

Cohesion MK Best Ideas

5th Anniversary

August 2025



Cohesion
Accessing India's Growth



A brief history of our fund

31 st July 2025 (USD)	Performance (%)	
	Since Inception CAGR (1 st August 2020)	Since Inception Return (1 st August 2020)
Cohesion MK Best Ideas (USD)^	26.44	223.13
Cohesion MK Best Ideas (GBP)^	26.09	218.76
Nasdaq 100*	16.60	115.52
S&P 500*	15.51	105.61
Peer Performance**	13.79	90.75
MSCI All Country World Index (ACWI)*	12.77	82.35
MSCI India*	11.99	76.14
Nifty 50*	10.64	65.80
MSCI Emerging Markets*	4.03	21.87
MSCI China*	-2.11	-10.12

It has been **5 years since the launch of our fund**. We launched into the teeth of two storms. As we will all remember, COVID-19 was still spreading unchecked around the world with no vaccine in sight. Many countries were locked down, and the world economy had, in effect, suffered a heart attack. The US was gripped not only by COVID-19 but also by one of the bitterest Presidential election campaigns, one that Joe Biden would ultimately win. Against this backdrop, we chose to take a measured stance, picking up some high-quality companies at bargain prices but also being aware of the significant uncertainties across the global economy. This proved to be a profitable approach, delivering 15% from August to the year-end with less than 40% of the capital deployed, but also one that reduced the risks that we were exposed to.

Once the various vaccines became available, it became clear to us that markets were likely to enjoy a sustained bull run. We were able to take full advantage of this, **delivering USD returns of 42% in 2021**, some 20% clear of the MSCI India ETF.

The actions of the central banks in response to the recessionary risks created by COVID-19 sowed the seeds for inflationary pressures building around the world in 2022. This proved to be a dismal year for most global investors. Still, we were able to largely preserve capital by adopting a cautious approach, especially to some of the hot IPOs and darling retail stocks. We were also able to identify stocks with catalysts that allowed them to buck the trend. Making solid returns from companies including Adani Wilmar, IIFL Finance and Patanjali Foods all helped that year.

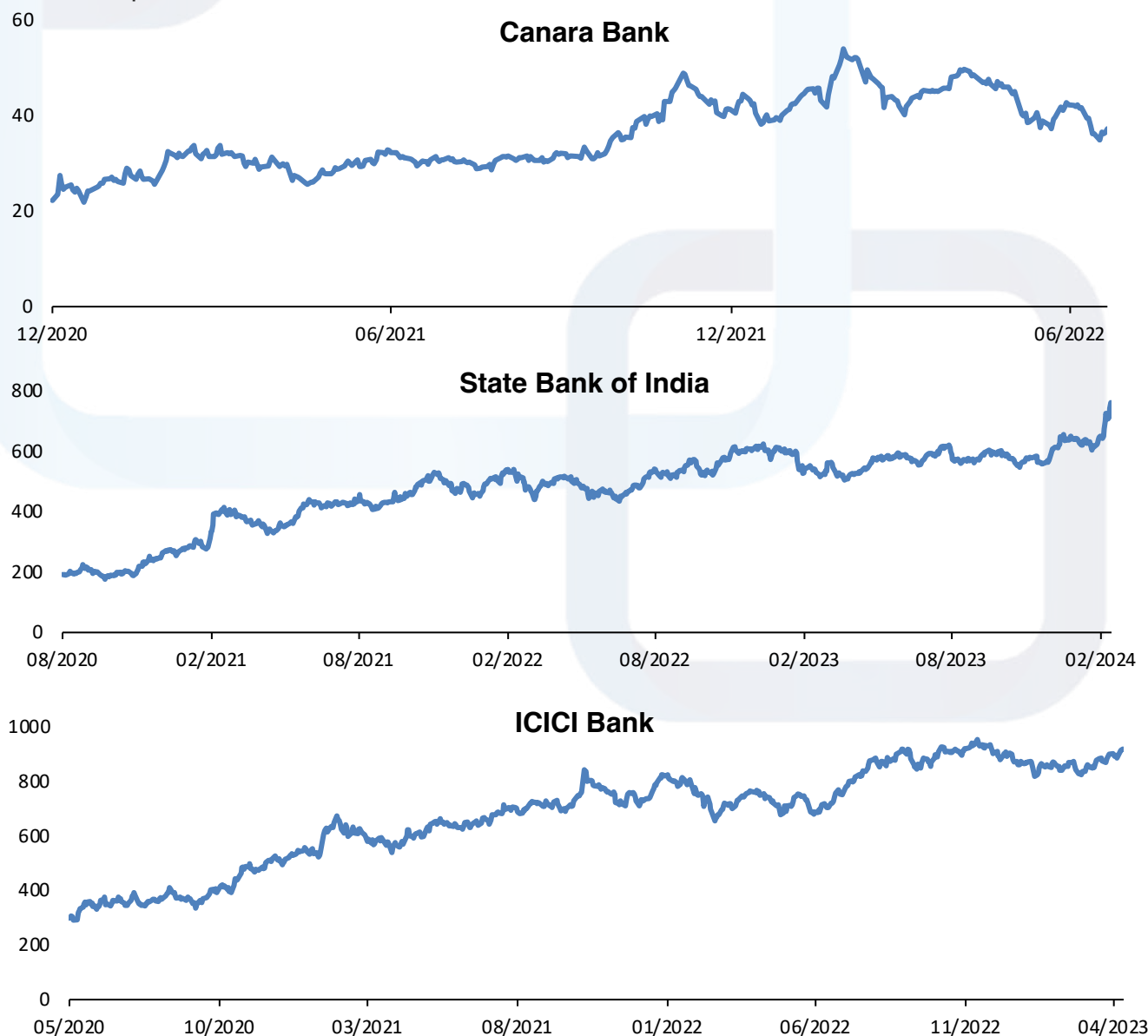
The world economy had plenty to worry about in the years after COVID-19 was tamed, most notably the Russian invasion of Ukraine and the slowdown of the Chinese economy. Throughout this, India has proved to be a bastion of sustained, predictable growth. We were able to make full use of this, **delivering USD returns of 43% and 50% for the years 2023 and 2024** respectively.

*iShares ETF, ** FO Equity India TR (USD) FE Analytics, ^Gross Asset Value (GAV) returns; data as on 31 July 2025; Past performance is not indicative of future results.

Sow now, reap later

Regular readers of our newsletters will be aware of the importance that we place on being early into a changing story. It is essential to understand what we mean by that. Some investors describe themselves as contrarian. This can involve simply swimming against the consensus, even when there is scant evidence that the consensus is wrong. We do not regard ourselves as contrarians; often, the market is correct about the outlook for a particular stock or sector, or in its assessment of the dubious qualities of a management. In its purest form, contrarian investing can simply be hoping that the crowds are wrong. Our philosophy is different. We aim to pay contrarian prices, but with a high degree of certainty that the market is currently taking the wrong view.

In 2021, we devoted most of a newsletter to our view that the market was focused on the rear-view mirror when looking at Public Sector Banks (PSBs). There could be no question that many PSBs had historically destroyed shareholder value, but this overlooked the significant changes being implemented to improve dramatically. We were able to buy PSBs such as Canara Bank and State Bank of India as well as a private sector bank – ICICI Bank at astonishingly low valuations, giving us the asymmetric payoff of **very little downside and significant upside**. The market's perception changed swiftly, and we were able to book substantial profits.

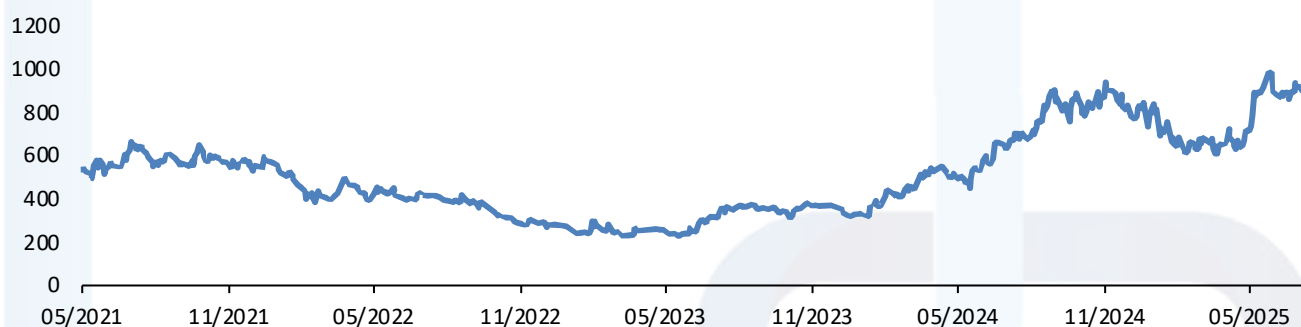


Whilst it is always pleasing to be able to see an investment thesis pay off more quickly than anticipated, patience is also a key component of our investment philosophy. A good example of that would be found in the pharmaceutical companies Shilpa Medicare and Supriya Lifesciences. Both companies were making tremendous progress in developing highly valuable new revenue streams, but the market was choosing to focus on their previous disappointments. We had to be patient. We re-examined our investment case, testing it in exhaustive discussions with management, suppliers and customers. This refreshed due diligence gave us comfort that the depressed share prices were failing to recognise the rapidly approaching commercialisation of new product lines.

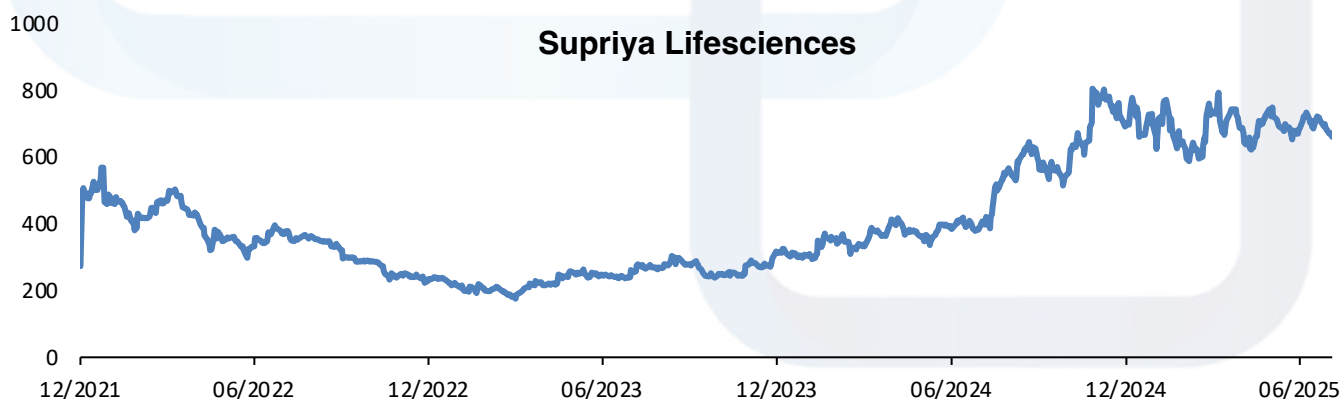
Furthermore, the unexpected Russia – Ukraine conflict early in 2022 led to a sudden spike in the oil and gas prices which was clearly also a major culprit. Oil and its derivatives is the basic source of so many ingredients in the pharmaceutical and speciality chemicals sectors. In addition, the manufacturing processes for such products are often very energy intensive. As an exporter and therefore reliant on bulk transport networks for its raw materials and for exports to its key markets, these companies found themselves at the mercy of logistics bottlenecks.

We not only remained invested but also added to our holdings and were rewarded over the last eighteen months.

Shilpa Medicare



Supriya Lifesciences



The Power of Compounding - The Eighth Wonder of the World*

*According to Albert Einstein

Although better known to the general public for his works on physics, he had plenty to say about statistics, too. He was undoubtedly correct in his views on compounding. As investors, we are all aware of compounding and the effect it can have on our wealth over time, but that can be a subconscious awareness. How often do we stop to calculate the difference that compounding at 20% per annum will make compared with 15% per annum over the long run? India has not only the strongest GDP growth outlook over the next two decades but also the most predictable. Investing in India is, in many ways, like running up an escalator. The direction of travel is giving you a helpful boost. For someone wanting to benefit from the power of compounding, the attractions of India are clear. Even if you were to only invest in a tracker fund such as the MSCI India ETF, we think you are likely to compound at double digits for many years to come, boosting the real value of your wealth substantially.

However, we believe that the Indian equity market remains deeply inefficient, and we are very happy that it continues to be so. There is a myriad of retail investors who can become wildly optimistic or pessimistic about stocks, sometimes basing their decision on specious news. It is not just the smaller investor who gets things wrong. Large foreign investors often choose to allocate to "gateway" stocks as a proxy for India. They have correctly identified India as a great long-term home for capital, but they have attempted to capture India's growth by picking a handful of well-known stocks. Operating in such an inefficient market allows us, with well-established networks of subject-matter experts, to add value to an extent that would be hard to achieve in more efficient markets such as the S&P 500.

Since launch, we have been able to deliver compound USD GAV returns of 26.44% per annum compared with 11.99% per annum for the MSCI India ETF. Whilst it is fraught with danger to extrapolate returns, simple maths tells us that USD 1m invested at 11.99% would have grown to USD 3.1m over 10 years and USD 9.6m over 20 years. We are pretty sure that no family office would be disappointed with such returns. The only disappointment would be that much more wasn't allocated and much earlier. We will stop short of calculating how large such a pot would grow if we continue to compound at over 20% per annum; not because we do not believe it is entirely possible, but because the numbers become so large!

When we look at global allocations to India, we believe that they are simply far too low to make a difference to most portfolios. We commonly see portfolios that have less than 1% allocated to India. The total market capitalisation of India represents c4% of all global equities. Anyone who was merely indifferent about the prospects for India should have 4% allocated to India. **Someone who is bullish about India's prospects and wishes to turbocharge the compounding of their portfolio should allocate much more.** To illustrate this, a USD 100m portfolio invested in a balanced mandate that compounds at 10% per annum would be worth USD 259m in 10 years. If USD 10m of this had been allocated to a portfolio compounding at 20% per annum (which is below our long-term average), the portfolio would have been worth USD 295.4m.

We see no merit in accessing India through a general emerging market fund. The emerging market indices are a buffet sweep of countries with very little in common. When compared with India, many will have much lower anticipated GDP growth, weaker demographics, poorer corporate governance and far less political stability. This has been reflected in the performance of broad emerging market indices that have significantly underperformed the MSCI World Index over the last decade whereas the MSCI India Index has outperformed.

We also believe that it is practically impossible for any manager or team of managers to truly be experts in the factors that are driving individual stocks and sectors in China, Brazil, South Africa, Kuwait et al. Even if a fund manager devotes themselves to a punishing work schedule, they can only hope to visit India a few times each year and that can't be enough to develop a deep understanding or relationship with companies in which they might invest.

Foreign investment. Will it matter over the next 5 years?

At every discussion about India, the subject of Foreign Portfolio Investment (FPI), comes up. We can fully understand the motivation for the question. Ultimately, the price of shares is determined by supply and demand, and, at the margin, it is helpful to have more buyers. However, the days when FPI drove the Indian market are long behind us. There are parallels with the tariff discussion. It is helpful if India can efficiently export goods and services to the US, but it is not absolutely necessary. If foreign investors continue to allocate capital elsewhere, it makes little difference to the outlook for Indian equities, as we have seen a huge growth in the size of the Indian savings market, but also in the culture of equity market-based savings. As the graphs below clearly show, the AUM of the asset management industry and the trends in SIP "Systematic Investment Plan" contributions are very positive, and these are the bedrock of any healthy long-term market. SIP contributions have risen from approximately INR 7.5k crore (~USD 860 million) monthly in 2019 to INR 28k crore (~USD 3.25 billion) in July 2025. Yes, some small retail investors wash in and out of the Indian market, just as they do in any market around the world but, in our experience, the more typical Indian now regards their monthly contribution to their equity savings plan in the same way as someone sitting in New York, London or Berlin- they believe their market will be higher in future years and they want to accumulate an ever-growing number of units in funds that will participate in that growth.

Trend in total AUM



FPIs used to be the second largest owners of Indian equities (behind the founders of the businesses) but have since been replaced by Domestic Institutional Investors (DIIs). The effect of this has been evident over the last year, with FPIs selling USD 25bn of equities and DIIs subsequently picking up this amount and more, purchasing some USD 43bn.

It is surprising that global asset allocators sometimes choose to withdraw from India (as they did for many other markets). There are plenty of good reasons to favour India over any other market, but we recognise that sometimes decisions are driven by other factors. We don't know when FPI's will return to our market. As recently as 2022-23 they were allocating a net USD 20bn+ annualised, and when that returns, the market could get squeezed higher as they will be buying at the same time as the relentless domestic buyers.

A portfolio refreshed

Since our launch, several big winners have contributed significantly to our performance. Some of these will be familiar names from previous newsletters, including multi-baggers such as Transformers and Rectifiers (TRIL), NCC, RK Forgings, Bharti Airtel, and Adani Ports, as well as the aforementioned Shilpa Medicare and Supriya Lifescience. We continue to believe that these are wonderful businesses with strong franchises and first-class management teams. If stock markets were to close for a decade tomorrow, we would be quite happy to own these companies for the next ten years and would do so in the expectation that their revenues, earnings and share prices would be substantially higher when markets reopened. However, as dynamic investors, we can not only ride wonderful companies higher but also add value through active management. We have trimmed many of our winners over the last twelve months and completely exited TRIL, NCC, Bharti and Adani Ports.

We reinvested the profits from these sales into fresh opportunities. 2025 has proved to be a somewhat choppy year. Indeed, the last 12 months have been poor by India's historic standards. In the year ending 31 July 2025, the MSCI India ETF delivered a total return of -7.2%. Against this benchmark, we delivered returns of 0.07%. It is always satisfying to beat indices, but our intention is to double investor's money every 3-4 years. Defending capital when markets are soft is as important as outpacing them when they are rising, if one wants to build great long-term wealth.

It is not surprising that markets have been somewhat volatile, given the amount of political and economic news flow that they have had to digest. We have been somewhat surprised that India has underperformed other major stock markets, albeit mildly. In a world of heightened political uncertainty, India has a Prime Minister who has been in power far longer than most leaders and with a much greater majority. With most global economies struggling to simultaneously maintain economic growth whilst controlling stubborn inflation, India stands out as having plenty of the former and the latter has declined steadily. Yes, there was a minor skirmish between India and Pakistan, but that was quickly deescalated.

As we have often commented, we do not fear volatility; we embrace it. Even when they are range-bound as they have been over the last 12 months, there is scope for a lot of value to be added by rotating out of shares that have done well into those that are being unjustly overlooked.

Lloyds Metals – at the heart of India's growth story and with a 30-year competitive edge.

One of the shares that we allocated capital to was Lloyds Metals. Lloyds Metals has a **history of more than half a century**, and in that time has built an enviable reputation and business.

Much like with NCC, Larsen and Toubro and RK Forgings, Lloyds demonstrates that you don't need to invest in risky start-ups or high tech to make a lot of money in India.

Companies like these don't need to look for sources of growth; the growth is all around them, and they just need to execute well. They have powerful winds behind them. Not only do they have decades of demographic-driven growth ahead of them, but they also have a government with lots of long-term infrastructure plans and a comfortable balance sheet when compared with most Western governments.

Lloyds' operations are strategically located in the heart of India, specifically in Chandrapur and Gadchiroli in Maharashtra. This gives them an advantage as they are equidistant from many of India's main steel plants. Lloyds Metals currently operates the single largest iron ore mine in India. The Surjagarh iron ore mine in Gadchiroli holds reserves of 863 million metric tons (mmt).

Lloyds Metals was initially awarded a 20-year lease for an iron ore mine in 2007 at Surjagarh village, Gadchiroli, which has now been extended to 50 years under the MMDR (Mines and Minerals Development Rights) Act 2015, ensuring operations until 2057. With its mine lease secured until 2057, **Lloyds Metals benefits from operating under the earlier royalty framework**, avoiding the significantly higher premium obligations introduced after March 2020 auctions.

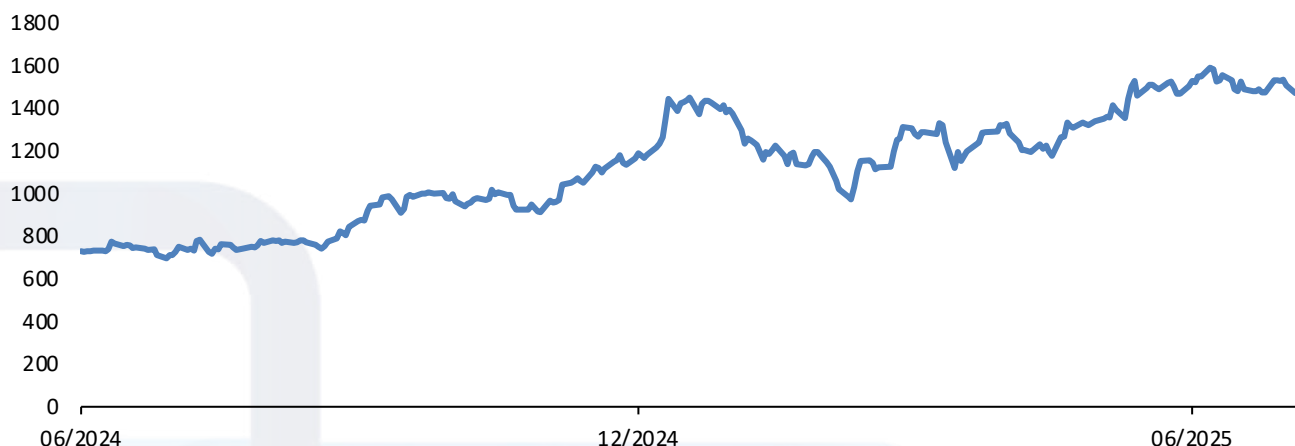
Lloyds got its mine in Maharashtra via the allocation route. **This allocation model, unlike the auction route, spares the company from paying a steep premium (~37.5% for NMDC- National Mineral Development Corporation) and positions it as a cost-efficient iron ore producer until its lease expires in 2057.** In contrast, Tata Steel will face re-auctions for its mines by 2030, potentially losing its cost advantage. With the new auction regime, the cost of production for other players has skyrocketed. The recent amendments in the MMDR Act (Mar 2021) introduced transformative reforms but have resulted in exorbitant premiums during mine auctions, with bids for revenue sharing ranging between 90.9% and 155%. Post-2020 auctions have rendered merchant mining economically unviable. **The outflow of royalties and premiums for mines auctioned after Mar 2020 is 6x higher than what Lloyds Metals currently pays.** Also, the recent step by the Karnataka government to ask for higher premiums from miners further adds to supply and cost uncertainty. Hence, Lloyds is well-positioned to benefit from a tightening ore supply and the possibility of a rise in ore prices. It will be placed amongst the lowest cost ore producers in the country, giving it clear advantages with regard to earning greater margins and/or taking market share.

Lloyds has received final approval **to increase its mining capacity from 10mt to 55mt** (25mt finished ore), which will provide a significant improvement in EBITDA from FY26 onwards.

Lloyds Metals has unveiled a transformational Rs. 32,700 Cr (almost \$4bn) capex plan for FY23–30F, aiming to enhance value addition and optimise its high-grade ore reserves. **These strategic projects are expected to strengthen Lloyds Metals' margin profile over the next 3-4 years as downstream capacities become operational, positioning the company as a fully integrated steel producer and enabling optimal utilisation of its high-grade ore reserves.**

There is a lot to like about Lloyds. It is a firmly established business with unique geographic characteristics and a hard-wired competitive advantage over its competitors in a space that has long-term structural demand. It also has two significant "bumps" coming in the relatively short term, stemming from the substantial increase in capacity and the vertical expansion of the business into value-added areas. We believe Lloyds remains very good value, even after its strong run over the last year. Trading on 12.5x 2027 PE for a company forecast to take revenues from c3.4 crore Rp in 2023 to more than 20 crore Rp in 2028 leaves plenty of upside from here.

Lloyds Metals



Manappuram Finance – in the right place at the right time

We also recycled some of our profits into **Manappuram Finance**. Their share price had 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 more than 8% of our portfolio.

Manappuram is a leading non-bank finance company (NBFC) that specialises in the gold lending market and is one of the very few that have developed the physical infrastructure to scale up properly. **Gold financing is one of the most attractive lending segments in India, given its high yields, extremely low credit costs, and very high ROEs.** This provides a tremendous 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 as 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 just to find wonderful businesses. Whilst this 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. 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 110-120 when there were concerns around wider regulatory challenges which had nothing to do with Manappuram's regular business. Our extensive due diligence proved this did not represent any threat to the company and that it was a matter of time before they got resolved. As anticipated, this resolution took a matter of a few months and the price almost doubled. **This allowed us to book a healthy profit as we regarded the price as being up with events.**

Waiting for the right time to invest (or in the case of Manappuram, reinvest) 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 Nov 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 looking cheap, yet it was 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 the ageing promoter (the term commonly used for the founder/manager in India), who had no clear succession plan to replace him. This had prompted speculation in the market for quite some time about 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. 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 USD 485 mn 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.

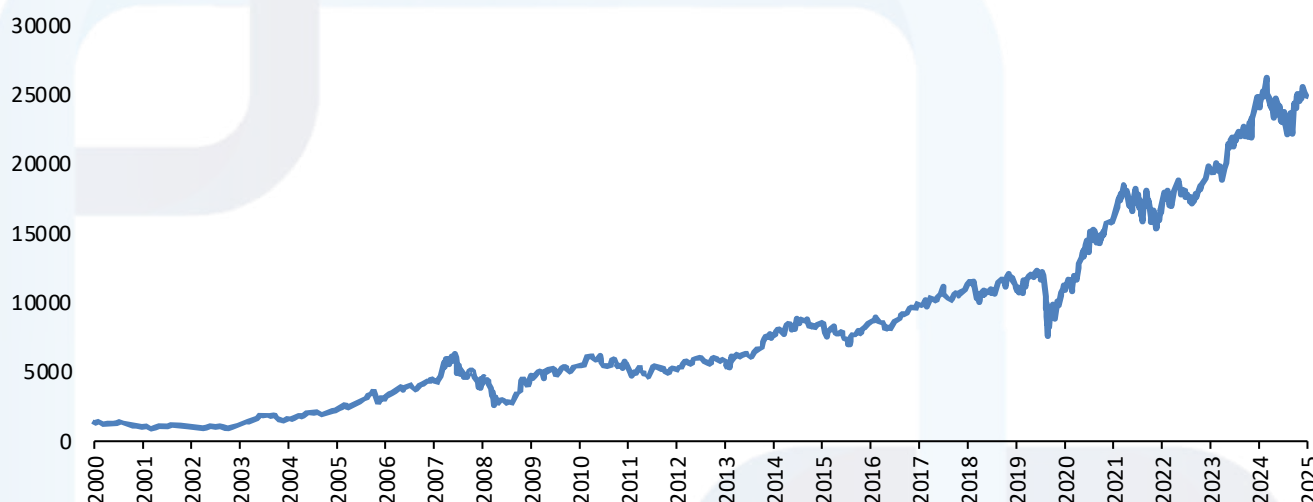
With a new management in place and regulatory clouds (which should never have impacted Manappuram in our view) clearing, we believe that the future is very bright for the company. The backing of Bain Capital provides not only a reputational halo but plenty of firepower to develop further growth. Our estimates suggest that 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.

Looking towards the next 5 years and beyond

When one is immersed in markets, it is all too easy to react to every piece of news rather than focus on the bigger picture. We do not doubt that on the day that you read this 5th anniversary newsletter, you could easily find a dozen bearish stories to read about the Indian market or economy, as you could with any other asset class or country.

When we look back at the last 25 years of investing in India, we can see that volatility has always been there (as has been the case in every other global market). Some were caused by India-specific events. Others were global in nature. What they all have in common is that they were worrisome at the time, but they turned out to be fabulous buying opportunities with the benefit of hindsight. It would be wonderful to be able to time-travel back to any of the days of maximum concern and invest all that we could.

Nifty Index – 25 Years



As we discussed earlier, the long-term picture for India looks terrific. No other country has the demographic advantages that India has, nor the rising middle class or the fierce entrepreneurial spirit that is embedded from birth in 1.5 billion people. Indians are among the most ambitious individuals you will ever meet, and the opportunity to invest alongside them is one that many investors have failed to capitalise on. Sadly, it is impossible to travel back in time, but we can certainly look forward with the knowledge that the very best years of India's growth are almost in front of it, not behind. The likelihood is that India can create as much new growth in the next 5-7 years as it has in its entire history.

We have an exciting portfolio that has been substantially refreshed over the last 12 months, taking profits to make room for new ideas. We also keep a very close eye on the IPO market. Over the last five years, we have been able to add a lot of value through IPOs. Around 12.5% of our return has come from IPOs, and they have added value across calendar years. IPOs can be a great way to generate super-sized returns quickly, but it is crucial to be discerning about which ones to apply for.


We recently published a note discussing the potential ramifications of President Trump's proposed tariffs. Our view remains that the negotiations, which may take longer than originally hoped, will ultimately result in the final tariffs being substantially watered down.

Although the tariffs are of some importance, we would counsel investors to pay far, far greater attention to domestic matters. For those with a keen interest in India, Prime Minister Modi's Independence Day speech this week is a very worthwhile read. It was one of the longest in India's history, lasting more than ninety minutes but despite its length, there was a single common theme that ran through many themes. Time and again Mr Modi returned to the importance of **India being self-reliant and master of her own destiny.**

India has plans already in motion to be a meaningful producer of computer chips. If Taiwan's independence was threatened in the future, this could provide India with a major opportunity. India has also been acutely aware for some time of its energy reliance and Mr Modi restated his determination to make India self-reliant. Solar energy has grown more than 30 fold over the last decade and many new hydropower dams are under construction. By 2047, nuclear energy generation will have increased by an astonishing tenfold. All of these gigantic projects will create massive opportunities for Indian businesses.

There was also plenty of support for science and technology in Mr Modi's speech. Whilst acknowledging India's current role as a leading manufacturer, he challenged businesses to take the role of inventor and patent holder rather than producer for others. His government wants India to earn a far greater share of the margin in every industry from pharmaceuticals to fighter jets. There will be a lot of money to be made in deep tech and artificial intelligence over the years ahead. The Indian education system produces great numbers of the world's most gifted technology students each year and there is every reason to believe that there are trillion-dollar tech companies that will emerge in India over the years ahead. The message to the Indian civil service was a clear one; everyone has to unite to remove any obstacle to India's internally fuelled growth. In the words of Mr Modi, "This is an opportunity to move forward, an opportunity to dream big...The government is with you and I myself am with you. We can create a new history."

Thank you for your support over the last five years and we look forward to the next five years with great confidence.

For further information:Website: www.cohesion-am.comEmail: investor@cohesion-am.comMobile/WhatsApp: +971 555 102 622 **Important Information:**

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