

Cohesion MK Best Ideas

Investment Report

October 2025



Cohesion
Accessing India's Growth



The past, present and future

Cohesion MK Best Ideas registered a return of -7.14% in USD this quarter. It is worth noting that the portfolio returned -3.86% in INR terms this quarter and therefore a substantial part of the negative return was due to currency. We will discuss this in this quarterly report, as we believe it will prove to be a temporary phenomenon.

The absolute and relative returns delivered since inception continue to look strong, as Table 1 demonstrates.

Table 1 – Performance Comparison

30 th September 2025 (USD)	Performance (%)	
	Since Inception CAGR (1 st August 2020)	Since Inception Return (1 st August 2020)
Cohesion MK Best Ideas (USD)^	25.17	218.95
Cohesion MK Best Ideas (GBP)^	24.51	210.38
Nasdaq 100*	17.42	129.20
S&P 500*	16.21	117.28
MSCI All Country World Index (ACWI)*	13.71	94.19
Peer Performance**	12.80	86.25
MSCI India*	11.26	73.53
Nifty 50*	10.18	65.03
MSCI Emerging Markets*	5.83	34.02
MSCI China*	0.66	3.46

Where we have been, where we are and where we are going

You may well have read our recent 5th Anniversary newsletter, which was very focused on the actions we have taken during the first five years of the fund's life. **During that time, we have maintained a CAGR of more than 25%.** Investors often ask us whether the past, the present or the future represents the best time for investing in India or for our style. It is a matter of public record that the past has been very good for us, not only over the last five years but also as a team for the last several decades. Over most 3-5-year cycles, Mr. Madhusudan Kela was able to compound at 20-25% per annum. That is the past, and while we are very proud of our long-term track record, we know that the present and future are always what count.

When we compare the current and future environments with those of the highly successful past, we remain filled with confidence. Yes, there are some new uncertainties, especially the well-publicised tariffs introduced by President Trump, but when we look back over our history, there have always been uncertainties. Just as there are and always have been uncertainties in any market around the world. In our experience, the most money is made by investors who regard periods of turbulence as an opportunity not only to hold onto the positions they have built, but also to add to them during periods of temporary volatility. As Table 2 shows, there have been plenty of periods of such turbulence in the past, and each and every one has proved to be a tremendous time to invest.

Table 2 – Nifty 50 Fall and Recovery*

Peak to Bottom Date Range	Correction	6M Recovery from Bottom	12M Recovery from Bottom
January 2004 – May 2004	-29.94%	36.00%	52.11%
May 2006 – June 2006	-29.87%	49.22%	67.86%
January 2008 – October 2008	-59.86%	71.27%	103.70%
November 2010 – December 2011	-28.01%	17.63%	30.20%
January 2020 – March 2020	-38.41%	56.55%	94.67%
October 2021 – June 2022	-17.23%	22.66%	27.49%

There have been plenty of headlines about the tariffs imposed by President Trump. In our previous report, we noted that the impact of these tariffs, although disappointing and somewhat perplexing, is likely to have only a small effect on India's GDP. The export of goods accounts for approximately 10% of India's ~USD4tn economy, with the remaining roughly 90% driven by domestic demand and by the export of services which are explicitly exempt from US tariff legislation. Goods imported by the US from India amounted \$87bn last year, representing around 2.1% of India's GDP. Even if the recently announced tariffs were to reduce India's goods exports to the US by 10% (which we believe is highly unlikely, especially since around half of these exports to the US are exempt from the tariffs), ***the potential impact on India's overall GDP level would be limited to less than 0.5%, meaning that over 99.5% of India's GDP would remain unaffected.***

*Source: Bloomberg; Non-exhaustive list of examples; Past performance is not indicative of future results.

S&P, in a report published in mid-September, said "The country's GDP is forecast to grow 6.5% in fiscal 2026, as it did in fiscal 2025, reflecting its domestically driven nature." S&P goes on to note that this is almost precisely the same rate that the country delivered for the decade leading up to Covid. ***The domestic powerhouse of India is driving the country's consistent and predictable growth.***

India and Indian companies are busy behind the scenes, strengthening ties with other nations and other consumers, some of whom have also been hit by tariffs. Indeed, there are plenty of countries around the world that regard India as absolutely central to their own growth plans. As this quarterly report goes to print, the ***Trade and Economic Partnership Agreement with the European Free Trade Association (EFTA) comes into effect, providing India with duty-free access to 99% of goods in EFTA markets and a commitment to create one million jobs between the two signatories, based on a USD 100 billion investment.*** In the summer, the Prime Ministers of India and the UK signed a deal in which the UK lowered taxes on goods imported from India, including clothing, footwear, food products, jewellery, gems, and cars. At the time of writing the report, UK Prime Minister Sir Keir Starmer is in the UK with a large delegation implementing this.

India has been engaged in intensive negotiations with the EU, its second-largest trading partner, with a pledge on both sides to finalise a new trade deal before the end of this year. Put simply, almost every policy maker and central banker recognises that international trade lowers prices for consumers and stimulates economic activity. With Western economies short of growth and still on high alert against inflationary embers reigniting, there should continue to be plenty of opportunities for improved trade deals. They just aren't announced with the showmanship that we have witnessed this year from the White House.

We have previously commented on the critical role played by Indian companies in not just manufacturing components for leading US companies but also designing them. We can think of many companies, some of which we are invested in, that quite literally are responsible for keeping the products of Boeing or Bell Helicopter in the sky. We cannot imagine companies such as Halliburton switching to untested US suppliers when RK Forgings components are essential for the safe operation of multi-million-dollar oil rigs. In a recent conversation with ***Dynamatic Technologies Limited (DTL)***, we learned that ***Airbus had chosen to host their global AGM at DTL's factory in Bangalore.*** For such a major OEM as Airbus to go to the trouble of bringing all its most senior people from around the world to Bangalore illustrates how vitally important and strategic they regard such relationships.

GST cuts to provide a major boost to consumption

Navratri, one of the most popular Hindu festivals, has just ended after nine nights of celebrations. It was also a period of celebration for the plethora of retailers and manufacturers that feed India's vast consumer markets. Early indications are that Navratri sales will reach decade-high levels, fuelled by substantial cuts in GST (Goods and Services Tax) by Prime Minister Modi's government. Some retailers are reporting sales increases of up to 100% compared to last year, and they have also praised the simplification of rules and tax thresholds.

There has been a noticeable shift in the language used across all levels of the Indian government in recent months, towards self-help and prioritising India. Doors remain fully open to international trade, but India has become increasingly focused on exploiting its biggest asset – the world's best demographics – to its own advantage. This is why we believe that the impact from international trade, which is likely to be modest, will be more than compensated by the strong and strengthening domestic market. ***We have even witnessed some sell-side economists suggesting that they will revise India's GDP forecast UPWARD because of their belief that the domestic story will outweigh the impact of tariffs and weakening overseas trade.***

Can the rupee headwind become a tailwind?

Since our launch, we have delivered strong returns despite the rupee weakening by approximately 20% against the two share class currencies – USD and GBP. ***Even in the long term, Indian equity markets have delivered superior USD returns to all major global markets, including the US, during the past 25 years.***

Historically, it was easy to point to reasons for the rupee's chronic weakness, but these same factors now appear to be far less relevant. Relative inflation lies at the heart of most discussions about currency. It would be fair to say that India previously suffered greater inflation than much of the rest of the world. That certainly didn't prevent investors from making a great deal of money in India, but it would explain why a small amount was given up to the currency. In recent years, that picture has reversed. Indian inflation is well-controlled, and Western economies have seen inflation rise steeply due to massive central bank stimulus during the Covid-19 pandemic and the impacts of Chinese and Ukrainian supply issues. This could well have led to a strengthening of the rupee versus the USD and GBP. Instead, rising interest rates, which are used to tame inflation, have resulted in Western currencies being in high demand.

India's reliance on oil imports makes it sensitive to fluctuations in global oil prices. When crude oil prices rise, it has a double impact on the rupee. India needs more USD to pay for the same amount of oil, increasing USD demand. Additionally, higher oil prices can widen India's trade deficit, thereby weakening the rupee. Oil has been in a solid downtrend since the 2022 spike, with Brent Crude having fallen by more than 45%. This should have been helpful to the rupee, but the outflows from FIIs have probably offset the benefits from oil.

Ultimately, strong economies should have stable currencies. The Indian economy has achieved huge gains over the last 30 years and is forecast to do much more in the decades ahead. With inflation under control (and likely to directly benefit from the recent cuts in GST mentioned earlier) and with prudent governance, the outlook is much better than the currency charts would suggest. We appreciate the frustration of international investors, especially those with GBP investments, who have seen the worst of this as their currency has been bid higher, partly due to their own stubbornly high inflation and interest rates, and partly due to the USD losing some of its safe-haven status.

An evolving portfolio

The central pillar of our investment process is how we respond to news flow. We are blessed with a significant advantage, enjoying exceptional access to leading entrepreneurs, bankers, academics, and decision-makers. This gives us a 360-degree view of the economic and competitive landscape that surrounds the companies in which we invest. Having such access is important but correctly interpreting it is more so. There are times when markets are correctly interpreting economic or corporate news flow and times when they are taking too optimistic or pessimistic a view or they act on news that is hardly new at all. As fund managers, it is our job to balance what we know against what the markets believe to be true. This can sometimes require patience, but we have been rewarded for our patience enough times to have the conviction in our process.

This year, our portfolio has been impacted by several exogenous events. We have already touched on the political environment and would like to reiterate that we are very optimistic about the future. The US-India relationship will probably land in a better place at some point. We wouldn't wish to predict what President Trump will do over the next four days, much less the next four years. However, the US and India are two enormously important partners that have more points of commonality than difference. They will, in our opinion, find a solution that works for both parties and markets will respond very favourably.

We have also had several company-specific events to occupy us. **Nazara Technologies** was impacted by the surprise provisions of the Online Gaming Regulations prohibiting all forms of real-money gaming in India. Whilst that will be a blow to Nazara's investment in Moonshine, Nazara is so much more than a play on real-money gaming. It has a fabulous portfolio of non-real-money games and has a proven track record of acquiring gaming platforms and successfully integrating them. Bizarrely, the initial market response to the news of the Act was to mark Nazara's share price down by more than the entire value of Moonshine; a clear example of market irrationality. It is good to see that the market is now taking a more analytical view of things, and the share price has stabilised.

The share price of long-term favourite **RK Forgings** has also been weak over the last year. Part of this has been due to the US tariff situation. This has hit sentiment as around 30% of its orders are derived from the US. However, this overlooks the fact that 80% of this is delivered via Mexico under the USMCA and is thus exempt from tariffs. Of the remaining 6% (20% of 30%) of the company's order book, approximately half of this has already been negotiated to include full pass-on of tariffs to end customers. When properly analysed, the impact of tariffs can be seen to be very small. Short-term sentiment towards RK Forgings was not helped by an inventory issue that the company announced in a very transparent manner. It is annoying to have such issues in any investee company, but we are comforted by the fact that it was a process issue rather than anything more serious.

The company's senior management reacted with great personal integrity, investing an amount equal to the discrepancy. RK Forgings has been a fabulous investment over the last 20 years. ***Since listing at a price of INR 20 in 2004, its share price has risen to more than INR 550 today***, despite a significant fall this year. The company has delivered remarkably consistent growth in new products and capacity, which has translated into revenue and earnings growth. The company is committed to increasing its forgings capacity from c270k tonnes to c333k tonnes and its castings capacity from c33k tonnes to more than 62k tonnes over the short term. We believe that delivery of this will soon draw investor attention back to the sustained and predictable growth that RK Forgings has built its reputation on. ***We remain very bullish of RK Forgings and regard the current weakness as an opportunity.***

As an investor, there are times when humility is the most essential character trait. When we invested in ***SpiceJet*** and ***Confidence Petroleum***, the investment cases looked strong. SpiceJet had articulated a clear growth program based on the expansion of its fleet and network, but company updates had demonstrated a decline in the fleet and uncertainty around its future direction. We have held our nerve, and our faith in the company's management appears to have been justified as their shares have surged higher in recent days, buoyed by the news they were expanding both their domestic network and winter flight schedules, including new routes to Port Blair and Udaipur, two of India's most popular winter destinations.

We had high expectations for Confidence Petroleum. The investment case notably weakened due to a series of events, some of which were beyond the company's control, including a government decision to reduce non-subsidised LPG (liquid petroleum gas) prices and the cessation of cheaper supplies from Iran to comply with US sanctions. These combined to reduce margins. When combined with the company being behind its own scheduled rollout of CNG (compressed natural gas) stations, we could no longer regard Confidence Petroleum as a "best idea." As a best ideas portfolio, we continually challenge every stock in the portfolio and ask whether it represents the optimal use of capital. Whilst it is disappointing that an idea hasn't reached the potential we had identified, ***we are always willing to move on and reallocate capital into fresh opportunities that we are very excited about.***

Prime Focus Limited is a leading media and entertainment services company. Established in 1997, Prime Focus has evolved into a global powerhouse in the media industry, offering comprehensive creative and technical services across the film, television, advertising, and digital sectors.

With offices and facilities worldwide, Prime Focus has established itself as a key player in the post-production and visual effects market. The company offers a wide range of services, including VFX, 3D conversion, animation, virtual reality, and sound services. Prime Focus has worked on numerous blockbuster films and TV shows, bringing its expertise and innovation in the field of visual effects. ***It has won 8 of the last 15 Oscars for their visual effects.***

In addition to its post-production services, Prime Focus also owns and operates a successful digital media distribution platform called Prime Focus Technologies (PFT). PFT offers cloud-based solutions for content management, and delivery, catering to the needs of broadcasters, studios, and digital platforms.

Prime Focus has also ventured into the world of virtual reality and immersive experiences through its subsidiary, Prime Focus World. The company has collaborated with leading filmmakers and content creators to produce cutting-edge VR content, further cementing its reputation as a forward-thinking and innovative media company.

Despite its track record of delivery, Prime Focus was hampered by events largely outside of its control, including the Hollywood Writers Guild strike which left the company saddled with more debt than it would have wished for. They have now undertaken a very smart debt-for-equity swap that gives them much greater balance sheet flexibility. With the writers' strike now in the rearview mirror and management free from spending their time focused on the balance sheet, they can do what they are best at.

Next year, we believe the market will start thinking about the release of the first part of ***Ramayana***. This is a ***major live-action production starring Bollywood A-listers Ranbir Kapoor and Yash, with Grammy Award winners A.R. Rahman and Hans Zimmer composing the musical score for the film***. The nearest Western equivalent might be the Avatar series. Although initially targeted at the massive Indian film market, plans are underway to make the film available globally using Prime Focus's own Brahma AI program. The upside to earnings from this could be highly significant.

We have also taken the opportunity to build a substantial position in RBL Bank and are already showing profits against our entry price.

RBL India, is in our opinion, one of the better private sector banks in India. Established in 1943, the bank has evolved significantly from its humble beginnings as a regional bank to become a prominent player in the Indian banking industry. With a strong focus on innovation, customer service, and technology, RBL India has carved out a niche for itself in the highly competitive banking sector.

RBL India offers a wide range of traditional financial products and services to its customers, including savings accounts, current accounts, fixed deposits, loans, credit cards, and insurance. The bank also caters to the needs of small and medium-sized enterprises.

Momentum is strong within RBL, with improving credit quality and cost-income ratios across the business, led by lower funding costs. RBL has earned a reputation for consistently and prudently growing its customer base. In banking, this is the Goldilocks formula. It is easy to grow a loan book quickly if you aren't too concerned about the quality of those loans. RBL has been able to grow reliably, and its recent guidance suggests further double-digit growth of its loan book over the next few years. The Indian central bank, the RBI, has recently commented that retail and unsecured credit cards were experiencing a much better environment. As almost 20% of RBL's book is in this space this should be supportive for both earnings and sentiment.

Currently, RBL is trading on a very undemanding ratio of 1x trailing net worth (or book value). The market is essentially ascribing no value to the operating value of the business. With a tailwind behind it and a cheap, asset-backed valuation, we view RBL as a classic **"cork underwater"** stock, offering plenty of upside and minimal downside.

Conclusion

We are aware that it has been a frustrating first three quarters of a year for our investors. We are invested alongside you and share your frustrations.

Despite this, we draw not just comfort but excitement from several sources. The stories you read in the business and popular press are headline-worthy, but they represent only part of the story – and not even the most important part. Anyone who chooses to look beyond Truth Social will very quickly appreciate that the damage to the Indian economy is likely to be a glancing blow and far smaller and far less enduring than the structural growth trends in the Indian economy that are actually being upgraded. Prime Minister Modi has unleashed the power of "Swadeshi", the call to choose Indian products and services, and this is already being rolled out to all aspects of Indian life, including school classrooms.

We have a terrific portfolio of companies and have taken profits on some of the winners that delivered 5x or more for us. We have redeployed this capital into topping up stocks that had fallen unjustifiably far and also into some very strong new ideas.

The past has been great for us. The present is a little choppy. The future looks as good as it has ever been.

Strategy Performance: Data as at 30th September 2025

Discrete Performance** (%)							
USD		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
	2025	-9.29	9.43	-7.14	-	-7.82	218.95
	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	-12.26	3.12	-5.17	-	-14.20	210.38
	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 1st 2020

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

Portfolio – 30th September 2025

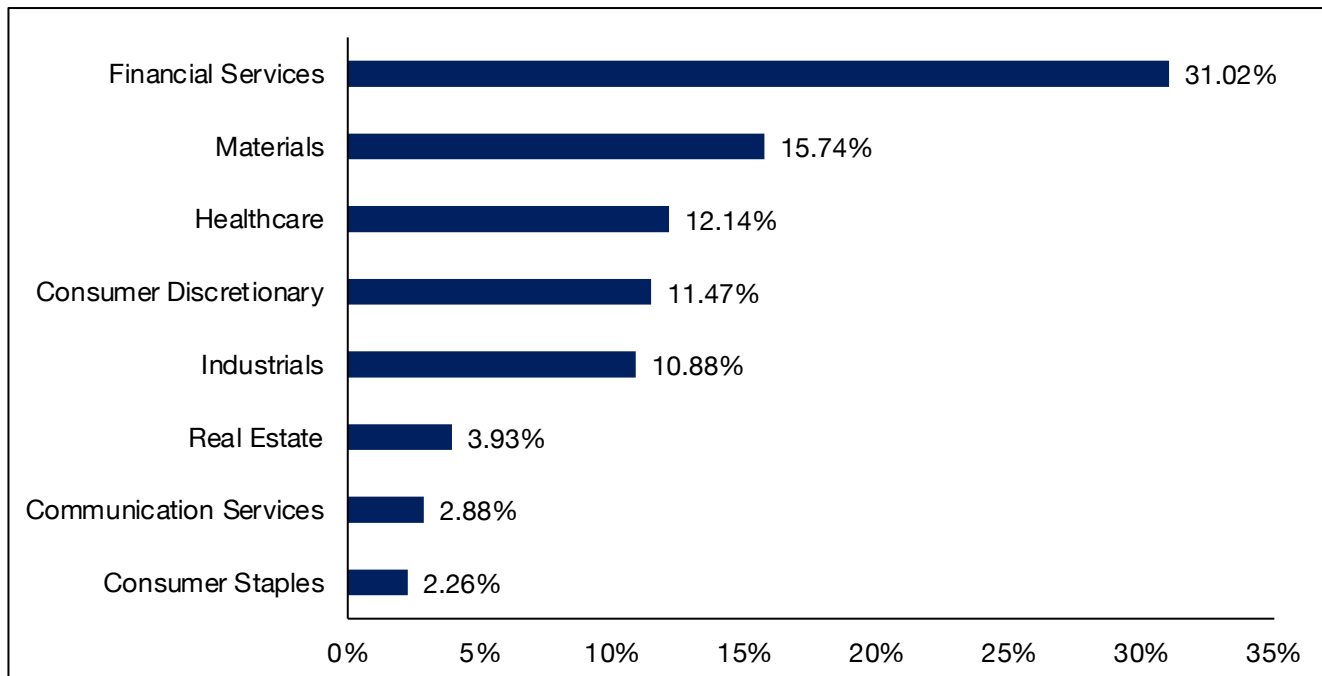
Top 5 Holdings

Security Name	% Holding of Portfolio
Manappuram Finance Limited	8.32%
RBL Bank Limited	6.89%
Shilpa Medicare Limited	5.24%
Nazara Technologies Limited	4.82%
Lloyds Metals and Energy Limited (Warrant)	4.81%

Past performance is not indicative of future results.

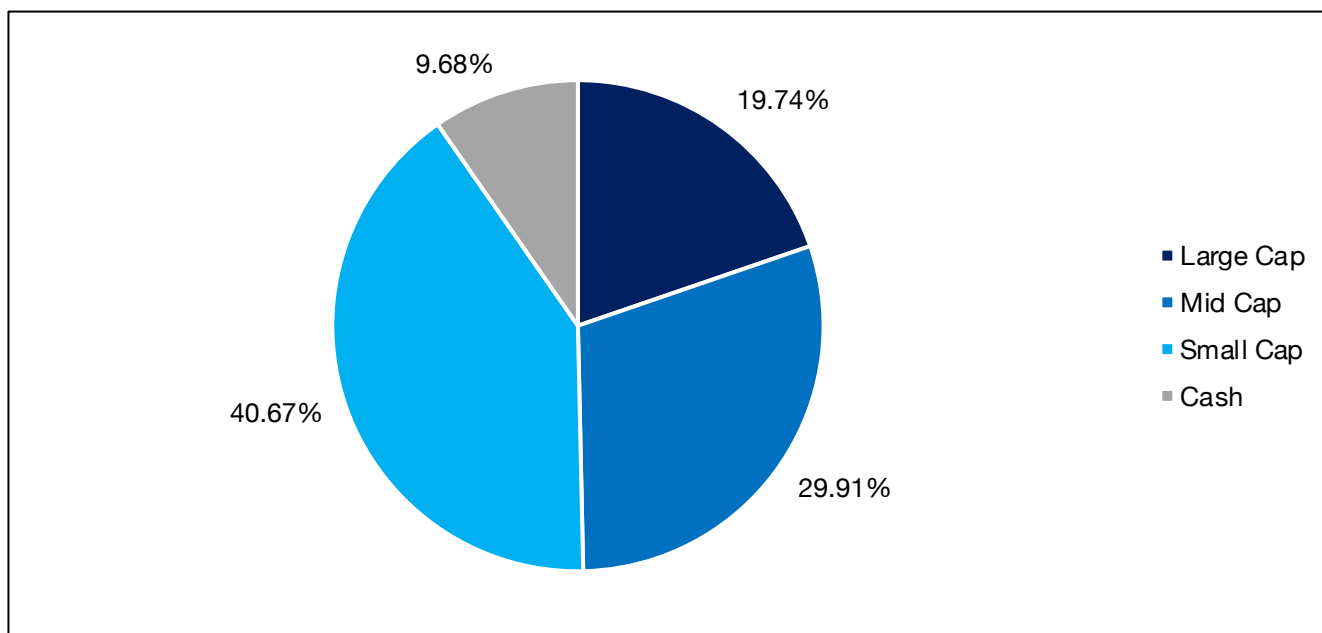
Portfolio – 30th September 2025

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

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