Cohesion MK Best Ideas

Investment Report

October 2026



Quarter 3 2026 – Motoring Against the Tide

A strong quarter in a difficult market. Cohesion MK Best Ideas has enjoyed a good quarter, delivering a USD return of 6.7%. We have been able to generate 17.6% year-to-date. In contrast, on a YTD basis, iShares (in USD) for Nifty 50 and MSCI India have delivered negative returns of -16.7% and -13.6% and therefore the fund has outperformed these by ~34 and ~31 percentage points, respectively. We believe that this represents solid absolute performance, and when viewed against markets and peers since we launched the strategy our relative performance has also been exceptionally strong. As Table 1 shows, our performance has moved in the opposite direction from broad Indian market indices and competitors. Remarkably, **a manager could have lost more than 7% so far this year and still been in the top quartile in our peer group.** We will never be complacent about our performance and are always focused on the road ahead, but we do take pride in what we have been able to deliver in tough markets.

Table 1 – Performance Comparison

30th September 2026 (USD)	Performance (%)			
	Q3 Returns	Year to Date	Since Inception Annualised Returns (1st August 2020)	Since Inception Cumulative Returns (1st August 2020)
Cohesion MK Best Ideas (USD)^	**6.73**	**17.62**	**24.19**	**280.34**
Cohesion MK Best Ideas (GBP)^	**6.70**	**19.49**	**23.91**	**275.20**
Nasdaq 100*	1.45	19.81	18.65	187.09
S&P 500*	2.56	12.73	16.41	155.30
MSCI All Country World Index (ACWI)*	1.14	12.93	14.17	126.41
Peer Group Average	-2.97	-10.84	10.23	84.47
MSCI Emerging Markets*	-2.37	22.69	9.62	76.19
MSCI India*	-5.49	-13.64	7.63	57.36
Nifty 50*	-5.75	-16.73	6.73	49.46
MSCI China*	2.28	-12.55	-3.05	-17.40

*iShares ETF, ^Gross Asset Value (GAV) returns, The peer group includes 40+ India-focused equity funds; data as at 30th September 2026; Source: Bloomberg; Past performance is not indicative of future results.

India remains the long-term destination of choice

Keen sailors will be aware that there are times when the tide and winds are in your favour. At such times, the boat comes alive. More often than not, India has everything in her favour. Since launch in 2020, we have enjoyed some terrific years, including 2021, 2023 and 2024 in which we delivered returns **in the range of 40 to 50% p.a.** The last two years have involved a lot of hard work by the whole team. Simply buying heavyweight index stocks and hoping to be carried along by the current was not going to be a winning strategy. Instead, we had to focus on identifying wonderful companies the market had misunderstood. Thankfully, there are plenty of companies in India that are able to deliver exceptional returns regardless of the macro environment. We have touched on some of these in previous investment reports and in India Diaries. As just one example, before we get into the main topics of this edition, we would highlight **Wockhardt**. We have made a great deal of money from Wockhardt, largely (but not exclusively) due to its blockbuster new antibiotic, **Zaynich**. Wockhardt's fortunes are almost entirely immune to the effects of the Gulf troubles, the rupee, foreign investor sentiment, or tariffs. By identifying stocks in their own current, separate from the broader ocean, we have been able to do well.

The central investment case for India has not changed for 30 years and shows no sign of changing over the next decade except for the better. **We still regard India as the most compelling long-duration growth story available to public-market investors**. A fast-growing, ambitious and young population, rising incomes, deepening financial penetration, sustained infrastructure investment, digitisation across the world's largest population and a corporate sector capable of converting that economic growth into earnings. **We challenge anyone to find a single country that can match India in those crucial drivers of structural growth.**

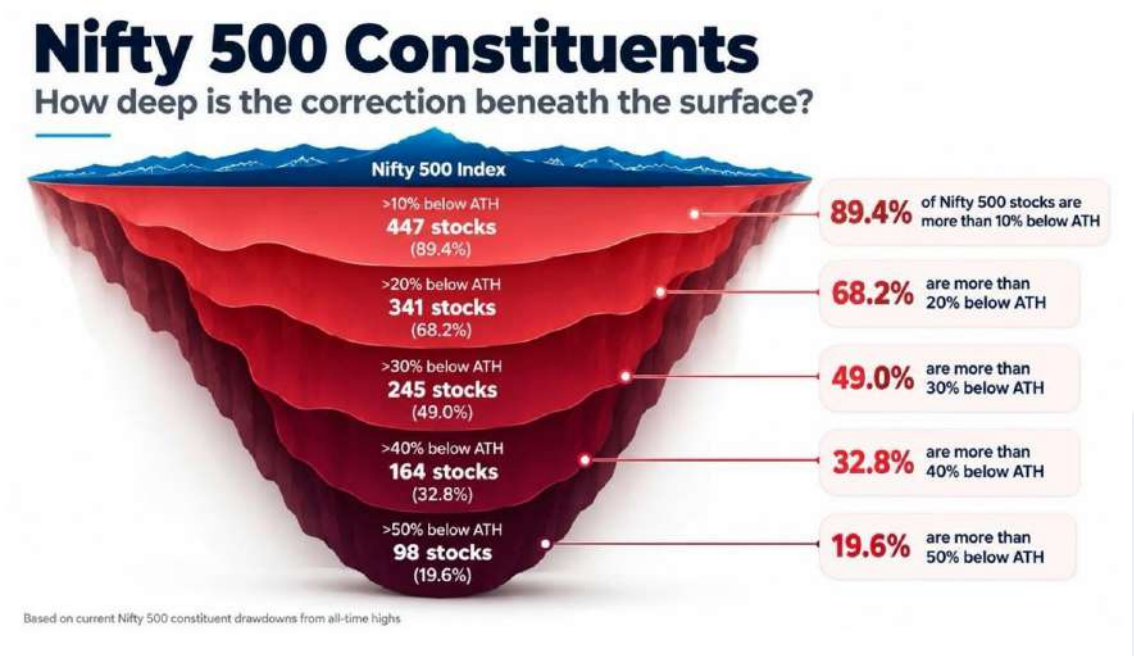
What has changed is the mood music of the last two years. Nothing has caused lasting harm, but every time foreign investors have warmed again to the India story, they have been hit with something to ponder. The unexpectedly narrow 2024 election result, repeated trade friction with the United States and the current disruption around the Strait of Hormuz have all added risk premia to Indian assets. As we have previously mentioned, these factors are now largely in the rear-view mirror. Prime Minister Modi is in a stronger position than ever; India has secured great trade deals with the EU and the UK, and is in advanced discussions with the US, with optimism that an agreement will be concluded in the near term. Only oil prices remain a concern, but below US$ 100 and with the prospect of a long-term settlement with Iran, this last objection may soon be removed.

We regard these as material, but temporary, headwinds. None alters the demographic arithmetic or the long-term earnings opportunity.

A sailing analogy seems appropriate. We have not changed destination; we have changed propulsion. When the wind is favourable, broad market exposure does much of the work. When the wind is in our face, as it has been over the last two years, we would rather drop the sails and turn on the motor to keep making forward progress. There are convincing signs that the wind is turning and will soon be at our backs again. We look forward to an environment where buoyant markets and strong selection work in harmony.

The correction has improved the opportunity set

Although broad Indian indices have been weak for the last two years, that fails to convey the massive pullbacks in some household-name stocks. The weakness beneath the Indian indices has been considerably greater than the headline numbers imply. That has been uncomfortable for many investors, but it has also reopened some parts of the market that had become difficult to justify from a valuation perspective. There are companies we have followed for years, businesses we admire and management teams we know well, that in some cases simply became too expensive. This was particularly true for some of the darling stocks held by broad emerging market funds that simply wanted exposure to India and were happy to pay almost any price for those stocks. The recent correction has allowed us to revisit several of them at prices we would not have expected to see twelve months ago. The scale of the falls in some parts of the market is best appreciated in the graphic below.



At the same time, we have been willing to realise gains where the risk/reward profile has changed. Our sell discipline is just as strict as our buy discipline, and we constantly remind ourselves that there is a price at which any company, however wonderful, becomes too expensive. **Manappuram Finance** has been a very profitable investment for us, and we have banked a meaningful portion of those profits. We have redeployed that capital into businesses where our expected returns are now materially higher.

Managing a best-ideas portfolio brings discipline: every position is meaningful, and each competes every day for a place in the portfolio against fresh ideas. Your capital should move when the odds change, and we always ask whether a stock offers the best combination of maximum upside with minimal downside.

Source: Bloomberg and Invexa Capital analysis

Past performance is not indicative of future results.

Northern Arc: the company has changed faster than the valuation

Northern Arc Capital is a good example of where we have chosen to redeploy funds. The company began by helping smaller financial institutions access the debt markets, then lent its own balance sheet to those institutions, and ultimately used the credit history accumulated across hundreds of originators to build its own direct lending franchise.

That history is the interesting part. More than a decade of observing losses across smaller NBFC loan books has created a body of underwriting data that few competitors can replicate. Direct lending now accounts for roughly two-thirds of the book, yet when we initiated our position, the shares were still valued much more like the wholesale financing business Northern Arc used to be than the retail lender it is becoming. Regular readers of our reports will know this is one of our absolute favourite ways to make money. Time and again we find that investors value companies based on outdated heuristics about a company or sector. The perception of the past can cloud the view of a company or sector that has entirely regenerated. Eventually, the evidence of this change becomes so clear in reported earnings that the market can no longer ignore it, and that's when shares can move up sharply.

We have conducted exhaustive work on Northern Arc and believe it will be trading at roughly 1.1x FY27E book value and 9.4x FY27E earnings. If we are right, Northern Arc looks materially undervalued against comparable direct lenders, especially as management is guiding the market to 22-25% AUM growth, gross Non-Performing Assets at just 1%, and capital adequacy that has remained strong.

Shilpa Medicare: the optionality is becoming visible

Shilpa Medicare has been one of our strongest performers and a good example of the value of doing the work early. The shares have risen very substantially over the last year, but we do not think the investment case is exhausted.

The original attraction was straightforward. Shilpa had a profitable core business and had spent heavily - approximately US$ 215m (₹1,700 crore) between FY20-25 - building capabilities across biologics, recombinant albumin, complex formulations and related areas. For a long period, that investment depressed returns without contributing much to earnings. Investor sentiment remained similarly depressed, as many fund managers could focus only on the drag this research created on earnings, not the massive harvest to come.

That equation is changing. The API and formulations businesses are performing strongly, margins have expanded materially, the balance sheet is improving, and management is moving from an investment phase to a monetisation phase. We estimate the core API and formulations businesses alone can generate roughly US$ 60m (₹566 crore) of EBITDA in FY27E. This core business supports the valuation, even after its meteoric rise, while the projects that once looked like distant optionality are moving closer to commercialisation.

Source: Bloomberg and Invexa Capital analysis

Past performance is not indicative of future results.

Albumin

Recombinant human albumin remains Shilpa's most obvious prospect for transformational growth. The global market is large, supply is structurally constrained, and Shilpa has spent years developing a recombinant product that avoids reliance on plasma-derived material. This puts Shilpa in an enviable position; a position that competitors would find hard to replicate.

Phase I is complete, and Shilpa has received regulatory clearance for the therapeutic program to progress straight toward Phase III; Orion has partnered the product in Europe; and the excipient/cell-culture grade offers a nearer-term route to commercialisation without waiting for therapeutic approval. Whilst there can be no guarantees at this stage, we believe that Albumin has significant commercial potential if execution is successful.

Even that is not the whole thesis. Shilpa also has biosimilars, ADCs, peptides, polymers and a broad CDMO platform. Adalimumab has already been commercialised in India; Aflibercept is progressing through late-stage development, and several additional programs remain in the pipeline. **The important point is not that every project must work. Value can emerge in several independent ways, and if it doesn't, we still have the support of a highly successful core business.** The share price is much higher than it was when we first invested. But so are the quality and visibility of the earnings base.

Prime Focus: from Hollywood recovery to a broader platform

Prime Focus is another company where the market has spent recent years focusing on a temporary problem. The Hollywood writers' and actors' strikes hit production volumes, reduced revenue and left the group carrying more debt than investors were comfortable with.

Behind that disruption sat DNEG, one of the world's leading independent visual-effects businesses, with eight Oscars to its name, six of them in the last ten years. **Christopher Nolan used DNEG on Inception and returned for Interstellar, Dunkirk, Tenet and Oppenheimer.** Major studios have relationships with the business stretching back decades, and more than 90% of recurring revenue comes from existing clients. Those relationships are hard to replicate. They are built through repeated delivery on productions where budgets, schedules and reputations matter.

The core business is now recovering strongly. Q1 FY27 revenue was up 24% year-on-year, and the group had more than US$ 600 million of contracted and confirmed work, representing the healthiest order book in its history. The broader VFX market is also structurally larger than it was: visual effects account for a greater share of premium production budgets, and the same capabilities are increasingly being deployed in streaming, games, theme parks and immersive content. Prime Focus sits right in the centre of a growth trend; a trend that was simply knocked sideways by an exogenous event.

Source: Bloomberg and Invexa Capital analysis

Past performance is not indicative of future results.

Brahma AI

The more interesting development is in **Brahma AI**. What initially looked like optionality within a complicated group structure is now delivering increasingly visible external value.

In September 2026, **Brahma AI raised US$ 150 million** in a funding round led by Multiples Alternate Asset Management, a leading Indian private equity firm, at a post-money valuation of **~US$2 billion**, up from US$1.43 billion in the previous round (February 2025).

This recent investment gives a strong external validation of the business Brahma AI is building. Proceeds will be deployed towards product development and go-to-market expansion as Brahma AI works to establish itself as a leading audio-video AI platform.

We do not treat a private funding round as a definitive valuation. However, it is independent evidence that an asset we regarded as underappreciated is becoming commercially significant. Brahma combines enterprise media management, digital-human technology, localisation and other AI tools developed across the Prime Focus ecosystem. It has live or announced relationships across media, sport and enterprise, while DNEG provides both a technology base and an anchor customer.

Prime Focus therefore no longer looks to us like a simple Hollywood recovery trade. It is an established creative-services franchise, a content investor and an emerging AI platform, with balance-sheet repair increasingly visible. The shares have performed very well since we invested; however, with the core business recovering and Brahma AI's business becoming more widely understood, there could be much further to go.

Foreign selling: large in headlines, smaller in context

Foreign Portfolio Investor (FPI) equity selling has been one of the year's defining features. The year-to-date number - approximately **US$ 25.3 billion of equity outflows** - is large in absolute terms.

It is much less dramatic against the stock of foreign capital already invested in India. **Total FPI assets**, including both debt and equity under custody, are approximately **US$ 830 billion**. On that basis, this year's equity selling is around 3% of existing FPI assets. Debt has moved in the opposite direction, with approximately US$ 8.9 billion of net inflows year-to-date. Long-term capital has also continued to arrive. **Gross FDI inflows reached a record US$ 94.5 billion in FY2025-26**, taking cumulative gross FDI since April 2000 to roughly US$ 1.16 trillion. This is interesting against a backdrop of ~**US$ 133 billion of NRI (FCNR (B)) deposits so far this year**, the largest that India has ever seen and an undeniable positive for the rupee and as an endorsement of India. Clearly, a lot of money is flowing into India from overseas. It's just not going into equities for now.

Source: Bloomberg, RBI and Invexa Capital analysis

Past performance is not indicative of future results.

We also believe that a substantial part of the foreign equity selling over the past 12 months has been mechanical rather than a reflection of India's underlying fundamentals. MSCI Emerging Markets-benchmarked funds have had to rebalance as India's relative weight has been affected by the sharp appreciation of a small number of large technology and semiconductor companies in Taiwan and South Korea, driven in part by enthusiasm around AI. The resulting concentration is striking: in an index comprising 24 countries and more than 1,200 companies, three companies now account for approximately 30% of the index, broadly equivalent to the combined weight of India and China.

The distinction matters. Foreign investors have, due to index weight rebalancing, reduced equity exposure; they have not abandoned India. Domestic institutions and household savings have absorbed the supply with considerably less disruption than would have been possible a decade or two ago.

That leaves an interesting asymmetry. Foreign ownership has been reduced at a point when the domestic bid is structurally deeper than it used to be. We do not know when international equity flows will turn. We do know that positioning is lighter than it was, and that a return of foreign demand would meet a market in which domestic buyers are already dominant and active.

Approaching the final phase of fundraising

This also reinforces why we remain disciplined about our capacity. A meaningful part of our opportunity set sits outside India's largest and most liquid companies. The ability to move capital without compromising entry and exit prices is part of the strategy, not an administrative detail. Protecting that flexibility for existing investors remains more important to us than maximising assets under management. We will hard close Cohesion MK Best Ideas to both new and existing investors long before we reach a point where we feel our scale is hampering our nimbleness. We are often asked in meetings when that may be. If foreign investor appetite returns over the next year, that may well trigger us to close to new subscriptions quite quickly.

Still motoring

The past two years have given foreign investors plenty of reasons to eschew Indian equities in the short term: election uncertainty, tariffs, foreign selling, higher oil prices, and geopolitical disruption. They have also provided some unusually attractive prices.

We still believe India's long-term growth case is exceptionally difficult to replicate elsewhere, and this will always be the backbone of your portfolio. However, we have not waited passively for the market to lift us higher. We have taken profits where valuations became full, recycled capital into opportunities created by the correction, and concentrated on companies where earnings and value creation can be driven by business-specific factors rather than the direction of the index.

Source: Bloomberg

Past performance is not indicative of future results.

Shilpa does not need the Nifty to rise for albumin or its biologics platform to succeed. Prime Focus does not need a further improved tariff deal for DNEG to win work or Brahma AI to create value. Northern Arc does not need a bull market to continue changing the mix and economics of its lending book.

The destination is unchanged, but there are increasingly convincing signs that the tide may be beginning to turn in our favour. By the time that becomes obvious from the headlines, a meaningful part of the opportunity may already have passed. For now, we are quite happy to keep the motor running.

Strategy Performance: Data as at 30th September 2026

Discrete Performance (%)**

		Q1	Q2	Q3	Q4	YTD	Since Launch: Aug 2020*
USD	2026	-14.61	29.07	6.73	-	17.62	280.34
	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	2026	-13.01	28.74	6.70	-	19.49	275.20
	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

*August 1st 2020
**net of taxes and fees, gross of performance fees

*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	86%	14%
Since February 2021	89%	11%

Portfolio – 30th September 2026

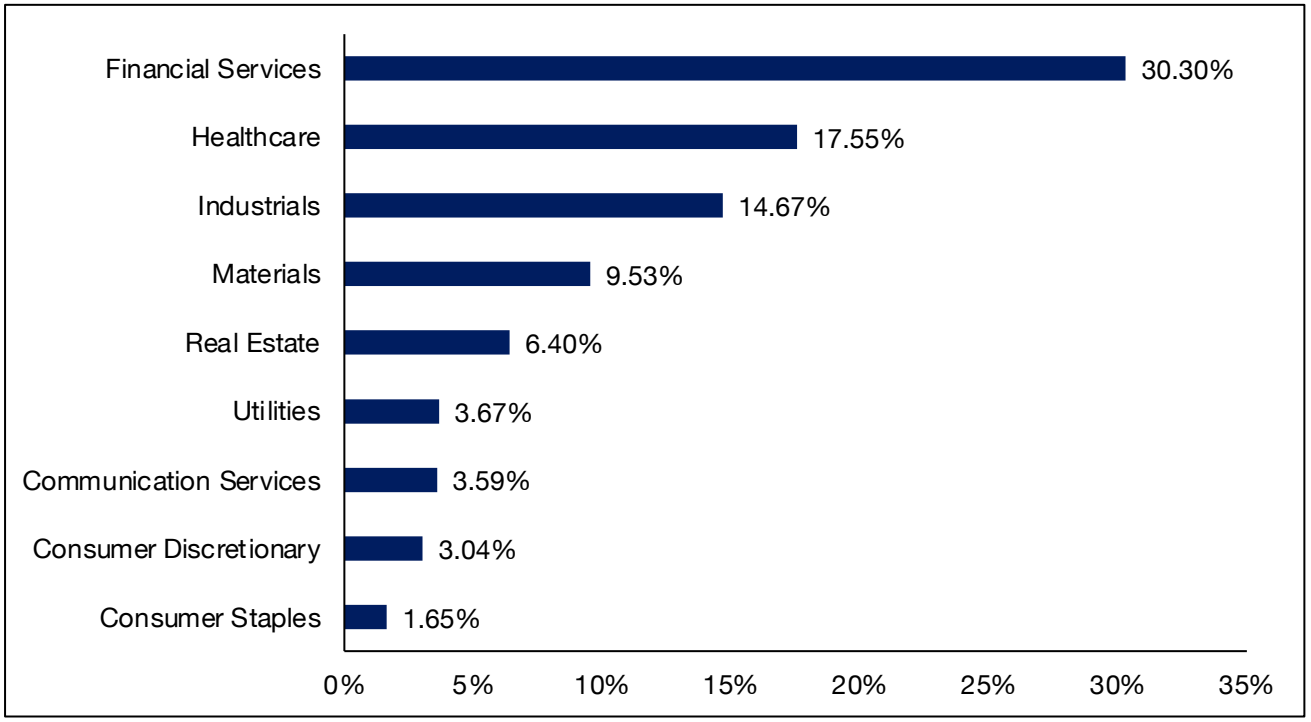
Top 5 Holdings

Security Name	% Holding of Portfolio
Shilpa Medicare Limited	9.46%
RBL Bank Limited	7.92%
HDFC Bank Limited	6.24%
ICICI Bank Limited	6.11%
Supriya Lifescience Limited	5.40%

Past performance is not indicative of future results.

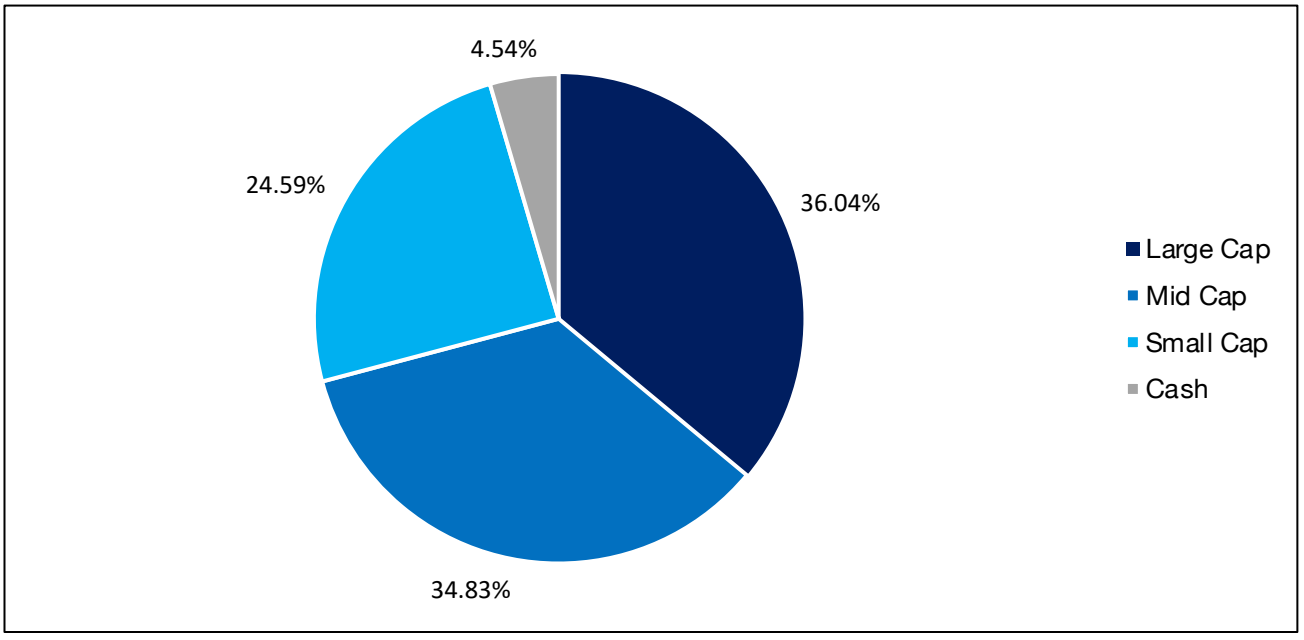
Portfolio – 30th September 2026

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

Past performance is not indicative of future results.

For further information:

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Cohesion has appointed Invexa Capital LLP ("Invexa"), led by Mr. Madhusudan Kela, as the Investment Adviser. In its role as an Investment Adviser, Invexa Capital provides non-binding investment advice and recommendations to Cohesion, while Cohesion retains full discretion, responsibility, and authority for all investment decisions, portfolio construction, and risk management in relation to the Sub-Trust.

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