

INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 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	4.6%	3.6%	12.5%	31.8%	74.8%	171.9%	383.8%
Sensex TRI	6.4%	2.4%	10.4%	20.8%	45.4%	89.6%	122.1%
Outperformance	-1.7%	1.2%	2.1%	10.9%	29.4%	82.3%	261.7%
Annualized Returns							
Portfolio			12.5%	14.8%	20.5%	22.1%	30.1%
Sensex TRI			10.4%	9.9%	13.3%	13.6%	14.2%
Outperformance			2.1%	4.9%	7.2%	8.5%	15.8%

Notes:

- 1) Performance details for the Portfolio are before taxes, fees and expenses to make it comparable to Sensex TRI
- 2) AIF license received in Q3 C21. Assets have been transferred into AIF as of 01/11/2021. Returns from Nov-21 onwards are for assets in the AIF
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Market

Sixer! We are happy to report the sixth consecutive year of outperforming the market (both Sensex and BSE500).

Performance for the quarter was 4.6%, marginally lower than the market (Sensex TRI 6.4% / BSE500 TRI 5.0%). Most of the Portfolio performed better than the market but all this alpha was negated by the sharp downward movement in our Business Services exposures (Quess / UDS / SIS), and 11% average cash through the quarter which was a drag on returns.

Geopolitics remains at the forefront of the investing environment. While we had the Israel-Palestine ceasefire kick in last quarter, US' unilateral regime change in Venezuela (the country with the world's largest crude reserves) set a dangerous global precedent. At the very least, Russia could argue its Ukraine war along the same lines. And what if China uses the same rules in Taiwan? Geopolitical risks are likely to continue to be high in the near term.

Strangely, none of this has made a difference to markets. SPX is at its highest levels ever, beating most markets last year with a stellar 16.4% annual return. And this is despite its high base in 2024. Much of the market activity remains focused on AI names which are trading with stratospheric expectations. A quick search on Google Trends for "financial bubble" will show that at it has never been more at the forefront of people's minds.

The good news for the Indian markets is that we saw a bottoming out of negative earnings estimate revisions after the September quarterlies were out. And at least for now, consensus estimates for the next year are in the mid-teens (14-15%). That's a sharp recovery, if it plays out, as last year saw anaemic low single digit earnings growth.

Indian market valuations remain at higher than historical levels (Sensex at 21x P/E fwd vs 17-18x historical average), and the temptation is to say that this is the new normal. The year ahead remains a stock pickers market, and unless consensus estimates are right, (they usually drag down as we get closer to reality) we remain ready for another year with low market returns where we will have to scrounge out alpha.

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Key outperformers last quarter:

- Axis Bank: up 12%, on better loan growth
- AB Capital: up 22%, stock momentum continues
- PNB Housing: up 10%, recovered most of its loss post prior CEO leaving
- SJS: up 17%, strong growth momentum continues
- IT Services: both up 11-12%, probably a reaction to INR depreciation

Key underperformers last quarter:

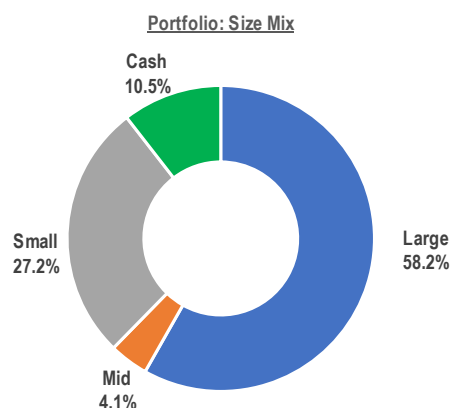
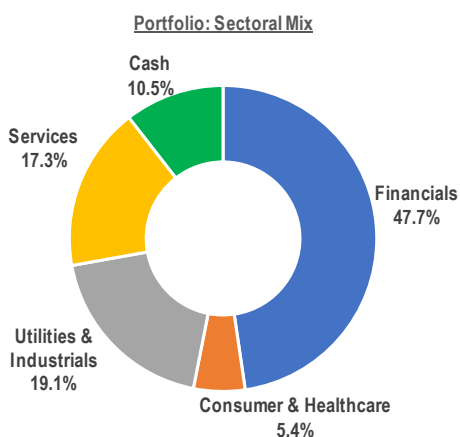
- Business Services: Down ~20%, downward pressure continues despite reasonable operating performance and strong tailwinds in the near term
- Cash: 11% of cash for the quarter, which was a drag

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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	17.8x	17.5%	1.0x	3.3x	17.2%	128%	0.7x
Sensex	21.2x	13.6%	1.6x	3.4x	15.7%	49%	1.0x

Note: Portfolio details are ex Life Insurance



Top 10 positions: (of 24 total positions)

Axis Bank	SBI Life	PNB Housing	ONGC	AB Capital
HDFC Bank	TCS	IOCL	HDFC Life	SJS

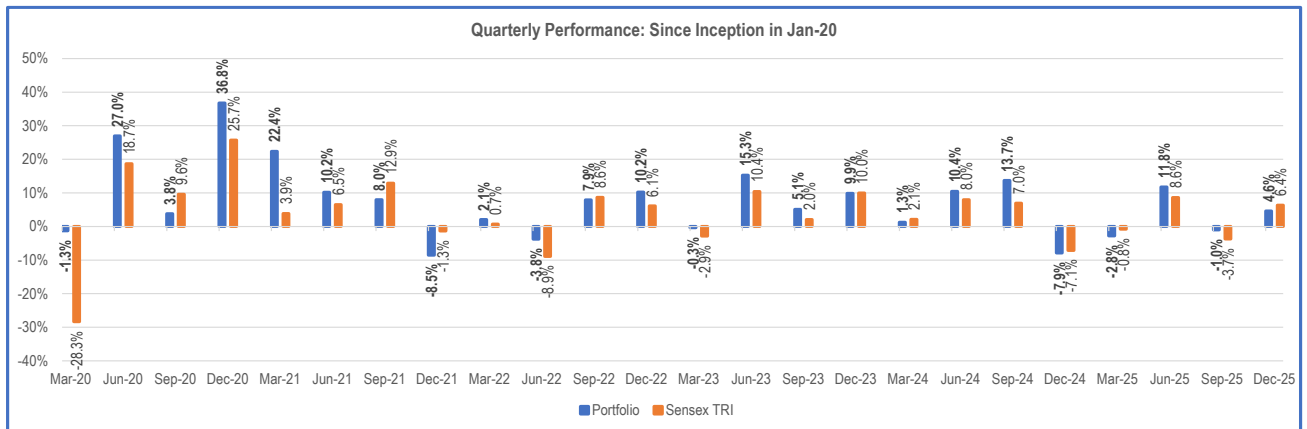
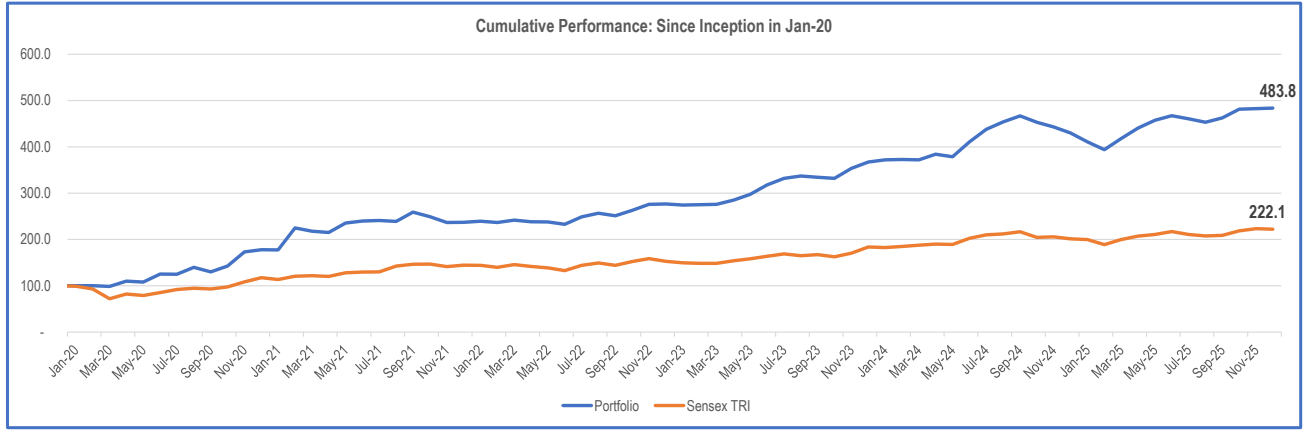
Annualized performance:

Period:	CY25	CY24	CY23	CY22	CY21
Portfolio	12.5%	17.1%	32.7%	16.8%	33.2%
Sensex TRI	10.4%	9.5%	20.3%	5.8%	23.2%
Outperformance	2.1%	7.6%	12.3%	11.0%	9.9%

Period:	YTD FY26	FY25	FY24	FY23	FY22
Portfolio	15.8%	12.4%	34.8%	14.0%	11.1%
Sensex TRI	11.3%	6.4%	26.5%	2.0%	19.5%
Outperformance	4.5%	6.0%	8.3%	12.0%	-8.4%

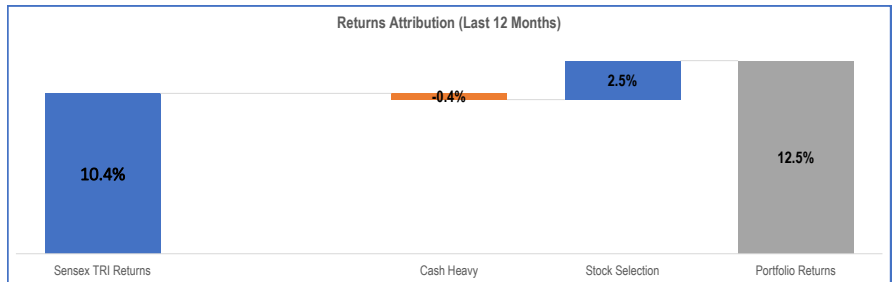
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Performance charts:

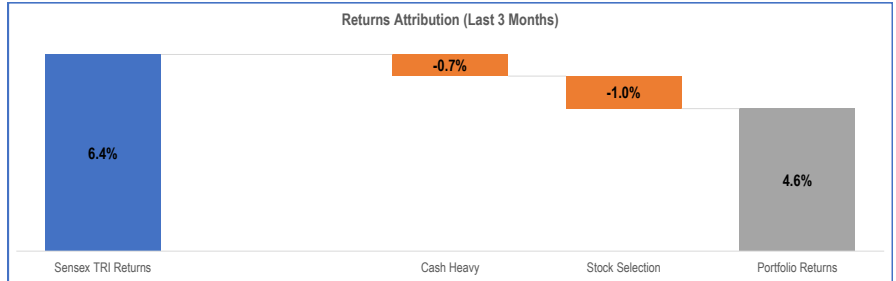


Returns attribution :

Outperformance
For Last Year:
2.1%



Outperformance
For Last Quarter:
-1.7%



Notes:
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 4) Certain approximations have been made in attribution calculations

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Superior risk adjusted returns:

High Up Capture Ratio of ~150%

- Our performance during up phases of the market has been strong, driven by stock selection
- Mar-20 to Oct-21: 145% Up Capture Ratio
 - Sensex TRI up 105%
 - Our Portfolio up 153%
- Jun-22 to Sep-24: 158% Up Capture Ratio
 - Sensex TRI up 64%
 - Our Portfolio up 101%
- Flat Markets (Sep-24 onwards): 146% Up Capture Ratio
 - Sensex TRI up 2.5%
 - Our Portfolio up 3.6%



Low Down Capture Ratio of ~60%

- Defensive positioning through portfolio construction and cash on books helped our Portfolio fall less than the market during down phases of the market
- Oct-21 to Jun-22: 68% Down Capture Ratio
 - Sensex TRI down 10%
 - Our Portfolio down 7%
- Election day (4th June 2024): 64% Down Capture Ratio
 - Sensex TRI down 6%
 - Our Portfolio down 4%
 - More aggressive indices down a lot more (BSE Cap Goods Index down 12%!)



High Risk Adjusted Returns

- Best in class risk adjusted returns relative to peers. We created a peer group list using Finalyca data of funds that had at least 60% large cap composition – about 40 such funds. Our performance relative to them (this is as of Sept-25 qtr):
Performance:
 - Highest 3yr Treynor Ratio of 22.3
 - Highest 3yr Sharpe Ratio of 143%

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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 13.3%
- 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	33%	27%	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	23%	21%	19%
Maximum	79%	48%	29%
Minimum	-6%	7%	13%

Notes:

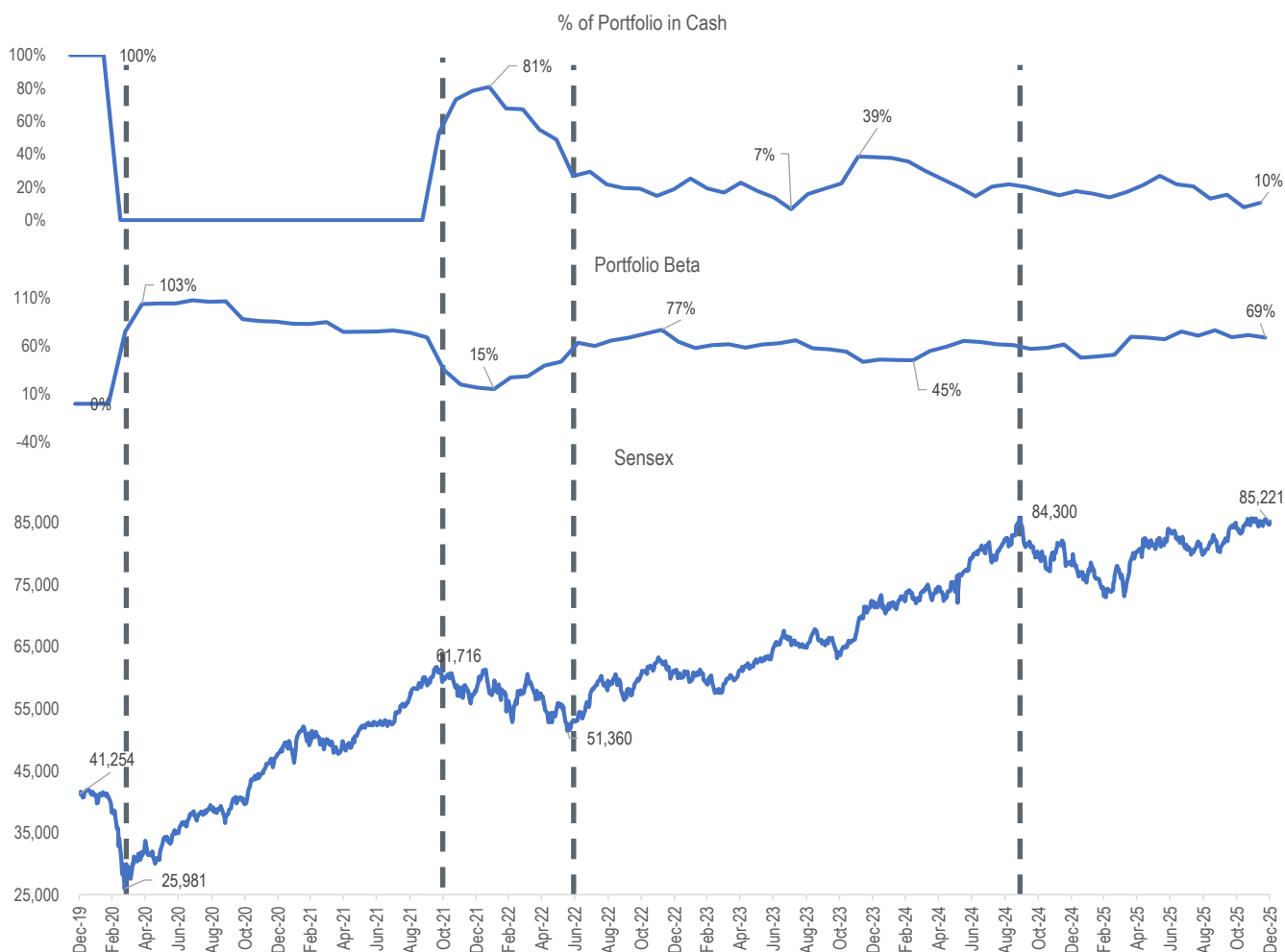
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Our strategy in action:

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%
Flat Markets (Oct-24 to Dec-25)	Up to 27% in cash Up Capture Ratio = 146% = Rise in Portfolio / Rise in Sensex TRI = 4% / 3%

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B. OUTLOOK:

Our stance turned (cautiously) constructive in Mar-25. This is because the fall in markets and the time decay of more than a 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 over the last 3 quarters have almost entirely been outside financial services (one of the only large sectors which was cheap until Sep-24).

Market risks are 2 sided, for a change. The fiscal impetus from tax reductions in the budget and GST reduction have already shown some quick wins (large ticket discretionary like Autos), but over the next 12 months we will see many more consumer facing sectors report higher volume growth. On the negative side though, markets may not have yet fully priced in the impact of tariffs and increased geopolitical uncertainty in our exporting sectors.

We continue to stay away from exporting sectors (until their valuations reflect the likely pain ahead), and most of our Portfolio is domestic demand focused. Of course, this view will course correct if the tariff situation changes materially.

Unless SPX “bubble” fears cause an external shock, we expect a tepid updrift to markets, but one with low momentum. We will patiently buy on dips to deploy our dry powder.

Sector	P/E Dec-25	P/E Dec-24	P/E 10 Yr Avg	vs Dec-25	vs 10 yr Avg	Our View
Auto	26.9x	23.3x	23.0x	15%	17%	We caught the PV segment earlier this year, but no longer cheap after GST cut announcement
Banks - Private	17.6x	15.9x	21.0x	11%	-16%	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	33.4x	36.7x	29.2x	-9%	14%	Still expensive both on absolute and relative basis
Consumer	41.5x	42.7x	42.4x	-3%	-2%	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	32.8x	33.7x	27.1x	-3%	21%	Exited pharma due to possibility of tariff risks. We have an investment in a hospital and continue evaluating healthcare infrastructure names
Infrastructure	15.0x	23.7x	13.1x	-37%	15%	Very expensive, poor corporate governance, we are staying away
Media	16.1x	16.4x	24.7x	-2%	-35%	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	11.7x	10.3x	10.4x	14%	13%	We analyzed steel names but stock prices need to correct a lot to reflect underlying commodity price. Some other sectors like aluminum maybe interesting
Oil & Gas (ex RIL)	8.8x	8.9x	8.3x	-1%	6%	Re-entered marketing companies as they became cheap again. Have entered O&G producers as well given current benign crude price
Chemicals	31.0x	32.5x	26.9x	-5%	15%	Many of the underlying chemical prices have settled back down to pre-Covid levels. Is part of our pipeline of research
IT Services	22.7x	28.0x	21.5x	-19%	6%	We have created a toe-hold in the sector. Further downside possible but could probably cause us to buy more

Data Source: Motilal Oswal