

Cohesion MK Best Ideas

Investment Report

January 2026



Cohesion
Accessing India's Growth



2025 Annual Review and 2026 Preview

A rare entry point into the long-term compounding India story

After two strong years in which Cohesion MK Best Ideas delivered USD performance returns of **49.95% (2024)** and **43.12% (2023)**, 2025 proved to be more challenging. As Table 1 shows, Indian equity markets lagged the other major international markets. We are still comfortably ahead of all international and local comparators since August 2020 launch and have delivered a USD CAGR of ~24%, in line with our aim to double every 3-4 years. Perhaps more importantly, **we enter 2026 more optimistic than we have been in a very long time. There is currently a disconnect between the Indian economy, which is performing exceptionally well on all fronts, and the Indian equity market and currency. We expect a period of catch up which may well be sharp and soon.**

Table 1 – Performance Comparison

31 st December 2025 (USD)	Performance (%)		
	1 Year Return	Since Inception CAGR (1 st August 2020)	Since Inception Return (1 st August 2020)
Cohesion MK Best Ideas (USD)^	-6.55	24.18	223.35
Cohesion MK Best Ideas (GBP)^	-13.20	23.51	213.99
Nasdaq 100*	20.88	17.50	139.63
S&P 500*	17.85	16.28	126.47
MSCI All Country World Index (ACWI)*	22.41	13.70	100.49
MSCI India*	2.68	11.71	82.20
Nifty 50*	5.02	11.40	79.49
MSCI Emerging Markets*	33.98	6.91	43.60
MSCI China*	31.03	-1.05	-5.55

When looking at the returns posted in 2025, a few key themes are worth examining: the rupee, the ongoing Trump tariff saga, the strength of the Indian domestic economy, and the truly massive changes in the valuation of many Indian companies. We regard each of these as a potential source of positive returns this year. Indeed, this is why we are so bullish about prospects for the next 12 months and beyond. Any one of these factors could deliver 20%+ on its own this year. If we have several factors layering on top of each other, we could enjoy a truly bumper period.

*iShares ETF, ^Gross Asset Value (GAV) returns; data as on 31st December 2025; Past performance is not indicative of future results.

The rupee

We know that the rupee's weakness has been frustrating for international investors. Of the 6.55% fall in our USD performance last year, around 5% was due to the currency. Whilst that is beyond our control, we appreciate for some this may give reasonable concern. This is especially so, as the US dollar wasn't a strong currency last year, after losing some of its status, at least in some people's eyes, as a safe-haven currency. Against sterling, the rupee weakened by even more, losing around 12%.

The reasons why a country may suffer from a weak currency are well known: high inflation, low relative interest rates, weak economic growth, political uncertainty, high government debt, and a large trade deficit all put downward pressure on the currency. Looking at India through this checklist, it is easier to make a bullish case than a bearish one, especially when viewed forward-looking rather than backward-looking.

India's inflation has been far more controlled than many global peers. The Consumer Price Inflation rate in India fell to 0.25% in October of 2025 from the downwardly revised 1.44% in the previous month, the lowest on record, and well below the market consensus of a softer slowdown to 0.48%. It was the ninth consecutive month that the inflation rate was below the Reserve Bank of India's 4% target, and the third in a row below the 2 percentage point lower tolerance band of 2%. India maintains relatively attractive real interest rates compared with many developed economies. This helps draw in long-term capital rather than volatile "hot money," a quietly supportive factor for the rupee.

India does run a trade deficit, but it is structurally improving. Services exports – IT, business services, pharmaceuticals, engineering – are strong, resilient, and dollar-earning. This is not a consumption-only economy. It is worth remembering that other countries, including the United Kingdom, have consistently run trade deficits for decades without chronic currency weakness. Although foreign investors have been sellers of Indian equities recently, that is only part of the picture. Foreign investment in manufacturing, technology, and renewables has remained remarkably robust. These are sticky, long-term inflows that reflect international business leaders' confidence in India's future.

India's standout strength is clearly its economic growth. India is the world's fastest-growing major economy. More importantly, this growth has been sustained for decades and India is expected to deliver more growth in the coming decade than in its entire history. In some countries, this growth is at the mercy of commodity prices or technological change. India's is based on highly predictable factors, in particular, strong domestic demand, infrastructure spending, and a young workforce.

When it comes to political stability, India compares favourably not just with emerging markets but also with many developed Western and Asian countries. Prime Minister Modi, now in his 12th year of office and enjoying huge popularity and success, offers policy continuity and stability, which markets should value. The Reserve Bank of India is widely seen as cautious, credible, and disciplined and India has vast foreign exchange reserves of ~US\$700 billion.

India's debt is mainly domestic and rupee-denominated, reducing external vulnerability. This matters far more than headline debt numbers, but even if we were to focus only on these, India would be attractively placed. With a debt-to-GDP ratio of 80%, India is substantially healthier than Japan, the US, the UK, Singapore, France, Canada, China, and many others. Additionally, corporate balance sheets have undergone an unprecedented deleveraging, with the aggregate debt-to-equity ratio declining to 0.25.

Historically, India's currency weakness had been gradual, reflecting global dollar strength. Growth, inflation, the domestic economy, long-term foreign investment, and political stability are all trending positively. The interest rate differential and trade deficit look to us to be neutral factors at worst compared with India's history. The foundations for rupee stability – and eventual strength – are firmly in place.

The ongoing tariff saga

We confess to being surprised by the extent of the India–Trump trade saga of 2025. President Trump has always maintained that he enjoys an excellent working relationship with Prime Minister Modi and has acknowledged India's vital role in providing stability and reliability. The US is desperate to be less reliant on China, and India perfectly fits the billing as "**Factory to the World**" given its vast, highly skilled, operationally efficient, and low-cost manufacturing capability.

The US is India's largest export market, but the US is equally reliant on India. **It is a symbiotic relationship. It may surprise some readers that India's shipments to the US actually increased by 22% year-on-year** compared with November 2024. Huge quantities of electrical and electronic equipment, much of which is now value-added and highly technical, as well as vital pharmaceuticals, precious stones, and organic chemicals, are needed every day. These are products that Americans rely on for consumer, industrial, and healthcare supply chains. Put bluntly, the US needs India as much as India needs the US.

It is probably pointless to try to guess when President Trump will make his next move. We were barely two days into 2026 before his move in Venezuela surprised most political commentators. However, everything we can assess on the ground in India indicates that discussions are proceeding quietly and constructively at senior levels. It seems likely that there will be sector-specific agreements and tariff adjustments that will allow both sides to claim they have secured a big, beautiful deal for their country.

No one likes uncertainty. The management teams that we speak with every day are generally relatively sanguine about the future of tariffs. The engineering businesses we own, including **RK Forgings** and **Dynamatic Technologies**, have long-standing relationships with OEM manufacturers and are protected by the critical nature of the products they contribute. They tell us they have seen domestic substitution have no impact whatsoever. There are simply no US-based businesses that can supply what they make as needed. Our pharmaceutical companies, **Shilpa** and **Supriya**, have been insulated by a specific carve-out provision that excludes pharmaceutical ingredients from tariffs. Nevertheless, markets dislike uncertainty, and we believe a resolution to the trade saga would be warmly welcomed. Indeed, **there is every chance that it will benefit both the currency and equity markets simultaneously, giving investors in Cohesion MK Best Ideas a double boost.**

The domestic economy has never looked better.

The outlook for the Indian economy remains highly positive, underpinned by solid fundamentals, structural reforms, and targeted government initiatives. **India continues to be the world's fastest-growing major economy**, with medium-term growth projected at around 6–7%. These forecasts are regularly revised upward, in stark contrast to those of the West. Indeed, Bank of America hiked its forecast from 7% to 7.6% as this report was being drafted. **McKinsey recently highlighted that India is entering an unprecedented phase of economic expansion, with the potential to add approximately US\$5 trillion to GDP over the next few years.** We own plenty of companies that are largely or entirely driven by domestic demand. For instance, **Cemindia Projects Limited** is a leading EPC player with a strong execution record across core infrastructure and an order book of ~USD 2 billion. Its acquisition of a majority stake by the Adani Group has meaningfully strengthened visibility, integrating Cemindia into one of India's largest capex platforms with annual spends of ~USD 20 billion and first right on aligned projects, positioning it at the heart of India's infrastructure development. A major growth driver is Adani's data centre push including ~USD 5.6 billion of internal capex and a USD 15 billion partnership with Google. Cemindia has already begun benefiting, recently securing a ~USD 338 million data centre order, positioning it at the center of India's rapidly expanding data centre market with capacity expected to more than triple by 2030.

Central to this momentum is Prime Minister Modi's major policy agenda, which emphasises manufacturing, digital transformation, and ease of doing business. The Make in India initiative has been expanded through Production-Linked Incentive (PLI) schemes across sectors like electronics, pharmaceuticals, automotive components, and renewable energy, attracting multinationals and boosting exports. This has helped India strengthen its position in global supply chains. We would highlight **WeWork India** as one of the portfolio holdings that really excites us. WeWork is India's largest premium coworking operator in a market that remains at an early stage, with penetration of approximately 6-8% of total office stock. As multinational companies increasingly choose India as the destination for long term expansion, we think WeWork India's prospects are bright. Their high margins and operational leverage means that earnings growth should be disproportionately high over the next few years.

The Digital India programme has accelerated financial inclusion and innovation, with broader adoption of digital payments, cloud infrastructure, and e-governance services. Meanwhile, the National Infrastructure Pipeline and increased capital expenditure on roads, railways, and urban transport are expanding productive capacity and improving connectivity across regions.

Reforms in the agricultural sector including improved market access and investment in cold chains and food processing are enhancing rural incomes, which fuels consumption. The Vibrant Village Program and regional development initiatives aim to reduce inequalities and integrate remote areas into the growth story.

We have discussed **India's demographic dividend** extensively in previous reports. The crucial point, often overlooked by investors, is the **certainty embedded in this**. There are plenty of other potentially great growth stories around the world, but each comes with significant uncertainty. There is a chance that the colossal investment in AI will reap rewards, but also a chance that it won't. There is a chance that China will sort out its real estate and governance issues and prove a bargain. There's also a very good chance that it won't. India's demographic-driven growth, driven not only by a youthful population but also by rising female labour participation, is the nearest thing a global investor will find to a super-theme certainty.

A whole buffet of attractive stocks

The returns generated by Indian benchmarks over the last year have been unremarkable. Many global investors have had a myopic fascination with the Magnificent Seven stocks and all things AI and have ignored the more predictable long-term growth available in India. The large-cap-dominated MSCI India ETF was up by a little over 2.5%, whilst the MSCI India Small Cap ETF was down by just over 8.5%.

These broad indices mask significant intra-market volatility, something that applies across all global markets. A quarter of India's top 1000 companies are currently down by 30% or more from their 52 week highs. More than half are down over 20% from the 52 week highs. Often, these precipitous moves have been triggered by little or no news. Overexcited brokers have, in our view, sometimes been too eager to suggest that tariffs will have a much greater impact on a company's outlook than seems likely. These falls provide active investors with a fabulous but potentially short-lived opportunity to hunt for exceptional value.

In previous reports, we have broken down in detail our view of the likely impact of tariffs. Only a minority of Indian companies export anything to the US. Only a small tranche of the order books of these companies will go to the US. Some of those exports will already be carved out of the current tariffs, and regulatory or other protections will insulate others. If you were to believe some brokers, tariffs will have both a massive and permanent impact on the prospects of many Indian companies. We believe that neither is the case.

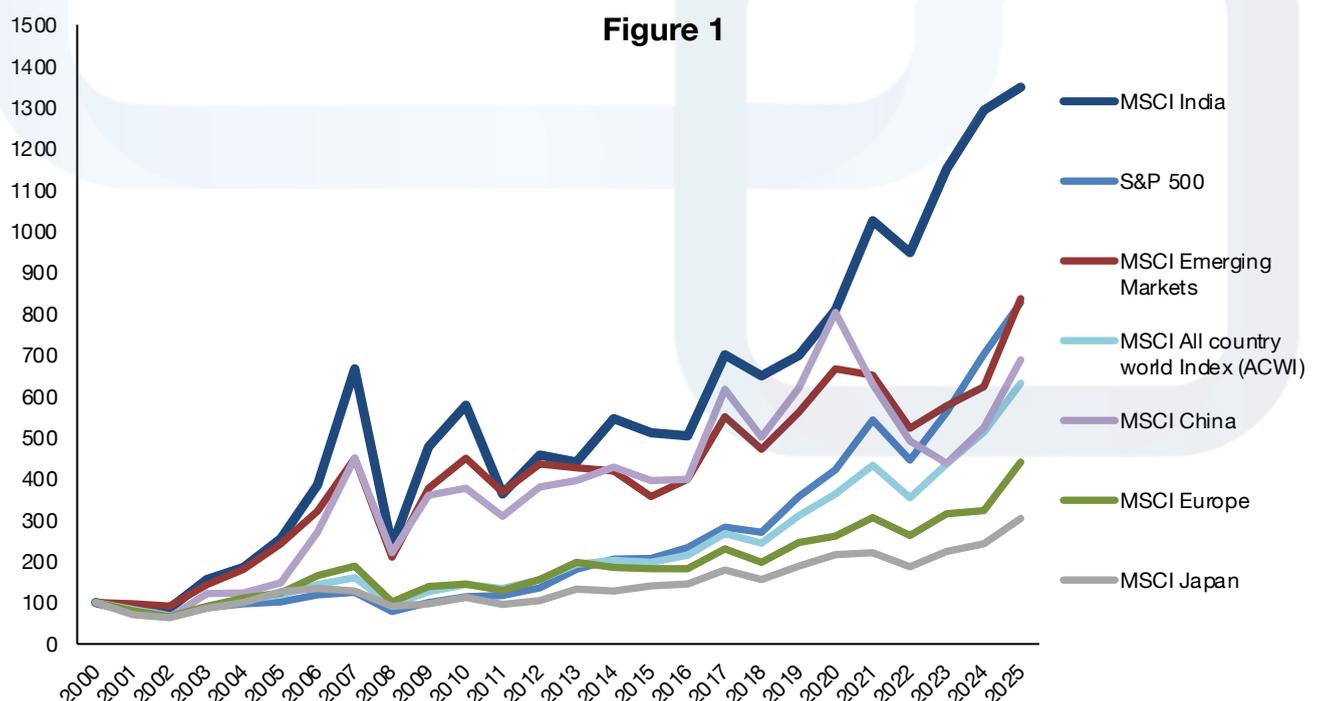
As discussed earlier, tariff reductions could be rolled out any day. Broker and investor sentiment would likely shift from overly pessimistic to overly ebullient, **giving us the chance to make a great deal of money from carefully selected companies bought at heavily discounted prices. We have been through many investment cycles. The best bargains are always bought when there is uncertainty (whether founded or, in this case, unfounded).**

Some of the opportunities that excite us are found amongst large caps. **State Bank of India (SBI)** has been quietly getting better for some time now, beating market expectations quarter after quarter and maintaining an enviable loan book. You might expect the best business to trade on a premium multiple. SBI actually trades on just 1.1x Price/Book, a very substantial discount to HDFC and ICICI. With a benign interest rate environment at its back, we see SBI as a low-risk business with excellent upside.

Further down the market cap scale, we see tremendous opportunity in **RBL Bank**, especially now that it has the backing of Emirates NBD (ENBD). ENBD is not only injecting substantial capital into RBL, allowing it to grow its book, but it also has a proven track record of transforming ratios and margins in the companies it invests in. We think RBL could grow its earnings 4x over the next 4 years, and this growth certainly isn't reflected in the miserly 1x Price/Book rating of RBL. We regard RBL as a classic "**cork underwater**" opportunity with very substantial upside and limited downside.

Conclusion

In a vibrant economy like India's, it pays to remain bullish most of the time. As the figure below shows, Indian equities usually deliver strongly positive returns even when measured in USD, adjusting for currency. Even in the absence of any other knowledge, one would bet on India having a good year at the start of ANY new year.



However, **what makes this year especially exciting in our view is the potential for several factors to layer on top of each other. A boat can make progress with just a sail. If you also have the tide and an engine working in your favour, the progress is so much the better.** We can easily imagine Indian equities, as measured by a broad MSCI India ETF, enjoying a strong year, driven by the solid macro backdrop. With falling inflation, the highest and most consistent GDP growth, and a sensible government nurturing that growth, equity markets should be a rewarding place to deploy capital, especially as they have become cheaper over time. **That's the first reason to be bullish.**

We have a long track record of comfortably outpacing benchmarks. To be broadly in line with a composite of them might be acceptable to other managers, but it isn't to us. **We are charged with finding around 20-25 wonderful opportunities from a market of thousands.** We pride ourselves on the power of our access and the thoroughness of our due diligence, and we really expect that in a year of decent returns, we have the potential to deliver substantial outperformance. There is more valuation dispersion in markets today than we have seen in a very long time, which provides us with the classic stock-pickers' environment. **That's the second reason to be bullish.**

Finally, we have every reason to believe that two factors, the rupee and the tariff saga, could prove to be positives this year. We aren't in any way relying on either of these for us to deliver excellent returns this year. We fully target producing strong returns without the benefit of these, but there are more compelling reasons to expect them than not. If we had either (or both!), we may indeed have a bumper year.

Timing is perhaps the most challenging aspect of investment. Howard Marks is reputed to have said, "Only two things matter in investment: what price you buy at and what price you sell at". There is no mention of time in his quote. We currently own many investments in which we are as certain as we could ever be that they will prove excellent, but we cannot tell you when. In many cases, there are clear catalysts that could well push them higher in the next few quarters, but it's perfectly possible that other investors will become as excited as we are more quickly.

Indian markets have had to absorb a lot of foreign investor redemptions this year and around USD 40bn of new supply from IPOs and secondary placements. It has done so successfully, partly due to the domestic regular savings market that has grown beyond all recognition over the last decade. A small change in international sentiment, perhaps caused by one of the factors we have highlighted, could easily create a squeeze in markets. We are well positioned for just such a squeeze.

Strategy Performance: Data as at 31st December 2025

		Discrete Performance** (%)					
		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
USD	2025	-9.29	9.43	-7.14	1.38	-6.55	223.35
	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
		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
GBP	2025	-12.26	3.12	-5.17	1.16	-13.20	213.99
	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	85%	15%

*August 1st 2020

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

Portfolio – 31st December 2025

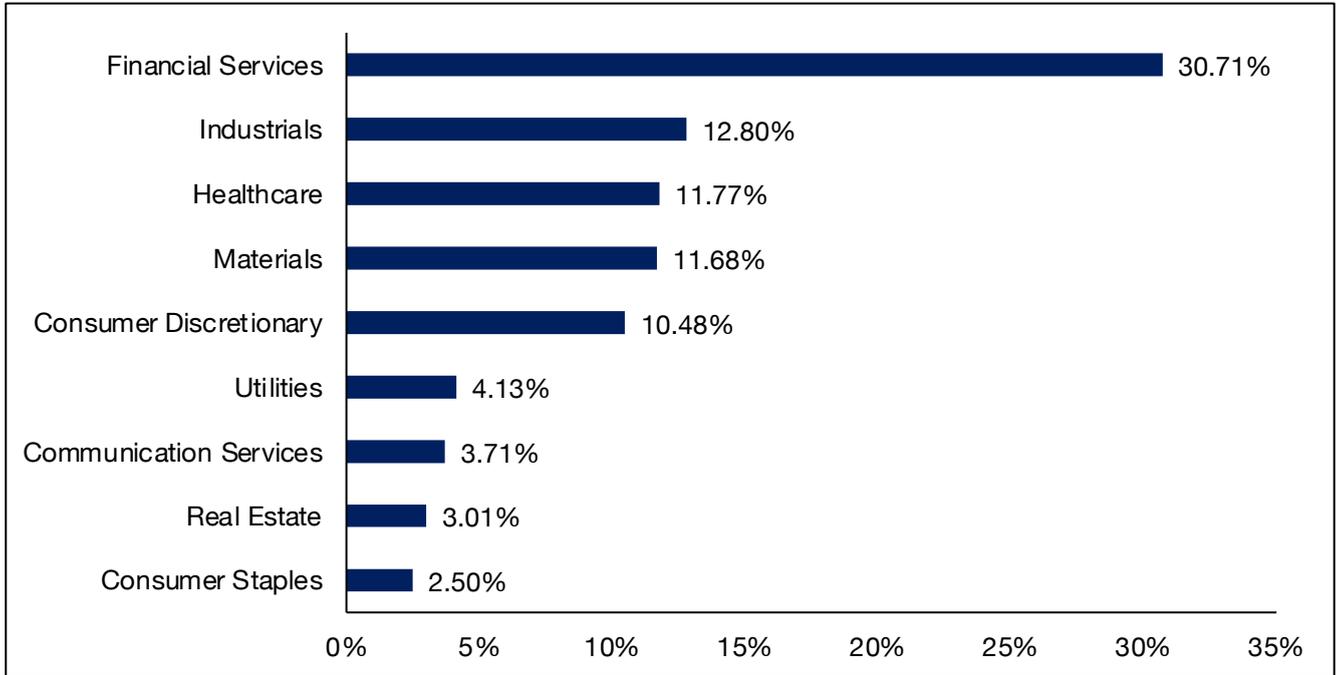
Top 5 Holdings

Security Name	% Holding of Portfolio
Manappuram Finance Limited	8.81%
RBL Bank Limited	8.38%
Lloyds Metals and Energy Limited	5.00%
Nazara Technologies Limited	5.00%
Supriya Lifescience Limited	4.86%

Past performance is not indicative of future results.

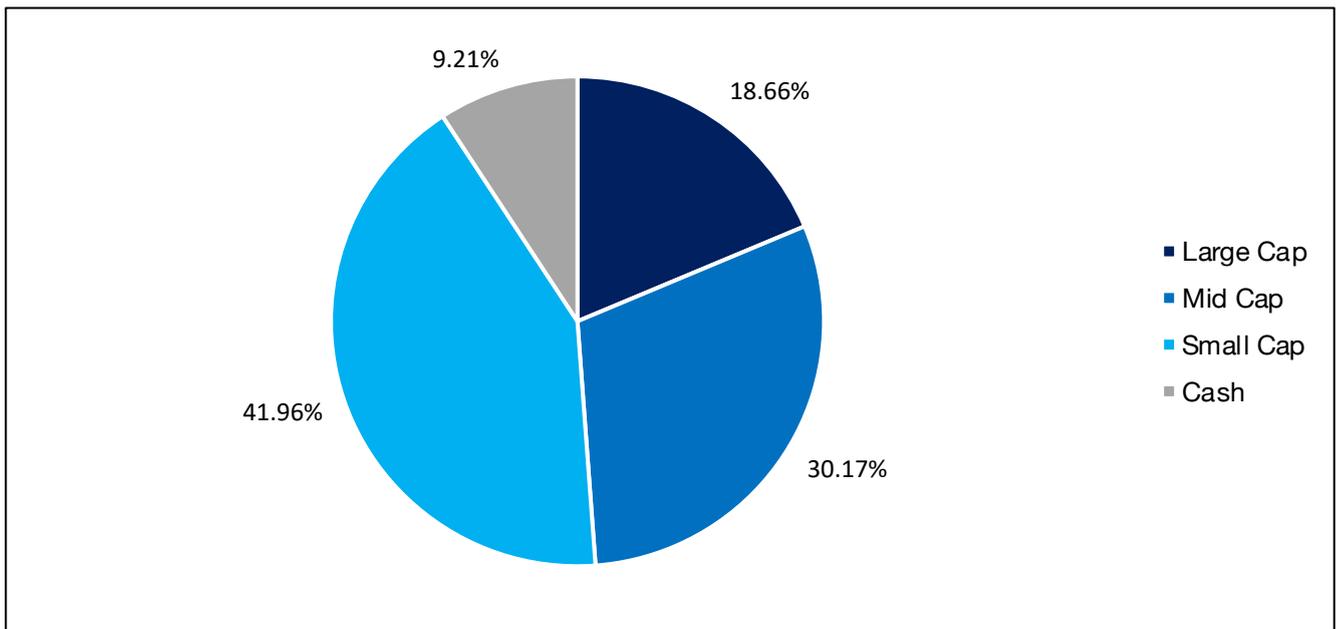
Portfolio – 31st December 2025

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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