

Investor letter – Jul - Sep 2025

Results:

Rational Equity Flagship Fund Scheme 1 -

	REFF I	NIFTY 500 TRI	Outperformance
FY24	79.0%	42.6%	36.5%
FY25	11.3%	6.4%	4.9%
YTD FY26	8.5%	7.3%	1.2%
Cumulative Return SI*	119.0%	63.6%	55.4%
Annualised Return SI*	35.5%	21.0%	14.5%

* Cumulative return for REFF I is from 28th March 2023 till end of Q2FY26.

REFF I Returns are post taxes and expenses and pre fees. Upon redemption, performance fees shall be deductible.

Rational Equity Scheme 2 -

	REFF I	NIFTY 500 TRI	Outperformance
YTD FY26	-0.3%	3.5%	-3.8%

Rational Asset Gold & Silver Fund –

	Gold Fund
YTD FY26	32.5%

Tailwinds and Megatrends

When we invest in a company, we try to pick them from sectors that are beneficiaries of a secular trend. Some examples are premiumization in consumer goods led by rising income levels in India and the emergence of natural gas as a transitory fuel.

Very rarely, a secular trend is so immense that it is also popularly known as a megatrend. Megatrends are a seismic shift in the world as we know it caused by disruptive technological or macroeconomic changes. Popular examples of a technological megatrend are the proliferation of the internet and adoption of artificial intelligence. Another megatrend of the macroeconomic variety that we have been tracking closely is the resurgence of gold as an investment asset.

Over the past 2 years, two secular trends have converged to reduce the attractiveness of the US dollar as an investment.

The first is deglobalization. In exchange for the dollar being the reserve currency of the world and keeping inflation low in the US for the past 4 decades, the US was willing to transfer manufacturing technology to countries with cheap and plentiful labor supply like Korea and China, while services were exported to countries like India. However, its mounting unsustainable

debt and the emergence of China as a comparable economic and military power has led the US to abandon this approach. The culmination of this is the Trump administration employing an extreme isolationist trade policy and imposing tariffs which will inevitably lead to high levels of inflation in the US.

The second is the combination of unsustainable fiscal and debt policy and weak labour data of the US leading. Enormous deficits have resulted in ballooned interest payments making debt an untenable burden. In consequence, the US is faced with no option but to cut interest rates to ensure the country does not spiral into a debt trap.

The combination of these two trends has resulted in a decline in faith in the US dollar as reserve currency and hence, a massive surge in the popularity of gold for central banks, institutions as well as retail investors. Consequently, gold prices have more than doubled in the past two years.

Our chosen proxy to profit from this megatrend has been to invest in gold and silver mining companies. They have been transformed from bankrupt zombie companies to cash rich firms with high returns on capital as operating leverage has played out. We believe this megatrend still has a long way to go.

Regards,
The Rational Team