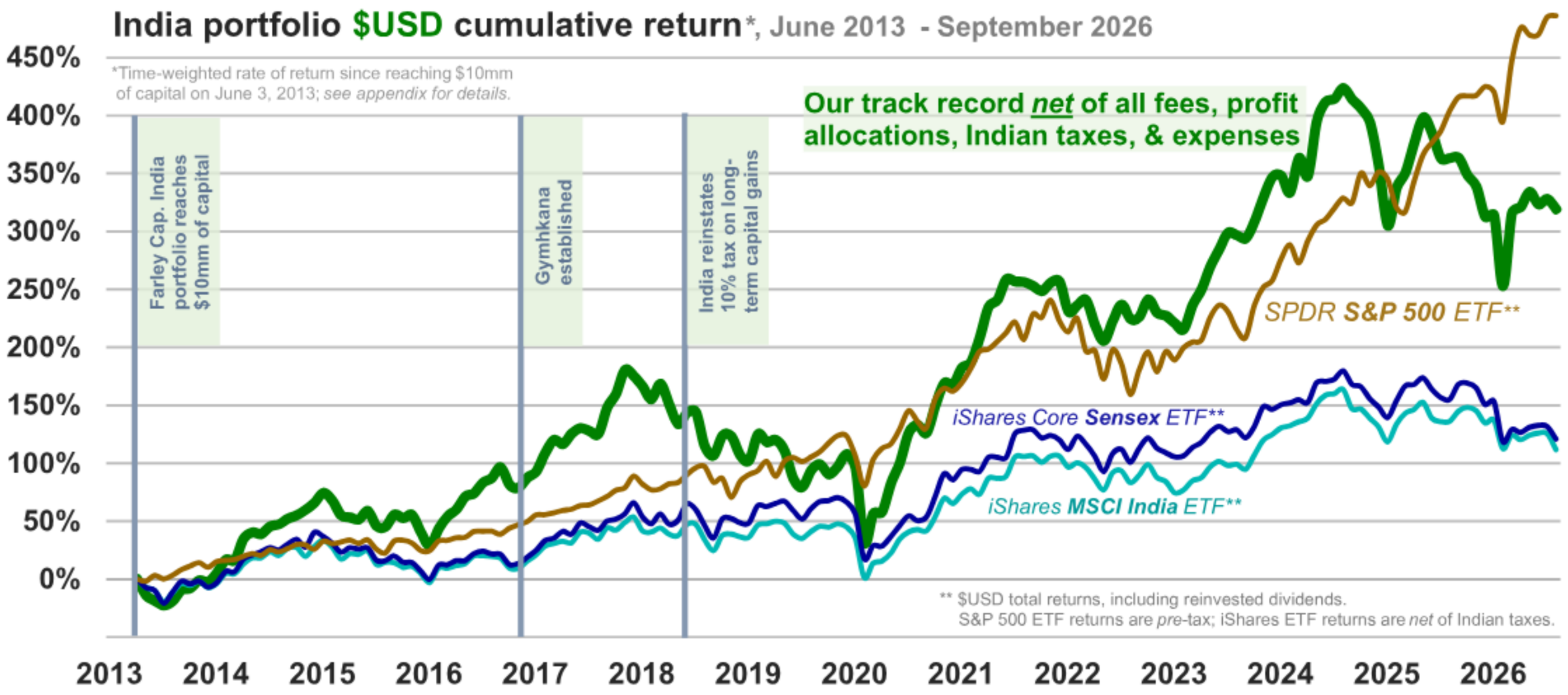
Gymkhana Partners

CONFIDENTIAL

Q3 2026 Update

Gymkhana is down roughly **-4%** in U.S. dollar terms year-to-date (**YTD**) through September 30, 2026, outperforming major Indian equity benchmarks. ETFs tracking India's **BSE Sensex** and **MSCI India** indices have declined **-17%** and **-14%** (respectively) in U.S. dollars YTD through September 30, 2026.[1]

From mid-2013 through September 30, 2026, our firm's investments in India generated a cumulative U.S. dollar return of approximately **+319%**, for a compound annual rate of **+11.3%**, net of everything (Indian taxes paid or accrued, management fees, and allocation of profits to the general partner). Our +11.3% compound annual return exceeds the compound annual return over the same period of ETFs tracking both the **BSE Sensex** and **MSCI India** indices (**+6.1%** and **+5.8%**, respectively), as well as the Bloomberg-reported annualized net return of *all* 56 U.S. dollar-denominated India-dedicated mutual funds and ETFs listed in our latest investor presentation, both over the same period as well as since each fund's inception.[2]



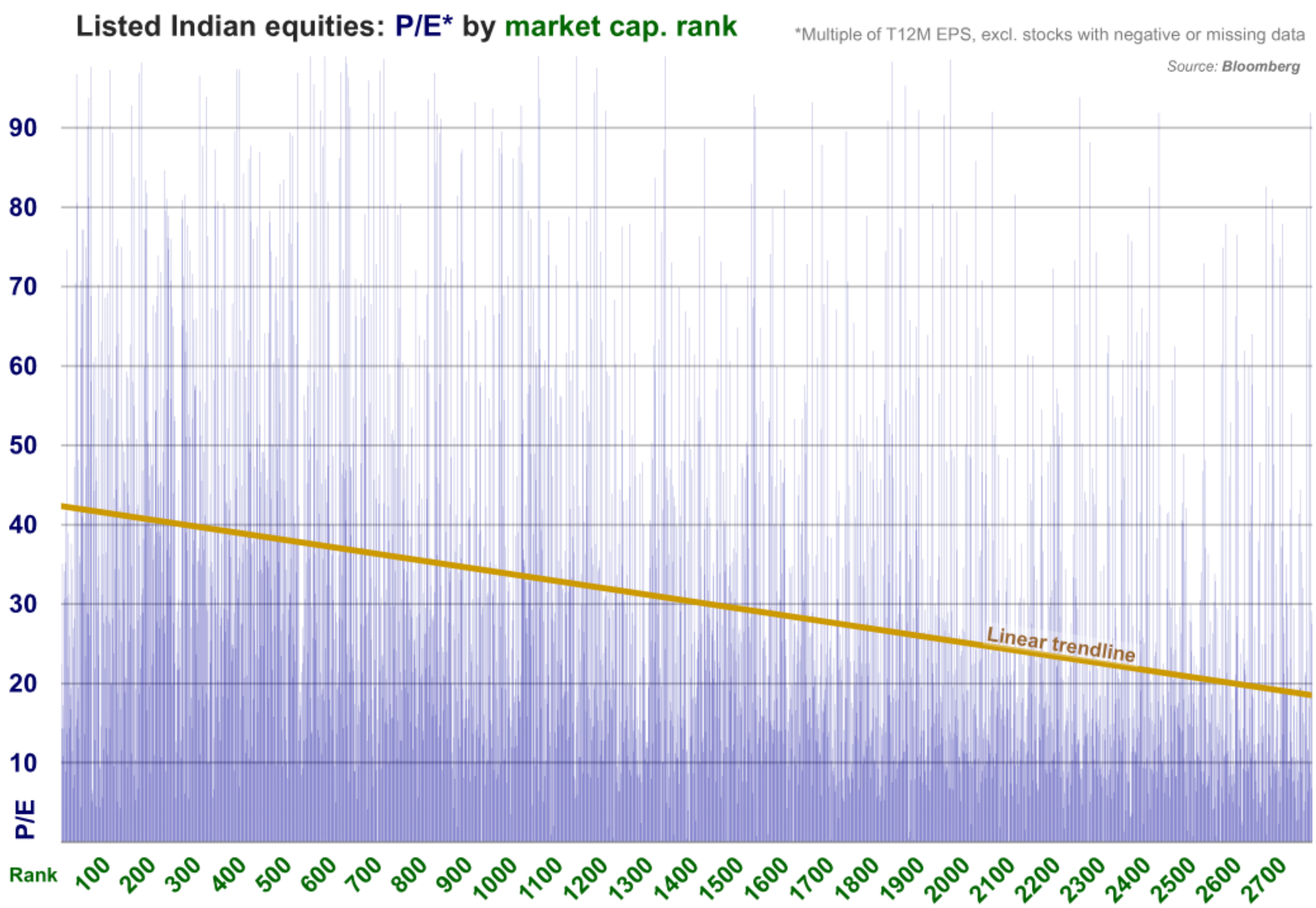
[1] Estimated returns as of September 30, 2026 *net* of management fees, Indian taxes paid by Gymkhana on *realized* capital gains and dividends, and the net change in Gymkhana's accrual for deferred Indian taxes on its net *unrealized* capital gains, as well as custody, accounting, audit, and other administrative fees.

[2] Estimated long-term return as of September 30, 2026 *net* of all applicable Indian taxes paid or accrued, as well as the management fee and allocation of profits to the general partner that would have been applicable to Class 3 limited partners, on the aggregate capital invested in Indian securities since mid-2013 by partnerships managed by Farley Capital L.P.; for more detail, please refer to the appendix.

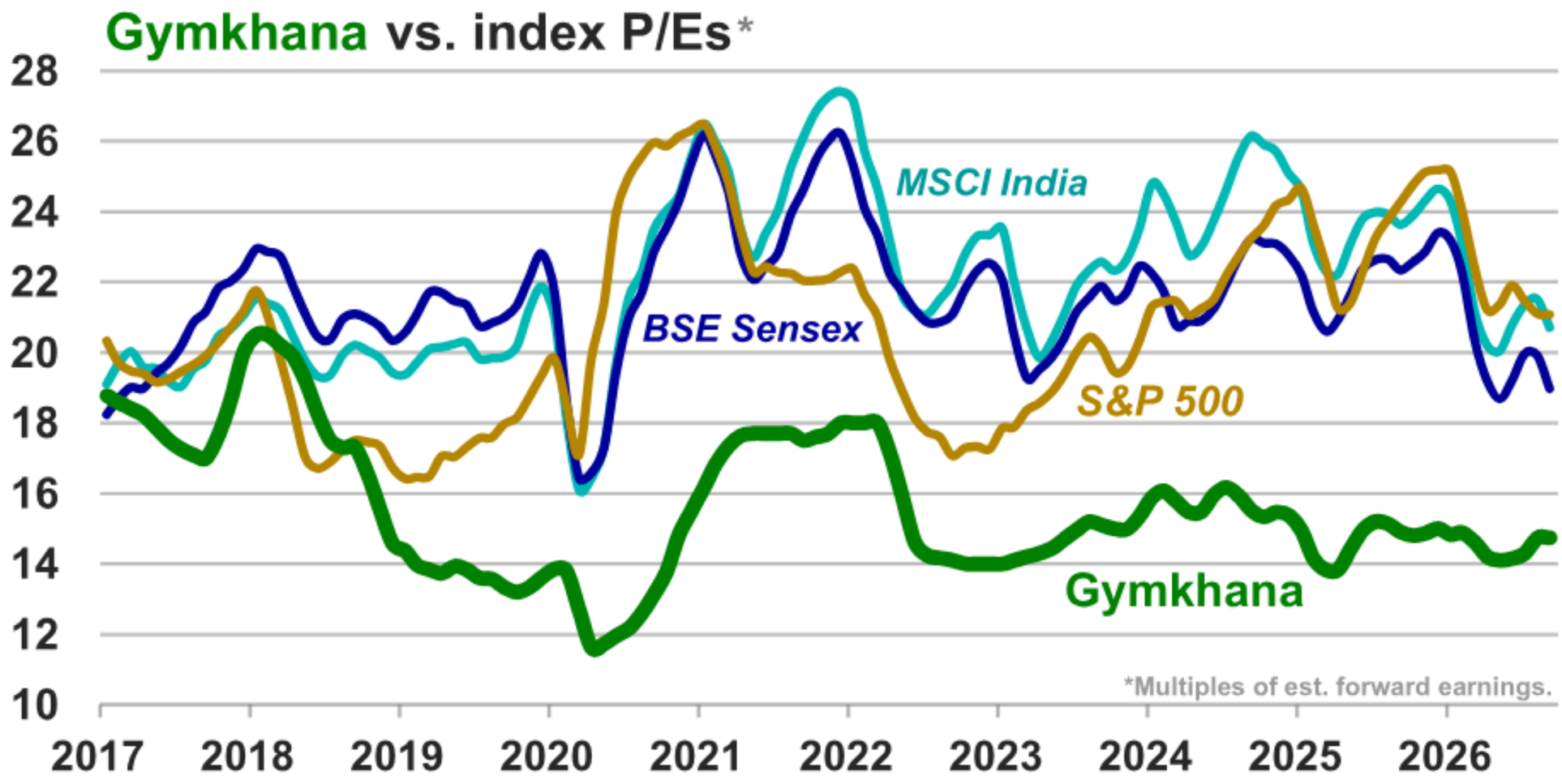
Gymkhana's investment approach

How have we been able to produce *net* U.S. dollar investment returns that are nearly double those of the BSE Sensex and MSCI India indices, and outpace those of all 56 aforementioned India-dedicated mutual funds and ETFs?

First, we focus our attention beyond India's largest-capitalization stocks. While India's top 50 largest-caps account for a majority of the BSE Sensex index, of the MSCI India index, and of the aggregate capital of the aforementioned 56 India-dedicated funds, Gymkhana's largest-cap position is ranked 317 on India's market-cap table, and our median holding is ranked 952.[3] As illustrated by the chart below, generally speaking the lower down India's market-cap table one ventures, the lower price/earnings (**P/E**) ratios one will find.



[3] Per a September 2026 analysis of the most recently Bloomberg-reported holdings of funds listed in Appendix E of our latest investor presentation.



While India's benchmark indices (and the funds that track them) typically trade at more than 20 times forward earnings, Gymkhana's position size-weighted forward P/E ratio is roughly **15** – even though the earnings of Gymkhana's portfolio companies are growing at a faster pace than those indices' underlying earnings.[4]

Second, we invest enormous time and energy into ensuring that any addition to Gymkhana's portfolio is cheap for the right reasons. The crown jewel of our intensive fundamental research is a proprietary database covering >2,000 Indian companies that tracks not only each firm's valuation metrics and financial track record, but also the reputations of its controlling shareholders and managers. As summarized by Andrei in his recent interview with Asian Century Stocks newsletter editor Michael Fritzell:

> "We have developed a process for identifying governance red flags that pairs our own diligence with input from a local expert ecosystem we've put enormous time and effort into building. Accordingly, any would-be Gymkhana rival could not replicate our approach without spending the years and years we did cultivating an on-the-ground network of Indian executives, financial journalists, local investors, and other contacts spanning public and private markets, domestic and foreign institutions, and a cross-section of investing philosophies and vantage points. If even one contact within our network is apprehensive about a prospective investment's governance, that's our sign to stop wasting time and

[4] Position size-weighted multiple of forward earnings per Bloomberg or, for stocks not covered by sell-side analysts, as est. by Farley Capital on the basis of recent reporting periods' growth rates and margins. Note that while the graph on the preceding page depicts multiples of *trailing* earnings, the chart above illustrates multiples of *forward* earnings, which for most Indian firms exceed trailing earnings.

> move on. Conversely, we generally want to hear good things from multiple authoritative sources about both the ethics and intelligence of a company/management before we accumulate a substantial position in its shares."

Third, we unceasingly examine and re-examine the companies that survive this screening to ensure that any current or prospective portfolio holding is still run by honest and hardworking managers, remains positioned for long-term earnings growth, and continues to trade at a reasonable multiple of those earnings. Recurring on-the-ground research is the only way to keep up with this opportunity set – particularly as India's steady IPO pipeline means it is ever-expanding. Accordingly, Steve and Andrei look forward to paying their 19th and 21st visits (respectively) to India in a few weeks' time, when we will reunite with our diligent Mumbai-based analyst Nireeksha Makam for a tour of past, present, and potential future Gymkhana portfolio companies across the states of Karnataka, Maharashtra, and Tamil Nadu.

Portfolio update

Given our stocks' attractive valuations, we remain virtually fully invested. During the past quarter, however, we trimmed our stakes in several holdings following rallies in their share prices that, in our view, outpaced improvements in underlying fundamentals. We recently pared our stakes in specialty petroleum processor **Panama Petrochem**, active pharmaceutical ingredient supplier **Alivus Life Sciences** (f.k.a. Glenmark Life Sciences), and fastener/springs manufacturer **Gala Precision Engineering**. We also recently divested several of our smaller, relatively lower-conviction positions, including industrial coding specialist **Aztec Fluids and Machinery**, agricultural drone startup **Drone Destination**, and staffing agency **Spectrum Talent Management**.

We used the proceeds from these recent sales to add to our positions in comparatively higher-quality and cheaper stocks. Our **buying** activity during the past quarter included purchases of additional shares in healthcare plan administrator **Medi Assist Healthcare Services**, active pharmaceutical ingredient manufacturer **Supriya Lifescience**, and pigments/surfactants producer **Ultramarine and Pigments**. We also added to our positions in undervalued holding companies **Cholamandalam Financial Holdings**, **KAMA Holdings**, **Maharashtra Scooters**, and **Pilani Investment**.[5]

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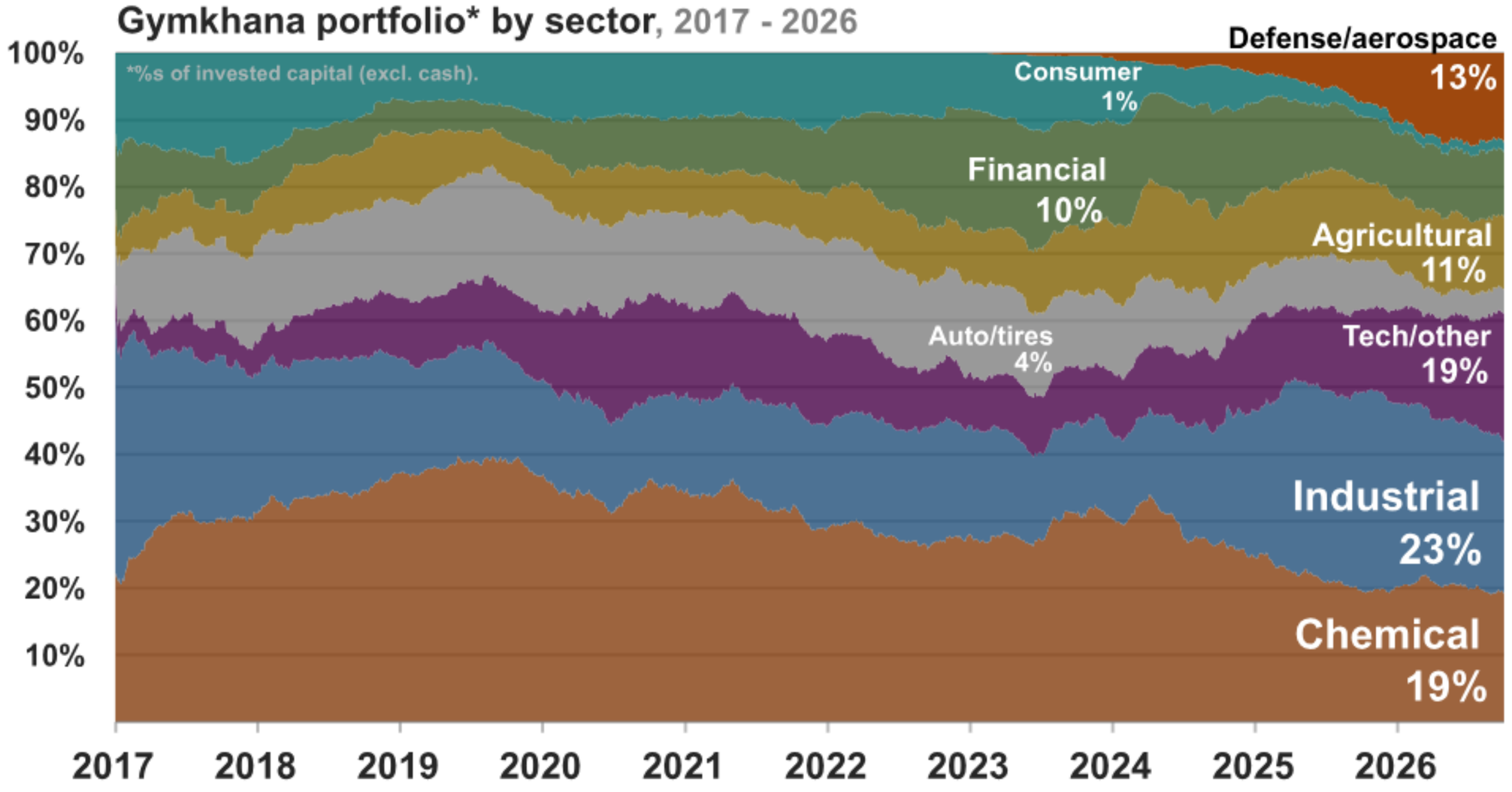
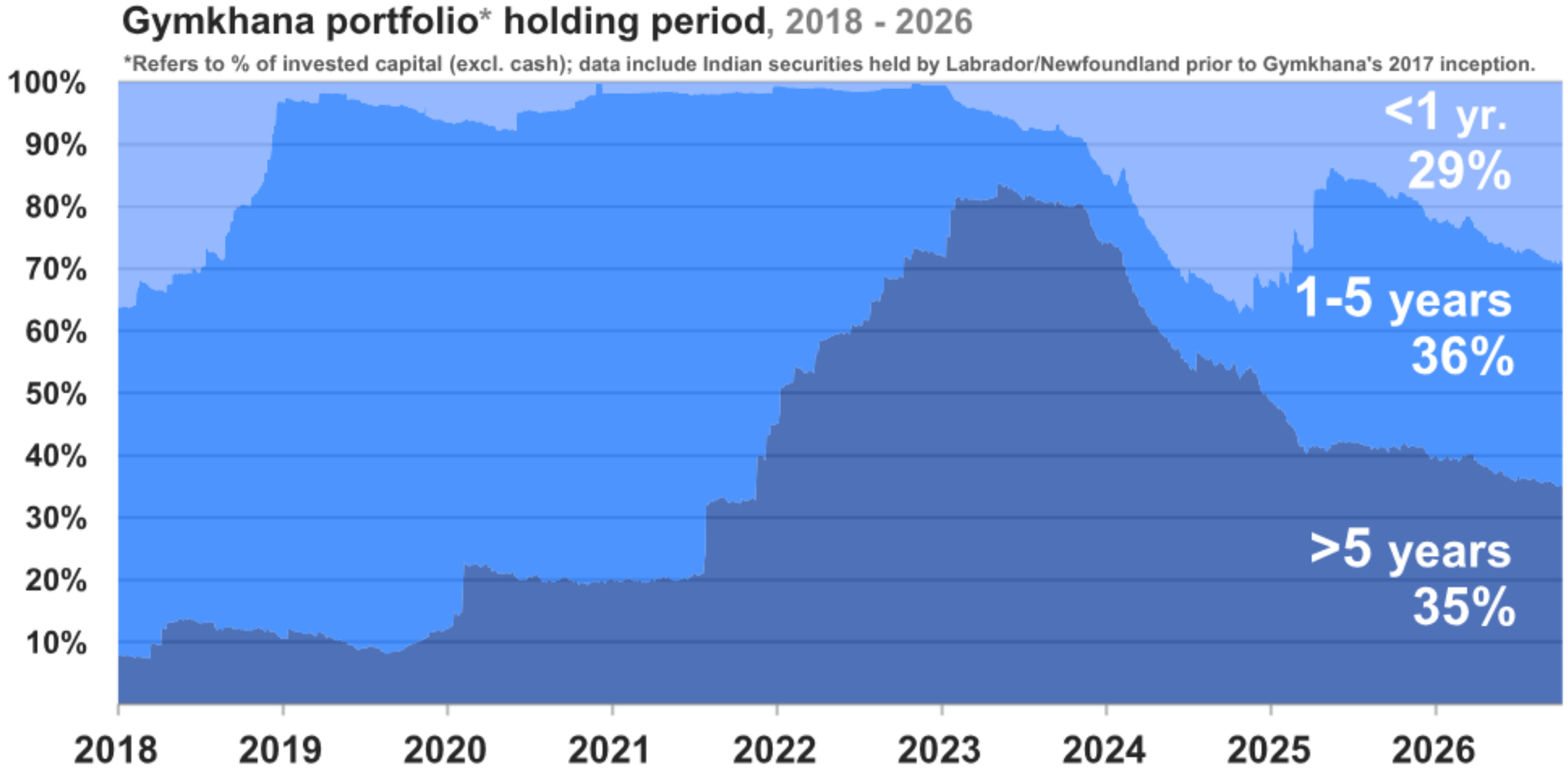
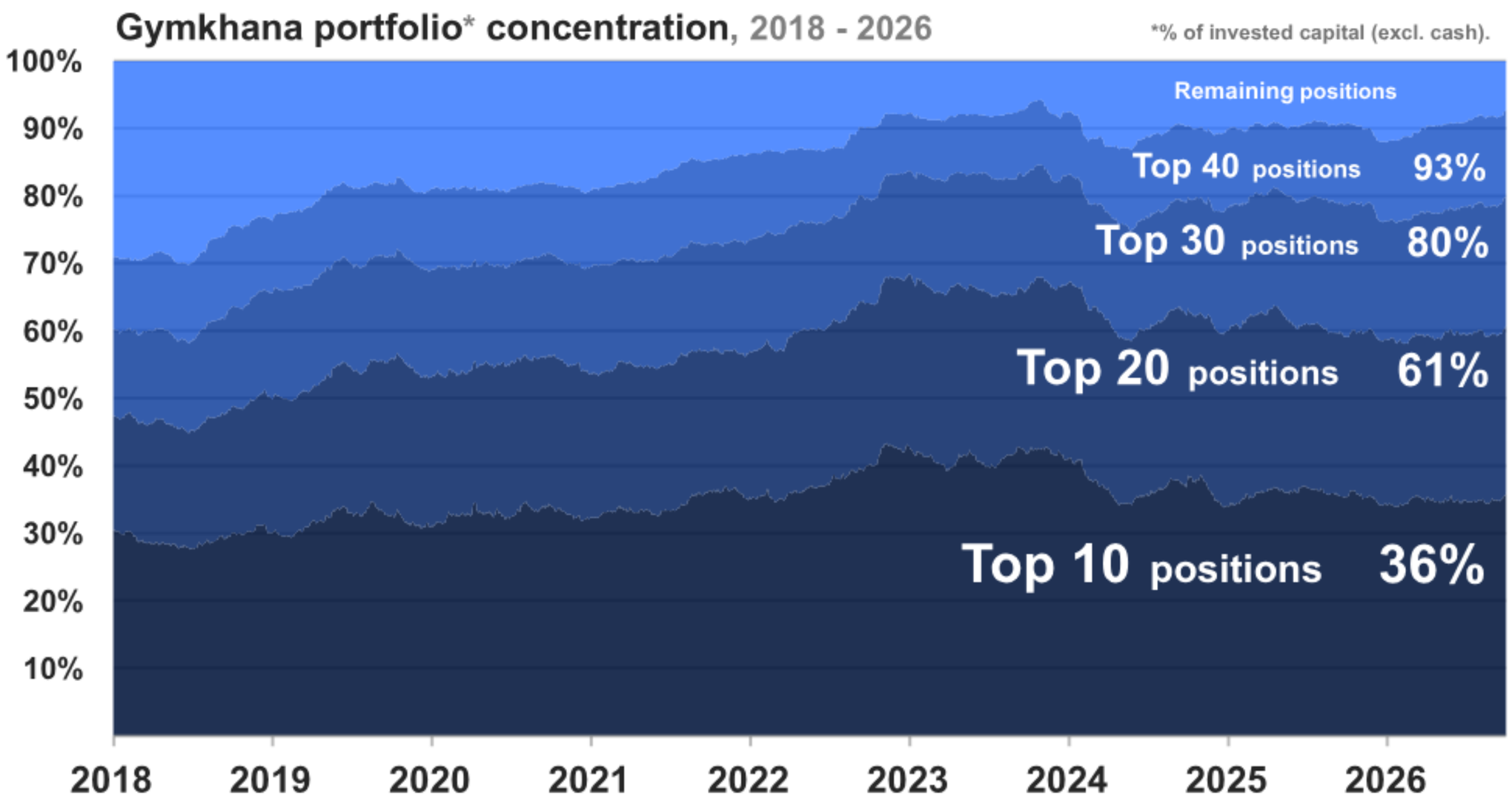
[5] Cholamandalam Financial Holdings, KAMA Holdings, Maharashtra Scooters, and Pilani Investment trade at 60%-80% discounts to the market values of their stakes in listed affiliates such as Chola. Investment and Finance, SRF, Bajaj Finance, and Grasim Industries – enabling us to indirectly own those high-quality businesses at a fraction of the P/E ratios we would have paid buying their shares directly.



Our recent purchases and sales have increased slightly Gymkhana's overall allocation to **tech/other** stocks (a category that includes healthcare/pharma), while decreasing very marginally our aggregate holdings of **chemical** and **industrial** stocks *(see chart above).* Positions initiated within the past year account for 29% of Gymkhana's invested capital; those initiated within the past one-to-five years account for another 36%. The remaining 35% is attributable to stocks held longer than five years. The 61% share of our invested capital allocated to our 20 largest positions represents a slight increase in concentration from the recent past *(see charts below).*





In recent months, Andrei conducted video interviews with two Gymkhana portfolio company CEOs whom we hold in the highest regard, Kirit Gala of fastener/spring manufacturer **Gala Precision Engineering** and Toby Malhoutra of aerospace/defense supplier **Dynamatic Technologies**. *See here for our blog post containing links to both interviews*. Upcoming installments in this series include interviews with the managements of digital identity authenticator **eMudhra** and agrochemical distributor **Dhanuka Agritech**.

Meanwhile, our India-based analyst **Nireeksha Makam** has been keeping up to date with portfolio holdings including specialty petroleum processor **Panama Petrochem** and active pharmaceutical ingredient manufacturer **Supriya Lifescience**. Nireeksha has in recent months also visited with the managements of other interesting businesses including conglomerate **Aditya Birla Group**, auto parts supplier **Dhoot Transmission**, agrochemical producer **Indogulf Cropsciences**, and direct-to-consumer eyewear vendor **Lenskart**.

Macro update

India's highly-diversified, domestic consumer-driven economy continues to demonstrate resilience in the face of ongoing turmoil in the Middle East. Inflation remains under control, the rupee appears to have stabilized, and GDP expanded at a faster-than-expected +7.8% rate in the most recently-reported (June 2026) quarter.

Supply chain disruptions arising from the ongoing conflicts in Ukraine and the Middle East are adding further urgency to the Indian military's drive to indigenize production of defense equipment. As previously discussed on our blog, India's push to develop and manufacture domestic substitutes for critical military hardware represents a major tailwind for Gymkhana portfolio companies such as **Dynamatic Technologies** and **Astra Microwave Products**.

Despite ongoing foreign institutional investor (FII) outflows and YTD declines in benchmark equity indices, domestic institutional investors (DIIs) have remained consistent buyers of Indian equities. The growing heft of India's resilient DIIs means initial public offerings are no longer dependent on foreign investor demand, putting India's IPO market on track for another record year. The recent IPO of India's National Stock Exchange (**NSE**) drew media coverage that included Bloomberg News and *Financial Times* pieces featuring quotes from Andrei. Recent months have also seen fresh momentum behind the possible IPO of **Tata Sons**, an unlisted holding company at the apex of the Tata Group's sprawling empire spanning IT services, automobiles, steel, retail, consumer goods, electric power, and chemicals. Any eventual listing of Tata Sons would be a boon to its shareholders – including Gymkhana portfolio company **Tata Chemicals**, a supplier of chlor-alkali products that also owns a ~2.5% stake in Tata Sons. We estimate that the value of that ~2.5% stake significantly exceeds Tata Chemicals' entire ~$1.6 billion market capitalization.

Administrative update

As a reminder, our macro commentary and investor communications (including the letter you are now reading) are all accessible on our website at www.**gymkhanapartners**.com. Click the **Media** tab for a link to Andrei's recent interview with *Asian Century Stocks* newsletter editor Michael Fritzell. And check out the **Dispatches from India** tab for links to our recent video interviews with Kirit Gala of Gala Precision Engineering and Toby Malhoutra of Dynamatic Technologies.

We continue to reap the rewards of Farley Capital's hiring earlier this year of **Anthony Massaro** and **Anne Jarek**, who alongside our veteran virtuosos Evelyn Allende and Giselle Michel are orchestrating critical administrative and compliance projects, including assisting Withum in their annual audits of our investment partnerships, working with KPMG as they prepare estimates of 2026 taxable income to be sent out to our partners later this year, and overseeing our firm's complex migration to a new, enhanced portfolio management software vendor.

Thanks

As always, we close with profound appreciation for our limited partners. We expect to publish our next quarterly update in January 2027. That Q4 2026 letter will include discussion of Steve's and Andrei's upcoming November-December 2026 trip to visit companies in Karnataka, Maharashtra, and Tamil Nadu.

Sincerely,

Andrei Stetsenko

October 1, 2026

Stephen Farley

October 1, 2026

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Any market index or index-tracking exchange-traded fund referred to in this report has been selected for purposes of comparing the performance of investments with a well-known, broad-based equity benchmark. The nature of such indices differs from that of any investment portfolio discussed. The statistical data regarding any such index has been obtained from sources believed to be reliable. There are no restrictions requiring investment in those securities that comprise any such index; investment performance may or may not correlate to any such index and should not be considered a proxy for any such index.

Appendix

<u>Taxes paid directly by Gymkhana to Indian tax authorities</u>:

In contrast to partnerships investing in U.S. securities (which do not pay taxes themselves, and instead merely pass taxable income through to their partners), Gymkhana is *itself* responsible for paying taxes on its net realized capital gains directly to Indian tax authorities. This fact gained greater relevance following the Indian government's decision, in 2018, to hike its tax rate on long-term capital gains from 0% to 10% (11.65% inclusive of applicable surcharges).

- Effective July 23, 2024, the Indian government hiked its tax rate on long-term capital gains from 10% to 12.5% (from 11.65% to 14.56% inclusive of applicable surcharges) and hiked its tax rate on short-term capital gains from 15% to 20% (from 17.47% to 23.30% inclusive of applicable surcharges).

Furthermore, all returns referenced in this report (both with respect to Gymkhana and our firm's long-term track record in India) are *net* of both (1) Indian taxes paid by Gymkhana on its net *realized* gains and dividends as well as (2) Gymkhana's accrual for the deferred (i.e., future) taxes associated with its *unrealized* capital gains. Accordingly, Gymkhana's returns before accruing for capital gains taxes are higher than the returns referenced in this report. This accrual is calculated as the sum of:

- 14.56% (the current long-term rate inclusive of surcharges) multiplied by Gymkhana's net unrealized gain on shares held for longer than one year, and
- 23.30% (the current short-term rate inclusive of surcharges) multiplied by Gymkhana's net unrealized gain on shares held for one year or less.

<u>Our firm's long-term India track record</u>:

Our India portfolio's annualized long-term return refers to the compound annual return net of pro forma fees and expenses, on the aggregate capital that Labrador and Newfoundland have had invested in Indian securities since June 3, 2013 – whether directly or, since 2017, via Gymkhana Partners.

- Pro forma net return calculations referenced in this report are calculated based on an estimated 0.6% annual expense ratio, and the fee structure applicable to Class 3 limited partners, who commit capital to Gymkhana for at least 36 months: an annual management fee of 0.75%, and an incentive allocation to the general partner of 15%.

Time-weighted rate of return (TWRR) is the preferred methodology for calculating investment returns,[6] and we believe it is the most accurate way of measuring our India portfolio's performance.

- The TWRR of our India portfolio for any given time period is simply the product of its daily returns for that period. In other words, each day's performance is equally weighted in the overall TWRR for a given time period.
- Because the TWRR approach (in contrast to the internal rate of return, or "money-weighted" method) is agnostic to the timing of cash flows, it has clear limitations in terms of evaluating the performance of a time period featuring substantial capital contributions. To mitigate this, we've set the starting point for our TWRR calculation at 5 months after inception: June 3, 2013, the date on which our India portfolio reached $10 million of capital.

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[6] CFA Institute, Guidance Statement on Calculation Methodology.