

JANUARY 6, 2026

TAPASYA INVESTMENT FUND I

ANNUAL PARTNER LETTER 2025

INTRODUCTION

We marked the three-year anniversary of the fund in August '2025. I am extremely pleased with the progress we have made and the value the fund has delivered to each of its investors. We are fortunate to have such a wonderful group of investors, and I am truly blessed to have these individuals in my sphere, making our interactions both enjoyable and productive.

As the fund continues to grow through strong performance and the addition of new investors, I will always value the crucial role each of you has played in its success.

Our performance this year was gratifying, not just in absolute returns but, significantly, due to the lead we maintained over our benchmark, the S&P 500, and many other broad-based market indices. Since inception, we have been able to further extend this lead, reinforcing the principle that concentrated investments in high-quality businesses at fair valuations can outperform indices over the long term. A true comparison should encompass a full economic cycle, and we will certainly revisit our performance when that milestone is reached.

The year was defined by significant news, particularly regarding tariffs, which introduced considerable market volatility. We experienced a rapid correction in April, followed by a historically strong market rebound. The Artificial Intelligence (AI) theme has been instrumental in carrying this market through periods of volatility to new heights, resulting in over 38 new all-time highs this year. This naturally leads to the question, "Are we in a Bubble?" I address this topic in a later section of this letter.

Regarding portfolio activity, we had a fair amount of action this year, resulting in an approximate 6.9% turnover. While this is slightly higher than in previous years, it remains well below industry standards. We actively avoid the excessive churning of portfolios seen elsewhere, which saves on friction costs, such as transaction fees and taxes.

Specifically, we added three companies to the portfolio—IBKR, GLBE, and ADBE—while completely exiting two (MODG and HHH) and reducing our position in another (FNMA).

Despite a successful year, I believe there are important lessons to be learned, which I have detailed in the subsequent sections of this letter.

PERFORMANCE

Tapasya Investment Fund I (TIFI) results since inception

Date/Timeframe	Fund Returns (Gross)	LP Returns (Net)	S&P 500 (with Dividends)
2022 (Since Aug 17th)	-6.8%	-6.8%	-11.0%
2023	44.7%	35.8%	26.3%
2024	23.9%	17.9%	25.0%
2025	30.9%	23.5%	17.9%
Since Inception	118.9%	84.4%	68.1%
CAGR	26.1%	20.7%	16.6%

Source: IBKR for Gross and NAV Consulting (Fund Administrator) for LP Returns

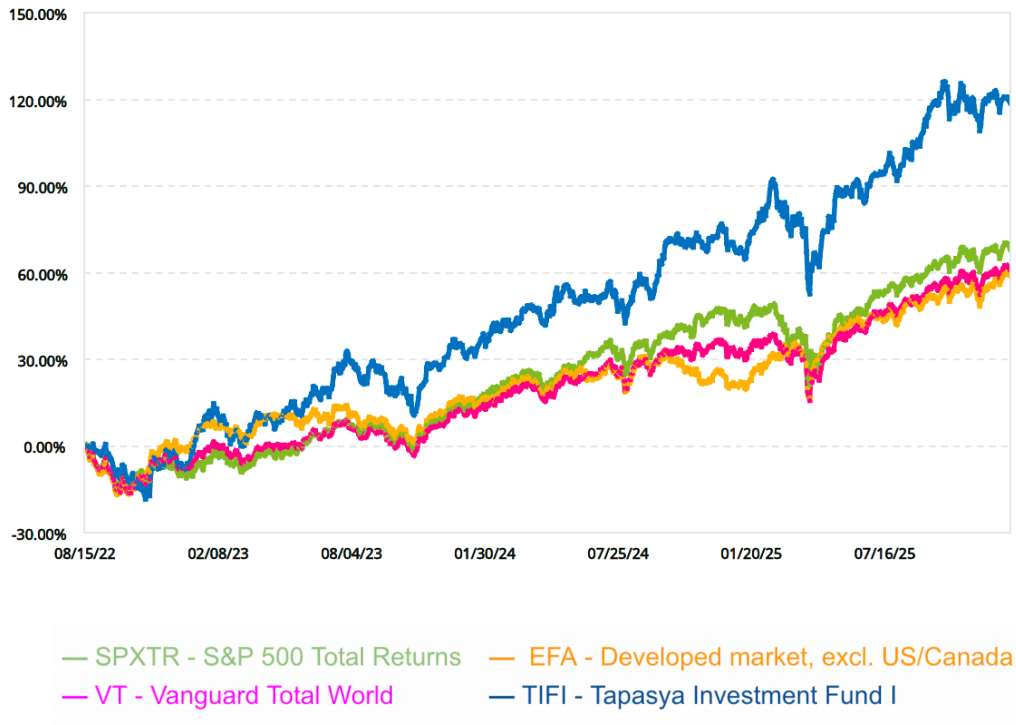
CAGR - Compounded Annual Growth Rate

MONTHLY RESULTS - NET OF FEES IN ‘%’

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2025	5.59	1.14	-3.93	0.81	5.63	2.26	0.86	4.34	5.66	-0.29	0.26	-0.55	23.50
2024	-0.14	4.39	3.17	-1.44	2.04	0.41	-0.18	3.73	6.16	-0.36	1.35	-2.33	17.93
2023	15.23	-5.29	6.60	-1.48	1.06	6.29	8.47	-2.46	-4.82	-5.00	9.71	5.11	35.82
2022								-1.76	-9.25	-4.31	15.49	-5.39	-6.79

While we've selected the S&P 500 as our benchmark index, it's crucial to monitor other indices as well. Index investing offers an excellent alternative to actively managed funds, particularly if we struggle to outperform over the long term.

Gross Returns as of Dec 31' 2025



Moving to country allocation, the below chart provides more details. US continues to be bulk of our holding followed by Netherlands (Prosus, Adyen and Universal Music Group) followed by China (Alibaba), Israel (Global-E) and Canada (Lululemon).

Country	%
United States	63.2
Netherlands	22.3
China	8.6
Israel	3.7
Canada	1.7
Others	0.5
Total	100

2025 IN REVIEW

At the start of the year, I expressed concerns about high equity valuations in the US, noting limited opportunities and highlighting more promising prospects abroad, particularly in Europe and China.

Though US markets had a good year it did underperform Europe and China. Our investments in these markets paid off this year.

The market landscape changed quite dramatically this year with the “Liberation Day” announcement. As mentioned in my bi-annual letter, we did take advantage of this volatility buying into IBKR (Interactive Brokers) which has now become a core holding for us and amongst the top 10 positions we hold. It has also performed exceedingly well since our purchase.

Liquidity and Capital Efficiency

This year, we refined our approach to managing uninvested capital. In previous years, holding significant cash balances to wait for "fat pitch" opportunities created a performance drag during rising markets. To solve this, we have adopted a more capital-efficient strategy: rather than letting capital sit idle, we now deploy a portion of our uninvested liquidity into broad-based, liquid indices.

This strategy ensures that our partners maintain market exposure and are not penalized for our patience. We view this not as a separate investment strategy, but as a "holding pattern" for capital that is awaiting deployment into our high-conviction ideas.

To ensure we remain agile, we maintain access to a secure line of credit. This allows us to execute immediate purchases during periods of volatility without needing to wait for the settlement of our index positions. We will continue to evaluate this allocation dynamically based on overall market valuations, ensuring that our "dry powder" is working for us while preserving our ability to strike quickly.

Trade-offs

There is an inherent trade-off in this approach. While cash acts as a drag in a rising bull market, like the current environment, it provides an invaluable advantage during swift

downturns by allowing us to capitalize on volatility. Furthermore, cash dampens overall portfolio volatility and improves results during a down or bear market.

Home Builders and the Affordability Challenge

The anticipated recovery in the homebuilder sector has stalled, primarily due to persistent affordability issues. Affordability is dictated by the three-legged stool of wages, interest rates, and home prices. While interest rates have recently lowered and wages have remained relatively strong, high home prices continue to dampen the housing market, leading to a significant slowdown despite a clear scarcity of homes. The American dream of homeownership is increasingly difficult to achieve because of this affordability gap.

Given that this is a highly regulated sector, with many regulations being local (county-level, etc.), deregulation is unlikely. Consequently, building smaller homes may be the most viable path toward more affordable housing.

Investment Strategy in the Sector

In terms of our investments in this space, we have made some adjustments. We fully exited one position, Howard Hughes Holding, and trimmed our investment in Fannie Mae. The Fannie Mae trade was a short-term success, yielding a 10x return on our original investment price, although we sold about half of the position when it was at a little over 4x its cost.

We maintain a strong conviction in Builder FirstSource (BLDR) and have no intention of selling. BLDR is an excellent company with a top-tier management team. They have demonstrated superb capital allocation, notably buying back over half of their shares since 2021 and strategically acquiring companies to gain market share in a fragmented industry. We anticipate BLDR will perform well once the housing market eventually rebounds.

REVIEWING PORTFOLIO EXITS: THE ANATOMY OF MISTAKES

Our investment philosophy generally favors a long-term holding strategy. Consequently, I categorize a "SELL" decision as a mistake, with the exception of specific short-term trades like Fannie Mae (FNMA). This review examines recent exits from our portfolio.

Summary of Exits (2023-2025):

Company	Year Sold	Transaction Outcome	Primary Reason for Sale
ASOS	2023	Loss Incurred	Original turnaround thesis failed; quick exit.
AirBNB	2024	Small Profit	Opportunity cost; stock was stagnant.
Topgolf Callaway (MODG)	2025	Loss Incurred	Management failed to execute anticipated split; short-term thesis failed.
Howard Hughes Holding (HHH)	2025	Opportunity Loss	Opportunity cost; stock was stagnant.

ASOS (Sold 2023):

- **Thesis & Outcome:** The initial thesis was a high-risk/high-reward turnaround play. The position was small (<2%) to mitigate risk if the turnaround failed. The stock price has halved since the sale.
- **The Lesson:** Rapid exits preserve capital. While we incurred losses, the success was in our discipline to sell quickly when the thesis broke.

AirBNB (Sold 2024):

- **Context:** Our family frequently uses ABNB, and we are fans of the service. However, the stock had been stagnant for several years.
- **Reason for Sale:** Similar to HHH, the primary reason for selling was **opportunity cost** to redeploy capital for potentially higher returns.
- **Outcome:** We exited at a small profit. The stock has moved sideways since the sale.

Topgolf Callaway (MODG) (Sold 2025):

- **Thesis & Outcome:** The intent was a short-term holding (just over a year) expecting a split of Topgolf and Callaway by mid-2025. The company's management, which has a history of faltering, failed to execute the split.
- **Takeaway:** We incurred losses, but the small position size (<2%) minimized the impact on the overall portfolio. The investment was a mistake because management failed to deliver on the expected action.

Howard Hughes Holding (HHH) (Sold 2025):

- **Frustration:** Despite the quality of its real estate portfolio and potential for asset monetization, the market has not recognized HHH's value. The stock was largely flat over the three years we held it.
- **Reason for Sale:** The exit was driven purely by **opportunity cost**—the desire to deploy capital into assets/companies with higher potential returns.
- **Outcome:** We did not incur a realized loss on the price but suffered an opportunity loss as the asset did not appreciate while the broader market did. The position size was small (~4%).

Reflection: It is always preferable for the original investment thesis to prove correct than to have to sell a stock. While it's better to sell a stagnant stock that continues to move sideways or lower, the significant mistake investors often make is selling and then being psychologically prevented (price anchoring) from re-entering when the stock moves substantially higher.

In conclusion, reflecting on everything, I am reminded of George Soros's powerful words: **"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong".**

Investing mistakes are inevitable. As George Soros implied, a major error isn't just losing money, but rather holding a strong conviction about a successful idea and only committing a small portion of capital. This missed opportunity, while not reflected in standard accounting, significantly impacts one's total net worth.

A valuable, yet less common, investment metric is the percentage of the portfolio, weighted by dollar size, that generates alpha (outperforms the market). A measure of 55% or higher is typically considered good. For example, the current year stands at about 70%.

Individual investors are strongly encouraged to track this metric, as it will have a profound effect on long-term net worth accumulation.

ARE WE IN AN AI BUBBLE

The question of whether we are currently in an AI bubble is a subject of widespread discussion. To address this, it's essential to first establish a common understanding of what constitutes a 'Bubble'.

I prefer the following two definitions:

1. A bubble is characterized by a **rapid and often irrational surge in the price of an underlying asset, leading to a significant divergence from its intrinsic value.**
2. Cliff Asness defines a bubble as a situation **where no reasonable future outcome can justify current asset prices.**

(For those interested in a deeper dive, I have previously shared my views on Market Bubbles in [Global Investment Review VIII.](#))

The introduction of any major new technology—from trains and electronics (like radio) to EV cars—has historically presented opportunities for significant profit, which in turn has almost invariably led to speculation. The current situation is following this established pattern.

My primary focus, therefore, is determining the necessary steps to protect investor interests in the event that a speculative bubble develops.

Current Assessment: No Overall Market Bubble. I do not believe we are in a bubble at this time.

However, I acknowledge that valuations are extremely stretched in certain sectors, specifically semi-conductors, AI-associated hardware, energy companies, and Quantum computing stocks. We are not invested in these sectors because I lack the confidence to forecast their future cash flows. The ability to confidently label these companies as a bubble—as per Cliff Asness's definition—requires an ability to accurately project those cash flows. The AI Disruption appears to be a transformative force. Based on my technical background, current usage, and research, I believe this technology will be the **most significant "Digital" disruptor of our lifetime**. This accelerating pace of technological change will inevitably make investing more challenging, especially as traditional competitive advantages (moats) are rapidly eroded.

The Threat of Sectoral Bubbles: We should be more concerned with sectoral bubbles, which occur more frequently than overall market bubbles like the 2000 Dotcom crisis or the Great Financial Crisis (GFC). Sectoral busts are often quickly forgotten.

For example, the Electric Vehicle (EV) sector experienced a bubble burst in 2022. The chart below illustrates the significant decline in EV company valuations from their highs (**Data as of February 27, 2024**) from my [Global Investment Review VIII](#)

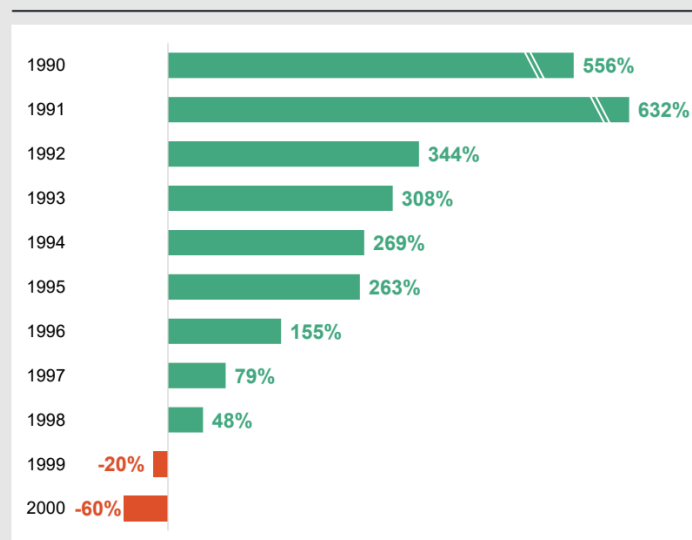
Company	Ticker	% Below High
Li Auto	LI	-25%
BYD	BYDDF	-44%
Tesla	TSLA	-53%
Xpeng	XPEV	-88%
Polestar	PSNY	-90%
NIO	NIO	-91%
Vinfast	VFS	-93%
GreenPower	GP	-94%

Company	Ticker	% Below High
Rivian	RIVN	-94%
LionElectric	LEV	-95%
QuantamScape	QS	-95%
Lucid	LCID	-95%
Fisker	FSR	-98%
Nikola	NKLA	-99%
Canoo	GOEV	-99.4%
Lordstown	RIDEQ	-99.7%
Proterra	PRTAQ	-99.95%
Arrival	ARVLF	-99.95%
Faraday	FFIE	-99.99%

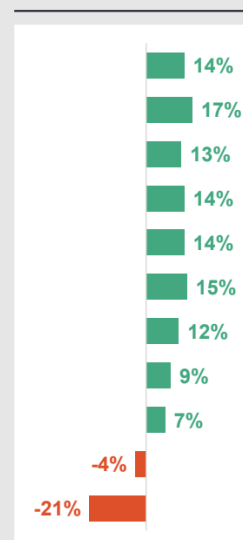
Avoiding the market due to the fear of bubbles is typically a losing strategy, as demonstrated by data shared by the successful hedge fund Coatue.

It is very costly to sell early

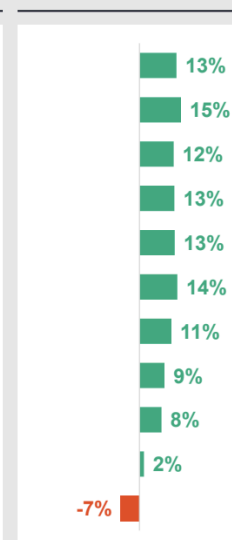
NDX returns from start date to YE2003



CAGR to YE2003



CAGR to YE2007



COATUE Source: Bloomberg as of 10/14/2025. For illustrative purposes only. Past performance is not indicative of future results. See Appendix – Disclosures for additional information.

Our value-based investing principles mean we often underperform during periods of extreme sectoral valuation surges, like those currently seen. However, I fully expect our long-term results to be successful, consistent with our performance over the past three-plus years.

We are all susceptible to cognitive biases:

- **Negative Bias:** Bad news naturally captures more attention than good news. Psychologists confirm that people prefer and better remember negative information, a bias the media readily exploits.
- **Confirmation Bias:** We tend to seek out and consume information that reinforces our existing beliefs.

These two tendencies can be particularly detrimental in investing, sometimes leading us to make incorrect decisions.

Fund Strategy in the Face of Potential Bubbles

Our fund's approach is to avoid businesses that are valued excessively based on *future* projections of cash flows. **Loss aversion tends to go down when one is winning.**

Therefore, our objective is to sidestep any sectoral bubble bursts, mitigating the impact on our portfolio beyond general market corrections.

Top Performers and their Contribution

Our top contributors to our performance were Alphabet, Prosus, and Carvana. On the other hand, our bottom performers were Lululemon, Chipotle, and Builder FirstSource.

Company	Symbol	Contribution
Alphabet	GOOG	8.8%
Prosus	PRX.AS	7.1%
Carvana	CVNA	4.9%

Bottom Performers and their Contribution

Company	Symbol	Contribution
Lululemon	LULU	-2.2%
Chipotle	CMG	-1.9%
Builder First Source	BLDR	-1.5%

A few lines in honor (or shame) for the companies that made this list.

Alphabet (Google): A Foundational Long-Term Hold

Alphabet was the initial investment when the fund was established. We believe the market has underestimated the significant competitive advantages, or "moats," surrounding its core business. Concerns about the decline of its search business, early stumbles in AI launches, and the potential impact of the antitrust court decision were overblown and heavily discounted the stock price. Many of these perceived risks have since lessened, making it the top-performing "Mag 7" stock in 2025.

This remains a long-term holding. However, consistent with all portfolio companies, we must closely monitor key performance indicators, including:

- The ongoing influence of AI on its search functionality.

- The level of capital expenditure directed toward AI development.
- The growth trajectory of its cloud computing segment.

Furthermore, we believe the market has yet to fully appreciate the value of other business units, such as Waymo.

Prosus (PRX.AS): Investment Thesis

Prosus is a core, long-term holding primarily valued for its substantial stake in Tencent, a company we believe has significant growth potential and a strong global competitive advantage. A key element of our thesis is that Prosus's current market capitalization is less than the value of its Tencent holding alone.

The Sum-of-the-Parts Opportunity: In addition to the Tencent stake, Prosus holds an estimated \$35 billion in other listed and unlisted assets. However, management has faced challenges in reducing the persistent discount between the value of the underlying Tencent stake and Prosus's total valuation.

Future Consideration: We will consider a direct investment in Tencent, taking tax implications into account, if management is unable to effectively close this valuation gap in the near future.

Carvana (CVNA) continues to exceed execution expectations, successfully gaining market share and delivering profitable revenue growth. The recent surge in December was largely attributed to its inclusion in the S&P 500, which also validates our initial investment thesis. Given the significant increase in its valuation, I may look to trim this position in 2026. This potential decision would be driven by seizing higher-return opportunities elsewhere (opportunity cost), rather than a lack of confidence in the company or its management team.

Lululemon (LULU): We view Lululemon as a long-term compounder and a relatively recent addition to our portfolio. We established our position during a market pullback stemming from issues with merchandise execution. While the company faces the headwind of tariffs and increased competition in the US from rivals like Vuori and Alo Yoga, our investment thesis is predicated on continued international expansion, particularly in China, which we expect to drive earnings growth. However, we would need

to reassess our investment decision if Lululemon fails to achieve positive mid-single-digit comparable sales growth in the US.

Builder First Source (BLDR) is positioned as a strong long-term holding, demonstrating excellent capital management with a Return on Invested Capital exceeding 20%. As a key manufacturer and supplier in the building materials sector, the company generates substantial free cash flow. This cash is strategically allocated to acquisitions within the fragmented market and significant stock repurchases, having already retired approximately a third of its outstanding shares.

Despite the current housing market recession, the outlook remains positive. The U.S. faces a persistent housing deficit of 3 to 5 million homes. A strong recovery and subsequent performance are anticipated for BLDR once the underlying housing affordability crisis is addressed, leading to a broader industry rebound.

Chipotle Mexican Grill (CMG): Chipotle's performance in 2025 was disappointing, primarily due to heightened competition and margin pressure resulting from increased labor and food costs that outpaced menu price increases. The market punished the stock for a temporary slowdown in same-store sales growth. Despite this challenging year, our conviction in CMG as a long-term holding remains robust. The company maintains a strong brand, superior unit economics, and a clear runway for expansion. We view the current market pessimism as a buying opportunity and intend to treat CMG as a foundational, multi-year holding.

Our ability to stay largely indifferent to mark-to-market movements in our portfolio companies when they are not reflective of underlying business issues, remains one of our competitive advantages. Our ability to withstand volatility comes from our deep due diligence and understanding of companies we own, the collective patience of our investors and our dispassionate, rational approach to investing.

Many of the largest hedge funds' competitive advantages come from massive technology and infrastructure investments, large-scale organizations, access to information seconds and even milliseconds before others, and extraordinary trading capabilities.

We do not compete on these factors. Instead, our durable advantage lies in our structural patience, deep fundamental research, and the behavioral discipline to remain rational when the market becomes emotional.

This year, we successfully introduced several new positions to our portfolio. We are particularly pleased with the addition of Interactive Brokers (IBKR). We also invested in **Global E Online (GLBE)**, an Israel-based company, and **Adobe**. I believe Adobe is currently available at a discount due to an over-correction driven by AI fears. GLBE currently constitutes about 3% of the portfolio, and I anticipate this percentage will increase over time. Adobe represents a smaller, roughly 2% initial bet.

As we conclude this letter, we continue to operate in one of the most complex macroeconomic conditions in recent history. While inflation levels continue to moderate, they remain above central bank targets. The prolonged tightening cycle has caused shifting expectations around rate cuts, which has created a complicated environment for markets.

PARTNER COMMUNICATION

We added 8 Limited Partners this year, along with existing investors adding additional capital to their prior investments. Our fund continues to grow due to the combined factors of new investors joining in as well organically due to general market-growth and us doing better than those returns.

We introduced 2 share classes at the beginning of 2025. Class A was the original class, with a 6% hurdle rate and Class B at a 8% hurdle with a minimum of \$500K capital contribution. 3 investors took advantage of this. As mentioned this was planned for 2025 only and Class B is now eliminated except for the ones that signed up for it in 2025.

As part of our commitment to aligning with investor interests and current market standards, we have adopted an **Amended and Restated Limited Partnership Agreement (LPA)** and **Private Offering Memorandum (PPM)**.

These changes are designed to make the Fund more investor-friendly, reduce your costs, and better reflect our core "Global Value" equity strategy.

Key Changes at a Glance

1. Reduced Performance Fee: We are lowering the Performance Allocation from **25%** to **20%**.

- *Impact:* You keep a larger share of the profits. The 0% management fee and 6% hard hurdle remain in place, ensuring we only get paid when we outperform.

2. Improved Liquidity Terms: We have significantly relaxed the capital lock-up and withdrawal restrictions to offer you greater flexibility:

- **Lock-Up Period:** Reduced from **3 years** to **1 year** (4 quarters).
- **Withdrawal Frequency:** Increased from **Annual** (Dec 31 only) to **Quarterly** (Mar, Jun, Sep, Dec).
- **Notice Period:** Reduced from **90 days** to **60 days**.

3. Strategic Clarification (Crypto Provisions): We have removed legacy language regarding cryptocurrency mining, cold wallets, and digital asset operations.

- *Reason:* This language was carried over from earlier templates and did not accurately reflect our mandate. Removing it eliminates confusion and confirms our focus on fundamental equity value investing.

4. Modernization & Regulatory Compliance

- **Minimum Investment:** The minimum initial investment for *new* subscribers has been increased to **\$100,000** (previously \$50,000). *Note: This does not affect existing partners' current account balances.*
- **Regulatory Updates:** We have updated the definitions of "Qualified Client" and "Accredited Investor" to align with the latest Securities and Exchange Commission (SEC) thresholds.

Next Steps

No action is required on your part. These changes have been formally adopted by the General Partner to benefit the partnership and ensure regulatory compliance.

Our **partnership** with NAV Consulting, the Fund Administrator, has been invaluable. I have had the pleasure of working with them since the beginning and look forward to continuing our relationship for the foreseeable future.

Akram & Associates provides audit and tax services, and you can expect to receive your K1s from them by March of the next year.

We chose Interactive Brokers (IBKR) as our custodian and brokerage due to their low transaction fees, higher interest on cash, stock lending program, and international transaction capabilities, among other factors.

The fund's structure allows for scalability, enabling us to accommodate additional investors and funds without significantly increasing my workload. Thanks to our service partners, I can focus on what I love most: researching companies worldwide to identify investment opportunities.

Thank you for entrusting me with your investments. I value your support and welcome any questions.

Yours sincerely,

Pratik Kodial