its bottom in Mar-25 shows sharp dispersion in outcomes based on the underlying fundamentals. Said differently – until Sep-24 anything worked, and then until Mar-25 almost nothing did, but after Mar-25 the market has provided much more alpha to stock pickers, an environment we cherish.

We may be in for another 1-2 years of the market giving low returns given poor earnings momentum. Next 12 months EPS growth for Sensex is expected to be 6.6% (consensus view). Hence, the key is going to be stock and sector selection.

Interestingly, for a change we are advising clients to add equity market exposure. Something we have not done since Mar-24!

Sector	P/E Sep-25	P/E Sep-24	P/E 10 Yr Avg	vs Sep-24	vs 10 yr Avg	Our View
Auto	26.5x	26.7x	26.3x	-1%	1%	We caught the PV segment earlier this year, but no longer cheap after GST cut announcement. We like some auto comps
Banks - Private	16.6x	16.5x	21.0x	1%	-21%	This is our largest sectoral position in the fund. Continues to offer opportunities and has been resilient in the face of a market coming off its peak
Cement	35.1x	35.5x	28.9x	-1%	21%	Still expensive both on absolute and relative basis
Consumer	40.7x	49.5x	42.2x	-18%	-4%	Reevaluating cheaper names as we believe govt has no option but to keep rolling out demand support policies (like GST cut, tax relief in the budget)
Healthcare	30.9x	34.6x	27.0x	-11%	14%	Exited pharma due to possibility of tariff risks. We have an investment in a hospital and continue evaluating healthcare infrastructure names
Infrastructure	15.6x	25.8x	12.9x	-40%	21%	Very expensive, poor corporate governance, we are staying away
Media	15.0x	21.4x	24.7x	-30%	-39%	While it looks cheap we have studied the companies here and have decided to pass due to risk in business models and / or due to corporate governance
Metals	11.9x	12.5x	10.5x	-5%	13%	We analyzed steel, but still early days as stock prices need to correct a lot to reflect reality of underlying commodity price
Oil & Gas (ex RIL)	9.8x	9.6x	8.6x	2%	14%	Re-entered marketing companies as they became cheap again. Have entered O&G producers as well given current benign crude price
Chemicals	30.5x	38.3x	26.3x	-20%	16%	Many of the underlying chemical prices have settled back down to pre-Covid levels. Is part of our pipeline of research
IT Services	20.9x	28.5x	21.4x	-27%	-2%	We have started entering the sector. Further downside possible but could probably cause us to buy more

Data Source: Motilal Oswal