

April 7, 2026

Dear Partners in AAFI,

We have reached our first big milestone of getting our 3-year track record in place. We would like to thank each and every one of you for showing faith in us and being part of this journey right from our early days. We truly appreciate your trust, support and patience. The last two years have been very volatile and challenging, but the only calls we got from you was when is the right time to top up! Cumulative gross outflows have been less than 2% of assets we have raised (and even lower if we take into account market values). Your trust and patience has allowed us to do the right thing for the portfolio from a long-term perspective. We sincerely thank you for support and long-term partnership.

Q4 was a tough quarter with the fund down 11% (down 11.6% net of fees and all expenses). However, we outperformed the Nifty during the quarter by 3.5% & 2.9% respectively.

During the quarter only 7 of the 20 companies in the portfolio outperformed the Nifty. We tried to take advantage of the market volatility during the quarter by making a host of changes to the portfolio. We sold out of 4 companies and trimmed 1. We used this money to buy 3 new companies and added to 7 existing companies (this includes the final call money we paid to convert our Bharti shares from partly paid to fully paid). Essentially, we wanted to take advantage of price dislocation of fundamentally solid companies where risk reward was much better than the companies we used to fund them. 2 of the 4 companies we sold underperformed the market since we bought them, whereas the other 2 we sold, and the one we trimmed all outperformed the market since we bought them.

The fund had an average cash balance during the quarter of 1.3% (end of quarter cash was 0.5% after paying taxes on net realised gains for the year).

For the entire year, the fund was down 0.2% (down 2.3% net of fees and all expenses). We outperformed the Nifty by 4.9% & 2.8% respectively. Average cash balance for the year was 1.2%. For the full year 11 out of the 20 companies in the portfolio outperformed the Nifty.

Portfolio turnover during the year was 33%. Our churn rate spiked in the last quarter as we made all the changes to the portfolio mentioned above. For context - annualised churn for the first 3 quarters was 25%.

Q4FY26 - Class A	Returns	Excess Returns
AAFI - Gross returns	-11.0%	3.5%
AAFI - Returns net of fees & expenses	-11.6%	2.9%
Nifty	-14.5%	
FY26 - Class A	Returns	Excess Returns
AAFI - Gross returns	-0.2%	4.9%
AAFI - Returns net of fees & expenses	-2.3%	2.8%
Nifty	-5.1%	
Since Inception (ie 3 yr CAGR)- Class A	Returns - CAGR	Excess Returns
AAFI - Gross returns	16.0%	7.4%
AAFI - Returns net of fees & expenses *	11.9%	3.3%
Nifty	8.6%	

* Please note that for the full year return net of fees & expenses we have factored in the impact of performance fees as well

We had 51 management interactions and 2 site visits during the quarter. This is over and above dozens of earnings calls each of the six investment team members attended during results season and ad hoc calls hosted by companies.

Please find below the portfolio as if it were a single stock.

Portfolio ex-Financial companies

Growth (% YoY)	FY24	FY25	FY26E	FY27E	FY28E	FY29E	CAGR (FY25-29)
Sales	3.4%	13.9%	17.6%	19.1%	16.5%	15.4%	17.1%
EBITDA	15.2%	18.9%	21.7%	31.8%	24.9%	19.9%	24.5%
PAT	32.3%	40.0%	20.1%	44.4%	35.1%	26.9%	31.3%
Margins							
EBITDA	13.5%	14.1%	14.6%	16.1%	17.3%	18.0%	
PAT	5.4%	6.6%	6.7%	8.1%	9.4%	10.4%	
Leverage ratios							
Leverage (Net Debt to EBITDA)	0.8	0.9	0.6	0.5	0.3	0.2	
Leverage (Net Debt to Equity)	0.2	0.2	0.1	0.1	0.1	0.1	
Return ratios							
RoE	14.2%	13.6%	14.5%	15.3%	17.1%	18.3%	
RoCE	12.2%	11.8%	12.2%	13.9%	15.5%	16.5%	
Valuation Ratios (x)							
PE ⁽ⁱ⁾	28.0	26.7	32.9	19.2	15.0	12.2	
PEG	0.9	0.7	1.6	0.4	0.4	0.5	
PB	5.6	4.9	3.9	3.4	2.9	2.4	
EV/EBITDA	14.3	20.7	13.8	10.9	8.9	7.4	
P/Sales	3.1	2.8	2.4	2.0	1.7	1.3	
FCF Yield (%) ⁽ⁱⁱ⁾	0.6%	-0.8%	1.3%	2.3%	3.5%	5.2%	
Dividend Yield (%) ⁽ⁱⁱ⁾	1.2%	0.9%	1.2%	1.3%	1.5%	1.7%	

Notes: (i) we have excluded one company's P/E & EV/EBITDA as this company have gone from losses, to break even to small profits in our forecasted period which skews the data; (ii) we have excluded a fintech company for the purpose of calculating FCF since the business has a lending arm and for lending businesses FCF is meaningless.

If we analyse the table above, it indicates that we own steady revenue growth companies, with attractive (and improving) return ratios and safe balance sheets (ie comfortable net debt to EBITDA ratios) that faced growth headwinds in FY24 which improved in FY25 and likely to improve further in the years ahead. Margins are likely to improve in the forecast years, thus driving strong EBITDA growth. Further, the portfolio will witness balance sheet deleveraging leading to earnings growth which is even stronger than EBITDA growth.

Financial companies

Fundamentals	FY24	FY25	FY26E	FY27E	FY28E	FY29E	CAGR (FY25-29)
AUM Growth	33%	23%	20%	24%	24%	24%	23%
NII Growth	30%	21%	18%	21%	23%	25%	22%
PPOP Growth	30%	21%	17%	22%	24%	26%	22%
PAT Growth	27%	-8%	36%	35%	23%	27%	31%
NIM	15.0%	15.1%	15.2%	15.3%	14.9%	14.6%	
PPOP	9.4%	8.1%	7.0%	7.5%	7.8%	8.4%	
Gross NPA	1.7%	4.0%	1.9%	1.9%	2.3%	2.6%	
Credit cost (ON AVG aum)	2.3%	10.0%	3.5%	1.8%	2.1%	1.9%	
ROA	5.7%	-2.9%	3.1%	5.1%	5.0%	5.2%	
ROE	19.5%	-17.6%	9.7%	16.6%	17.3%	19.3%	
Valuations							
PE	16.2	13.1	44.1	9.5	7.7	5.9	
PEG	0.6	-	1.2	0.3	0.3	0.2	
PB	2.8	2.8	1.9	1.6	1.3	1.1	

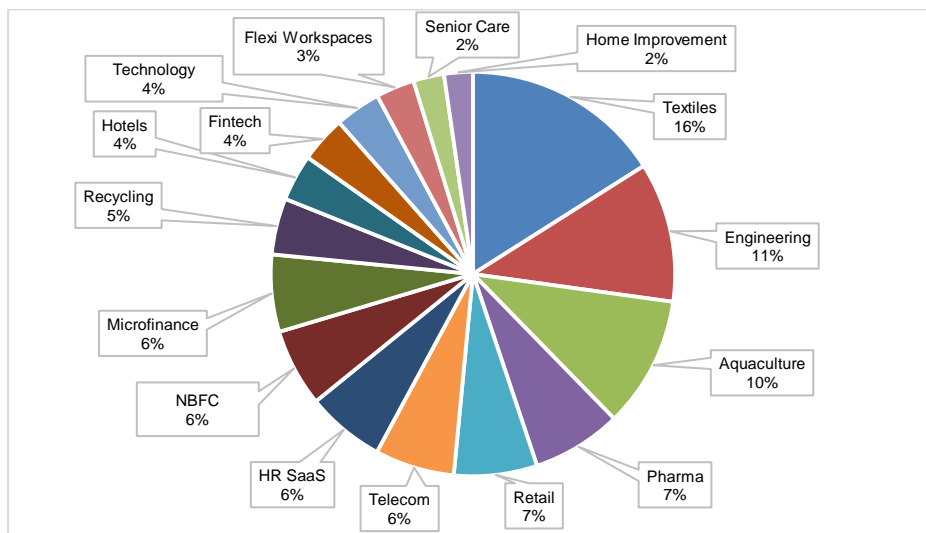
Notes: (i) One of the company in our BFSI basket IPOed less than a year ago and hence we do not have historic valuations.

Similarly, if we analyse the table above for financial companies, it indicates that we own high growth lenders, with high margins, operating leverage (visible from PPOP growth higher than NII growth FY27 onwards) and high return ratios. Despite that - these companies are trading at attractive valuations.

For the earnings growth and more importantly, quality of growth (ie growth coming without taking balance sheet risk, or diluting return ratios and generating strong FCF at the same time; low GNPA's / credit costs in the case of the lenders) we believe the portfolio's valuation is very attractive.

To give you more flavour of the portfolio, and to demonstrate how well diversified the portfolio is, we are sharing below a pie chart that shows our sector exposures.

Sector exposure of AAIM



This quarter we are sharing our thoughts on Rubicon Research Ltd. Rubicon is a newly listed pharma company, in which we were anchor investors (the IPO was in Oct 2025). In my entire career I have very rarely invested in IPOs, as most IPOs come fully valued with little left on the table for minority investors. However, this company really stood out in terms of management quality, business fundamentals and attractive valuations (in context of the solid management, attractive return ratios, strong FCF generation and structural growth opportunity). Rubicon is amongst the best performing stocks in our portfolio this year (stock was up 59% since listing whereas the market is down 12% over the same period).



Do keep sharing your feedback and comments and we will try and incorporate as much as possible in our future letters.

We thank you for trusting us as stewards of your capital and assure you that we are working tirelessly to find the best investment opportunities for the long run.

Yours Sincerely

A handwritten signature in black ink, reading "Kuleen Tanna", is enclosed within a hand-drawn rectangular box.

Kuleen Tanna
Founder & CIO

Annexure I

Rubicon Research Limited (CMP: INR 772; Market Cap: INR 127bn; ADT: INR 403mn)

Rubicon is a science-driven specialty pharma company, that is building one of the most capital-efficient R&D engines in the Indian pharmaceutical industry. Rubicon was incorporated in 1999 as a contract formulation R&D services provider by Dr. Sudhir and Ms. Pratibha Pilgaonkar, seasoned pharmaceutical scientists. Today, under Parag Sancheti's leadership (he has been the driving force behind the company since the last 8 years), the company is a fully integrated formulations firm, entirely focused on the US market with a growing specialty portfolio, and a high first-mover orientation in differentiated formulation.

Until 2013, the company was a reputable CDMO player, partnering with leading innovators such as Novartis and GSK. Thereafter, it shifted focus and launched its own products, initially through third-party channels in the USA. However, FY22 onwards, Rubicon began a transition to selling via its wholly-owned subsidiary, Advagen Pharma, with focus on increasing contribution from specialty generics, branded products (via Validus), and nasal drug device combination (DDC) launches.

Industry context – Rubicon stands out amongst other Indian generics companies

- Over the past two decades, the dominant narrative for Indian pharma was US generics with large ANDA filings, first-to-file strategy, and scale-driven cost leadership. However, mid-single digit price erosion became structural due to competition. Most Indian pharma companies optimised for high-volume low-margin operations. Rubicon is a rare exception given it has focused on specialty generics which represented only ~11.6% of all USFDA generic approvals (but a much larger share of the industry economics).

What makes Rubicon a compelling investment: ROI discipline in a unique segment

Rubicon stands at the confluence of several factors that are rarely found together in Indian pharma: a **unique product selection process**, an **industry-leading R&D efficiency ratio**, the **only Indian facility in the USFDA's Quality Management Maturity (QMM) cohort**. The company has delivered solid return ratios despite significant reinvestment back in the business to support future growth. The management's deliberate focus on ROI over revenue size is one of the defining characteristics.

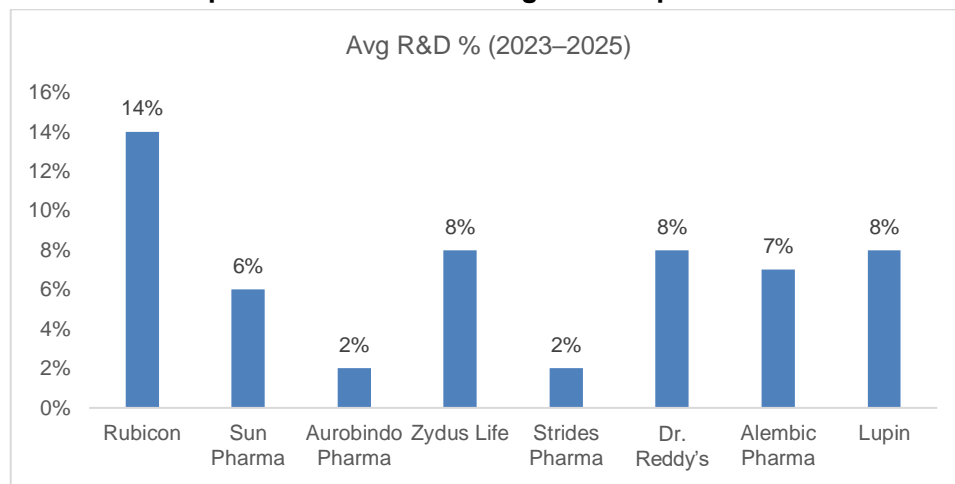
- **Speciality Generics approvals accelerating rapidly** – Speciality Generics is the key growth driver for Rubicon over the last couple of years which is underscored by the approvals and the percentage share in Gross margins. Rubicon grew from cumulatively 3 specialty generics approvals in FY23 to 7 in FY24, 13 in FY25, and 16 by H1FY26 - with 10+ more launches planned over FY26–28. Specialty products moved from 13% of gross profit in FY23 to 31% in Q3FY26 and we forecast 45–50% contribution by FY28E. Moreover, Rubicon has the most stringent definition of specialty in the entire industry; it defines specialty as products with no or at most one competitor. These products are relatively insulated from pricing erosion and are highly margin accretive.

Table 1: Share of Specialty products growing in the portfolio

Specialty products as a % of GM	FY22	FY23	FY24	FY25	Q3FY26
% share	15%	12%	18%	27%	31%

- Highest R&D efficiency in the sector.** The company’s R&D strategy has proven highly efficient, delivering a **4x incremental revenue on R&D spends**. Rs2.4bn R&D spend between FY21–23 generated Rs9.7bn in incremental revenue by FY25 (we look at this with a lag to factor in the product development & approval cycle). This success is driven by a rigorous, proprietary screening process that evaluates scientific feasibility, IP, and market dynamics. Moreover, the company boasts a **93% ANDA commercialization rate** (launching 76 of 82 approved products), significantly higher than industry average of ~60%.

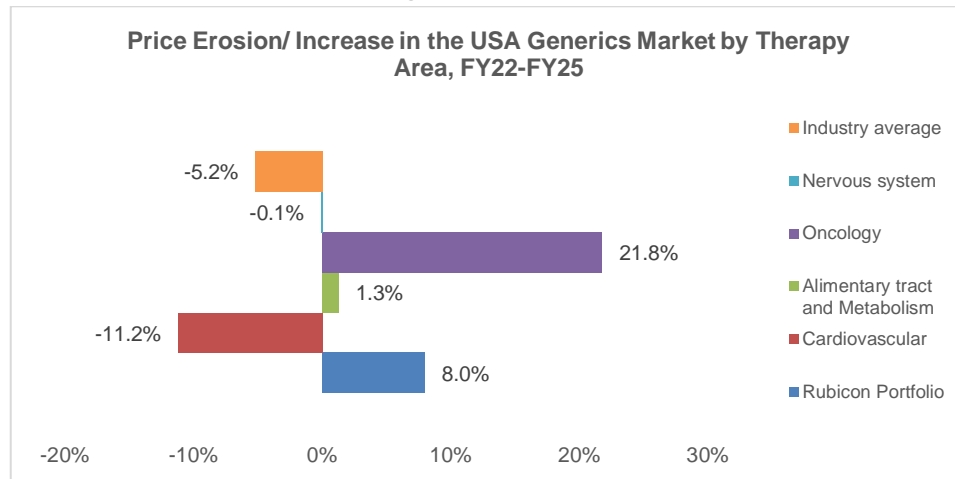
Chart 1: R&D spends of Rubicon far higher than peers



Source: Company filings

- Portfolio price appreciation vs. peer erosion.** Rubicon's portfolio has experienced ~8% annualised price appreciation against the US industry average of 5% annualised price declines. This is a direct result of launch of higher ASP products and intentional avoidance of high-competition areas. Launch of unique and complex DDC products (higher ASP vs existing portfolio) such as Fluticasone (first DDC/nasal approval in 7+ years) and strategy to steadily gain market share rather than blitzkrieg the market by sharply dropping price to gain market share demonstrates execution quality and selection choice of competitive structure, which has driven fundamental performance.

Chart 2: Price increase for Rubicon’s portfolio underscores shift towards higher ASP products and superior offerings



Source: National Sales Perspective information licensed from IQVIA for the period MAT Mar'25

- Pithampur – ramp-up to support margin profile going forward.** The acquisition of Alkem's USFDA-inspected Pithampur facility brought Rubicon capabilities in hormones, steroids, oncology, and immunosuppressants — complex dosage forms that were absent from its portfolio. Gross margins for the company have been temporarily compressed to ~68% (from ~72% earlier) given strong revenue ramp-up coupled with own manufacturing capacity constraint. With commercial batches expected from Q1CY27, Pithampur sets up a structural margin recovery as in-house manufacturing replaces outsourced CMO volumes.
- Nasal DDC: the hard-to-replicate platform.** DDCs require specialized capabilities for their development along with an experienced team. These products are pursued by fewer companies. Between 2018 and 2023, 152 companies got approvals for capsules, and 90 for extended - release tablets, only 26 secured approvals for nasal sprays - with Rubicon being one of them. The recent approval of Fluticasone Propionate in a US\$350mn+ market against global competition validates Rubicon’s regulatory and technical credentials and should support revenue growth going forward (currently only ~3% of revenues).
- USFDA QMM recognition: regulatory credibility that money cannot buy.** Rubicon's Ambernath facility was selected by the USFDA's for its QMM programme - a voluntary initiative for companies to assess the sophistication of quality systems beyond basic compliance. Globally, only nine facilities have been included; Ambernath is the only Indian site. Besides Rubicon, AstraZeneca, GSK, Catalent, and Thermo Fisher were part of this programme. This is not just a compliance badge but a signal to global customers and regulators of exceptional manufacturing quality & compliance.

Table 2: Rubicon stands out with only 1 VAI classification in over 10 inspections during 2019-25

Parameter/ Company	Rubicon	Sun Pharma	Aurobindo	Zydus	Strides	Dr Reddy	Alembic
OAI (2019-25)	0	3	2	2	1	0	0
VAI (2019-25)	1	12	7	10	7	21	4

Note: OAI - Official Action Indicated and VAI - Voluntary Action Indicated are FDA inspection classifications for pharmaceutical manufacturing facilities. VAI indicates manageable violations allowing voluntary corrections, while OAI indicates serious, non-compliant violations requiring mandatory regulatory action.

- **Industry-leading ROCE — sustained through reinvestment cycles.** Rubicon's ROCE of 21% in FY26 (expanding to 25% by FY29E per our estimates) is the highest among comparable Indian pharma peers. More importantly, this is being achieved while the company is still in an investment cycle — Pithampur is not yet operational, the Satara nasal block is ramping, and the Validus buildout is ongoing. The ROCE under-represents steady-state return ratios in our view.

Table 3: Rubicon peer valuation comparison (CMP: INR 772, Apr'26)

Company	Mcap	P/E (x)			EV/EBITDA (x)			RoE (%)		
	US\$ mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Rubicon	1,392	51	35	26	30	22	16	27%	24%	26%
Sun Pharma	43,046	33	30	26	22	20	18	16%	16%	16%
Cipla	10,199	22	21	18	14	13	12	13%	12%	13%
Dr. Reddy's	10,794	20	22	18	12	13	11	14%	12%	12%
Cadila	9,288	19	20	18	13	13	12	17%	14%	14%
Divi's Lab	16,574	60	50	41	43	36	29	16%	17%	19%
Torrent	14,439	56	48	38	31	25	22	28%	27%	27%
Lupin	11,035	20	23	22	13	14	14	26%	19%	17%
Aurobindo	8,331	21	17	15	11	10	9	10%	12%	12%
Alkem	6,704	25	27	24	21	18	16	19%	15%	16%
Median		25	27	22	21	18	16	17%	16%	16%

Source: Aionios Alpha, Bloomberg

Recent performance and outlook

Rubicon's financial results since IPO have reinforced our thesis and we have already seen meaningful earnings upgrades to our estimates. Q3 FY26 showed revenue growth of ~52% YoY to Rs4,755mn and PAT growth of ~91% YoY to Rs 728mn. For 9M FY26, revenues were INR 12.4bn (+34% YoY) and PAT was INR 1.7bn (+73% YoY). Despite the stock being up 59% since our investment, we have meaningful upside of ~60% in our base case (thanks to the earnings upgrades of over 10% we have seen so far). This does not capture the material optionalities that we believe exist for this company.

Nionios



Alpha