GCP OFFSHORE FUND
INVESTOR NEWSLETTER – QUARTER ENDED SEPTEMBER 2026

GCP Offshore Fund will look to recreate the portfolio of the Onshore Fund, using Futures to the extent possible to best use the tax exemptions provided. The Onshore Fund has a track record of consistently beating markets since Jan-20. Since the Offshore Fund only started in Jan-26, performance details of the Onshore Fund are also presented for reference.

A. PAST PERFORMANCE:

Performance (Offshore Fund in USD)

Period:	Last 3 Months	Last 6 Months	Last 1 Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Since Inception
Portfolio	-3.8%	5.8%	na	na	na	na	na	-6.6%
Sensex TRI (US$)	-7.1%	-2.2%	na	na	na	na	na	-20.2%
BSE500 TRI (US$)	-5.9%	3.5%	na	na	na	na	na	-13.7%
Outperformance vs Sensex TRI (US$)	3.2%	8.1%	na	na	na	na	na	13.5%
Outperformance vs BSE500 TRI (US$)	2.1%	2.4%	na	na	na	na	na	7.0%

Note: Performance details are before taxes, fees and expenses to make it comparable to Indices.

Performance (Onshore Fund in INR)

Period:	Last 3 Months	Last 6 Months	Last 1 Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Since Inception
Onshore Fund	-1.2%	11.0%	-0.6%	-0.8%	11.2%	16.3%	12.2%	25.4%
Sensex TRI	-4.9%	1.6%	-8.7%	-6.2%	4.5%	7.3%	5.4%	10.0%
BSE500 TRI	-3.6%	8.1%	-2.3%	-3.9%	9.2%	11.2%	8.9%	13.8%
Outperformance vs Sensex TRI (US$)	3.7%	9.4%	8.1%	5.5%	6.7%	9.0%	6.7%	15.3%
Outperformance vs BSE500 TRI (US$)	2.4%	2.9%	1.7%	3.2%	2.0%	5.1%	3.3%	11.5%

Notes:
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Our performance was relatively good this quarter. Our Portfolio fell 3.8% as against Sensex TRI US$ (7.1% down) and BSE500 TRI (5.9% down). Our track record of low Down Capture Ratio remains solid.

After 5 months of slowly recovering, the Indian market is back at Mar-26 lows after a tough month in Sep-26. FII selling had abated and reversed into buying in Jul-26 and Aug-26 but is back to being net negative for the full quarter. The main news investors continue to react to is the high oil prices, an outcome of the US war in the middle east.

We are now two years from the last peak of the market in Sep-24, and broad market returns remain negative for this period. Sensex TRI US$ is down 23.8% and BSE500 TRI US$ is down 20.2% on a 2 year basis. This relatively long period of negative returns is testing the patience of investors and we can see some reduction in retail participation in the equity market (outside SIPs in MFs). Even in the HNI market the focus seems to have moved to private equity / debt / real estate – funds in which there is limited mark-to-market impact.

We feel this is exactly the opposite of what investors should be doing. The Indian markets are the cheapest they have been since the COVID crash with Sensex at 17.0x P/E fwd. Many sectors are trading at their COVID lows in terms of valuations. This margin of safety has allowed us to be fully invested.

Key outperformers last quarter:

- Biz Services: Quess up 25%, remains the top contributor for the second quarter in a row
- Yatharth: up 20%, private equity deal by Advent supports longer term growth prospects
- PNB Housing: up 8%, good operating performance
- EPL: Up 5%, good operating performance
- Motilal Financial Services: up 5%, good entry price in Mar-26
- Kotak Bank: up 6%, resilient in the face of a sell down in banks

Key underperformers last quarter:

- HDFC & Axis Bank: down 11 and 9%, continued FII selling
- Maruti: down 15%, strong volumes but weak margins expected
- Greenpanel: down 16%, decent results, but peers were better

Key changes to the Portfolio in the last quarter:

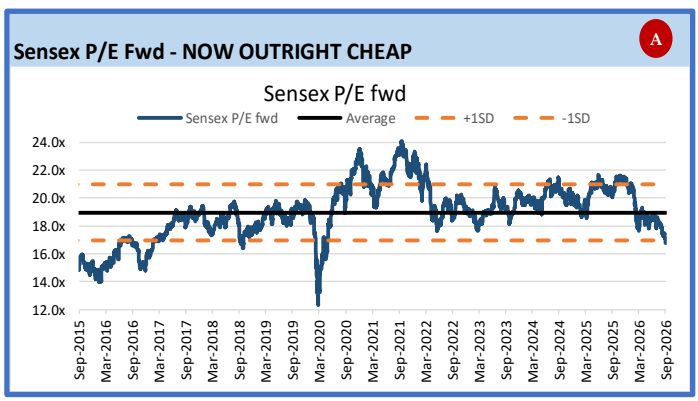
- Entered Reliance Industries: Reliance Industries has corrected sharply amid broad-based large cap weakness and sustained FII selling pressure. At 1.7x ntm P/B, the stock trades at its lowest valuation since COVID. Our SoTP suggests reasonable buying in valuations: 6.5x ntm EV/EBITDA for O2C, 10x for Telecom (discount to Bharti), and 20x ntm P/E for Retail (big discount to the sector). The O2C business stands to benefit from elevated refining margins, while Jio's capex peak is behind it, paving the way for healthy FCF generation and earnings acceleration driven by 5G monetization and ARPU expansion. The potential near-term listing of Jio Platforms could act as a catalyst, bringing investor focus back to Reliance's significant value-unlocking opportunities.
- Entered CMPDI: CMPDI is India's largest mining consultancy, with capabilities spanning coal exploration, mine planning, environmental services and geomatics. We believe the core business can deliver ~15% growth, supported by Coal India's 1 bn ton production target and increased government funding for coal exploration. Beyond the core business, coal gasification offers significant upside optionality, with the government accelerating its push amid high oil prices and backing it with a Rs. 37,500 crore incentive scheme. CMPDI is well positioned to benefit from the associated consultancy opportunities, alongside additional growth avenues in critical minerals, private-sector clients and captive exploration, allowing us to buy this growth optionality at a relatively low cost.
- Partially exited PNB Housing: PNB Housing has done well for us, increasing from 600-800 purchase price levels towards 1200 now. We have sold half the position at 1180, which is 1.4x P/B ntm. We are evaluating other names in the affordable housing space which have become attractive given the sell down and may replace the remaining unsold portion.
- Largely exited IT Services: While both Infosys and TCS are trading cheaply at ~13x P/E ntm, we have largely exited the sector. The AI narrative continues to pull the sector down and the sector has not been able to fight back through revenue growth, which remains anemic at 0-2% yoy on a constant currency basis. While we may rue our decision as we like high quality names which are cheap, we think the sector could take a long time to normalize, if at all. Hence, we would rather invest the same money in other sectors, given cheap opportunities are plentiful right now.

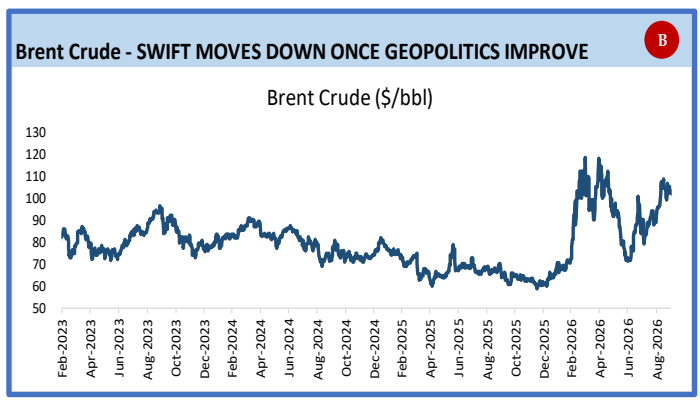
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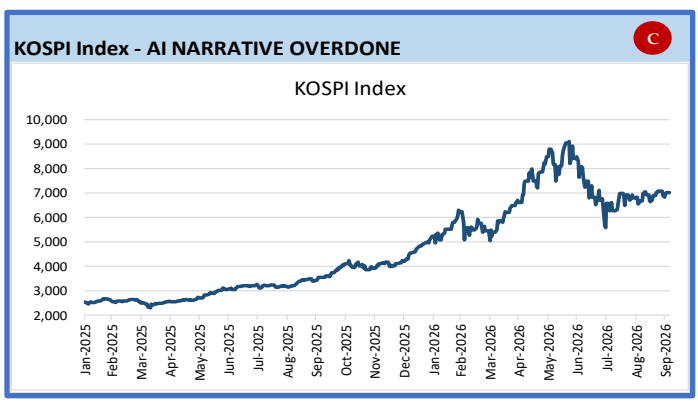
Return of the FII?

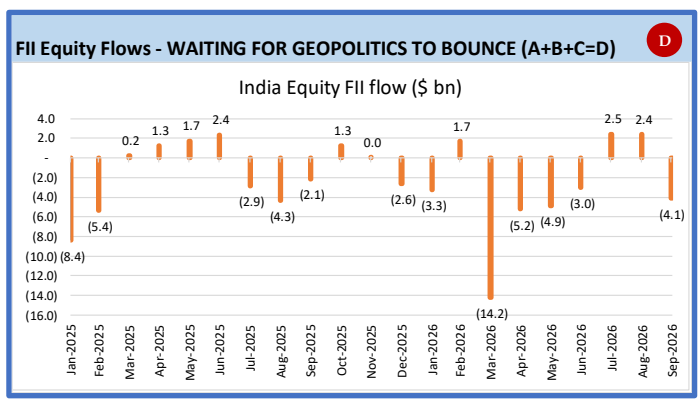
We started talking about the possibility of the return of the FII in the Jun-26 newsletter (Onshore), driven by lower valuations, a normalizing of the AI narrative, and with crude prices remaining the last remaining hurdle. All of this was visible in Jul-26 and Aug-26 but then turned sharply in Sep-26 erasing all the gains made so far. We still believe that a normalizing crude remains the main stumbling block for this to occur.

And if this were to occur once should expect large caps to perform well. In the Jun-26 quarter large caps returns trailed that of small caps by 23%! This continued this quarter adding 8% to the outperformance of small caps, taking the total to more than 30% in just 2 quarters! But this could reverse if the FII flows were to return.







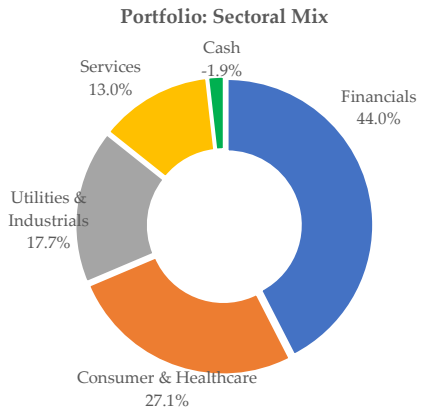


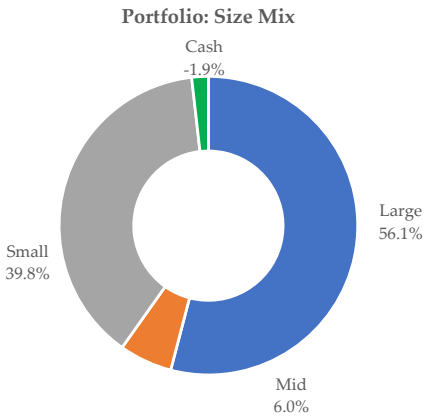
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Portfolio characteristics:

	P/E (forward)	12m EPS Growth (consensus)	PEG Ratio	P/B (forward)	RoE % (forward)	Sharpe Ratio (3 yr)	Beta (3 yr)
Portfolio	17.0x	16.3%	1.0x	2.5x	16.0%	na	na
Sensex	17.0x	8.0%	2.1x	2.6x	15.0%	-21%	1.0x

Note: Portfolio details are ex Life Insurance

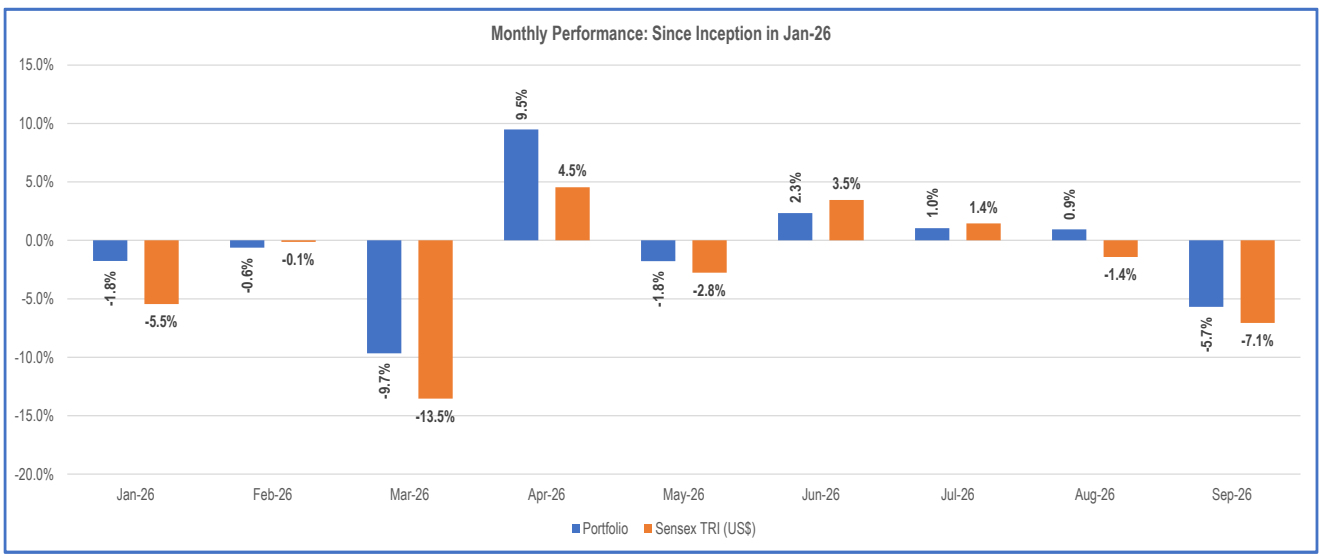




Top 10 positions: *(of 23 total positions)*

Axis Bank	Quess Corp	EPL	Star Health	Reliance
HDFC Bank	ONGC	Maruti	ITC	Hyundai

Performance chart:



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Superior rolling returns: (Data for Onshore Fund in INR)

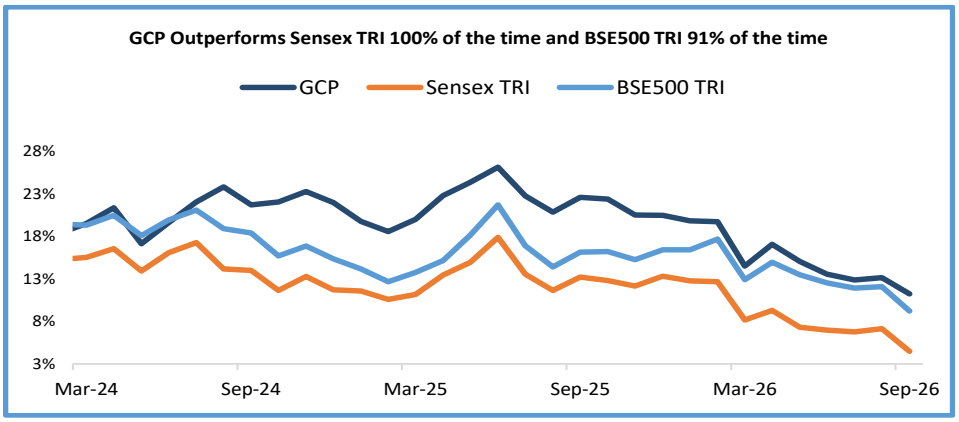
Regardless of when one entered GCP the minimum 3 yr return has been 11.2%, so far

- This is higher than the actual 3 year return of Sensex TRI at 4.5%
- The minimum 3 yr rolling return for Sensex TRI was just 4.5% and BSE500 TRI was 9.2%
- We have outperformed the Sensex TRI 100% of the time and BSE500 TRI 91% of the time!

GCP Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	30%	24%	25%
Maximum	125%	57%	41%
Minimum	-3%	-1%	11%

Sensex TRI Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	16%	14%	15%
Maximum	70%	42%	27%
Minimum	-9%	-6%	4%

BSE 500 TRI Rolling Returns	1 Yr	2 Yrs	3 Yrs
Mean	20%	18%	18%
Maximum	79%	48%	29%
Minimum	-6%	-4%	9%



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GUARDIAN CAPITAL PARTNERS

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Superior risk adjusted returns: (Data for Onshore Fund in INR)

High Up Capture Ratio

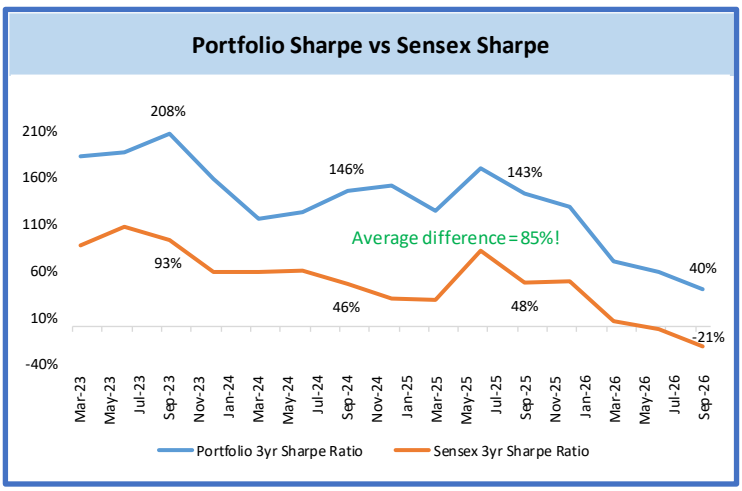
- Our performance during up phases of the market has been strong, driven by stock selection
- Mar-20 to Oct-21: 145% Up Capture Ratio
  - Sensex TRI up 105%
  - Our Portfolio up 153%
- Jun-22 to Sep-24: 158% Up Capture Ratio
  - Sensex TRI up 64%
  - Our Portfolio up 101%

Low Down Capture Ratio

- 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%
- Sep-24 onwards: 13% Down Capture Ratio
  - Sensex TRI down 12.1%
  - Our Portfolio down 1.5%

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 Jun-26 qtr):
  - 3yr Treynor Ratio of 8.5
  - 3yr Sharpe Ratio of 54%



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B. OUTLOOK:

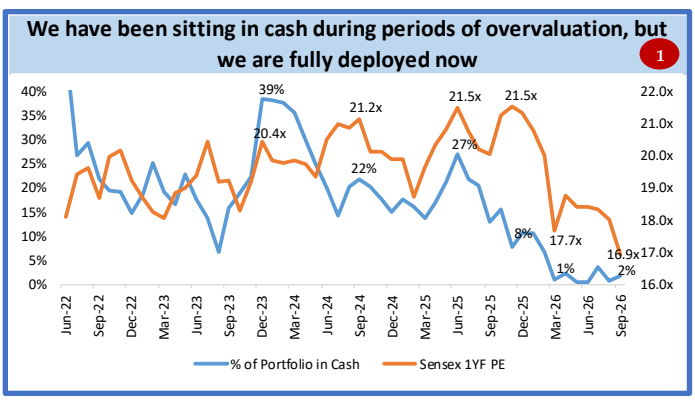
Near term prospects for Indian equities are strongly tied to the price of crude. Crude remains the way Iran punishes the US' war of aggression. This in turn results in inflation, and the high rates we are seeing the US markets. And on a bloated government balance sheet that's not sustainable. Hence, the mid term results remain crucial to financial market outcomes as that could change the course of geopolitics. India is on the receiving end of both high crude and US rates, but we need to remember that this can all be notched down meaningfully with agreements between these warring states.

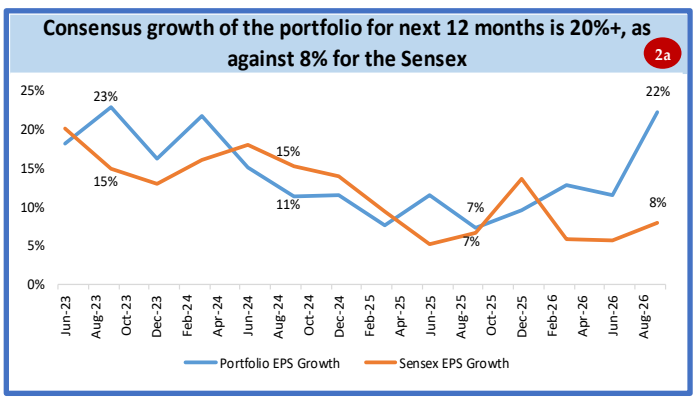
The good news is there is a large margin of safety in valuations to participate aggressively. And we have. We have been fully deployed since Mar-26. Many sectors are trading near COVID level valuations including banks, insurance, auto, oil & gas. And many more sectors are trading at healthy discounts to their long term averages. This has allowed us to broad base our sectoral participation.

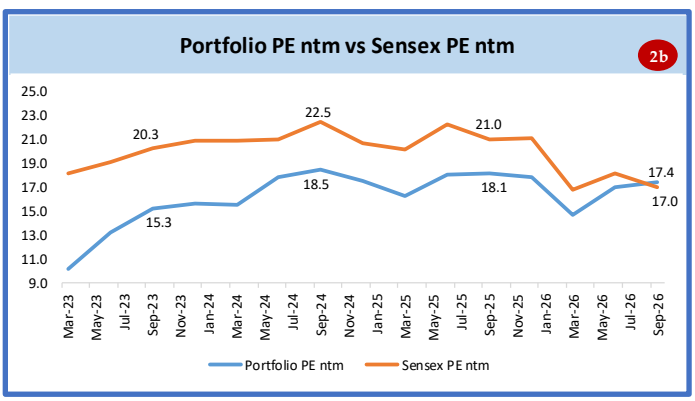
We believe near term prospects for our Portfolio are strong:

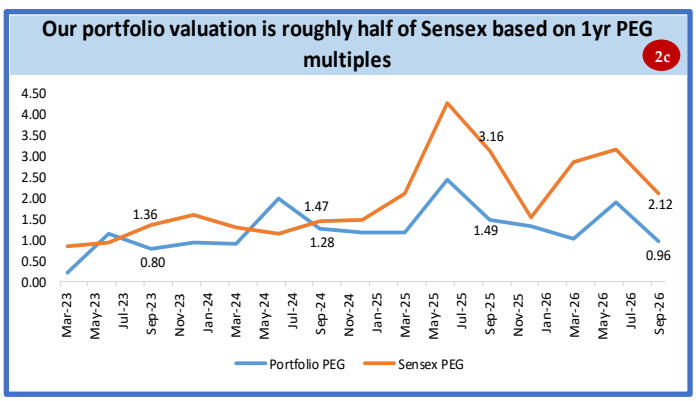
1. Downside protection from the large margin of safety in valuations
2. Consensus growth of the portfolio for next 12 months is 15%+, as against 8% for the Sensex, making our portfolio valuation less than half of Sensex based on 1yr PEG multiples
3. A good part of our portfolio is linked to less selling by the FII (as any large cap skewed portfolio would be). We believe this is imminent, something we have written about earlier in the document

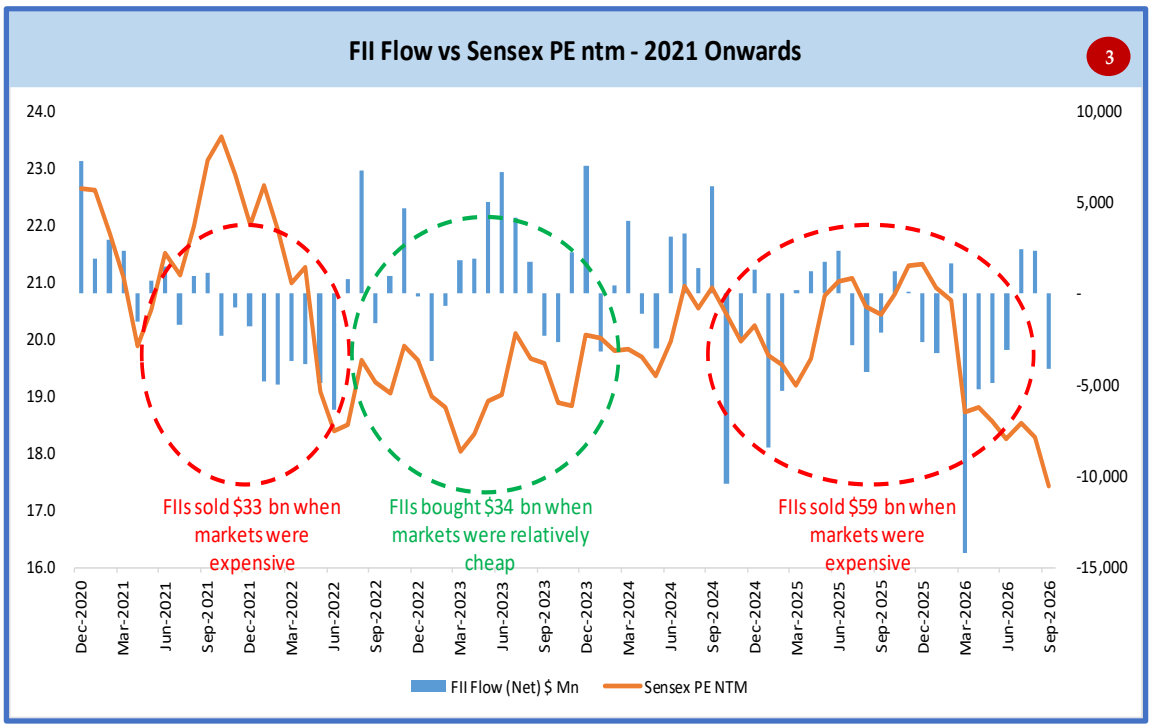
(note: the charts below show data from the Onshore Fund to show historical positioning)










FII Flow vs Sensex PE ntm - 2021 Onwards
3
24.0
23.0
22.0
21.0
20.0
19.0
18.0
17.0
16.0
10,000
5,000
-
-5,000
-10,000
-15,000
FIIs sold $33 bn when markets were expensive
FIIs bought $34 bn when markets were relatively cheap
FIIs sold $59 bn when markets were expensive
Dec-2020
Mar-2021
Jun-2021
Sep-2021
Dec-2021
Mar-2022
Jun-2022
Sep-2022
Dec-2022
Mar-2023
Jun-2023
Sep-2023
Dec-2023
Mar-2024
Jun-2024
Sep-2024
Dec-2024
Mar-2025
Jun-2025
Sep-2025
Dec-2025
Mar-2026
Jun-2026
Sep-2026
FII Flow (Net) $ Mn
Sensex PE NTM

Investing in crises has given investors attractive entry points

Year	2000	2008	2012	2015	2018	2020	2022	2024
Crisis	**Dot-com bubble**	**Global Financial Crisis**	**Coalgate scam**	**Commodities market plunge**	**IL&FS collapse**	**Covid**	**Ukraine war**	**Global uncertainty**
Pre-event Peak	5,934	20,873	18,429	29,682	38,897	41,953	61,309	85,836
Post-event Trough	2,600	8,160	15,948	25,742	33,349	25,981	51,360	71948?
Drawdown period	18m	14m	3m	7m	2m	2m	5m	24m
Drawdown %	**-56%**	**-61%**	**-13%**	**-16%**	**-14%**	**-38%**	**-16%**	**-16%**
Recovery period	25m	20m	4m	25m	5m	8m	5m	?
1 year IRR from trough	6%	81%	22%	7%	17%	68%	22%	?
2 year IRR from trough	26%	42%	22%	9%	7%	41%	22%	?
3 year IRR from trough	**26%**	**21%**	**20%**	**11%**	**20%**	**26%**	**16%**	**?**

Our Sectoral Outlook:

Sector	P/E Sep-26	P/E Sep-25	P/E 10 Yr Avg	vs Sep-25	vs 10 yr Avg	Our View
Auto	23.6x	26.5x	23.8x	-11%	-1%	We caught the PV segment just before the GST announcement last year. Despite renewed growth the sector has become cheap again due to the war induced FII selling pressure. We have positions in OEMs and auto
Banks - Private	13.6x	16.6x	20.7x	-18%	-34%	This is our largest sectoral position. Sectoral problem of high LDR causing low growth is fixed. Loan growth has bounced back. FCNR(B) raising helped. But sharp FII selling has caused sector to be near all time lows
Cement	30.0x	35.1x	30.3x	-15%	-1%	Still expensive on an absolute basis
Consumer	33.5x	40.7x	42.6x	-18%	-21%	While consumer demand has levelled up after fiscal measures (GST cut, tax relief in 2025 budget), bad monsoons could be a spoiler. Many names trading in cheap territory and we will look to initiate here.
Healthcare	35.1x	30.8x	27.9x	14%	26%	Exited pharma just after "liberation" day due to possibility of tariff risks. Revlimid sales run off impacting sector. We are looking at names that depend less on the US. We continue to be long the hospital sector
Media	16.2x	15.0x	24.5x	8%	-34%	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 concerns
Metals	10.5x	11.9x	9.8x	-12%	7%	Sector has been a beneficiary of either war related pricing or anti-dumping duties. While it remains on our radar stock prices are 25%+ away from our interest zone
Oil & Gas (ex RIL)	7.2x	9.8x	8.2x	-27%	-12%	Exited OMCs (IOC) as the war started. Have increased our oil producer (ONGC) exposure. If OMCs become cheap enough due to the negative marketing margins, we may look at them again
Chemicals	27.3x	30.5x	29.3x	-10%	-7%	Many of the underlying chemical prices have settled back down to pre-Covid levels. Is part of our pipeline of research
IT Services	14.5x	20.9x	21.5x	-31%	-33%	Sector has been hammered due to AI-linked terminal value issues. We have cut our limited exposures here. Despite being VERY cheap we think normalization (if at all) could take time

Data Source: Motilal Oswal