

Ashva Capital Management LLC – Q3 2025 Letter to Investors

October 12, 2025

Dear Limited Partners,

One of the benefits of a long-term investing approach is that we get to watch the market's drama unfold from a comfortable distance. Volatile headlines and tariff scares might make for exciting news, but they don't change the intrinsic value of the businesses we own. Staying invested and compounding capital remains the single most powerful force in wealth creation.

In that spirit, Ashva Capital LP gained 10.16% net in Q3 2025, comfortably outpacing the S&P 500's 7.79% price-only return. This gain more than offset our first-quarter drawdown and leaves us ahead on a year-to-date basis. The quarter highlights the enduring power of our philosophy: buying high-quality businesses, staying fully invested, and letting time do the hard work.

Timeless Principles

- **Long-term thinking is our advantage.** Wall Street is structurally incapable of thinking out 10–20 years because earnings estimates, bonuses, and even investment funds are judged on weeks, months, or quarters at best. Very few investors think in decades; our ability to do so gives us a unique edge. Economic trends and market timing are unknowable, so we ignore the noise and focus on compounding over decades.
- **Fully invested, all the time.** The only way to capture the full compounding power of equities is to remain invested through temporary declines. Volatility isn't a sign to exit; it's an opportunity to own more of great businesses at better prices.
- **Patience wins.** Panic selling is almost always costly. The stock market's temporary setbacks are ultimately outweighed by long-term earnings growth and dividend reinvestment.
- **Value and price can diverge.** The enduring value of a great business and the daily price of its stock are not the same thing. When investor sentiment swings to extremes—either euphoric or fearful—prices can disconnect from fundamentals. History shows that over time, intrinsic value always reasserts itself.

These values have served us well this year. By refusing to react to short-term noise, we were able to add to positions when prices were depressed and benefit as fundamentals reasserted themselves.

Portfolio Highlights

At the end of Q3, our three largest positions—XLF, DIS, and HOOD—represented the core of our portfolio. Each embodies the same characteristics we seek across all holdings: durable competitive advantages, improving fundamentals, and the ability to compound free cash flow over time.

Financial Select Sector SPDR® ETF (XLF)

XLF provides targeted exposure to America's financial sector—banks, insurance, capital markets, mortgage REITs, and consumer finance companies. It is a low-cost, passively managed fund with a 0.08% expense ratio. We increased our weighting here during periods of volatility because financials stand to benefit from a combination of declining interest rates, resilient credit quality, and a potential steepening of the yield curve. Analysts expect the sector's Q3 earnings to grow roughly 10% on revenue growth of nearly 6%, and early reports have been encouraging. Holding XLF gives us diversified exposure to a sector that can compound earnings and dividends as the economy grows.

- The Bull Case for Financials
 1. Yield-curve steepening – a margin tailwind. Banks borrow short and lend long. A steeper curve widens net-interest margins and directly boosts profitability. When cuts steepen the curve, they encourage credit creation and lending activity—an environment where financials thrive.
 2. Revival of credit growth and lending activity. If lower rates stimulate loan demand or reduce credit-risk spreads, banks can see stronger lending volumes and higher interest and fee income. After a period of tight credit, easing can unlock deferred demand across both consumer and corporate borrowers.
 3. Rotation toward value and cyclical leadership. Monetary easing often shifts market leadership from growth and quality toward more cyclical, credit-sensitive sectors—financials chief among them. While cuts alone don't cause that rotation, they can sustain it once earnings momentum and sentiment improve.
 4. Cuts are largely priced in – clarity matters more than surprise. Markets are forward-looking; by the time cuts arrive, they're often already discounted. The benefit to financials comes less from the initial announcement and more from the clarity, confirmation, and follow-through that policy easing brings.
 5. Supportive macro regime. Rate cuts don't create bull markets in isolation, but they can enhance one already underway. When earnings, economic stability, and investor sentiment trend positively, cuts can amplify rather than initiate financial-sector performance.

Taken together, these dynamics support a constructive outlook for the sector. If the Fed's forthcoming rate-cut cycle produces even modest yield-curve steepening and a pickup in credit formation, financials could see improving fundamentals at a time when valuations remain undemanding. For long-term investors, that asymmetry—steady dividends today with meaningful upside optionality tomorrow—makes XLF an attractive core holding.

The Walt Disney Company (DIS)

Disney's fiscal Q3 (April–June 2025) results showed continued progress in its transformation. Total revenue increased 2% year-over-year to \$23.7 billion, income before taxes rose 4%, and segment

operating income climbed 8% to \$4.6 billion. Direct-to-consumer revenue grew 6%, with streaming subscribers rising to 183 million. CEO Bob Iger emphasized the upcoming launch of an ESPN direct-to-consumer service and the integration of Hulu into Disney+, underscoring management's focus on monetizing world-class content.

While there's still a meaningful amount of debt on the balance sheet, the free-cash-flow turnaround has been remarkable. Disney has leveraged the stability of its parks segment and improved streaming economics to boost trailing 12-month free cash flow from approximately \$8.4 billion six months ago to \$11.5 billion today. As streaming continues to scale—and ESPN's eventual streaming launch begins contributing—we expect further growth in both revenue and free cash flow.

We view the valuation as compelling at current levels and would look to add incrementally on any pullback below \$100. On the upside, we believe the long-term potential for Disney's streaming ecosystem remains underappreciated by the market. Even if shares were to double from here, we see no reason to exit, given the company's enduring brand power, global reach, and accelerating cash generation.

Robinhood Markets (HOOD)

Robinhood continues to disrupt the traditional financial services industry by reimagining how investors access and manage money. What began as a zero-commission trading platform—a “Trojan Horse” that democratized access to investing—has evolved into a broader ecosystem spanning brokerage, crypto trading, retirement accounts, savings and checking products, and now credit cards. Together, these offerings deepen customer engagement and expand overall “wallet share.”

Management's long-term vision is to build a full-service financial platform, one that can compete with established institutions across multiple product categories. The company's near-term priorities are clear: strengthen its leadership with active traders, expand wallet share through new products and cross-selling, and grow internationally to capture new markets.

Once users have assets on Robinhood, they are increasingly adopting adjacent services such as Robinhood Gold—a premium subscription that offers higher yields, advanced tools, and margin access. This strategy is turning Robinhood into a durable, multi-product franchise with recurring revenue streams and strong brand affinity among younger, digitally native investors.

Closing Thoughts

We don't invest based on forecasts, but on enduring principles: discipline, patience, and alignment with businesses capable of compounding capital through cycles. This quarter reinforced that simple truth.

Thank you, as always, for your trust and partnership. It remains our privilege to steward your capital for the long run.

With appreciation,



Ankur Shah

Managing Member

Ashva Capital Management LLC

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