



Dear Investors:

India's domestic investors keep confusing time elapsed for evidence, while street's perennial cheerfulness isn't carrying its weight either. It's typical for investors in such under-institutionalized markets to embrace narratives (primarily designed to keep the impatient and unsuspecting engaged) that suggest that an extended losing streak by itself makes a winning outcome more likely, often independent of any material change in underlying profitability and/or pricing of that profitability (more on this later in this update). This is gambler's fallacy, not actionable analysis! It shouldn't be dressed up as 'conviction'. India's IT services names are a somewhat extreme microcosm of such narratives - Both *TCS* and *Infosys*¹ are today among the most heavily bought stocks by Indian retail folks that use domestic margin accounts. Both are dealing with serious headwinds that question their *raison-d'être* itself – Yet, both have attracted a wave of retail investors betting on a bounce. So, while some order has returned within headline Indian equities, delusion still runs the show on Dalal street.

Speculative mania set the tone early in the second quarter, and this was most pronounced in United States and India. Suspect and momentum darlings crushed nearly everything in April, and with some distance to boot². In C2Q26, *Minerva India Under-served* strategy was up **+20%** (net; in INR), vs. **+29%** gain (gross; in INR) in *BSE Smallcap*, and **+12%** gain (gross; in INR) in *BSE 500*. *Minerva India Under-served Fund (Tattva series USD)*, which tracks our onshore strategy, was up **+16%** (net; in USD), with INR remaining sequentially flattish against the USD for the quarter. Please note that, unlike our pre-tax onshore INR returns, reported performance of *Minerva India Under-served Fund (Tattva series USD)* is net of not only taxes paid on realized gains, but also net of tax accruals on unrealized gains. Headline numbers are therefore not comparable between structures. As we get close to wrapping July, strategy is up about **+17% YTD** (net; in INR). Importantly, underlying earnings expectations (and not multiples) have done the heavy lifting for us.

Over the past year, *Minerva India Under-served* strategy was up **+3%** (net; in INR terms), vs. **+2%** gain in *BSE Smallcap* and **-3%** decline in *BSE 500* (gross; in INR terms). Over the last 5-years, *Minerva India Under-served* strategy was up **+20%** annualized (net; in INR terms), vs. **+17%** and **+11%** annualized gains (gross; in INR terms) in *BSE Smallcap* and *BSE 500* respectively.

We initiated no new exposures during the quarter, even though we were marginal buyers over this period. Largely driven by sharp gains during the quarter, liquidity on the side declined further to 19% by quarter end, a level last seen in March 2024. We re-iterate that the strategy isn't mandated to target liquidity levels. The only readthrough of our liquidity levels is our ability/inability to identify assets that can absorb the liquidity without resorting to any style drift and without breaching our portfolio construct guardrails.

Our primary additions in C2Q were to 1. a key forestry holding, and 2. a recently initiated exposure in a regional hospital. This was partly offset by exit of an extreme tail position³. Every single position in the book gained last quarter in what we believe was a tape where quality distinctions had meaningfully collapsed in April. Incidentally, our median tail position outpaced our median 'top-5' name last quarter, even as our biggest name (auto parts holding; up **+35%** in INR) and third biggest name (apparel holding; up **+49%** in INR) handily outpaced benchmarks.

¹ As we write this letter, India's 2 biggest IT names still inexplicably trade at >50% premium over the likes of *Accenture* and *Capgemini*

² If we create a highly speculative pack in US and India (characterized by richly priced names where >2.5% of float exchanges hands daily), this pack ran a riot in April. If we define 'riot' as a period when the speculative pack outpaces the broadest benchmark by 15% or more, no month over last 3 years came close to what we noticed in India this April. For context, April was 8th such instance in US over the last 3 years.

³ Media name that made 1% of the book at the beginning of this fiscal



Dalal street's 'stopped-clock bulls' remain long on hope and short on evidence. India as 'anti-AI' trade has made the rounds, multiple times over this year – We would bet good money that you've probably heard that hogwash a few times already. Interestingly, no one bothered peddling that in Brazil, South Africa, Hong Kong, or Mexico. Forget the AI stack! These benchmarks have about nothing in Technology⁴, and yet they all handily outpaced nearly all benchmarks over most of the last 6 quarters, let alone India, which has been a standout laggard.

As important, albeit often conveniently side-stepped these days, is the fact that India began its last fiscal trading at a rather eye-popping >150% premium to these benchmarks. That it still trades at >70% headline premium to these benchmarks (despite >30% weight of 'Financials' at *MSCI India*) goes on to show the hollow core of the argument around supposed emergence of value. India's somewhat less rich tag is about as much as it deserves today. No more! Between flows and headline premium noise, 3 points merit attention:

- 1. India's elevated multiple is a privilege, not a birthright (and privileges get revoked). Adjust for the noise, and the 'value' in India's relative valuation gap is anything but clean.** Given continued shifts in underlying component/sector composition and weights⁵, inter-country benchmark comparables against history routinely understate/overstate true contrasts. To drive that point, you don't have to look further than *MSCI India* today – While *MSCI India*'s headline P/B was optically at barely 23% premium over *MSCI EM*'s headline⁶ at the mid-point of this calendar, you wouldn't see that within cleanly done sector-wise comparables. If one were to eliminate the composition and weight related

Exhibit 1 – India's sector-wise P/B premiums vs. history

GICS Sector	Jun-26	Post-Pandemic Avg	Pre-Pandemic Avg
Consumer Discretionary	595%	328%	287%
Real Estate	368%	233%	7%
Energy	274%	456%	287%
Communication Services	175%	115%	-60%
Healthcare	164%	35%	-4%
Consumer Staples	163%	115%	275%
Financials	104%	212%	105%
Utilities	95%	90%	3%
Average	87%	113%	61%
Materials	53%	338%	212%
Industrials	-29%	-18%	-47%
Technology	-9%	148%	148%

Notes: All comparisons are for MSCI India components vs. MSCI EM (ex-India) components. We used June 2026 ending components and weights throughout. Essentially, if the component wasn't listed in 2011 (starting point of the exercise), it isn't part of these comparisons. Sectors whose current P/B premium is above pre-pandemic averages (or discount is less) are highlighted in 'red'. Sources: MSCI, S&P Global Market Intelligence

noise (i.e. by using constant weights and components as they exist today), only Indian 'Materials', 'Technology'⁷, and 'Consumer Staples' trail their pre-pandemic premiums. In contrast, June 2026 ending P/B premiums (vs. EM peers) for 6 of 11 GICS sectors were in fact higher vs. pre-pandemic, while premiums for 'Energy' and 'Financials' were about in line with pre-pandemic averages (please refer to **Exhibit 1**).

As for somewhat shrunk premiums at Indian 'Consumer Staples' - For a country that continues to struggle to create enough dignified employment while also routinely underspending on education, it's reasonable to expect the mass categories (CPG, Retail etc.) to continue to decelerate. Those premiums remain nonetheless elevated, and we don't see them surviving slower growth.

⁴ Except TOTVS in Brazil, an enterprise software name, none of the other benchmarks have any Technology exposure. Even in case of Brazil, TOTVS was expectedly a net drag on the benchmark over the last year.

⁵ Around the beginning of last decade, Energy, Materials, Financials, and Utilities (let's say intrinsically 'low-multiple' sectors) made around 58% of *MSCI EM*, vs. 51% for *MSCI India*. Contrast that with today - composition of the same 4 has since marginally ticked up within *MSCI India* while it has nearly halved at *MSCI EM*.

⁶ Was >100% at the end of March 2025. Please note that *MSCI EM*'s headline is also somewhat skewed by India's 11% weight in that benchmark. P/B for *MSCI India* actually ended the calendar about 30% ahead of *MSCI EM* (ex-India), vs. 23% when compared against headline *MSCI EM*.

⁷ Our concerns here pre-date emergence of coding assistance tools. We remain extremely wary of GCC-related headwinds and continued associated billing pressure from Fortune 500 clients.



- 2. Cocooned growth today, cornered one tomorrow – if it can't cross borders, it has a compounding challenge.** There is ample economic evidence to confirm that whatever thrives in captivity rarely survives in the wild. Yet, policy making in India has often remained at odds with cardinal economic principles. India's protectionist policies have always stood out. While low-income levels and well-entrenched inefficiencies make up for a relatively longer runway of growth within such highly protected environments, such growth is also more likely to eventually decelerate faster if our cocooned champions are unable to transcend borders and compete well. That begs the question if India's electronics⁸ assemblers, packaged food makers, solar module manufacturers, or white-label apparel⁹ retailers such as *Trent* etc. should have the sort of implied terminal multiples that are apparently baked into them. That's just conviction without collateral!

There are far more instances of businesses operating in less protectionist environments to compete well elsewhere, vs. businesses that were as heavily protected as they are in India. Japanese car OEMs are among the very few exceptions - By mid-70s, these OEMs were already exporting about 40% of their car production, despite 40% domestic tariffs in place. This success¹⁰ however was despite the protection afforded to them at home, and not attributable to it - Detroit was still tooled for gas-guzzlers during the 70s 'oil crisis', while *Toyota* and *Nissan* had already established a reputation for measurably lower defect rates. More importantly, ambition around cross-border leadership (and not need) is typically the driving force behind offshore expansions - Be it Japanese, Korean, German, or several Scandinavian names across industrials, electronics, and home goods, offshore growth accelerated for them despite significant home runways. Most were also beneficiaries of re-ratings over their offshore expansion periods. Not only do we struggle to identify potential parallels in India, but we also note that Indian valuations don't really leave any room for such re-ratings.

- 3. Flows of all kinds are often transient. Media storyline stampede notwithstanding, they neither destroy, nor create durable value.** With +83% gain in 2024 and nearly +50% last year, *MSCI Pakistan*¹¹ had handily outpaced anything within the Frontier/EM basket over the last two calendars. This happened despite consistent foreign selling in both years (and this has continued YTD). Local capital absorbed all of it. Sounds (partly) familiar to what's generously peddled in Indian media? – Because it is, except that domestic buying couldn't prevent India from being a distinct relative loser over this period, while, despite heavy foreign selling, Pakistan was a standout winner. It is critical to note that foreign selling in Pakistan in recent years was largely driven by the 2021 *MSCI* downgrade from 'EM' to 'Frontier' and the 2024 *FTSE* reclassification from 'Secondary EM' to 'Frontier'. Unsurprisingly, passive/index-tracking vehicles had been in a multi-year structural exit there. With most passive capital having already exited, we noted several late active bandwagoners enter Pakistan earlier this year. Clearly, this hasn't worked well. It's equally critical to highlight that while vast majority of *MSCI Pakistan*'s gains in recent years were attributable to multiple expansion, that multiple has expanded from an extremely depressed sub 3x C2024E at the beginning of 2024 to about 7x C2026E at the beginning of this month (essentially still capitalizing what is historical average kind of underlying growth rate at a sub-historical multiple).

In contrast, foreign selling in India came at a time when unremarkable expectations were being capitalized unreasonably (and we are still far from ready to call this fully wrung out). Pakistan wasn't

⁸ India imposes 30-40% basic duty on finished electronics (plus social welfare charge of 10% of duty, plus compensation cess if applicable)

⁹ India imposes 20-25% basic duty for most apparel categories (plus social welfare charge of 10% of duty)

¹⁰ Japanese OEMs exported >55% of their production in 1980, vs. barely 20% a decade earlier

¹¹ *MSCI All Pakistan* (USD) Index



an outlier – Net foreign buying could neither propel ASEAN markets such as Philippines and Malaysia YTD, nor did net foreign selling preclude meteoric gains in Taiwan and Korea in the first half. All said, continued FPI selling in India by itself does little to embolden our views on stretched underlying valuations. Likewise, re-emergence of FPI buying, if/when that gets triggered, by itself wouldn't make us think otherwise.

While we remain extremely wary of elevated valuations in markets such as India and United States, our positioning remains well detached from such evident froth – Our book finished the mid-point of this calendar at 8.5x F2027E (Mar) EBITDA, vs. about 21x for both *Nifty50* (ex-financials) and *NiftySmallcap50* (ex-financials), and this is despite what we believe are conservative expectations for us (and arguably sanguine estimates for *Nifty50* names). Furthermore, however much this counts for, the median holding in *Minerva India Under-served* strategy barely had 7% foreign institutional ownership as we entered the second half of this calendar, well under half of *Nifty50*'s median FPI ownership.

Following are few updates on *Minerva India Under-served*'s key holdings, alongside some portfolio housekeeping:



Recently emerged pieces are fast becoming solid contributors at our biggest holding. While our biggest auto parts holding continues to be at the center of the structural and irreversible steel-to-aluminum shift in car rims, we note particularly sharp ramp-ups in fast emerging pieces – steering knuckles, and (now) aluminum rim exports to European OEMs. We expect knuckles and alloy rim exports to materially drive earnings growth over F2027E and F2028E. Revenue from these businesses is expected to double in this current fiscal, contributing roughly a third of overall growth over the next couple of years. More importantly, EBITDA is expected to increase >3x, accounting for nearly a third of EBITDA growth in the current fiscal and almost half of growth in F2028E. The alloy rim export ramp-up is supported by new programs at *Renault* and *Nissan*, which are expected to drive the bulk of volume growth and take volumes to 2.5x F2026 levels. Knuckles volumes should also ramp up meaningfully, supported by recently added domestic programs, including a major utility vehicle platform. Although both verticals currently contribute less than a tenth of revenues, we expect them to become meaningful drivers of growth over the next two years and beyond.

As things stand, 55-60% of all European alloy rims are currently still casted using low pressure die casting, or theoretically serviceable by several Asian suppliers. While this mass market process is adequate for 15-18 inch rims used in volume platforms, the preference for larger and denser rims in larger wheelbases and lightweighting in electric drivetrains is increasingly moving 'non-mass' platforms (mostly 18-20 inch rims) towards flow-forming¹². Furthermore, increasingly stringent safety norms often end up with larger braking systems¹³, further stressing profitability of lower-size rim assembly lines. Coupled with significant FX shifts in recent years, OEMs are therefore increasingly looking outside Europe for parts (such as within chassis systems) that hitherto rarely used ocean freight for servicing local assemblies. Let's assume that two years ago, our holding began servicing 17-inch rims for *Volkswagen Golf* at their Wolfsburg, Germany assembly line. Since then, underlying conversion costs at its Indian facilities have remained broadly unchanged when measured in EUR. INR depreciation has absorbed much of the inflation in Indian energy, labor and other conversion expenses from the perspective of a European OEM. As INR depreciated, the non-aluminum component of production cost has become considerably cheaper in EUR terms, effectively transferring the currency benefit to the OEM in RFQs that would be floated at this time. Meanwhile, European suppliers in

¹² By C2030, European share of OEM 'flow-formed' rims would likely increase from 33% currently to somewhere in the mid-late 40s.

¹³ Need for larger braking systems has influenced larger rim sizes



Eastern Europe face structural headwinds - If a Slovakian supplier is asked to match our holding's quote today, it will have to service the program at a near certain loss¹⁴.

To be clear, we still do not expect Indian players to be any more than a marginal source for vendor de-risking to cover competitive and quality Asian sources such as China, or other sourcing destinations such as Morocco/Turkey¹⁵ etc. Nonetheless, it is not inconceivable to us that a couple of Indian suppliers, over the next decade, collectively end up servicing say a meaningful single-digit % of supplies for Europe-based OEM programs that source low pressure die casted rims.

As interesting as it is beginning to appear, it is still anything but goldilocks for our forestry holding. We continue to see considerably more room for fiber costs to decline. As we have previously communicated, integrated Indian uncoated producers would continue to see a near confluence of declining fiber costs and somewhat reduced import intensity¹⁶. Incrementally, we now also place higher odds on **1. Hardwood pulp prices unlikely to get cut from here, and 2. Signals of distress (and concomitant stable pricing) in Chinese paperboard.** Essentially, if the current environment appears solid as it is, we remain extremely confident that this should only get better (largely on account of material input-related tailwinds).

- 1. Latin American producers are now guiding hardwood pulp cash costs to stay flat this year, further strengthening a fairly resilient hardwood pulp market. APP's pulp capacity expansion postponed as well.** Suzano's latest earnings confirmed their view on flat-higher cash production costs over the remaining course of this year. It's big structural tailwind towards lower cash costs (*'Projeto Cerrado'*¹⁷, the new greenfield mill in Ribas do Rio Pardo) has already scaled and cannot meaningfully alter this guidance. Despite that, their cash pulping costs were higher (+4%) YTD. Importantly, the new full year guidance is premised upon \$84 Brent (vs. the \$89 average this calendar, and mid-high \$90s levels now). The underlying BRL/USD assumption in the guidance (R\$ 5.07/USD) could also be at risk¹⁸, after BRL's near 10% gain over USD over the last year.

Meanwhile, the only incremental hardwood pulp capacity planned in this calendar (APP's 1.4 mil tons expansion at its OKI unit) has been pushed out from June to year-end. Unsurprisingly, Chinese BHKP¹⁹ prices have now been on an almost year-long tear (from \$510/ton low in May 2025 to recapturing their early \$600 levels²⁰ by May 2026). We estimate that BHKP imported prices in China were running about 13% ahead of cash pulping cost in China in C2Q. That differential still runs at under half of last decade's average. That said, we note that Chinese forestry players continue to get increasingly less reliant on market pulp, and we therefore aren't in any way insinuating that the differential reverts to prior levels. Instead, we are essentially stressing that we do not imminently see any material pull back in Chinese (and by extension, global) hardwood pulp prices.

¹⁴ Key assumptions: Conversion cost for our holding - 40% increase in natural gas, electricity flat for India, non-energy cost taken at 10% growth over last 2 years. For the Slovakian supplier, non-energy cost increased by 6% over last 2 years. For logistics, inland costs in India are adjusted as per change in diesel rate. Ocean freight rates were calculated from Nava Sheva to Hamburg. Port clearance fees at both ports were taken as per listed rates. We assumed 1,200 rims per 40 ft container.

¹⁵ Turkey is likely the single largest non-EU import source into European OEM assemblies, with China being a distant second

¹⁶ Because of distress in European forestry attracting Indonesian uncoated producers away from India + Cost related headwinds in Indonesia - Forestry permit revocations in Sumatra (partly offset by postponement of planned maintenance downtime at APRIL Group's Kerinci mill in C1Q26).

¹⁷ Targeting cash costs below the current best-in-class Trê's Lagoas level and well under the Latin American BEK average of \$263/ton

¹⁸ Averaged \$R 5.17/USD in the first half of the year, and is forecasted (consensus) to go back past 5.30 by end of the calendar. This drives higher Brazilian cash costs on account of freight and imported chemicals.

¹⁹ Bleached Hardwood Kraft Pulp (mostly, but not all, eucalyptus)

²⁰ Still well off of the mid-\$800s (delivered prices in China) in mid-2022



2. While China's paperboard deflation has meaningfully interrupted, underlying overcapacity risks remain. Import price floor in India continues to protect domestic virgin ivory-board producers. Our holding's hard-BCTMP line began production at June-end, further reducing FX-related margin volatility. We note that softwood (net) prices in China are now near the late C2021 discount vs. net softwood prices in Europe (see **Exhibit 2a** on next page), suggesting elevated cost pushback by buyers at Chinese paperboard facilities. It is reasonable to not expect this discount to materially expand from here²¹, thereby protecting further deterioration in Chinese virgin board profitability (as of now at least), and, by extension, price deflation elsewhere. Consequently, and in the absence of large demand declines, we don't expect ivory board prices in China to imminently decline from current levels, which anyways have now largely held up over the last 6 quarters (see **Exhibit 2b**).

Furthermore, the import price floor for Chinese imports in India also firmly protects local producers, with an already double-digit gap between the floor and domestic prices. We would also highlight long-awaited FX-volatility mitigation²² at our holding's virgin paperboard piece – Though the launch timeline had slipped away from its C2025-end target, production commenced last month.

Exhibit 2a – Softwood prices in China continued their decline....

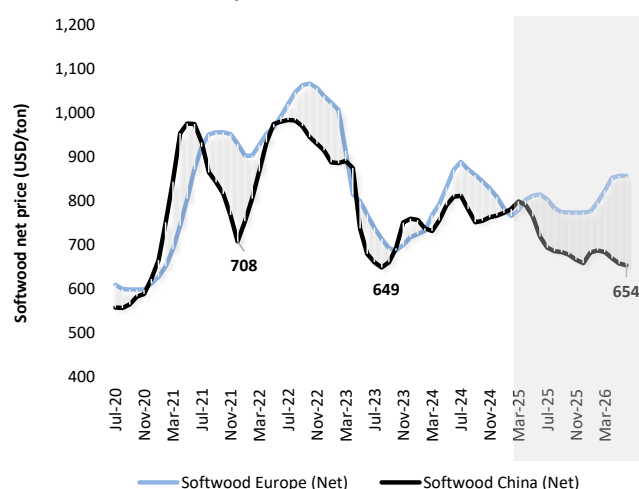
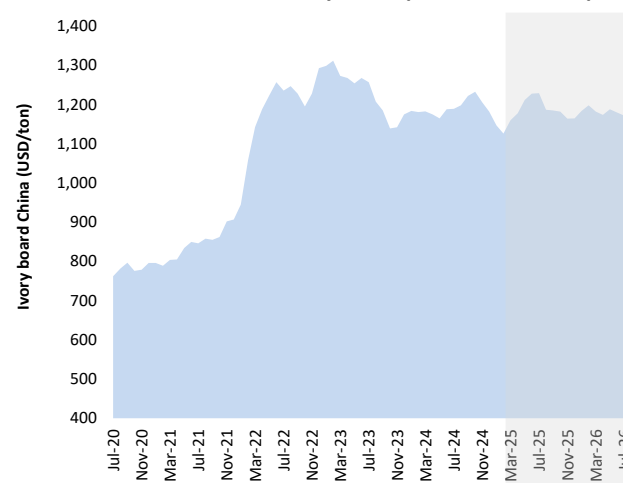


Exhibit 2b – but Chinese Ivory board prices have held up



Notes: 'Net' prices are typically significantly lower vs. list prices. Ivory board prices charted above are for coated reels. Our forestry holding sits more on the ivory/virgin-fiber board side of packaging vs. grey duplex stock. Chinese packaging board industry however is disproportionately built on recycled/duplex grades.

Sources: Fastmarkets FOEX, Fastmarkets RISI

As we pen this quarterly update, our forestry holding has inched up about 5% over the last year, and still trades at about 45% discount vs. integrated forestry players in EU and NA, despite temporarily high fiber-cost influenced depressed profitability for our holding. During the last quarter, we increased our holding in this name by about 13%. By June-end, the stock made about 18% of the strategy, making it our second highest position in the book.

²¹ Shanghai softwood pulp futures (Sept 2026 contract) are also suggesting largely flattish prices

²² Hardwood BCTMP makes 40-50% of virgin board's pulp requirements (softwood BCTMP makes 20-25%, and BHKP makes the rest) and was hitherto entirely imported.



Excitement around “imminent” India-EU FTA related gains needs a thorough reality check. We recently pared back our stake in a key apparel holding. This was simply a valuation call – We believe that the market has begun to underwrite a story (apparel names being material beneficiaries of the EU-FTA) that is planked upon **1.** assumed swift ratification by EU council and European parliament, **2.** swift (and competitive) compliance on noted and future clauses, and **3.** a highly uncertain reaction function. As things stand, the elimination of the 8-12% duty wouldn't show up in trade flows before C2Q next year (and this could slip further if ratification process is consistent with other EU FTAs). As we see it, the more critical challenges lie within compliance and response from South Asian peers.

Associated regulations would require that companies become compliant to certain norms around origin, tracking, value addition, environmental benchmarks etc. We note that both of India's South Asian peers, Bangladesh and Pakistan, currently handily outpace India when it comes to apparel facilities complying with the most widely followed ESG norms. Furthermore, we note that EU is entering CBAM and the commission is clear that it won't discriminate between trade partners on this. Given India's carbon intensity across industries, it is more exposed than peers. Even though apparel and textiles aren't part of the CBAM mandated list yet, India remains the biggest emitter among all peers - Between spinning, weaving, and finishing, its emissions are 40-80% higher vs Pakistan, Bangladesh, or Vietnam. That said, we still view this as little more than a tail risk - CBAM works reasonably well for commodity inputs because emissions per ton of steel or cement are relatively standardized and traceable at the point of primary production. Apparel is the opposite — a finished garment is the end of an enormously fragmented, multi-tier supply chain, often spanning three or four countries before a shirt lands in EU. Assigning a defensible per-garment carbon footprint at the border is a data-infrastructure problem the EU hasn't solved even for its own producers, let alone for import verification.

Black box of a reaction function. As things stand, all of Bangladesh's, and about 80% of Pakistan's apparel production, enters EU duty-free anyways. So essentially, once crystallized, India will shave off a considerable disadvantage it had. That's a definite net gain, but this highly simplified narrative misses competitive positioning and how this shifts as tariff differentials get eliminated. Admittedly, in terms of the type of cotton used, India is largely similar to Pakistan. The operating structures and facilities' scale²³ however are meaningfully different. Since Pakistan has the highest energy cost in the region, nearly all apparel manufacturers there are backward integrated - Almost all are farm to fabric to apparel. Given the asset-heavy structures at such players that generally operate between 12-18% EBITDA, we don't expect them to not aggressively engage when/if contracts reprice. Elsewhere, EU is a somewhat smaller market for Vietnamese-made apparel and most of what they exported entered EU duty-free regardless.

All said, we aren't nearly as sanguine on narratives that expect somewhat of an Indian apparel steamroller running through its South Asian neighbors, with little regard for tactical sourcing differentials (materials, scale, emissions etc). Importantly, and in contrast, our underlying thesis on our apparel holding is specifically driven by its significantly diversified manufacturing footprint²⁴ vs. its India-heavy presence that is seemingly the load-bearing argument behind recent street narratives.

²³ H&M's contracted facilities in South Asia tend to skew towards large-scale production (>1,000 workers). More than a third of their contracted apparel facilities in Pakistan and Bangladesh employ >4,000. We note that the average facility of H&M's #1 supplier in India, Gokaldas Exports, employs <1,300 workers.

²⁴ In F2026 (Mar), its ex-India revenues were nearly 4x its India revenues



Minerva's EM Asia launch. 15 years into an India-only mandate, *Minerva* finally widened its aperture – Emerging Asia (ex-India), with overwhelming focus on China and ASEAN. China, to be fair, does return capital better²⁵, and trades at multiples that price in realism rather than hope. But the broader EM Asia case doesn't rest on any one country matching China's discipline. It rests on this → businesses that can compete across borders²⁶, non-farm job creation with a flatter income tail, freer cross-border trade, and courts that don't bury you in decade-long litigation. Stack undemanding valuations on top²⁷, and this looks like a solid whitespace — asymmetric, and mistaken for nothing else. The timing helps! US retail speculation is unequivocally stretched. Furthermore, since offshore EM flows mostly aren't country-vehicle-driven, bottom-up stock-picking here stays undercrowded – there aren't many big passive bids closing the gap on individual names the way there are in more flow-saturated markets. That is *Minerva's* calling! As things stand, we are targeting mid-high teens returns for Indian investors over the next 3-5 years.

What follows are short introductions (sans commentary on underlying earnings expectations, pricing, and intrinsic worth) to our EM Asia strategy's initial (at launch) holdings:

1. **One of the world's largest suppliers of automotive glass.** Our holding controls >35% of the global automotive glass market, and over 70% of the Chinese market. Geographically, China contributes more than half of revenues, while the US and Europe account for approximately third and fifth respectively. The global automotive glass market remains highly concentrated, with the four largest players controlling 80%+ of the market. Our thesis is centered around the continued penetration of HVA glass (offers >4x the price of standard non-HVA glass) off of a low base.

The mix shift towards HVA glasses is driven by the rising share of EVs in China and Europe, alongside premiumization of vehicles globally. Consequently, HVA glass' share of our holding's volume has increased from <10% to >20% over the past 4 years, while its revenue contribution has increased from <30% to near mid-50s²⁸.

Our work suggests that the use of HVA glass across European models has increased in the low 20s over the past 4 years. This growth has been driven by the adoption of HVA glass in mainstream models such as *Toyota Yaris Cross*, *Skoda Octavia*, and *Renault Clio*. Likewise, HVA glass volumes in United States have also increased at a low-teens pace over the same period.

To meet increasing demand for HVA glass, our holding is expanding automotive glass capacity across its facilities in Fujian and Anhui, with combined capacity expected to nearly double from current levels. Accordingly, we expect HVA glass volumes to double over the next 4-5 years. We expect the ongoing mix shift to contribute more than 3/4th of holding's growth over this same period.

2. **Leading footwear manufacturer that supplies to both global sportswear brands and major luxury and fashion houses.** The company has a diversified manufacturing footprint across China, Vietnam, Indonesia, Bangladesh, and the Philippines. Luxury and fashion brands account for >30% of its revenues, with the balance coming from sports and casual footwear, of which sports footwear is the largest segment. Our thesis here is anchored around capacity expansion in Indonesia, supported by the ongoing consolidation of vendors across major global brands. As brands increasingly prefer

²⁵ Our book yielded 5.5% at launch, vs. around 1% for *Nifty50* and *S&P 500*

²⁶ 45% of our book's revenues come from outside our holdings' home market. Contrast that with around 30% for *Nifty50* (ex-fin) and 43% for *S&P 500* (ex-fin).

²⁷ Our EM Asia strategy was priced at 1.7x book at launch, vs. 3.7x and 6.3x for *Nifty 50* (ex-fin) and *S&P 500* (ex-fin) respectively.

²⁸ Given that HVA share in the mix has expanded (and it generates >4x the price of standard glass), overall ASP has increased at a 7% annualized pace over the same period.



larger suppliers with diversified manufacturing footprints, our holding is well positioned to benefit from this structural shift. We would highlight two key growth catalysts here:

- a. ***Nike's vendor consolidation is driving capacity expansion.*** Nike's contracted factory count has been cut by a fifth over the past five years. Our holding currently accounts for <5% of Nike's total procurement, and as a small but integral player within a shrinking supplier base, we believe that it is well positioned to be a net beneficiary of this consolidation. Our holding is now expanding its capacity by >30%, with the majority of incremental capacity expected to serve Nike through a new factory in Indonesia, which is expected to commence production by the end of C2026. We expect this expansion to drive about 2/3rd of the growth over the next 5 years.
 - b. ***Client additions to drive meaningful share of growth.*** We expect *On Holding* to account for roughly a third of our holding's growth over the next two to three years. This growth would be primarily serviced through the company's Vietnam facility, which is expected to be fully ramped-up by C2029E. Meanwhile, growth expectations for *On Holding* appear solid, with revenues expected to grow at >20% annualized pace over the next 2 fiscals.
3. **Traditional Chinese Medicine (TCM) manufacturer with a diversified presence across Nephrology, Gynecology, Pediatrics, Orthopedics, and Medical Contrast.** Nephrology accounts for >2/3rd of the revenues, with its flagship TCM formulation contributing >80% of this piece. The formulation is used in the management of chronic kidney disease (CKD), specifically in stages 3, 4, and 5. What's noteworthy here?
 - a. ***The flagship product is difficult to reverse-engineer, leading to no competition even after patent expiration.*** The formulation comprises 16 different herbs, each grown under specific weather conditions and subsequently processed at specific temperatures during manufacturing. The medicinal properties of the final formulation depend on both the quality and consistency of the ingredients and the precision of the manufacturing process, making the product extremely difficult to replicate.

The company's established supplier relationships, sourcing capabilities, and manufacturing know-how are therefore critical to maintaining product efficacy and consistency. These capabilities are difficult for new entrants to replicate, and collectively, provide a durable competitive advantage distinct from patent buffers. Unlike western medicines, where generic alternatives can often replicate the efficacy of a branded drug post-patents, it is rare for a TCM product to be replicated with comparable efficacy following patent expiration, given the associated complexities.

Also, unlike Ayurveda in India, TCM has significantly higher consumer adoption in China. Our mainland checks suggest that nearly half of respondents prefer TCM over western medicines for disease management.
 - b. ***Aging population in China is a distinct tailwind.*** Stages 3, 4, and 5 of CKD are particularly prevalent among the elderly population (aged 60+). The proportion of China's population aged over 60 currently stands at 21% and is expected to reach 27% by C2030, suggesting mid-single-digit annualized pace for the addressable patient pool for our holding's flagship product. We expect this demographic tailwind to contribute more than a third of company's growth over this period.



- c. **National Volume Based Procurement (VBP) is less likely to be a headwind.** TCM products have not been included yet in the National Volume-Based Procurement (VBP) system, which is primarily designed to reduce procurement bills for medicines that are identical, as is typically the case with Western medicine. This however is less applicable to TCM, where the efficacy can differ meaningfully. While provincial VBP programs cover TCM products, we believe that the lack of identical products makes it difficult to extend the same framework to TCM at the national level. Consequently, we believe the risk of National VBP becoming a material headwind for our holding remains significantly lower.
- 4. **A leading player in China's ready-to-eat food space, operating a network of more than 11,500 company-branded stores under a retail partner mode.** >90% of the products sold in these 'partner stores' carry the company's own branding. Geographically, >90% of revenues are generated in Northern, Central & Eastern China, with the balance coming from Southern China. Our thesis is anchored around the expansion of company's store network into the underpenetrated Southern China market. What's supporting expansion and retention?
 - a. **Store expansion into Southern China to drive majority of growth.** To illustrate the extent of this opportunity, Zhengzhou, located in Central China, has 357 stores compared with just 29 stores in Dongguan, despite Dongguan having >50% higher population. Our holding plans to open 10k+ stores over the next 5 years, with the majority expected to be located in Southern China. To cater to regional preferences, which tend to favor seafood and lighter broths compared with the heavier Northern-style hot pot tradition, it has accelerated the launch of regional cuisine offerings tailored to local tastes. We expect this expansion to drive majority of growth over the next 5 years.
 - b. **Store proximity and convenience strongly support share retention.** Majority of stores are located within residential communities and high-rise neighborhoods, offering consumers a convenient, walkable, one-stop solution for hot pot and barbecue occasions. Based on our store checks, products stack favorably with peers.
- 5. **Leading auto-parts maker, specializing in trim, structural, and battery components.** This is 'China outbound, but not China dependent' positioning, with growth levers across Europe, battery housing, and intelligent plastic parts. More specifically...
 - a. **Supplier closures in Europe are driving increased orders.** We expect our holding to benefit from stress build-up²⁹ and closures at European suppliers, driven by high energy costs and EUR appreciation. We expect our holding to capture additional orders for aluminum trims and roof-rail systems, which notably were core products of *WKW Automotive*. The impact is already visible in F2025 numbers, with European revenues higher by 40%, with products outside battery housing segment contributing more than a fourth of growth amid accelerated supplier closures within other systems.
 - b. **Battery Housing should remain a meaningful driver of growth.** We believe that consolidation among automotive suppliers is inevitable in China, which should benefit scaled players such as our holding. China accounts for about a third of battery housing revenues. Importantly, this segment's CPV is >4x consolidated CPV at our holding, making battery housing's growth particularly accretive for underlying earnings.

²⁹ *WKW Automotive* (supplier of decorative slats and other components to *Volkswagen*, *Mercedes-Benz*, and *BMW*) and *PMG* (supplier of plastic components to *Mercedes-Benz*) have filed for bankruptcy this year



- c. **Growing contribution for intelligent plastic parts.** CPV of these parts is approximately 50% higher than that of traditional plastic components, driven particularly by the integration of sensors and camera modules. We estimate high-single-digit growth from this segment, supported by penetration of NEVs in Europe and the commercialization of the Alabama facility³⁰ in the US.
6. **Integrated apparel manufacturer with five categories under a roof, and uses this breadth³¹ as a demonstrable cross-category innovation engine.** They operate production facilities across five countries (Vietnam, China, Cambodia, Bangladesh, and Sri Lanka), with more than half of its revenues generated from Vietnam. It also has a strong focus on sustainability, which reflects in an average *Higg FEM* score that exceeds 90. This is a critical factor when working with European brands in particular, for whom sustainability is an increasingly important criterion in vendor selection. Two things doing the heavy lifting on our thesis are:
 - a. **Vendor consolidation at its largest customer bolts on share gains over already well-established growth leadership³².** We view vendor consolidation across global apparel brands as a structural tailwind, driven by the increasing preference for large suppliers with diversified footprints in input-secure and politically stable environments. For our holding's largest customer, a Japanese apparel retailer, the number of processing factories it works with has declined by about a fourth over the last five years. Our holding currently accounts for <10% of the customer's total procurement, leaving significant headroom for growth as this very large customer continues to consolidate its servicing base.
 - b. **Capacity expansion through the Egypt industrial complex.** Our holding is setting up an integrated textile industrial complex in Egypt, which is expected to increase its annual garment manufacturing capacity by nearly 25%. Majority of the production is expected to serve the EU and US markets, with meaningful contribution from a leading Spanish apparel retailer³³. We expect this complex to account for a tenth of this business' revenues in 3 years.
7. **Supplier of acoustic, optics, haptics, and precision components for smartphones and autos.** Our thesis here is anchored on three key drivers: **1).** We expect our holding to gain share within the *Apple* component ecosystem through heat-dissipation products, which we expect to contribute a fourth of earnings growth over the next 3 years. **2).** This holding's recently announced hardware partnership with *OpenAI* represents a significant catalyst, with the partnership positioning our holding as the exclusive microphone supplier and a leading speaker supplier for the device, and **3).** We expect margins to expand in the optical segment, driven by premiumization as periscope modules, hybrid glass-plastic lenses, and other premium configurations gain share. These products generate at least 2x the ASP vs. their standard counterparts.
8. **Leading Chinese down-apparel manufacturer and retailer.** >80% of revenues are generated from branded down apparel across its portfolio of brands, while the balance comes from manufacturing apparel for OEM customers such as *Adidas*. Our thesis rests on its premiumization strategy, which

³⁰ Flagship US facility that will serve *Hyundai's* plant in Alabama and *Kia's* assembly in Georgia, both of which are high volume plants and are considerably ramping EV production. This expansion sits alongside the earlier Mexico and Ontario expansions in NA as concrete execution on the already disclosed 'majority capex outside China' strategy.

³¹ Most peers are single or dual-category by design

³² Net revenues at the largest customer are expected to gain at a double-digit pace over the next two fiscals

³³ Expected to grow revenues at 6-8% pace over the next few years



positions its flagship brand as an emerging alternative to *Canada Goose* and a direct competitor to brands such as *The North Face*. While a meaningful price gap remains (with our holding's products typically priced at \$150-250 compared with \$800-1,400 for *Canada Goose*), we see a substantial multi-year runway for consumers increasingly trading up to premium down-apparel products.

9. **Chinese ophthalmology hospital chain specializing in cataract, refractive, and vision care.** This business operates across two segments: Consumer Ophthalmic Services, which includes refractive surgeries, and Basic Ophthalmic Services, which includes cataract surgeries and other essential eye-care treatments. What excites us here is the transition from SMILE 4.0 to SMILE Pro technology in refractive correction surgeries. SMILE Pro is less invasive and offers shorter recovery times, and as an early mover, we expect our holding to benefit from the transition. SMILE Pro commands an approximately 25% premium over SMILE 4.0, and we expect the share of refractive patients opting for SMILE Pro to increase from approximately 20% currently to 60%+ over the next five years.
10. **A Leading ASEAN retailer, operating Zara, Starbucks, and sportswear franchises.** The company operates single-brand stores, department stores, and F&B outlets, and offers products across sports, kids, leisure, and beauty categories. Our thesis here is built upon store expansion and the broadening of its brand portfolio. We expect the company to leverage its existing relationships with global brands to expand across ASEAN, while partnerships with new brands should support further store expansion in Indonesia.
11. **A leading telco in ASEAN.** Following its recent merger, the company is now the second-largest telecommunications network operator in Indonesia, behind the state-owned incumbent. We identify material room for significant synergies from network rationalization and overhead reduction, which we expect to drive the majority of earnings growth going forward.

Our EM Asia strategy was initially a closed launch, with only existing LPs within *Minerva India Under-served* allowed early access. We would soon open the strategy to its first external subscription. The strategy is holding close to 20% cash at this time and we intend to deploy most of this over the second half of this calendar.

Please let us know if you have any questions/thoughts. Stay safe!

Thanks,

Piyush Sharma

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Performance benchmarking

	Minerva India Under-served	Nifty 50	S&P BSE 500	S&P BSE Midcap	S&P BSE Smallcap	With Intelligence India Equity	India-focused CE Funds*
Trailing 1 yr	15.5%	-4.0%	-0.4%	3.7%	3.7%	-3.2%	-1.4%
Trailing 5 yr CAGR	17.3%	9.2%	10.5%	15.5%	15.6%	6.9%	6.7%
Since inception CAGR	17.5%	9.8%	10.7%	13.1%	12.8%	8.1%	8.3%
2026 YTD	16.1%	-8.2%	-4.3%	1.1%	7.5%	-3.5%	-2.8%
2025	3.4%	9.4%	6.4%	1.1%	-6.6%	-2.1%	4.7%
2024	8.1%	8.8%	14.5%	26.1%	29.3%	13.3%	16.0%
2023	27.9%	22.5%	24.8%	45.5%	47.5%	28.0%	25.7%
2022	17.9%	6.3%	3.3%	1.4%	-1.8%	-3.5%	-2.0%
2021	92.2%	23.0%	30.1%	39.2%	62.8%	36.2%	20.0%
2020	18.0%	14.9%	16.8%	19.8%	32.1%	24.0%	11.9%
2019	-9.7%	12.0%	7.8%	-3.0%	-6.8%	0.6%	3.1%
2018	-6.0%	3.2%	-3.1%	-13.1%	-22.4%	-7.4%	-5.2%
2017	17.1%	28.6%	35.9%	47.7%	59.6%	28.8%	30.9%
2016	8.6%	3.0%	3.8%	8.0%	1.8%	3.1%	1.2%
2015	22.2%	-4.1%	-0.8%	7.4%	6.8%	6.0%	-1.4%
2014	34.5%	31.4%	37.0%	54.7%	69.2%	38.6%	48.5%
2013	21.2%	6.7%	3.3%	-5.7%	-11.2%	-5.5%	5.5%
2012	38.6%	27.7%	31.2%	38.3%	33.0%	14.4%	28.4%
2011	-11.1%	-24.6%	-27.4%	-34.2%	-42.6%	-24.9%	-31.2%
Annualized Volatility	20.8%	16.1%	16.8%	19.6%	23.0%	18.3%	15.8%
Annualized Volatility (+ve)	14.7%	10.3%	10.7%	12.1%	14.1%	13.6%	9.2%
Annualized Volatility (-ve)	14.1%	11.4%	12.4%	14.7%	16.8%	12.0%	11.9%
Sharpe Ratio	0.72	0.39	0.43	0.53	0.47	0.44	0.29

Source: BSE, NSE, EurekaHedge, Bloomberg

Note: Returns are in INR and until the end of July 24th 2026; Our strategy performance is net of execution charges and mgmt. fees, but before incentive fees; Our management fees are accrued monthly for reporting purposes. Since the fee is actually charged and calculated quarterly in the onshore SMA structure, compounding of the fee charge could lead to us conservatively reporting slightly lower strategy returns vs. SMA client actuals; Sharpe was calculated by using since-inception monthly returns and is based on an Rf of 5%. Sortino was 1.06.

*US-based close-ended funds, with returns adjusted for INR/USD movements.

Strategy Snapshot

Characteristic	Notes	
Top 5 positions as % of book	70%	
Avg. weighted market cap of book (mil)	\$628	>> Median holding's market cap is \$472 mil
Avg. weighted institutional ownership	16%	>> Median institutional ownership of current holdings was 10%
Avg. weighted free float of book	41%	>> Median free float was 43%
Net Exposure	81.0%	
Avg. weighted F2027E (Mar) EV/EBITDA	8.5x	>> vs. 20.6x (Nifty Smallcap 50), and 21.0x (Nifty 50)
Avg. weighted current P/B	2.8x	>> Median P/B was 2.4x
# of holdings	11	

Note: Characteristics are as at the end of June 2026



Principal and Investment Manager

Piyush Sharma, born and raised in India, has been running the Minerva India Under-served strategy across offshore and onshore structures since early 2011. The strategy focuses on investing in uncrowded and institutionally under-owned/orphaned situations within Indian smaller smallcaps. Essentially, strategy's focus is to capitalize upon flawed overly-generalized narratives within poor price discovery pockets. Minerva EM Asia strategy attempts to do the same within China and ASEAN listed equities. Having spent time with Citigroup and Bombay Stock Exchange in India, he moved to United States in early 2000s, where he covered stocks within Business Services, Autos, Consumer Products and Financials with Sanford Bernstein, Longbow Research, and Avondale Partners, working in teams that received accolades from leading institutional research arbiters, including Institutional Investor (II) and Greenwich Associates. Piyush received an MBA from University of North Carolina at Chapel Hill, MS from MNNIT, and BS in Accounting from University of Allahabad.



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