COURSER PARK ADVISORS

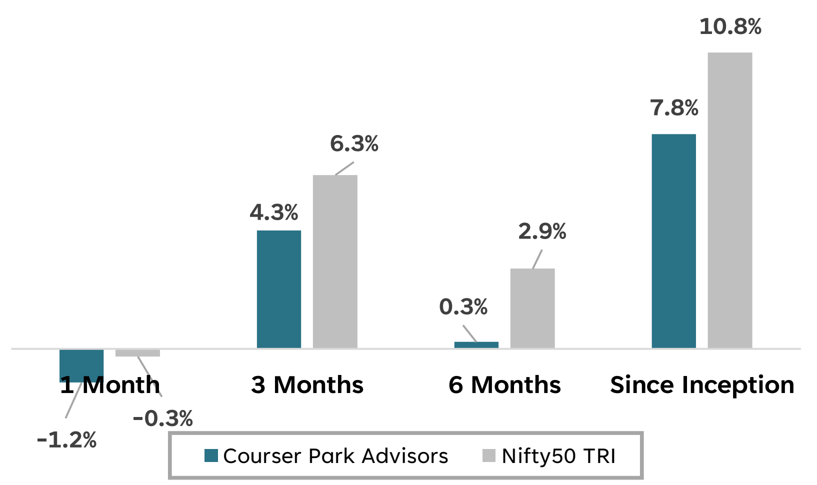
Quarterly Update

Dec 2025

Investment Objective

Courser Park Advisors ("CPA") uses a proprietary framework that combines fundamental and quantitative factors to identify businesses that can create long term wealth. The guiding philosophy is capital protection and compounding over longer periods by investing in companies with durable business models that can generate higher returns on capital over time. The singular goal and focus – invest only in those companies which have the lowest odds of permanent loss.

Chart 1: Strategy Returns[1]- GARP Scheme



1 The above returns are calculated by using the Time-Weighted Rate of Return (TWRR) method across all portfolios (Absolute returns for less than 1 year). The above returns are as on 31-12-2025, post fees and expenses; Note: Returns of individual clients will differ based on the timing of their investments.

Top Performers

Scrip Name	Purchase Date	Purchase Price (Rs.)	CMP (Rs.) as of 31-12-2025	Return (%)
Navin Fluorine	24-Apr-2024	3,307	5,920	79%
ASK Automotive	01-Apr-2024	283	479	69%
Acutaas Chemicals	21-Dec-2024	1,033	1,705	65%
Nuvama Wealth	01-Apr-2024	926	1,481	60%
AU Small Finance	23-Apr-2025	663	995	50%

Holding Companies*

Asset Concentration	Holding
Cash	1.7%
Top 5 Holdings	26.0%
Top 10 Holdings	45.0%
Highest Exposure	CHOLAFIN (6.0%)

Sector Allocation*

Sectors	Allocation (%)
BFSI	26%
Healthcare/Pharma	21%
Consumer	15%
Auto & Ancillaries	11%
Others	27%

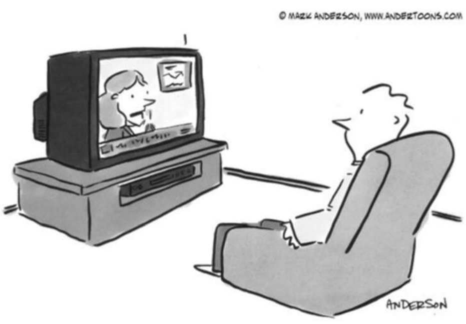
Market Capitalization*

Market Capitalization	Holding (%)
Large Cap	43%
Mid Cap	22%
Small Cap	35%
Avg. Market Cap (Rs. Bn)	2,057

Qualitative Analysis*

Parameters	TTM
PAT Growth	35.2%
PE	48.8x
ROE	15.5%

***Represents Model Portfolio**

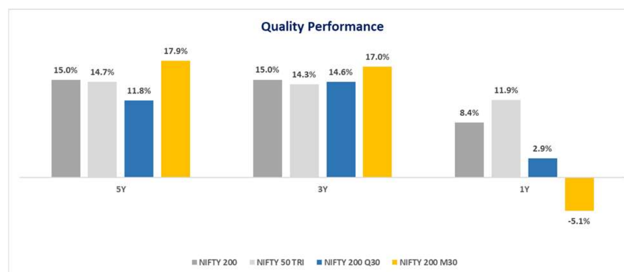


"Industry insiders are cautiously optimistic. Industry outsiders don't much care."

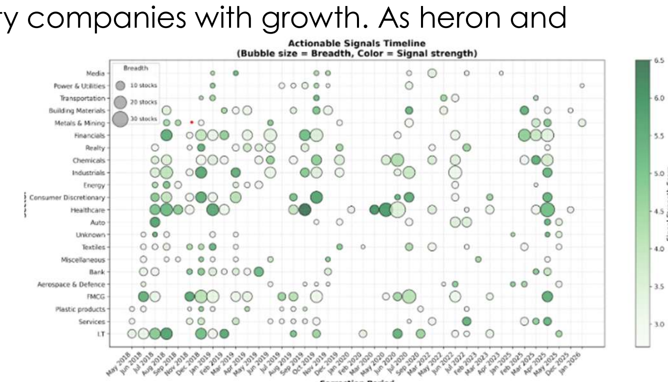
After outperforming for over a decade, we have experienced our recent bout of underperformance. Some of you have reached out to understand the reasons behind this. Typically, we cover the lost ground well within the following 9 months to a year. This time around, drawdown started with the fall of ~9% in the March 2025 quarter, due to a confluence of weak earnings and Trump's tariff tantrums, but never really recovered fully. When we deeply examine as to the reasons for underperformance two reasons stand out:

1) **Derating across the portfolio irrespective of growth:**
   - 2/3rds of the portfolio got de-rated despite growth. Standout examples include: ICICI Lombard, HDFC Life, Titan, Crompton Greaves, Havells, Suzlon and many other stocks
   - Most of them have in fact de-rated to 10-year median valuations, with 1) sectors going out of favor 2) volatile margin performance and 3) volatile macros and geopolitical noise

2) **Framework/strategy underperformance**
   - Momentum as a factor was down 5% in the last one year, while overall market was up 12%, quality/momentum factors did not perform well in a non-trending market
   - With Trump tariff deal out of the way, this factor should start performing well over the next 1 year



As always, we continue to focus on investing in quality companies with growth. As heron and hornbills wait to catch their prey, we just have to wait patiently for the factor to come back in vogue. Key learning has repeatedly been to be open to new sectors without compromising on quality. In this regard, we also recently studied for actionable sectors emerging out of a correction, such as Aero/Defense (in June 2022), Industrials (in June 22) Metals/Mining (in April 25). This should put us in good stead in identifying emerging sectors, next time on.



In this newsletter, we cover PEG framework for Large and Midcaps and investment thesis on Aster DM Healthcare

“Wisdom is patience waiting for the right moment”

Over the past two years, we’ve seen companies such as Bharti Airtel, GE T&D, BSE, MCX, Fortis etc deliver stellar returns as businesses inflected into higher growth trajectory with changed fundamentals. One key learning is that our current valuation framework does not fully capture such opportunities as it is firmly grounded in mean reversion of 5 year historical PEs– that has helped us in the last fifteen years of investing. A decade ago, we used to face a similar issue investing in Bajaj Finance in its blitzkrieg phase. To overcome that blind spot, we had once examined PEG framework for fast growing small cap companies. In this newsletter, we extend the same framework to large and midcap companies:

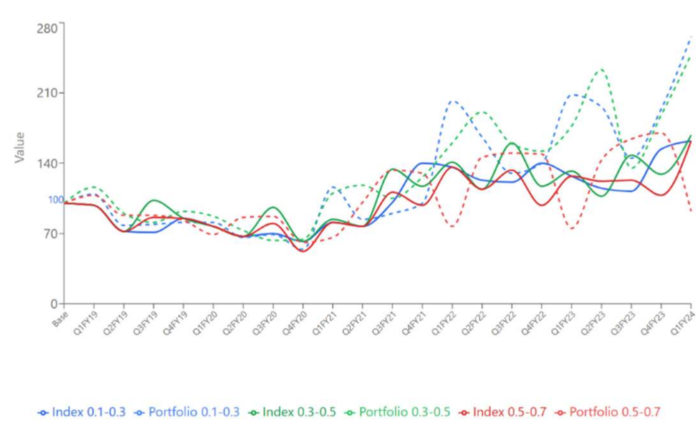
Framework to value fast-growing small-cap companies (earlier study):

In an earlier study, (Link), we had concluded that a PEG ratio under 0.5 x acts as a powerful threshold for alpha generation, especially in small caps (PEG defined as NTM PE/ NTM growth rate; NTM – next twelve months)

Key conclusions from the study were:

- INR 100 invested in the PEG strategy went up 150% in 5 years, while the relevant small-cap index was up 73%.
- Portfolios outperformed the benchmark 90% of the time over the five year cycle *(Nov 2017-Nov 2023)*
- Returns were very lumpy and back-ended - impacted by GST regulations in 2018 and MF regulatory changes for mid / small cap funds
- Starting P/E multiples were less relevant in high growth companies

CATEGORY	Q1	Q2	Q3	Q4
Index Performance (IRR)				
0.1-0.3	8.5%	7.9%	4.4%	9.5%
0.3-0.5	9.2%	5.7%	9.6%	6.1%
0.5-0.7	8.5%	9.0%	6.1%	2.6%
Portfolio Performance (IRR)				
0.1-0.3	17.4%	16.2%	9.2%	14.0%
0.3-0.5	16.1%	18.7%	7.7%	13.4%
0.5-0.7	-1.1%	10.1%	11.5%	11.3%



Here “0.1-0.3”, “0.3-0.5” and “0.5-0.7” are the PEG buckets

*Keeping 2 months buffer for companies to report their quarterly financials, **rebalancing** is done in August (Q1), November (Q2), February (Q3) and November (Q4)*

*If you had invested in an equally weighted select portfolio with **PEG <0.3x** in **August 2017 (Q1)**, the portfolio would generated **17.4% IRR** while the index would have delivered **8.5% IRR***

Acutaas Chemicals, a current portfolio holding, illustrates this strategy in action. As their innovator CDMO business scaled (Darolutamide API intermediate supply to Fermion for an advanced prostate cancer drug Nubeqa), earnings growth accelerated sharply. As a result, the stock is up 65% from the purchase price.

Framework to value fast-growing large cap/midcap companies (current study):

Current study is focused on the PEG strategy for large/midcap companies over 30,000 crores market cap. Key parameters include:

- Period of study: 2017-2025 (skipped Covid years because of EPS abnormality)
- NTM (Next Twelve Months) EPS arrived with recent quarter's annualized EPS
- PEG based on NTM PE and recent quarterly EPS growth
- Customized portfolio based on fundamental and governance qualities with PEG <1x (following the idea of Peter Lynch for fast growing companies)
- Stock returns computed for 1 year period

Starting Period	Stock Count	Beat vs Nifty	1Y Return		Avg Return by P/E	
			Portfolio Avg	Nifty	<50 P/E	>50 P/E
Feb-17	11	Beat	28%	21%	27%	39%
May-17	8		11%	14%	11%	12%
Aug-17	3	Beat	36%	17%	31%	45%
Nov-17	7	Beat	11%	5%	11%	12%
Feb-18	8		1%	2%	-4%	40%
May-18	12		2%	3%	-5%	20%
Aug-18	15		-7%	-4%	-9%	4%
Nov-18	15	Beat	13%	12%	15%	2%
Nov-22	22	Beat	22%	7%	24%	14%
Feb-23	21	Beat	37%	22%	32%	50%
May-23	19	Beat	54%	21%	50%	69%
Aug-23	30	Beat	38%	24%	40%	31%
Nov-23	27	Beat	24%	20%	26%	12%
Feb-24	26	Beat	7%	5%	9%	4%
May-24	30	Beat	22%	11%	17%	33%
Aug-24	19	Beat	8%	2%	2%	17%
Nov-24	18	Beat	18%	11%	19%	16%

In the pre-pandemic era, low-PEG stocks didn't consistently outperform the broader index. Also, during this period stocks with a P/E >50 often yielded better average returns than their more 'affordable' counterparts. Major structural shifts like Demonetization and the GST implementation drove a flight to quality, leading investors to prioritize premium, high-certainty companies, even when they traded at high multiples with only moderate growth.

But after November 2022, in every instance the portfolio beat the index on a 1-year time frame. This particular market regime has been unique in its broad-based rewards, with both value and high-multiple stocks performing well. Remarkably, this outperformance has coincided with a period of high and rising interest rates—an environment that typically challenges equity valuations.

<u>In conclusion:</u>

- In the small-cap space, identifying companies with an NTM PEG ratio below 0.5 significantly improves the probability of generating alpha against the benchmark index
- For Mid and Large Caps, we have illustrated two distinct market regimes where the low-PEG approach yielded vastly different outcomes.
- While our Mean Valuation Framework (MVF) remains our primary guide, we will selectively apply the PEG lens to high-quality businesses with accelerating earnings. This dual-layered approach should allow us to refine our entry points and optimize for superior returns.

Thesis on ASTER DM HEALTHCARE – recently added portfolio company

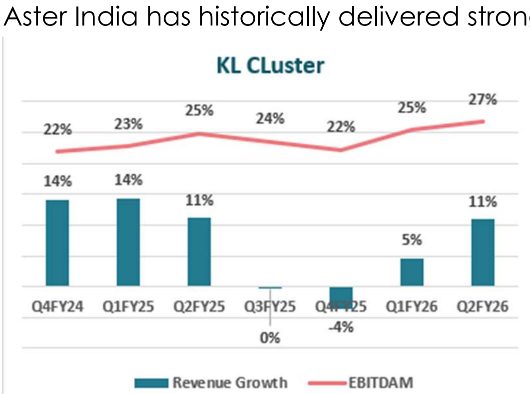
ASTER DM HEALTHCARE

Aster's journey to become one of the largest integrated health care providers in Gulf and India started with a single clinic in Dubai in 1987. Their first hospital in India was set-up in Kozhikode in 2001. Since then, they have become the market leader in Kerala and have presence in Karnataka, AP/Telangana and Maharashtra. The GCC and Indian business were segregated in 2024 allowing for better management focus and value-unlocking of Indian business. This was followed by announcing a merger with CARE Hospitals (QCIL) in 2025, making the combined entity the third largest hospital chain in India, in terms of bed-capacity.

Why did we invest in Aster?

1. Improving Aster Clusters

Historically, revenue and EBITDA have grown at 20% & 30% p.a. respectively for Aster India hospitals. Kerala remains the biggest cluster with 50% revenue contribution and Bangalore coming up as the next significant geography. Some of the key points from our interaction with Aster management a few weeks ago:



Aster India has historically delivered strong performance with 20% revenue and 30% EBITDA annual growth, anchored by the Kerala cluster which contributes half of total revenue. However, recent trends highlight divergent regional challenges. The Kerala cluster, despite its 20% p.a. historical growth, has slowed over the last four quarters due to over-reliance on specific personnel and a focus on occupancy rather than case-mix. To reverse this, management has appointed Dr. Nalanda Jayadev (formerly of Rajagiri Hospital) as CEO of Aster Medcity and recruited a new regional Finance Head. The strategy has now pivoted toward improving case-mix and diversifying international patient sourcing beyond the traditional markets of Maldives and Bangladesh.

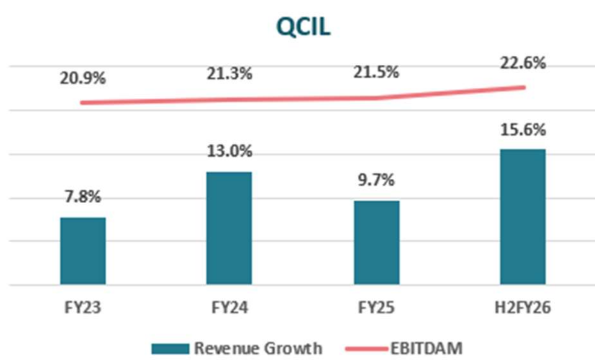
Karnataka cluster (BLR) growth has been 25% over the last five years and expected to grow at 10-15% rate should be expected until new facilities are commissioned. This cluster is more competitive than Kerala. When they forayed into BLR, Manipal and NH were already present. For the same quality of treatment, Aster pricing would be at 20% discount to larger peers. Conversely, the AP/Telangana cluster has been the weakest performer (~9% CAGR). While Hyderabad operations are fully controlled, the Andhra Pradesh Joint Venture faces governance hurdles; despite Aster owning 70%, management control remains with the Ramesh family, resulting in slower implementation of corrective actions.

There is a rise in mix of robotic surgery - 30-40% of surgeries for Kerala and Karnataka. These surgeries are accretive to value, priced at 3x manual surgery while offering patients a 50% reduction in recovery time.

2. QCIL Merger & Turnaround

The QCIL network comprises 19 hospitals and seven medical centres with over **4,000 operational beds** across 10 states. The portfolio is distinctively segmented into "Mature" units (Trivandrum/KIMS, Dhaka, Bhubaneswar, Raipur) which contribute **60%** of revenue, and "Focus" units (Hyderabad) which contribute **30%**. The Mature units exhibit robust fundamentals, growing in the mid-teens with **33% EBITDA margins**, a metric notably superior to Aster's mature unit margins of ~27%.

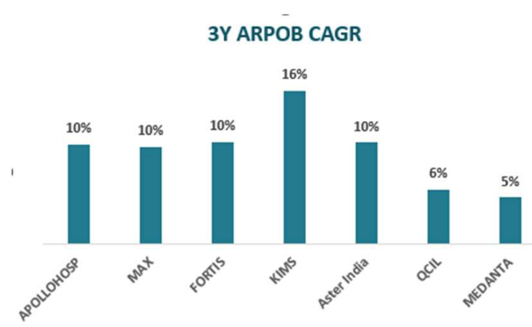
The Hyderabad cluster, despite strong brand recognition, has historically struggled due to significant talent attrition. To reverse this, management has overhauled the leadership team, engaged external consultants for operational optimization, and aggressively strengthened clinical recruitment, onboarding over **100 clinicians** in Q2 FY26. Infrastructure upgrades, including the renovation of the flagship Banjara facility, further support this revitalization efforts.



From a synergy perspective, QCIL provides geographic complementarity to Aster. While Aster dominates North Kerala, QCIL's stronghold is South Kerala, where **80%** of its beds are in Trivandrum (KIMS Health). Although QCIL's growth over the last three years was underwhelming at **10% p.a.**—largely attributed to a lack of strategic focus during TPG's exit phase—operational improvements have become visible over the last three quarters.

3. ARPOB growth in-line with larger peers

ARPOB in the most important metric for a hospital chain. This figure summarizes the quality of cases and patients as well as turnaround time in a hospital. Aster's ARPOB growth has been in-line with larger peers like Apollo and Max. QCIL's ARPOB growth over the same timeframe has been lower at 6%, improved to 15% in H1FY26. Management is focusing on higher volume growth even if ARPOB increase is gradual.



4. Synergies & Guidance

Management targets a consolidated EBITDA margin of 24–25% over the next 2–3 years, building on strong Q2 FY26 performance (Aster: 22%, QCIL: 24.1%). In our latest meeting, management re-affirmed this guidance and stated that the combination of Aster & QCIL would help in vendor consolidation and procurement benefits as well as better hiring and retention of doctors.

Key Drivers of Margin Expansion

- **Procurement Synergies:** Centralized supply chains and formulary compliance are driving scale benefits (e.g., QCIL saved ₹20 Cr in Q1 FY26 i.e., 2% of Sales). F&B and revenue cycle management are also being in-sourced.
- **Better Mix (Payor & Case):** QCIL's strategic pivot away from low-margin government scheme business to "Cash & Insurance" patients (81% of QCIL revenue) and high-yield "CONGO" specialties (Cardio, Onco, Neuro, Gastro, Ortho). Scheme business often operates at roughly 40% of cash tariffs.
- **Efficiency & Turnaround:** Manpower optimization across key functional areas by reducing supervisory layers and enhancing the span of control and renewable energy adoption have each reduced costs by ~100 bps.
- **Turnaround of Non-Hospital Segments:** Asters' labs business has turned around significantly, moving from low margins to 17.8% EBITDA margins in Q2 FY26, and the wholesale pharmacy business has exited loss-making segments to become margin positive. The Lab-business target is to achieve ~40% non-Aster business.

5. Reasonable Valuations

INR Cr		PE		EPS CAGR	RoE
Peer Comps	CMP	FY27E	FY28E	FY26-28	FY28
APOLLOHOSP	7,088	42	33	*27%*	25%
MAX	1,004	45	36	*25%*	22%
FORTIS	863	44	36	*28%*	23%
KIMS	617	44	30	*53%*	27%
Aster + QCIL	547	38	28	*41%*	19%
MEDANTA	1,113	41	34	*22%*	17%
Average			**33**	**33%**	**22%**

ASTER + QCIL is JM estimates; rest BBG

INR Cr		EV/EBITDA		EBITDA CAGR
Peer Comps	EV	FY27E	FY28E	FY26-28
APOLLOHOSP	1,01,920	22	19	*22%*
MAX	1,00,383	29	24	*24%*
FORTIS	67,847	26	22	*20%*
KIMS	27,749	24	18	*35%*
Aster + QCIL	49,472	19	15	*28%*
MEDANTA	29,648	25	21	*21%*
Average			**20**	**25%**

ASTER + QCIL is JM estimates; rest BBG

Among the mid-to-large cap hospital peers, the combined entity of Aster + QCIL is trading at the cheapest forward valuations on both PE and EV/EBITDA basis while growing at more than industry average. With Apollo Hospital already in the portfolio, Aster+ QCIL is the only other name where we foresee a re-rating if execution comes through. At first glance, KIMS also looks attractive but that is mainly because of assumption of a much higher margin improvement versus Aster.

Summary:

- **Wider Footprint:** Third largest hospital chain in India with clear dominance in Kerala.
- **Improving Operations:** Visible turnaround in Kerala clusters and QCIL through leadership overhauls and aggressive clinician recruitment. Higher volume growth with scope for ARPOB increase
- **Cost Synergies:** Targeting 24–25% consolidated EBITDA margins driven by scale-based procurement savings and non-hospital efficiencies.
- **Premium Pivot:** Shifting case mix toward high-yield "CONGO" specialties and improving patient profile while exiting low-margin government schemes.
- **Favourable Valuations:** Available at the cheapest valuations with faster than industry growth – with reasonable assumptions.

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