



Dear Investors:

‘Chaos’ is often a necessary condition for ‘rationality’ to emerge, but its arrival is usually unadvertised within securities. Since C2025 wasn’t anywhere close to being as chaotic as we had anticipated, we note continued value disconnects within headline Indian equities. Accordingly, we see significant room for these price disconnects to unravel before compelling values re-emerge. Dalal street’s unyielding optimism can get capitalized at unreasonable levels as long as somewhat reasonable underlying growth can be sold to India’s momentum chasing, notoriously fickle, and often blinkered individual investor and family office capital. As growth stumbles, that capital is unlikely to support valuations that are near impossible to justify to any reasonable investor that isn’t restrained by capital controls - We note increasingly apparent fault lines as retail trading’s influence continues to simmer down¹, ticker tape reactions to headline earnings get more discerning (please click [here](#) for our work on reactions to headline prints), and heady subscriptions to public offerings cool off². It is well documented that *Minerva India Under-served* has historically disengaged as domestic liquidity chases street’s most-peddled narratives. The converse is as true. It’s pointless to argue against the fact that Dalal street’s perennial half-full narratives would eventually lose their influence over India’s largely ‘green’ and entitled investor crowd. As this liquidity continues to recede³ and uncertainties begin to get priced in more effectively, we fully expect to extract our pound of proverbial flesh.

Perseverance with finding wisdom is always a struggle. The only way to minimize/eliminate the associated boredom/pain is to keep seeking the elusive truth vs. trying to make perfect sense of every outcome within an otherwise imperfect environment. Those outcomes in our work are inevitably tied to the asset class we invest in (which are smaller Indian small caps in our case). Our primary job is to establish a favorable [asymmetric relationship](#) with that asset class over complete cycles, vs. merely riding on the class itself. The latter could always be more effectively executed through passive vehicles.

In C2025, *Minerva India Under-served* strategy was up **+3.4%** (net; in INR), vs. **-6.6%** decline (gross; in INR) in *BSE Smallcap*, and **+6.4%** gain (gross; in INR) in *BSE 500*. *Minerva India Under-served Fund (Tattva series USD)*, which tracks our onshore strategy, was down **-2.38%** (net; in USD) for the year. We note that INR lost **-4.78%** during the year. 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. Over nearly 15 years of deployment in India, *Minerva India Under-served* strategy was up **+17.0%** annualized (net; in INR terms), vs. **+12.8%** and **+11.5%** annualized gains (gross; in INR terms) in *BSE Smallcap* and *BSE 500* respectively. Importantly, this decade-plus alpha wasn’t driven by skewed asset-class driven prints of liquidity-surge years in 2014, 2017, 2021, or 2023.

Within names that we still held at the end of the year, our best performing names for the calendar were an ‘Auto parts’ name (+53% in INR, following on a +41% gain in 2024) and a ‘Spirits’ name (+23% in INR, following a flattish 2024). Our two worst performing positions were both tail names and collectively accounted for under 4% of the book at the beginning of the year – a Building materials name (down -39%, and a Media name (down -35%).

¹ Having accounted for a lion share of daily trading volume for nearly all of the period between late C2019 and September 2024, retail share of daily trading volume in India has continued to come off over the last year, reaching low 40s recently.

² Average retail oversubscription in C2025 was under 25x, vs. >34x in C2024 (Source: *Prime Database*)

³ *Minerva India Under-served* has handily outpaced all benchmarks off of prior small-cap peaks (beginning in early 2011 and late 2017), and observation of current drawdown off of September 2024’s peak has been somewhat similar.



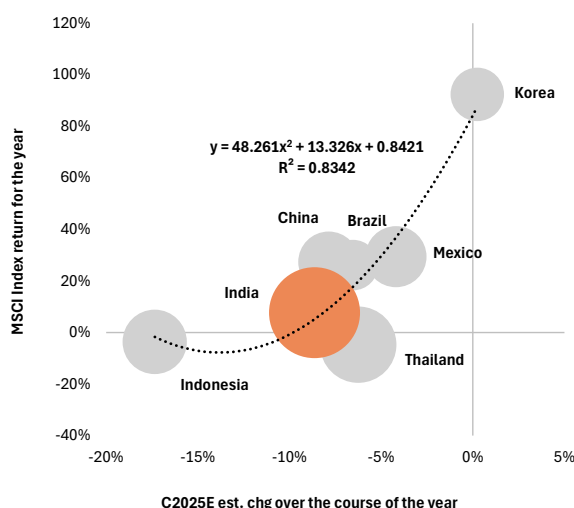
We ended the year with about 29% liquidity at hand, vs. close to 40% at the beginning of 2025. Within the 9 positions we held at the end of the year (which was incidentally the lowest number of holdings in our book in almost 14 years), we had added exposure in 8 positions over the course of the year. Our heaviest additions during the year were predictably in our top-3 holdings – an Auto parts name (exposure expanded by >60% through multiple additions; stock ended about flattish for the year), a Forestry name (exposure expanded by >30% through multiple additions; stock was down about -14% for the year), and an Apparel name (exposure expanded by nearly 40% through two additions; stock was up +9% for the year).

Elevated valuation differentials only partly explain the material underperformance for Indian headline names vs. emerging peers. Poor absolute growth, delivery against sub-par expectations, and muted employment trends are equally evident. As things stand, we do not expect remarkable underlying growth to alter this in the near term, while headline valuations (still) remain undeniably disconnected.

1. **We don't share Dalal street's somewhat sanguine view on an earnings re-surge for headline India.** We neither see a favorable hiring environment, nor any meaningful improvement in capacity additions to suggest any significant acceleration in headline India earnings. In our October investor letter, we had noted the impact of ongoing IT layoffs in India on discretionary consumption, with material weakness in the tech-cluster⁴ across discretionary categories such as luxury watches, or premium apparel and footwear.

We would be surprised if *Nifty50* (ex-financials) ends up doing anything over low double-digit⁵ earnings growth for F2027E (Mar), vs. the current +17% predictably cheerful street consensus as we pen our year-end update.

Exhibit 1 – C2025E estimate revisions vs. Annual return



Notes: Above markets account for 2/3rd of MSCI Emerging Markets. Bubble sizes indicate C2025E PE at the beginning of C2025. MSCI index returns are in local currencies.

Source: LSEG

2. **Headline India's earnings revisions have been decidedly poor, despite muted expectations.** Not only was India considerably more expensive at the beginning of last year (and still is!), but *MSCI India's* C2025E earnings revisions have also trailed most of the EM peers over the course of the year (see **Exhibit 1**). While Latin American markets such as Brazil and Mexico reported slightly less worse cuts, they still ended up with absolute growth numbers ahead of India. Given that these markets began last year at rather palatable multiples, they ended up between 25-30% higher in local currencies (and even higher in USD). As we see it, it's somewhat striking that headline India even

⁴ 50K layoffs had been announced until September end. We considered the following within India's tech cluster - Bangalore, Hyderabad, Pune, Gurgaon, and Noida. For contrast, the following were classified under the 'non-tech' cluster - Lucknow, Bhopal, Ahmedabad, Indore, Bhubaneswar, and Goa.

⁵ This compares against *Nifty50* (ex-financials) annualized earnings growth of about 12% (excluding the 2019 tax cut tailwind) between F2014-F2024.



eked out a positive return⁶ in C2025 despite unremarkable earnings expectations⁷ getting capitalized at near hysteric multiples to begin the year.

- 3. Quality job creation remains woeful. F2027E (Mar) doesn't indicate any meaningful turnaround either.** Within industries where India could have rightfully competed, ASEAN nations and, to some extent, Bangladesh⁸ (for apparel) have remained the top draw for supply chain reconfigurations. India's continued indifference/feet-dragging to Chinese inward investment has played its part. Ownership issues, security clearances, local sourcing requirements in certain sectors, and sometimes arbitrary snail-paced case-by-case approvals⁹ have often discouraged Chinese businesses. Be it electronics components in Vietnam, apparel manufacturing in Bangladesh or Cambodia, or automotive supplies in Thailand, the fact that Chinese businesses themselves have significantly influenced eventual destinations of such supply chain shifts meant that India hasn't been as large a beneficiary¹⁰. While majority of supply chain reconfiguration opportunity might arguably have already been capitalized upon, we believe that India's lag in capital flows can still be at least partly fixed if economic considerations could trump geopolitical posturing. Regardless, even elsewhere, India simply isn't creating enough quality employment within manufacturing.

Services meanwhile paint a somewhat mixed picture – While GCCs continue to proliferate (and these often eliminate roles at Indian IT vendors¹¹), entry-level hiring within IT services has seen sharp cuts. Meanwhile, emerging roles such as data annotation work to train machine learning models¹², for instance, barely pay equivalent of what a full-time food delivery job (often mischaracterized as a 'gig' in India) makes, and is simply not the kind of work that is sustainable. Elsewhere, for all the hoopla, data centers simply don't create enough employment, and yet continue to get automated. In our view, India cannot create materially more than meager 6,000 jobs at such data centers over the next 5-7 years.

If low utilization levels¹³, muted industrial approvals data¹⁴ and planned capex¹⁵ of India's biggest manufacturing companies is anything to go by, ability of domestic manufacturing to drive job creation in F2027E (Mar) doesn't appear encouraging either. Until recently, even though white-collar job creation was muted, we were at least seeing steady growth in requirements for contract

⁶ In USD terms, *MSCI India* was barely positive for the year. Also, while *MSCI Thailand* and *MSCI Indonesia* reported declines in local currencies, we note that *Thai Baht* and *Malaysian Ringgit* were the best performing currencies in Asia last year (both up 10%).

⁷ Street was pegging C2025E earnings growth for *MSCI India* at 16% to begin last year. It is now unlikely to materially cross 7%.

⁸ New supply lines have opened from Brazil and West Africa, alongside emergence of new local accessories' facilities. Renewed focus on sustainability provided an incremental edge, as EU and NA clients increasingly sought out sustainability focused 'super vendors'. The latter is particularly notable because Bangladesh had historically been perceived to carry relatively high risks in terms of social and environmental compliance.

⁹ Likes of *Luxshare*, *BYD*, and *GWM* had all flagged bureaucratic delays before canceling planned investments

¹⁰ ASEAN nations however continued to report solid inward FDI inflows from China last year

¹¹ Large clients such as *Target Corp* have fully internalized not only software development but also maintenance work (by bringing contracted resources on payroll). Our discussions suggest that many others such as *Ameriprise*, *Nike*, and *Best Buy* also intend to go down this path over the next few years. Meanwhile, headline Indian IT services names trade at >30% premium over the likes of *Gartner* and *Accenture*.

¹² Expected to employ nearly a million people in India by C2030E. India has only trailed Pakistan in creating these jobs over the past 5 years (Source: *Revelio Labs*).

¹³ *RBI's* quarterly surveys suggest a low-mid 70s utilization. This somewhat overstates utilization because *OBICUS* surveys use GVAs as weights and therefore have higher weight of 'Materials', which show better utilization levels. Industrial utilization levels are worse in our view.

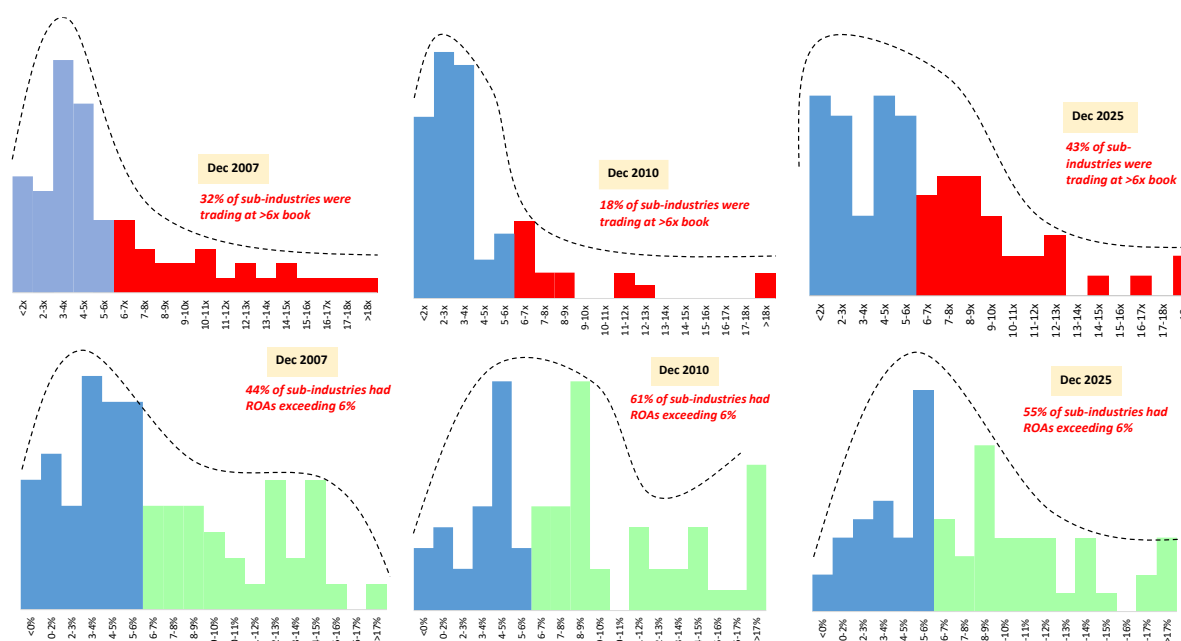
¹⁴ 6-month rolling federal approvals data on projects (Industrial, Mining, Infrastructure, and Power) have confirmed yoy declines throughout whole of last year.

¹⁵ Planned F2027E (Mar) aggregate capex for manufacturing names within *Nifty 100* is expected to grow by barely 3%, which is a sharp deceleration vs. >20% growth in F2026E (Mar). Excluding 'electricity generation' capex, expected growth trickles down further to 2%.

labor. Our last two contractor checks¹⁶ however have shown among the lowest growth readings since we began conducting these checks in 2022.

Dalal street seems to have discovered what has eluded security markets since eternity – ‘Certainty’. Over the last 5-6 years, street has flipped a cardinal rule in investing – Apparently, ‘here and now’ growth in India wasn’t just good to have. Instead, it was a brazen entitlement, and heady growth was getting capitalized at extremely elevated multiples. The apparent certainty with which heady growth has been getting priced in would inevitably end up with a thud. **Exhibit 2** charts Price/Book (top row) and ROAs (bottom row) for 70+ sub-industries (using same components) within *BSE 500* at 3 different points – **1.** December-end 2007 (around the time that *Nifty50* peaked before GFC), **2.** December 2010 (before losing a quarter of its value the following year), and **3.** December-end 2025. The median component in this exercise began this year at 4.4x book, or 5.1x if one were to exclude Financials. Nearly 45% of sub-industries were trading at >6x book (highlighted in ‘red’). That compares against significantly lower 18% of sub-industries in December 2010 and 32% of sub-industries in December 2007. For context, *Minerva India Under-served*’s median holding began this year at 2.1x book¹⁷. Median operating return of these names meanwhile has barely changed¹⁸. This is despite the fact that operating returns for most sub-industries saw anywhere between 50-200 bps benefit since the 2019 tax cuts. The argument that elevated valuations are somehow justifiable because headline India’s core operating returns have moved favorably is flimsy.

Exhibit 2 – Price/Book (top row) and ROA (bottom row) distributions for BSE 500: Dec 2025 vs Dec 2010 and Dec 2007



Notes: All distributions are comparable. Only BSE 500 components that were public in Dec 2007 and Dec 2025 were used for this exercise. Effectively, the exercise covered about 300 components. These distributions run across 74 sub-industries.
Sources: Company Reports; Ace Equity

¹⁶ Conducted every 6 weeks

¹⁷ Against 2.2x for *MSCI Emerging Markets* (with 22% weight of ‘Financials’) and 3.7x for *MSCI India* (with 29% weight of ‘Financials’)

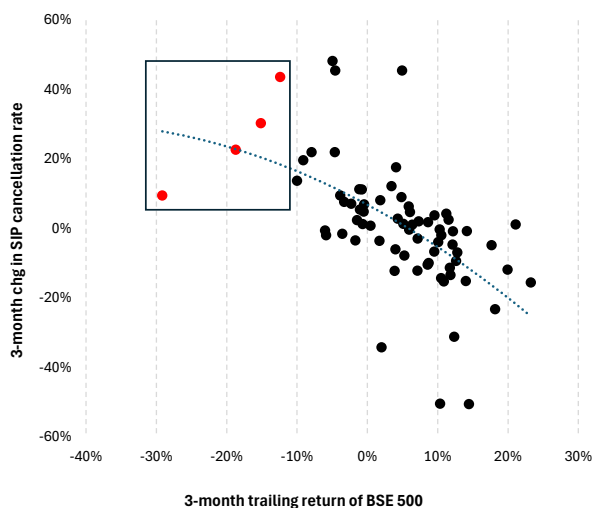
¹⁸ Median ROA of 6.5% now, vs. 7.6% and 5.7% in Dec 2010 and Dec 2007 respectively. Compared against Dec 2007, little over half of *BSE 500* sub-industries report higher operating returns today.

We disagree with postulations that suggest that headline India would likely entirely capture underlying earnings growth over the next few years. We fully expect India to de-rate from here, and meaningfully offset earnings growth. We would ascribe a material probability to a >20% cut to headline India's multiples. That it does or doesn't de-rate this year however is not a fundamental debate.

We remain extremely concerned not only about asset bubbles, but also elevated associated vulnerabilities to overall consumption within India's top decile¹⁹. As Indian equities entered, what ended up, relatively speaking, a rather shallow correction about a year ago, we had noted a materially adverse impact on the discretionary consumer within high equity ownership cities²⁰. A deeper and more sustained decline could likely test what we believe remains a highly green and entitled investor base in India.

We certainly do not share street's view/hope on stickiness of the liquidity spigot either → Please refer to **Exhibit 3** that details how systematic investment plan (SIP) cancellations at Indian equity funds spiked every time over the last 5 years when trailing returns turned somewhat unpleasant – In particular, note the cancellation spikes when trailing returns reported double digit index declines.

Exhibit 3 – Chg. In SIP cancellations vs Trailing returns



Note: Scatterplot is based on monthly data from January 2020 until December 2025. 'Red' points are those that correspond with a double-digit negative return over trailing 3 months.
Sources: AMFI, BSE

Headline United States looks as poor. For S&P 500, buck shouldn't stop at 'Technology'. With underlying profitability for Technology running at nearly 4x²¹ rest of S&P 500, and incomparable revenue growth (mid-teens in C2025 vs. nearly nothing for the rest of the benchmark), it's somewhat bizarre that Information Technology has suddenly²² become the posterchild for listed equity froth narratives within S&P 500. While a reasonable skeptic should rightly question the runway of AI infrastructure spends once architecture backbones are in place, the debate at some point also needs to shift to the remarkably mediocre ~2/3rd of the benchmark that has gone largely unnoticed. This part is replete with names that are more dependent on the home turf that is now struggling to move the needle on employment, is more dependent on a consumer that is likely to see its real wages flatten/decline this year, and is likely to be a relatively smaller beneficiary of potential USD weakness. Yet, as we write this quarter-end update, this unremarkable 2/3rd of the benchmark inexplicably trades at nearly 21x C2026E, especially when USD is unlikely to be favorable. Unless the growth

¹⁹ Estimated to account for about 2/3rd of India's overall discretionary consumption

²⁰ We had segregated some of India's biggest cities into 'high equity ownership' and 'low equity ownership' buckets, and evaluated deceleration (or not) in January and February within consumption in certain premium categories (luxury watches, apparel, footwear, hotels, and smartphones). We had noticed significantly sharper deceleration within high equity ownership cities across all categories.

²¹ C2025E operating margin of about 26% for S&P 500 Information Technology, vs. barely 6% for the rest of the benchmark

²² Having exploded for most of last year, flows within AI and Robotic funds have plateaued since early November (Source: EPFR). Meanwhile, short interest within benchmark Technology names also declined towards the end of the year. There is certainly ample room for short interest to build up this year, while fund flows continue to cool off.



wheels²³ entirely come off for Technology or one is more focused on trading off of earnings prints, we believe that at least as apparent risks lurk elsewhere within *S&P 500*. To be clear, we aren't in the least suggesting that C2026E estimates for benchmark Technology names aren't loaded with downgrade risks. Instead, we are simply stating that the rest of the benchmark components would need baffling upgrades to growth²⁴ and operating returns to justify trading where they began the year. That preposterous acceleration and highly disconnected valuations of *S&P 500*'s non-tech components lack any reasonable foundation at this time. There isn't an escape valve. We retain our view that headline names in both United States and India should continue to materially drag behind emerging Asia (and that this trade has significant legs).

Following are some emerging thoughts/insights on few of our biggest holdings:

Our biggest position today is arguably one of the biggest beneficiaries of inevitable acceleration within automotive lightweighting in India. While Indian OEMs are known to often target 3-5% weight cuts in usual model refreshments, our discussions suggest that CAFÉ norms are set to accelerate the lightweighting trend. Historically, emissions standards have mostly been found to be somewhat ambitious and eventually unreachable globally. Be it the 54.5 mpg fleet wide target set under the Obama administration in United States, or the mere 15% emissions reduction targeted in EU between 2021 and 2025. The latter has since been amended to allow more breathing room for compliance. Regulators generally try to grind between the tough choice of not showing ambition and being found unrealistic on favorable mix shift assumptions within fleets. While it's routine for global regulations to come up short on achieving their original targets, India undeniably has less room to err on this, given that the country has the dubious distinction of leading poor air quality charts globally.

Our analysis of fleet-level fuel-consumption targets under the proposed CAFE norms suggests a required 30–35% improvement in efficiency for most major OEMs by F2032E. There are essentially two broad levers to achieve this - 1). a powertrain mix shift in favor of EVs and hybrids, and 2). Lightweighting.

On the first lever, total cost of ownership parity between EVs and ICE vehicles remains 7–9 years away, even under overly optimistic assumptions on battery cost declines. Concomitantly, subsidies are fading and tax arbitrage has narrowed due to recent GST rationalization, further compressing the effective price gap between EVs and ICE vehicles. Accordingly, a transition toward EVs to comply with CAFE norms is not a realistic target in our view.

It is equally important to note that compliance through a higher mix of hybrids, such as in *Toyota's* case, where nearly half of the fleet comprises of hybrids, is difficult to replicate for OEMs such as *Maruti Suzuki* and *Hyundai*. This is attributable to two key constraints - 1). Cost of ownership parity for hybrids remains more than 15 years away, making the economics of shifting even less favorable than EVs, and 2). The consumer base for these mass OEMs is materially more price-sensitive vs. *Toyota's* consumer in India, further limiting the ability to pass through cost premiums.

²³ CIO surveys are currently suggesting that C2026E spends should outpace the high single digit growth of C2025, with particular focus on software, networking, and storage. Nonetheless, C2026E expectations remain scary high, with nearly +40% earnings growth penciled for the overall Technology sector within *S&P 500*.

²⁴ Excluding Technology, *S&P 500*'s earnings have grown at <7% between 2013-2025, and <5% if one were to adjust for below the operating line drivers (buybacks and 2017 tax cut).



We expect CAFÉ thresholds to be eased, and lightweighting to be increasingly critical for compliance. We believe that CAFE norms are set to be revised lower, since implied weight reductions under current assumptions appear highly unrealistic (see **Exhibit 4**). Critically, under more relaxed norms, compliance will still have to be driven materially by lightweighting efforts across OEMs, given limited scope to channel compliance through a powertrain shift toward EVs or Hybrids. To summarize, light-weighting should emerge as the primary and unavoidable lever for CAFE compliance, rather than a supplementary one.

Exhibit 4 – Estimated weight reduction required for F2032 CAFÉ compliance

OEM	Avg. fleet weight (kg)	Fuel consumption (litres/100 kms) - FY25	Fuel consumption (litres/100 kms) - FY32	% Improvement required in fuel consumption	% weight reduction required
Toyota	1,468	4.1	3.6	12%	-12%
Hyundai	1,189	4.3	3.1	29%	-29%
Maruti Suzuki	1,013	4.0	2.7	32%	-32%
Honda	1,116	4.2	2.9	31%	-31%
Tata Motors	1,208	3.0	3.1	-3%	3%
Mahindra & Mahindra	1,807	4.3	4.3	0%	0%

Notes/Assumptions: Average fleet weight is calculated on the basis of model-wise sales for FY26H1. Fuel consumption (litres/100 kms) is taken on the basis of ARAI mileage. F2032 targeted fuel consumption is calculated on the basis of CAFE draft notification published in Sep' 25. We assumed fleet-wide EV penetration at 5% for Maruti Suzuki, Hyundai, and Honda, and 15% for M&M and Tata Motors. Improvement in fuel efficiency vs. required weight reduction is assumed to be 1:1.

Sources: Company reports, LME, Bureau of Energy Efficiency

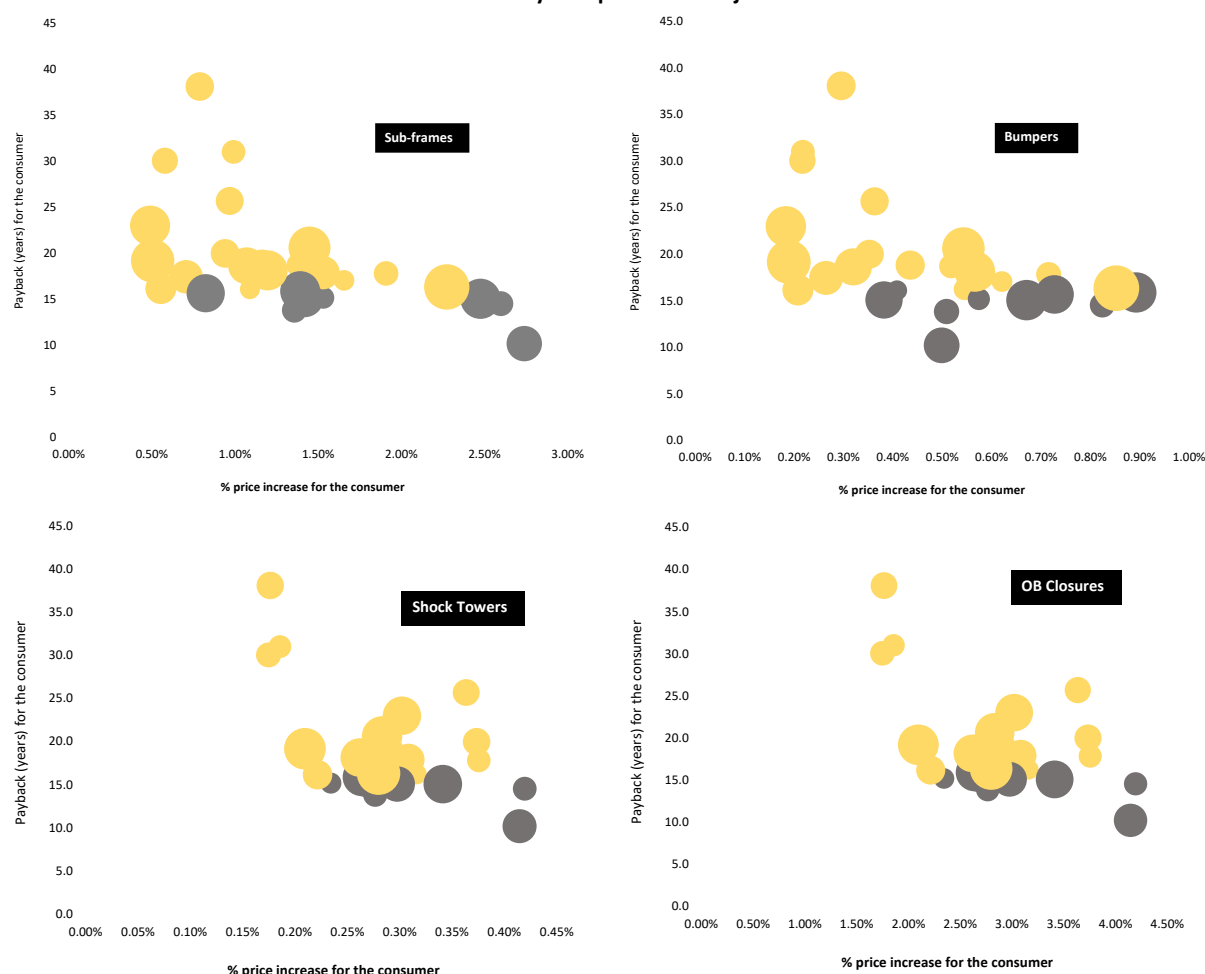
We do not intend to speculate which way India's CAFÉ norms will shift. Instead, what we are suggesting is that increased lightweighting is inevitable, regardless of how India ends up revising its current CAFÉ norms. Importantly, imposition of these norms can finally accelerate lightweighting within India's automotive industry, which had hitherto somewhat downplayed lightweighting, given Indian consumer's limited willingness to pay for costlier lightweight materials. Should electrification ramp up over time, it only adds another leg for increased usage of magnesium²⁵, aluminum, and composites.

To drive home the materiality of this thesis, we don't need to engage in distant crystal gazing either - Outside of our holding's legacy rims' business, a certain aluminum chassis part would close its first year in this ongoing fiscal, adding about 3% to EBITDA already. By our estimate, this fledgling piece by itself could account for a fifth of growth in F2027E (Mar). We expect assemblies of few more aluminum chassis components to be launched within the next 1-2 years.

We identify at least 4-5 more components that show very high likelihood of shift to aluminum over the next few years. We believe that near-term aluminum shifts within the following parts remains extremely likely – **1.** Sub-frames (-2% reduction in average vehicle's kerb weight), **2.** Bumpers (-0.75% reduction in kerb weight), **3.** Shock towers (-0.5% reduction in kerb weight), and **4.** Body closures i.e. doors, roofs, hoods etc. (5% reduction in kerb weight). Globally, these components have accounted²⁶ for among the most significant increases within vehicle aluminum content. The payback math from the consumer viewpoint is not necessarily as attractive. Instead, we believe that the onus of pushing lightweighting lies entirely in the hands of regulators with minimizing carbon emissions being the focal point. By our estimate, within major selling models at top OEMs, about 30% of units sold could exhibit a lightweighting payback period (for consumers) of under 16 years (notice the 'dark grey' bubbles in **Exhibit 5**).

²⁵ High material and processing costs, and limited domestic processing are distinct challenges for magnesium use in Indian car assemblies

²⁶ Nearly 30 kgs taken out from aluminum shifts in the 5 years leading into the pandemic

Exhibit 5 – Part-wise cost increase to Consumer vs Payback period for major models²⁷

Notes/Assumptions: Bubbles indicate sales volume in the first half of current fiscal. Bubbles that are 'dark gray' refer to models where payback period of lightweighting was under 16 years. For steel parts, Material cost is assumed at INR 70/kg, Conversion cost at INR 13/kg, Manpower cost at INR 10/kg, Overheads at INR 9/kg, and supplier margin at 9%. For aluminum parts, Material cost is assumed at INR 330/kg, Conversion cost at INR 75/kg, Manpower Cost at INR 30/kg, Overheads at INR 43/kg, and supplier margin at 13%. OEM and Dealership margin for both set of parts kept at 10% and 5% respectively. Subframes account for 4% of an average vehicle's kerb weight. Other body closures collectively account for a tenth of an average vehicle's kerb weight.

Sources: Internal analysis and estimates, Ducker Carlisle, Company reports

We are increasingly confident in our thesis that fiber costs would likely post an even steeper decline in F2027E (Mar), after a low-mid teens decline in this fiscal. Street is currently expecting under 400 bps expansion in underlying margins in F2027E (Mar), which seems increasingly conservative to us. Our wood supply model suggests a bigger glut in the next fiscal and we would be surprised if fiber cost decline doesn't at least match the low-mid teens reduction expected in F2026E (Mar). Meanwhile, global hardwood pulp

²⁷ Major models are defined as those that sold at least 20K units in the first half of the ongoing fiscal at Maruti Suzuki, Tata Motors, Hyundai, M&M, Toyota, and Honda



prices seem to have bottomed out²⁸, and price floors on paperboard imports backstop further erosion in that part of the business.

We note that in the last 2 weeks of the year, *Suzano* again announced two separate price hikes for China BEK deliveries, each at \$20/ton, while separately hiking NA and Europe prices by \$150/ton (effective January 1st 2026). At under 4x fairly achievable C2026E free cash flow, our second biggest holding is the most compelling value in the global forestry universe today.

Unspectacular yet steady growth in affordable fashion. We note consistent upgrades coming off of low expectations. Having come off for most of 1HC2025, revenue expectations at global fast fashion brands have almost consistently inched up in the second half of last calendar²⁹. Our near-term earnings comfort within our apparel holding gets reinforced because of 1. Leaner inventories at fast fashion, 2. Luxury downtrading, 3. Preference for vendors with global footprints, and 4. Weaker INR.

1. We remain comfortable with holiday season beginning inventory at fast fashion brands. We note that with the exception of *GAP* and *American Eagle*, fast fashion brands are entering this calendar with leaner inventory vs. last year³⁰.
2. Luxury's attrition is benefiting Asian apparel manufacturers. Be it apparel or grocery, consumer in United States is increasingly exhibiting downtrading. In recent months, affordable luxury / mass affluence apparel brands and retailers have surprised to the upside, often at the expense of luxury brands. This past holiday season surprised nearly everyone - Black Friday sales grew the fastest in 3 years, with players such as *Inditex* reporting double-digit growth for November.
3. Trade policy uncertainties meanwhile continue to favor ongoing vendor consolidation + geographic diversification³¹, with fast fashion brands continuing to shift to vendors with global footprints in politically stable environments.
4. Assuming INR stays as is, we estimate that FX alone should drive between 350-400 bps to F2027E (Mar) revenues for our apparel holding. As things stand, the median global fast fashion brand's sourcing in the next fiscal should increase by close to +7%³² (in INR terms). Favorable vendor consolidation should add another +5%³³ for our holding.

Minerva's next phase is finally here – Emerging Asia (ex-India) strategy launch. After nearly 15 years of running a single India-focused strategy, *Minerva* is now set to launch another book that would focus on institutionally under-owned listed assets within Emerging Asia (ex-India). Essentially, we want to extend our work on under-owned/orphaned equity assets into Greater China and ASEAN markets. We anticipate a

²⁸ We estimate that at the mid-point of the last calendar, landed cost of imported BEK in China (\$505/ton) was barely 3% above the average BEK cash cost in China (\$490/ton), leaving limited room for incremental declines

²⁹ Median C2026E revenue estimate got revised upwards by about 3% in 2HC2025. Sharpest upward revisions were seen at *American Eagle*, *Next PLC*, *Tapestry*, and *Ryohin Keikaku*. Other than *Inditex*, no name saw C2026E revenue downgrade.

³⁰ Last year, despite flat sequential growth in the Oct/Nov quarter, median inventory at fast fashion brands increased by nearly 16% leading into Christmas. This compares with under 9% growth this year, despite almost 6% sequential increase in revenues.

³¹ 60% of respondents in the 2025 *Fashion Industry Benchmarking Study* stated that plan to source from more countries in 2026

³² Ranging from about +4% (in INR) in case of *PVH* to double-digit growth (in INR) for *Inditex*.

³³ In line with the median rate of vendor cuts over the last 5 years



‘closed launch’ for select existing LPs through an offshore separately managed accounts structure in April. As things stand, Greater China would account for majority of this book at launch.

The obvious corollary for a reasonable skeptic would be ‘Why China?’ – While we believe that domestic market intervention is arguably more institutionalized³⁴ in China, it is nonetheless hard to argue against several Chinese businesses deserving significantly higher terminal multiples vs their Indian peers, who for the most part have exhibited limited/insignificant ability to transcend borders and compete for leadership.

Meanwhile, our near-term expectations from consumers on both sides remain decidedly muted - Consumers in both nations continue to retain a cautious stance as we enter this calendar, with somewhat similar growth noted in most staples categories in C2025. Chinese durables spending however was heavily propped up last year under the ‘cash for clunkers’ program, and this could likely drive about 12-20 bps drag to C2026E growth. The critical differentiator in China however is the more reasonable pricing of expectations, which allows us to identify far more asymmetric bets. In our view, our new book should provide a discerning allocator exposure to an even more solid set of under-owned/orphaned businesses that trade at the most compelling listed equity valuations available globally today. Headline India meanwhile continues to thoroughly misprice uncertainties.

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

Thanks,

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³⁴ While state interventions in India tend to be ad-hoc in nature (ban on online gaming, bans on retailing alcohol in certain states etc.), it is more institutionalized in China - through state agencies such as SAMR (*State Administration for Market Regulation*), for instance.



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 year	3%	9%	6%	1%	-7%	-3%	5%
Trailing 5 yr CAGR	26%	14%	15%	21%	23%	13%	11%
Since inception CAGR	17%	11%	11%	14%	13%	9%	9%
2025	3%	9%	6%	1%	-7%	-3%	5%
2024	8%	9%	15%	26%	29%	13%	16%
2023	28%	22%	25%	46%	48%	28%	26%
2022	18%	6%	3%	1%	-2%	-3%	-2%
2021	92%	23%	30%	39%	63%	36%	20%
2020	18%	15%	17%	20%	32%	24%	12%
2019	-10%	12%	8%	-3%	-7%	1%	3%
2018	-6%	3%	-3%	-13%	-22%	-7%	-5%
2017	17%	29%	36%	48%	60%	29%	31%
2016	9%	3%	4%	8%	2%	3%	1%
2015	22%	-4%	-1%	7%	7%	6%	-1%
2014	34%	31%	37%	55%	69%	39%	49%
2013	21%	7%	3%	-6%	-11%	-6%	6%
2012	39%	28%	31%	38%	33%	14%	28%
2011	-11%	-25%	-27%	-34%	-43%	-25%	-31%
Annualized Volatility	20%	16%	17%	19%	23%	18%	16%
Annualized Volatility (+ve)	14%	10%	10%	12%	13%	14%	9%
Annualized Volatility (-ve)	14%	11%	12%	15%	17%	12%	12%
Sharpe Ratio	0.71	0.45	0.48	0.55	0.47	0.49	0.33

Source: BSE, NSE, EurekaHedge, Bloomberg

Note: Returns are in INR and until the end of December 2025; 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 leads to us conservatively reporting slightly lower strategy returns vs. client actuals; Sharpe was calculated by using since-inception monthly returns and is based on an Rf of 5%. Sortino was 1.03.

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

Strategy Snapshot

Characteristic	Notes	
Top 5 positions as % of book	63%	
Avg. weighted market cap of book (mil)	\$623	>> Median holding's market cap is \$344 mil
Avg. weighted institutional ownership	16%	>> Median institutional ownership of current holdings was 12%
Avg. weighted free float of book	42%	>> Median free float was 45%
Net Exposure	71%	
Avg. weighted F2026E (Mar) EV/EBITDA	10.5x	>> vs. 27.7x (Nifty Smallcap 50), and 28.9x (Nifty 50)
Avg. weighted current P/B	2.8x	>> Median P/B was 2.1x
# of holdings	9	

Note: Characteristics are as at the end of December 2025



Meet your 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. 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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