



4Q25

Investor Note

INVISIBLE PROGRESS

Let me start with the facts.

Over the last three calendar years, returns have been modest but consistently positive in USD terms. Per the Financial Times, quality stocks globally - defined by high returns on equity, solid earnings growth and low leverage - had their second worst relative decline on record (the first was in 2004), trailing by 9.6% during 2025.

For Mash, prices have not moved much. **Value, however, has.** Without further ado, let's look directly at what we own. Viewed as a single business, our "PortCo" today represents ownership of the following profile:

- \$70 billion in annual revenue
- 10% annual revenue growth over the last 3 years
- 43% gross margins
- 25% return on equity
- \$20 billion in operating cash flow
- \$10 billion in free cash flow

These are not the characteristics of a globally diversified portfolio standing still. They are the characteristics of one compounding quietly, even as market prices remain indifferent.

That gap between business progress and price is uncomfortable. It always is. Over full cycles, it is also where long-term outcomes are shaped.

For those reviewing the accompanying Q4 factsheet alongside Q3, a few changes are worth noting. At the portfolio level, PortCo continued to grow in scale, with higher revenues (from \$60 to \$70 billion) and stable cash generation (\$20 billion in operating cash), even as margins normalized from unusually elevated levels (from 50s to 40s). Beneath the surface, we modestly increased exposure to productive assets while reducing idle cash, without altering the portfolio's overall risk posture.

These moves reflect incremental re-positioning - adding exposure where expectations are low, maintaining ballast where uncertainty remains high, and allowing the portfolio's architecture to do its work.

To understand why we are comfortable compounding this way, it helps to step back and look at the arithmetic of long-term outcomes.

MATH OF THE MIDDLE

Howard Marks once shared a story that has stayed with me - not because it was clever, but because it was unintuitive.

In the early 1990s, Marks had dinner with David VanBenschoten, who ran the General Mills pension fund. When asked about performance, VanBenschoten offered a simple summary.

Over a 14-year period (similar to ours), the pension fund had never once ranked in the top quartile of managers. There were no banner years. No moments of glory. No appearances on leaderboards. In fact, results lived in a narrow band: never better than the **27th percentile**, and never worse than the **47th percentile**. Never exceptional. Never reckless.

And yet, measured over the full period, the fund ranked in the **Top 4%** of all managers.

How does that happen?

Not through brilliance. Through arithmetic.

Many managers chase top-decile performance in any given year. To get there, they concentrate risk, lean into crowded trades, and accept the possibility of being wrong in spectacular fashion. Sometimes it works and they are celebrated. Oftentimes it does not and a single bad year erases several good ones.

The General Mills pension fund played a different game. It cut off the bottom tail. There were good years, average years, and forgettable years. **But never disastrous ones**. By avoiding the losers, compounding was allowed to do its quiet work.

Marks later contrasted this with another manager who argued that “if you want to be in the top 5%, you have to be willing to be in the bottom 5%.”

When asked which one he preferred, his response was simple: “I like the first guy better.”

So did his clients. So do ours.

I am not interested in being in the top 5% in any single year. And I am absolutely unwilling to be in the bottom 5%.

This is not about playing **small**. This is about playing **long**.

What follows is simply what this arithmetic looks like when applied to our portfolio within today’s market landscape.

A TRIPOD FOR TODAY’S GROUND

Our global multi-asset portfolio is not built around rigid silos. It is built to adapt to changing terrain, especially as we navigate a phase of geopolitical turbulence and resource nationalism.

Today’s terrain — shaped by rapid technological change, demographic reality, and physical constraints — is best understood through three reinforcing legs of a tripod. **Remove one, and balance is lost.**

1. The Digital Brain: AI 1.0 and AI 2.0

Artificial Intelligence is a legitimate and powerful shift, and we have written about it at length — most recently in 3Q25. What we are avoiding is not AI itself, but the crowded, first-order expression of it.

The first phase, AI 1.0, has been dominated by compute, chips, and model training. This phase is well understood, heavily capitalized, and aggressively priced.

Within this leg of the tripod, we focus on exposure that is structural, not narrative-driven.

Taiwan Semiconductor (TSM) sits at the heart of the global compute stack. Regardless of which models win or which platforms dominate, advanced chips must be manufactured. TSM is not a bet on any single AI outcome; it is a bet on industrial inevitability.

The second phase, AI 2.0, is where value migrates from raw compute to applications, security, and real-world deployment. **Palo Alto Networks (PANW)** represents this transition. As AI proliferates across enterprises and infrastructure, security becomes continuous, AI-driven, and mission-critical. This is by no means discretionary spend.

Beyond these, I continue to research AI applications in robotics, automation, and physical systems — where software meets physics and productivity becomes tangible.

2. The Biological Body: Health and Longevity

While markets are fixated on the Digital Brain, I have leaned further into the Biological Body.

Healthcare today trades at a 35% valuation discount to the S&P 500, a gap seen over 30 years ago during the 1990s. Couple that with the Healthcare Sector weight within the S&P 500 going from 15% a decade ago to 10% today.

Prices and relative index weights seem to suggest that human disease is largely solved and longevity no longer matters. That's just pure delusion; reality suggests anything but.

Rather than betting on a single molecule, we own a basket that reflects how healthcare — whether pharmaceuticals, life sciences tools and diagnostics or biotechnology — actually compounds:

AbbVie, Merck, Medtronic, Bristol Myers Squibb. Durable franchises with large installed bases, recurring demand, cash flows that fund their own innovation and balance sheets that allow for acquisitions.

Danaher. The picks-and-shovels of life sciences, capturing almost every dollar spent on diagnostics, biologics, and research.

Argenx, Vertex and more. Asymmetric innovation, with non-linear upside when science translates into adoption.

All biological progress is rarely linear, often invisible, and consistently underestimated. Until it suddenly isn't.

3. The Physical World: Real Assets and Strategic Materials

The third leg grounds the portfolio in physical reality.

Our allocation to Real Assets is **intentional and disproportionate**. It reflects scarcity, at least as I envision the world 18 to 24 months from now.

Our Real Assets exposure includes:

- **Gold** as monetary ballast
- **Copper** and base metals tied to electrification
- **Nuclear and Uranium** supporting energy security
- **Rare earths** and strategic materials essential to modern industry

These assets do not compound through narratives. They compound through regulation, technology, geology, capital intensity, and time.

In a world of geopolitical fragmentation and supply-chain re-shoring, the Physical World provides inflation protection, crisis optionality, and volatility dampening — even when it feels dormant.

Placing the Tripod within the Portfolio

Allow me to share two broader observations that help place these ideas into a single portfolio.

First, the three legs of the tripod are **deeply interconnected, not independent**. Artificial intelligence ultimately runs into physical constraints: energy, materials, and infrastructure. Advances in healthcare increasingly rely on data, diagnostics, and computation. And progress in the digital world rests, more than most realize, on the physical world beneath it. These are not separate stories; they are different expressions of the same system.

Second, **balance** matters. Each leg plays a different role across market cycles, and given how we view the world today, none is designed to dominate the portfolio. Accordingly, our global portfolio today allocates roughly 20-30% to each, allowing us to participate in progress while avoiding dependence on any single narrative.

This balance sits within a broader global portfolio architecture designed to adapt across cycles, geographies, and regimes. Historically, this kind of structure has helped limit drawdowns, avoid forced decisions during periods of stress, and keep capital available when expectations reset.

For investors interested in a deeper discussion of how these ideas translate into portfolio design and risk control, the [Owner-Investor Guide](#) remains the most complete expression of how we think and operate.

THE PLATFORM BENEATH THE PORTFOLIO

Invisible progress does not stop at the portfolio level.

Effective January 1, 2026, we have appointed **NAV Fund Services** to serve as our Fund Administrator. NAV is an award-winning, US-based global administrator overseeing more than \$350 billion in assets, and we are excited to welcome them onboard.

You will receive a separate communication from NAV shortly with instructions to access your online investor portal. This transition reflects our continued focus on strengthening governance, reporting, and institutional infrastructure — even when those improvements happen quietly.

CLOSING THOUGHTS

Looking ahead to 2026, the setup is constructive. Several of our core holdings are priced for caution rather than optimism, while fundamentals continue to improve beneath the surface. We do not need enthusiasm to return to our holdings; only for reality to assert itself over time.

Our portfolio is designed for prudence, not for popularity. If this portfolio ever feels exciting, fashionable, or trendy to own, we are probably doing something wrong.

Sincerely,
Kunal Mashruwala

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