

# Cohesion MK Best Ideas

Investment Report

July 2025



**Cohesion**  
Accessing India's Growth



## Market rotation provides opportunity

Cohesion MK Best Ideas delivered a strong performance this quarter, **returning 9.43% in USD** and reversing the losses from Q1.

**Table 1 – Performance Comparison**

30 <sup>th</sup> June 2025 (USD)	Performance (%)	
	Since Inception CAGR (1 <sup>st</sup> August 2020)	Since Inception Return (1 <sup>st</sup> August 2020)
<b>Cohesion MK Best Ideas (USD)^</b>	<b>28.53</b>	<b>243.47</b>
<b>Cohesion MK Best Ideas (GBP)^</b>	<b>27.17</b>	<b>225.87</b>
Nasdaq 100*	16.37	110.53
S&P 500*	15.18	100.21
Peer Performance**	14.97	98.40
MSCI India*	13.36	85.29
MSCI All Country World Index (ACWI)*	12.78	80.51
Nifty 50*	11.93	73.94
MSCI Emerging Markets*	3.83	20.27
MSCI China*	-3.07	-14.19

As we wrote the April newsletter, the world was still reeling from President Trump's freshly announced Liberation Day. Stock markets had reacted badly and, in many cases, indiscriminately. We felt at the time that such volatility would present many opportunities for investors willing to stand back from the noise and recognise that the tariffs displayed on the big board outside the White House were highly unlikely to be the final word on the subject. This view was proved to be correct as many countries have successfully watered down or postponed the original tariffs. India has worked very closely with the US over the last few months to shape a deal described as a "big, good, beautiful agreement". At the time of writing this, the respective negotiating teams are still hard at work in Washington. We will provide full commentary on this once the final terms are announced.

In the last newsletter we also discussed the practical implications of tariffs and argued that many of our portfolio companies were largely insulated by the strength of their business models. Put simply, they are too important to the design and manufacturing chain on which US companies rely to be replaced by new US-based suppliers. Nevertheless, when stock markets switch into risk-off mode, panicking investors can draw odd conclusions. Several of our favourite companies, those with dominant positions and decades of partnership with world leading companies, saw their share prices sharply lower. We found ourselves asking brokers and other investors the question "Do you really believe that this company is going to be squeezed out of the US market; do you think that US workers are going to work for the same wages earned by highly skilled Indians?" The disparity here remains a massive competitive moat for Indian companies, regardless of where tariffs finally settle. **The monthly salary of a PhD holder in India is around USD 1200-1800 per month. That's roughly half the monthly salary of a Starbucks employee in the US.**

\*iShares ETF, \*\* FO Equity India TR (USD) FE Analytics, ^Gross Asset Value (GAV) returns; data as on 30<sup>th</sup> June 2025; Past performance is not indicative of future results.

## Volatility - the friend of the long-term compound investor

The Indian market was inevitably hit by the turbulence in the period surrounding the announcement of the tariffs. As Table 2 demonstrates, the Indian market (as represented by the Nifty 50 Index) fell by less than the broader emerging market index and markedly less than many individual Asian emerging markets and even some developed markets including Japan.

**Table 2 – India and Other Markets Performance**

Name	Country	30th Sept 2024	7th April 2025	Oct'24-April'25 Returns
S&P 500 INDEX	USA	5,762	5,062	<b>-12.2%</b>
NASDAQ 100 STOCK INDX	USA	20,061	17,431	<b>-13.1%</b>
FTSE 100 INDEX	UK	8,237	7,702	<b>-6.5%</b>
NIKKEI 225	Japan	37,920	31,137	<b>-17.9%</b>
SHANGHAI SE COMPOSITE	China	3,336	3,097	<b>-7.2%</b>
STOCK EXCH OF THAI INDEX	Thailand	1,449	1,075	<b>-25.8%</b>
PSEi - PHILIPPINE SE IDX*	Philippines	7,273	5,823	<b>-19.9%</b>
FTSE Bursa Malaysia KLCI	Malaysia	1,649	1,444	<b>-12.4%</b>
JAKARTA COMPOSITE INDEX*	Indonesia	7,528	5,996	<b>-20.3%</b>
MSCI EM	EM	1,171	1,001	<b>-14.5%</b>
<b>Nifty 50</b>	<b>India</b>	<b>25,811</b>	<b>22,162</b>	<b>-14.1%</b>

When looking at market volatility, it is easy to focus purely on the volatility of the entire market. Whilst this provides a quick snapshot, it hides a lot of valuable information about intra-market volatility. As Table 3 shows, 22% of all of the stocks with a market cap of greater than USD 1bn have fallen by more than 20% since September 2024 and 39% have fallen by 0-20%. This level of intra-market volatility, so rarely reported in the popular press, can provide a rich hunting ground for an active stock picker.

**Table 3 – Indian Companies with Market Cap > USD 1bn  
(30 September 2024 to 30 June 2025)**

Particulars	# of Companies	Percentage
Still down by 20% or more from 30 September 2024 price	125	22%
Still down by 0-20% from 30 September 2024 price	223	39%
Have given positive returns from 30 September 2024 price	226	39%
Total	574	

Periods of volatility give us the ability to add a lot of value through trading. We took the opportunity to trim profits in several of the multi-baggers that have served us so well over recent years. **Regular readers of our newsletters will be well aware of our deep admiration of NCC and Transformers & Rectifiers. We continue to believe that these are fabulous businesses with best-in-class management but after their stellar share price runs, we felt that better value existed elsewhere and have therefore banked our profits, selling NCC and Transformers & Rectifiers entirely.** We may well return to these businesses in the future if value re-emerges.

We recycled our profits into topping up some of our positions and starting some exciting new positions. We will discuss **Nazara Technologies** in our next newsletter. For now, suffice to say that we are very pleased to have continued to top up!

**Manappuram Finance's** share price suffered from significant weakness during the latter half of last year, presenting us with a window to build a substantial holding. Such is our confidence in Manappuram that it now represents our largest single holding at almost 6.5% of our portfolio.

Manappuram is a leading non-banking finance company (NBFC) that specialises in the gold lending market and one of very few that have developed the physical infrastructure to properly scale up. Gold financing is one of the most attractive lending segments in India given high yields, extremely low credit cost and very high ROEs. This provides a wonderful tailwind in our view. As readers are doubtless aware, Indians have a deep fascination with gold and regard it not only as jewellery, but also a store of wealth. This applies across all income strata of Indian society and even the poorer citizens will have some gold that they can pledge as security for a high interest-bearing loan. The gold bull-run of recent years will only have cemented this view.

We have been tracking Manappuram for many years and have always been great admirers of their management. However, it is never enough to just find wonderful businesses. Whilst this is a good starting point, we are only looking for 20-25 stocks at any time and we can afford to be very demanding. Great businesses can sometimes be expensively priced, and patience is required in anticipation of an attractive entry point coming in time. If we don't like the price that a business is selling for today, there is always tomorrow.

We first invested in the company at a price of INR 112.5 in June 2023 when this share price had corrected sharply due to decade old non-business-related regulatory action. Our extensive due diligence proved this did not represent any threat to the company and that it was a matter of time when they will get resolved. As anticipated, those issues got resolved in a matter of a few months and the price rose by around 50%. This allowed us to book a healthy profit as we regarded the price as being up with events.

As well as waiting for an attractive valuation, we also want to invest with a tailwind at our backs. It is easy to find businesses that have share prices that are rightly depressed because the market has correctly identified industry or regulatory issues. It is more difficult to find businesses with temporarily depressed share prices despite strong fundamentals.

Waiting for the right time to invest in a great business can be somewhat frustrating but it doesn't have to be time wasted. We continued to meet with not only the key management but also their competitors and customers and maintain a very thorough knowledge of the business. This meant that when the price came back into our target range, we were able to very quickly take advantage.

In November 2024, there was a regulatory review by the RBI across microfinance companies, and this weighed on the sentiment around Manappuram. We believed that this reaction was wholly inappropriate. Even ascribing a nil value to Manappuram's microfinance subsidiary would leave the gold business alone looking cheap and likely to generate excellent returns. Although we modelled the microfinance business at nil for prudence, we did not believe that such an outcome was remotely likely. Manappuram received the all-clear from the RBI in record time of less than 3 months, far quicker than it took bigger, well-known names.

Another factor that had been hanging over the Manappuram share price was its ageing promoter (the term commonly used for the founder/manager in India) who had no clear succession planning to replace him. Speculation in the market for quite some time was of the promoter selling out of the business. This presented two potential challenges. The first was a steady flow of large blocks of shares into the market and the second was a management void at the top.

Given the fabulous competitive position held by Manappuram in one of the most attractive sectors in India, we viewed the promoter issue as likely to be very temporary in nature. There are plenty of private equity houses that would love to be in this space. This has proved to be the case as leading global private equity house **Bain Capital took a controlling stake in the company at a 30% premium to our entry price.** They have recently applied to be classified as promoters and **infused around 485 mn USD into the company.**

As well as very substantial growth capital, Bain has also worked swiftly in bolstering the senior management with Mr Deepak Reddy joining as the Chief Executive Officer of the company, effective from 1 August 2025. Mr Reddy brings over 30 years of experience in the financial services industry. He has held leadership positions at leading institutions including Bajaj FinServ, where he served for 17 years and American Express Bank (approximately 9 years) and is highly regarded by senior people we have spoken with.

With a new management in place and regulatory clouds (which should never have really impacted Manappuram in our view) clearing, we believe that the future is very bright for the company. The backing of Bain Capital provides not only a reputational halo but plenty of firepower to develop further growth. **Our estimates suggest that potentially we can double our money from current levels in the next two years even after the recent 50% rally from our entry price. To achieve this assumes only a 2x book multiple on 1 year forward numbers. This will still be at a discount to the leading competitor which is trading at 2.5x book value.**



## Conclusion

**Volatility is a fact of life in every equity market around the world. Those investors who choose to treat it as an opportunity tend to be best rewarded.** When we look back at performance over many decades, we find that the best periods of performance often tend to be during and after periods of market dislocations such as the one we experienced earlier this year. It is our belief that this is because during such periods we witness the worst examples of irrational panic by other investors who respond to the most gossamer thin piece of news. Those who never really understood why they had bought an investment don't understand whether they should be topping up when the share price falls.

A lot of Indian equities can be bought at prices substantially lower than they were offered at six months ago. This has given us the chance to take profits and rotate into businesses that we had admired from afar due to previous valuations.

Next month marks the 5th Anniversary of launch of Cohesion MK Best Ideas. We plan to release a special newsletter following this to take an in-depth look into several themes that we firmly believe will power Indian equities many-fold higher over the coming years. **We remain convinced that there is no better market on earth to invest in than India for those seeking the power of compounding at ROIs that aren't, in our view, available in any other country.** Periods of volatility simply provide us with a chance to deliver even better returns than would be available in a fund that tracks the Indian markets.

**Strategy Performance: Data as at 30<sup>th</sup> June 2025**

Discrete Performance** (%)							
USD		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
	2025	-9.29	9.43	-	-	-0.74	243.47
	2024	14.49	18.08	8.14	2.56	49.95	246.02
	2023	-7.06	19.14	12.60	14.78	43.12	130.75
	2022	-2.22	-13.25	13.45	2.18	-1.68	61.23
	2021	11.31	11.01	13.13	1.58	42.00	63.98
	2020	-	-	-0.19	15.70	15.48*	15.48
GBP		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
	2025	-12.64	3.12	-	-	-9.92	225.87
	2024	15.47	17.89	2.24	9.60	52.53	261.75
	2023	-8.98	15.71	17.25	9.99	35.83	137.17
	2022	0.71	-6.41	23.69	-5.54	10.12	74.60
	2021	10.40	10.63	16.12	1.15	43.45	58.56
	2020	-	-	1.08	9.35	10.54*	10.54

\*Cash deployed cautiously during COVID-19 outbreak and 90% deployment reached by end of February 2021

	Equity	Cash
1st 6 months	45%	55%
1st 12 months	68%	32%
Since Inception	84%	16%

\*August 1<sup>st</sup> 2020

\*\*net of taxes and fees, gross of performance fees

**Portfolio – 30<sup>th</sup> June 2025**

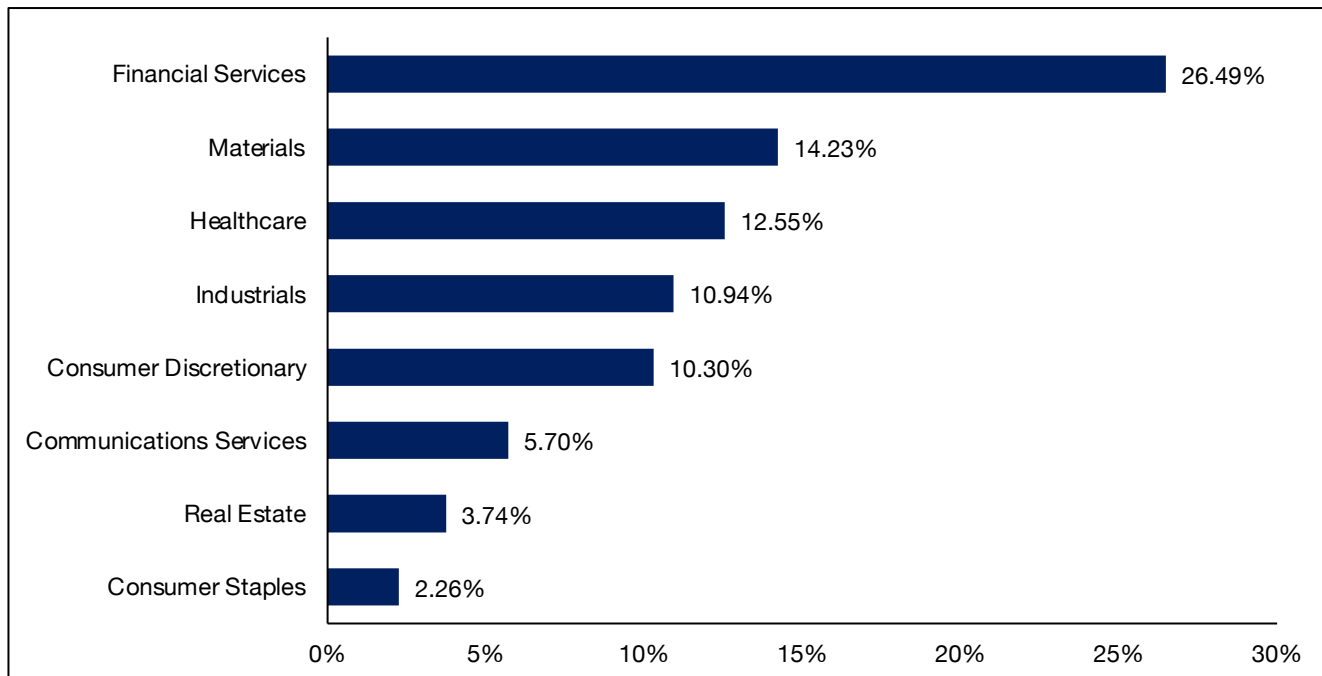
**Top 5 Holdings**

Security Name	% Holding of Portfolio
Manappuram Finance Limited	6.50%
Lloyds Metals and Energy Limited (Warrants)	6.12%
Shilpa Medicare Limited	6.07%
Nazara Technologies Limited	6.03%
State Bank of India	5.00%

Past performance is not indicative of future results.

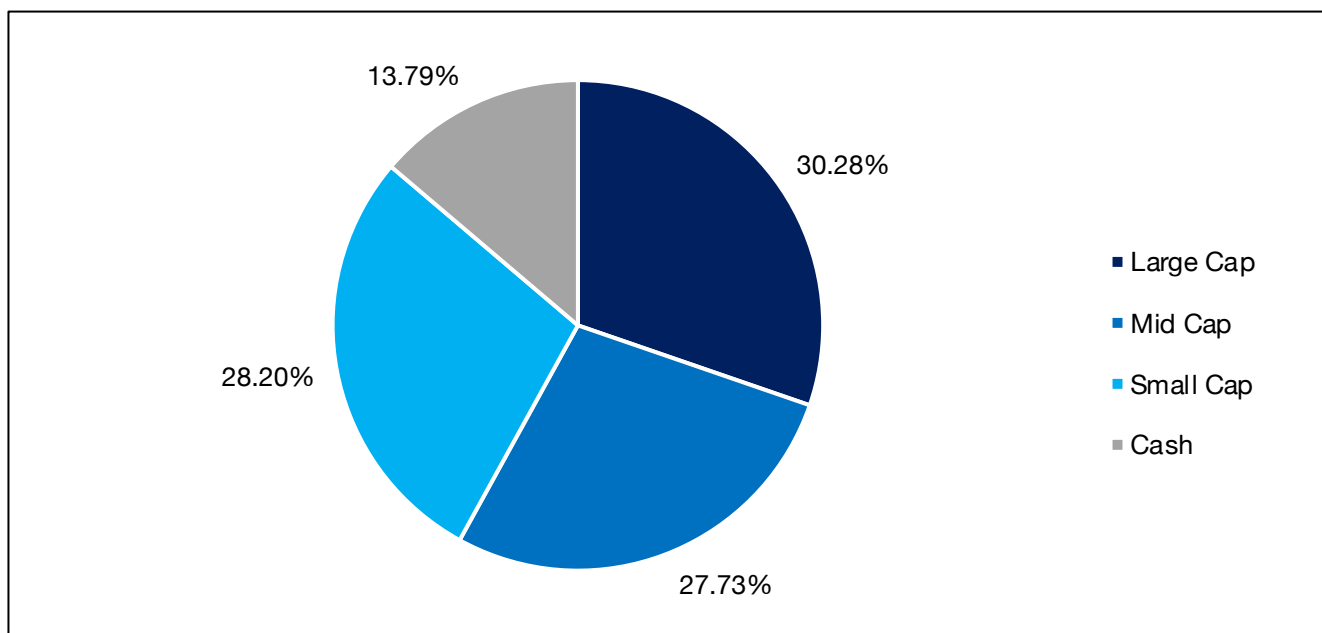
**Portfolio – 30<sup>th</sup> June 2025**

**Sector Exposure**



Portfolio allocations may not add to 100% due to rounding and cash holding

**Market Cap Exposure**




**Market cap breakdown – Large Cap:** Companies with a Market Cap above US\$6 billion,  
**Mid Cap:** Companies with a Market Cap between US\$1.25 to US\$6 billion, **Small Cap:** Companies below US\$1.25 billion



**For further information:**

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