

Global Compounders (GCP)

An investment strategy for
Developed Public Equities (ex-India)
May 2025



Note: The stocks described/spoken about in the presentation/webinar do form the part of our Marcellus' portfolio so we as Marcellus, our clients and our immediate relatives do have interest and stakes in the described stocks

This circulation is not intended for US Clients

A small group of globally dominant companies supply our necessities



Over the long term, US and India are the best performing markets

Country	Index	TSR (30Y)	TSR (20Y)	TSR (10Y)	Rank (30Y)	Rank (20Y)	Rank (10Y)
US	S&P 500	10.4%	10.4%	12.8%	1	3	1
India	Nifty 50	9.1%	11.0%	9.6%	3	1	3
Australia	ASX 200	9.4%	8.7%	7.6%	2	5	7
Canada	TSX	8.7%	7.7%	7.9%	4	7	6
China	Shanghai Composite	7.7%	9.0%	(2.3%)	5	4	13
Taiwan	TWSE	7.1%	10.8%	12.6%	6	2	2
Hong Kong	Hang Seng	6.6%	6.2%	1.9%	7	10	12
Brazil	Bovespa	6.1%	4.2%	3.8%	8	13	10
Germany	DAX*	5.8%	8.3%	8.1%	9	6	4
UK	FTSE 100	5.7%	5.2%	4.9%	10	12	9
France	CAC*	5.4%	6.2%	8.1%	11	9	5
South Korea	Kospi	3.4%	5.5%	2.3%	12	11	11
Japan	Nikkei 225	2.7%	6.6%	6.8%	13	8	8



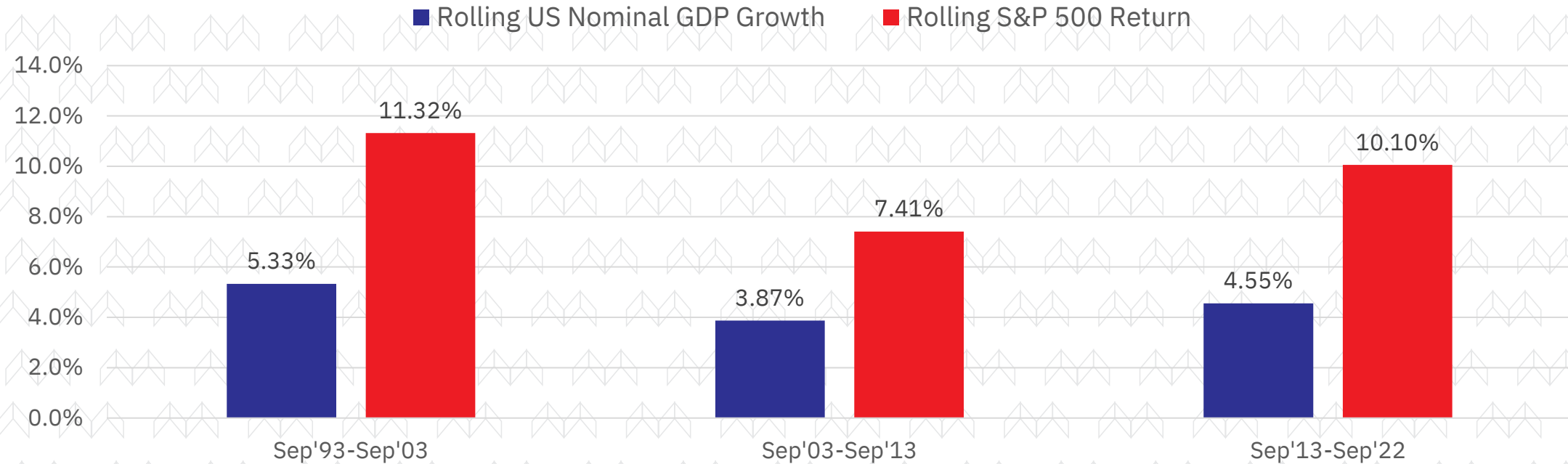
Source: Marcellus Investment Managers; Bloomberg LP; 30-Year, 20-Year and 10-Year TSR calculated period ending May 2025; * - taken from 1st January 1999 when Euro was adopted; all returns expressed in USD terms

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S&P 500 Index returns disassociated with nominal US GDP growth



US listed equities: 75%+ of Global Compounders Portfolio



Source: Marcellus Investment Managers; Bloomberg LP

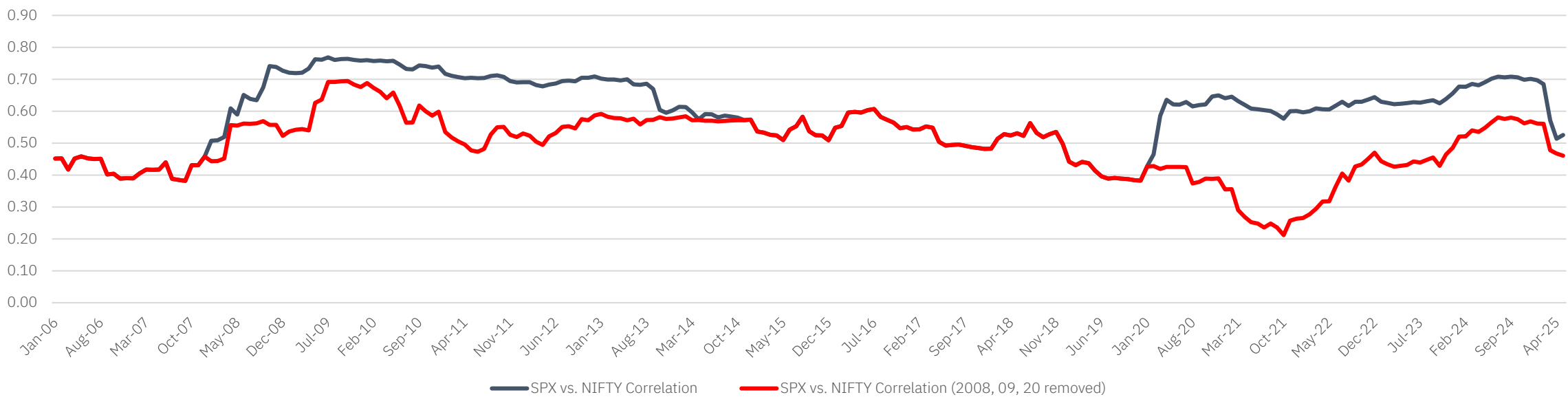
“Never bet against America” – Warren Buffett

“For 240 years it’s been a terrible mistake to bet against America, and now is no time to start. America’s golden goose of commerce and innovation will continue to lay more and larger eggs. America’s social security promises will be honored and perhaps made more generous. And, yes, America’s kids will live far better than their parents did.” – 2015 Annual Letter

The 2 Best Performing Stock Markets Have Significantly Low Correlation With Each Other... Strong Case for Diversification



5Y- Monthly rolling - S&p 500 vs. Nifty Correlation



Nifty 50 vs. S&P 500 Correlation in down months (negative returns) of S&P 500 ex GFC/Covid

	Nifty 50	MSCI Europe	MSCI Japan	MSCI EM
10-year Correlation	10%	58%	67%	65%
20 year Correlation	16%	65%	59%	68%

Nifty 50 vs. S&P 500 Correlation in down months (negative returns) of S&P 500

	Nifty 50	MSCI Europe	MSCI Japan	MSCI EM
10 year Correlation	48%	84%	77%	86%
20 year Correlation	51%	84%	67%	85%

Source: Marcellus Investment Managers, Bloomberg;
Note: Global Financial Crisis period is considered as mid-2008 to mid-2009 and COVID period is considered as early 2020 to Q3 2020. The information is for informational/educational purposes only and is not intended to be personal financial advice.

Diversification benefits



S&P/Nifty Returns (USD) during economic events

Key Economic Events	Period	Return (USD terms)		
		S&P 500 Index	Nifty 50 Index	Nifty 50%: S&P 50%
India Specific				
ILFS Crisis	Aug18-Oct'18	-4.6%	-16.6%	-10.6%
Demonetization	Nov'16-Dec'16	6.0%	-6.8%	-0.4%
Interest rate hike, Growth slowdown	Jan'11-Dec'11	-1.1%	-36.9%	-19.0%
US Specific				
Interest rate hikes + Russia Ukraine War	Jan'22-Oct'22	-18.7%	-8.8%	-13.7%
US China Trade War	Oct'18-Dec'18	-8.9%	9.3%	0.2%
Dot-com Bubble Burst	Mar'00-Dec'03	-19.4%	4.9%	-7.3%
Global Events				
Global Covid Outbreak	Feb'20-Mar'20	-22.6%	-32.1%	-27.3%
Global Financial Crisis	Aug'08-Dec'08	-41.7%	-55.1%	-48.4%

Combined S&P 500 and Nifty50
Portfolio results in lower volatility
from diversification

Source: Bloomberg, Marcellus Investment Managers

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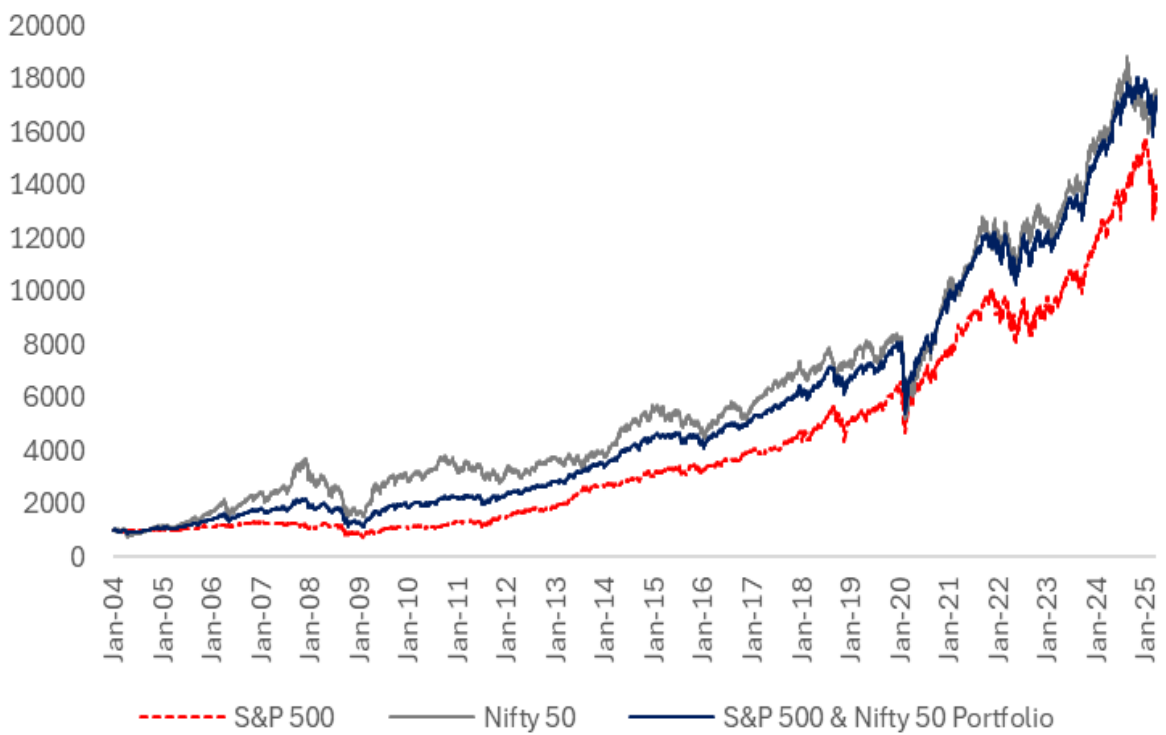
A 50:50 Indo-American Portfolio Has Generated Outstanding Returns Over the Past 20 Years



An Indo-American portfolio which is rebalanced 50:50 each year in January end each year, could result in superior risk adjusted compounding because the portfolio incorporates the lower volatility from the S&P 500 and the higher returns from Nifty to deliver returns that are relatively more stable

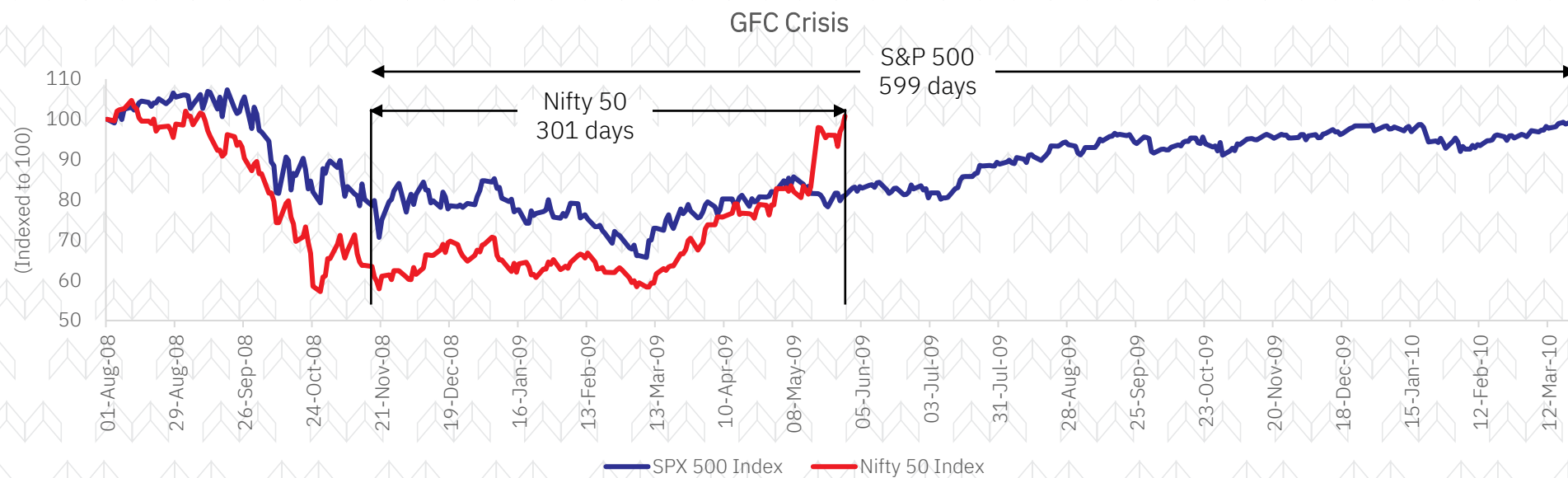
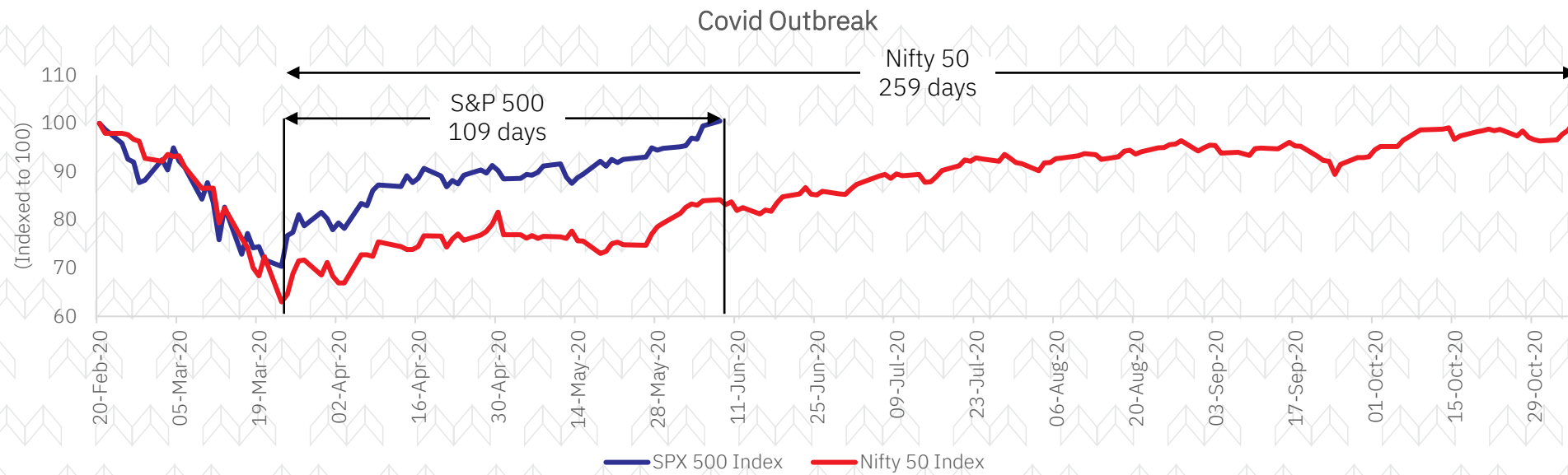
Rs 1,000 invested in 50:50 Nifty: S&P500 on 30th January 2004 could have become close to Rs 17,000+ on 30th April 2025

Metrics	S&P500	Nifty50	Portfolio of S&P500 and Nifty50
CAGR in INR (%)	13.2	14.4	14.4
Risk (%) - measured by standard deviation	13.5	21.1	14.3
Downside Risk (%)*	9.8	15.5	10.8
Return/Risk	0.98	0.69	1.00



Source: Marcellus Investment Managers, Bloomberg; note - total returns used here; metrics calculated from January 2004 to April 2025; equal portfolio created with annual rebalance in January every year with allocation of 50% each to S&P500 and Nifty50; all returns in INR terms; * - downside risk measured by standard deviation for negative returns for that period; CAGR, risk, and return/risk calculated over 3 year rolling period. The information is for informational/educational purposes only and is not intended to be personal financial advice.

US/India market drawdown and recovery



Source: Bloomberg, Marcellus Investment Managers; Note: The information is for informational/educational purposes only and is not intended to be personal financial advice.

US companies of global profit share has been rising despite falling share of global GDP



Source: Bridgewater Associates LP; Note: The information is for informational/educational purposes only and is not intended to be personal financial advice.

Highly Accomplished Team



Arindam Mandal
Global Investment Team

- Global Equities at Principal Global Investors (PGI), New York
- MBA from Duke University. Highest Honors in Finance
- Engineering Leader at Oracle



Jaibir Singh Sethi
Global Investment Team

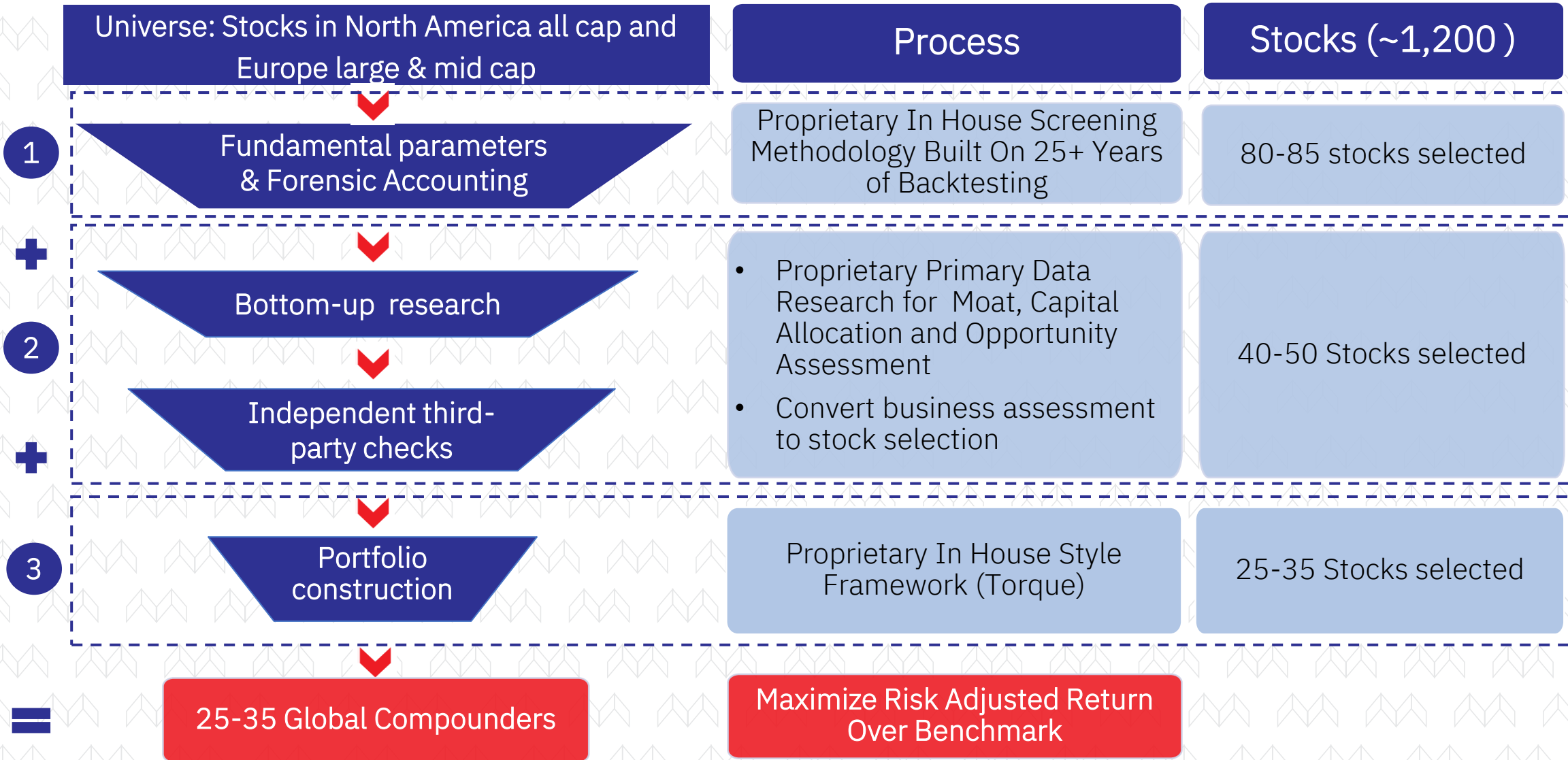
- Principal and Head of Research, Public Markets at Premji Invest
- Investment Analyst at CLSA, Noble Group and Clear Capital
- Post-graduate Diploma in Management from the IIM Bangalore



**GCP has a dedicated research team*

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Simple Yet Effective Investment Process



Note: The Investment Manager has the discretion to include stocks in the portfolio. If a stock does not meet the above filters, the Investment Manager may record it while including the stock.

GCP characteristics: Beyond Tech, High Longevity and Aligned Management



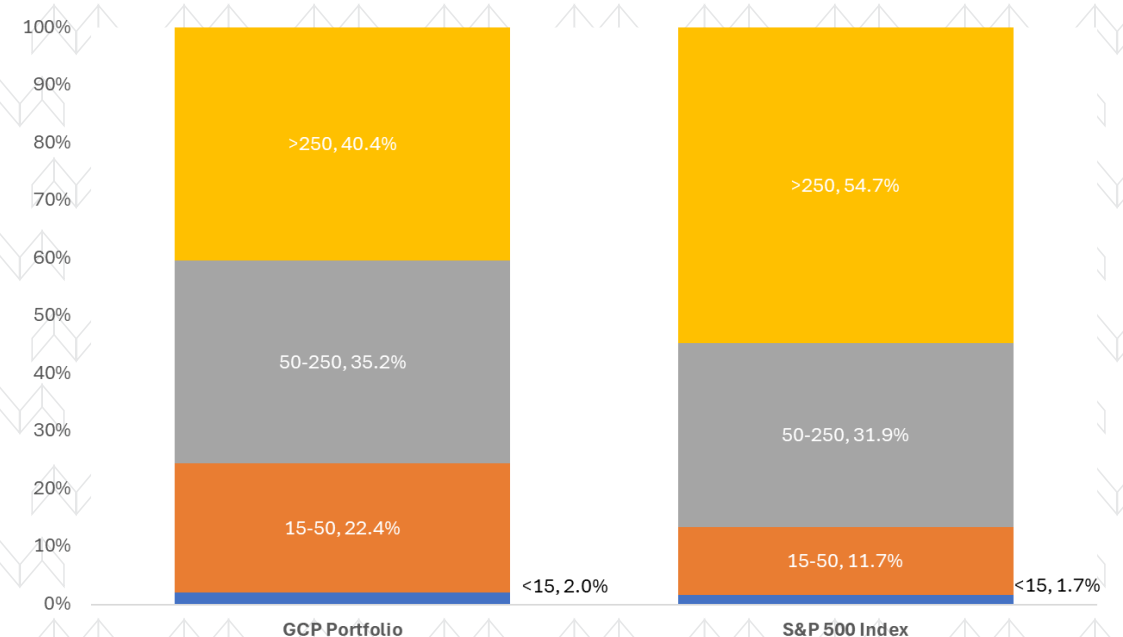
On average 60+ years of existence
30+ years of greatness

Allocation by market capitalization (USD bn)



Source: Bureau of Labor Statistics

- Oldest Company in GCP Portfolio 180+ years
- Youngest Company in GCP Portfolio 25+ years
- Majority of GCP type companies have **30-60% higher longevity** than average S&P 500 company
- GCP Companies have Staples/Utility Characteristics



Source: Bloomberg LP; Market capitalization taken as of 2nd June 2025

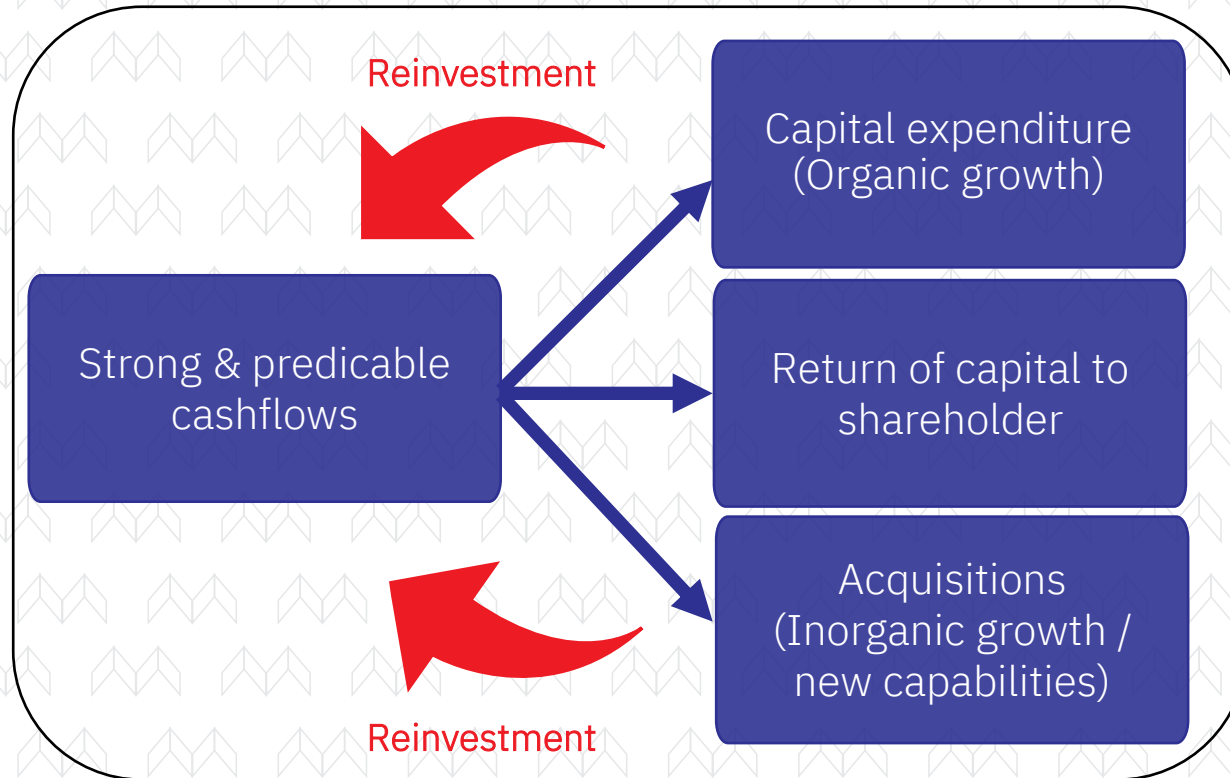
- **Family Run Businesses:** 40%+ of GCP are family run
- **Aligned Management:** GCP companies' mgmt. teams heavily incentivised through stocks
- **Sector Exposure:** Tech 15-25% though cycle
- **Market Cap:** Unconstrained. Concentration in High Quality midcaps leaves long growth runway

High cash generation leads to virtuous cycle of wealth creation



GCP companies wealth creation engine through reinvestment and capital return

Shareholder wealth creation



- Thorough, independent checks help deepen understanding of moats, capital allocation and governance
- Quantitative scoring of qualitative factors as well as potential risk factors
- Complemented by quantification and longevity of growth
- This drives final stock selection for inclusion in the portfolio

Asset Light + Predictable Cashflows + Efficient Capital Allocation = Maximum Value Creation

GCP companies have three sources of moats



R&D Strength

Operational Excellence

Capital Allocation

Pick and shovel companies provide essential tools and services for specific industries – insulated from market share vagaries

Pick & Shovel

ASML

United Rentals

HEICO

Modern utilities are unregulated essential services with a sticky user base, high pricing power and recurring revenues

Utility

amazon

Microsoft

BERKSHIRE HATHAWAY INC.

Consumption themes focused at the premium end, benefiting from a rising share of wealthy households

Consumption

IDEXX

HERMÈS
PARIS



SHERWIN-WILLIAMS.

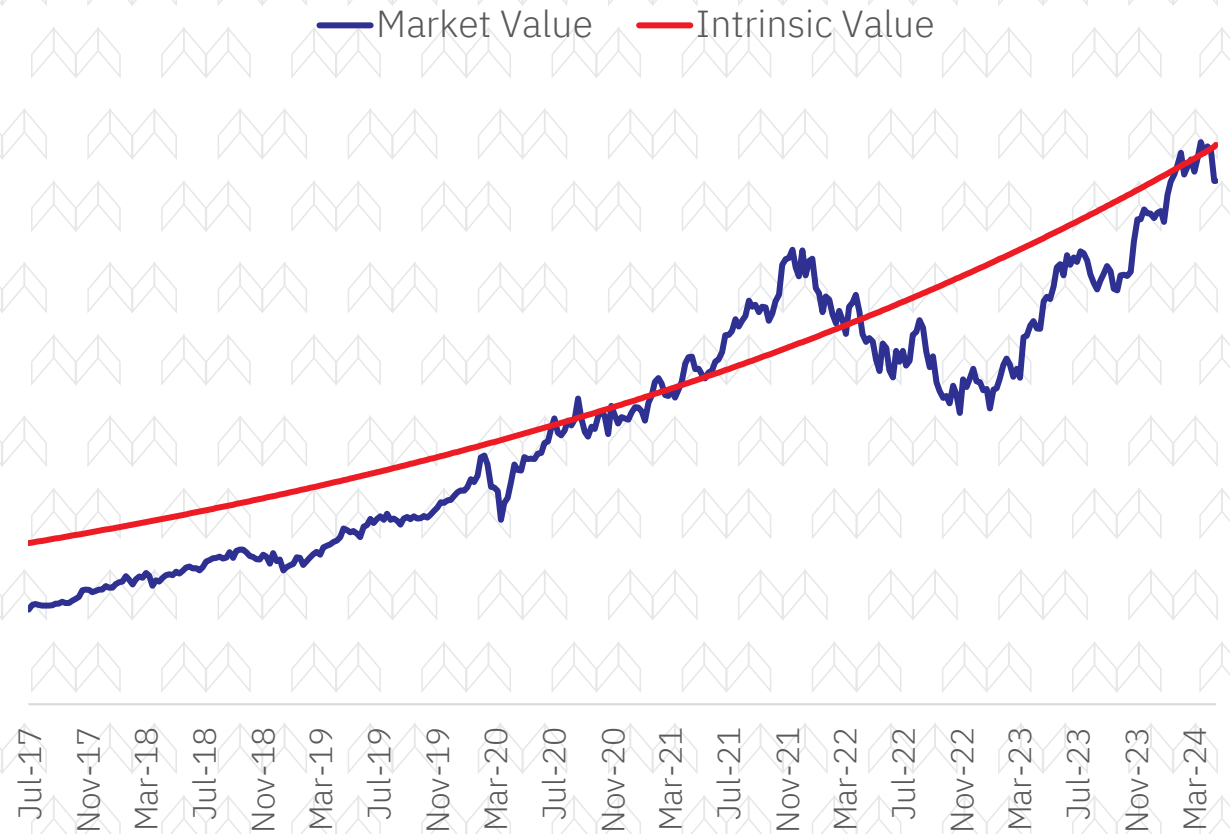
Source: Marcellus Investment Managers, Company website Note: Above stocks are/is a part of Marcellus' GCP portfolio thus our clients, employees and their immediate relatives may have interest in the said stocks.

TORQUE: Proprietary framework to benefit from extreme dislocations



Market perception of businesses is volatile

- The actual intrinsic value of quality companies changes at a relatively predictable rate.
- However, market perception of fair value goes through extremes every now and then.
- Torque attempts to benefit from these extreme changes in perception.

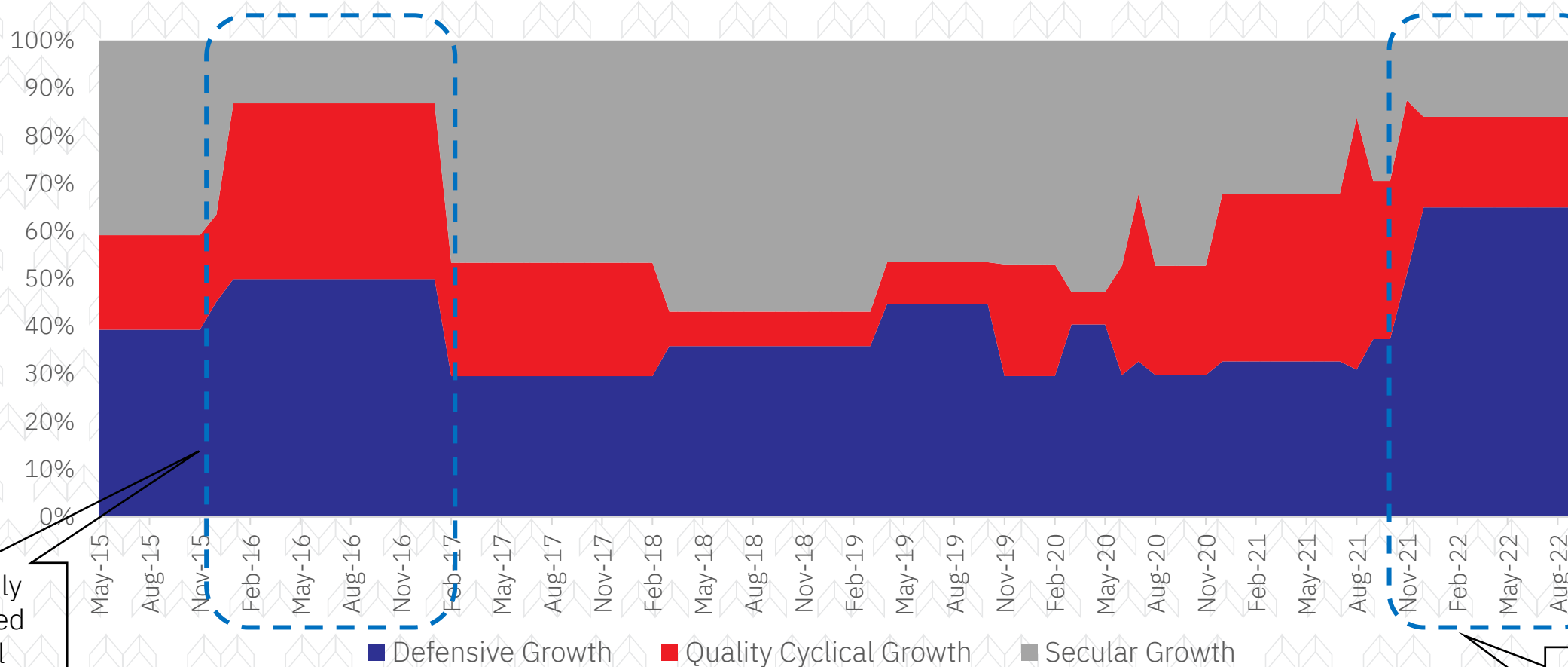


Source: Marcellus Investment Managers, Bloomberg LP

TORQUE Framework impact on portfolio allocation



Torque driven by two sets of factors – Macro economic factors (housing etc.) and Style based factors (momentum, value etc.)



Extremely depressed cyclical valuations

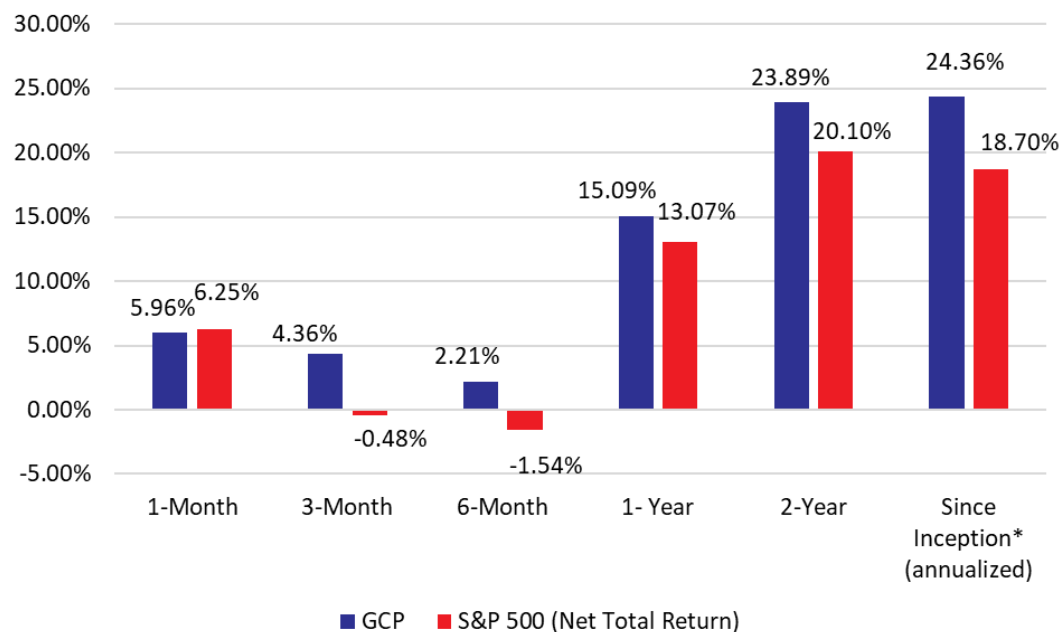
Source: Marcellus Investment Managers

Extreme growth euphoria

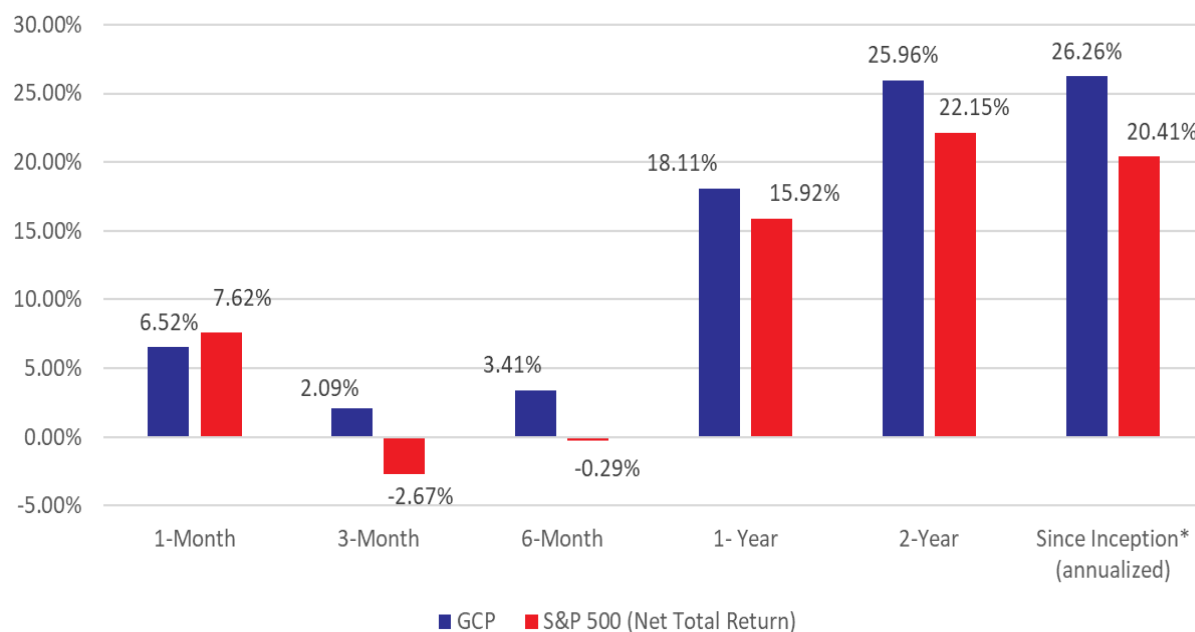
Marcellus's GCP live performance (as on 31st May 2025 (figures in %))



USD denominated returns



INR denominated returns



Source: Marcellus performance data is shown gross of taxes and net of fees & expenses charged till 31st May 2025 on client account. Time period returns are absolute.

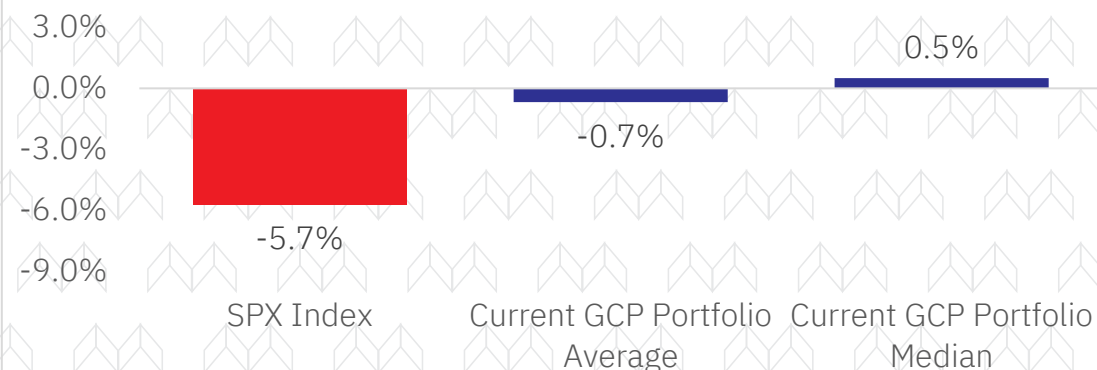
Source: Marcellus performance data is shown gross of taxes and net of fees & expenses charged till 31st May 2025 on client account. Time period returns are absolute. Marcellus' GCP USD returns are converted into INR using USD:INR exchange rate from RBI – [Link for the reference](#)

Note: * Since Inception performance calculated from 31st Oct 2022. The inception date is 31st October 2022, being the next business day after the account got funded on 28th October 2022. S&P 500 net total return is calculated by considering both capital appreciation and dividend payouts. The calculation or presentation of performance results in this publication has NOT been approved or reviewed by the IFSCA or US SEC. Performance is the combined performance of RI and NRI strategies

GCP companies' earning revisions during recent periods of turmoil

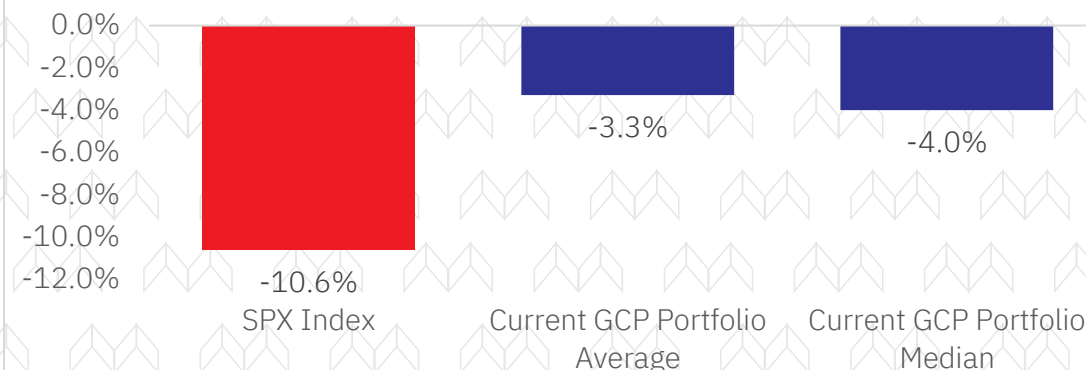
Trade War 1.0 (2018-19)

CY19 Earnings Revision in 2019



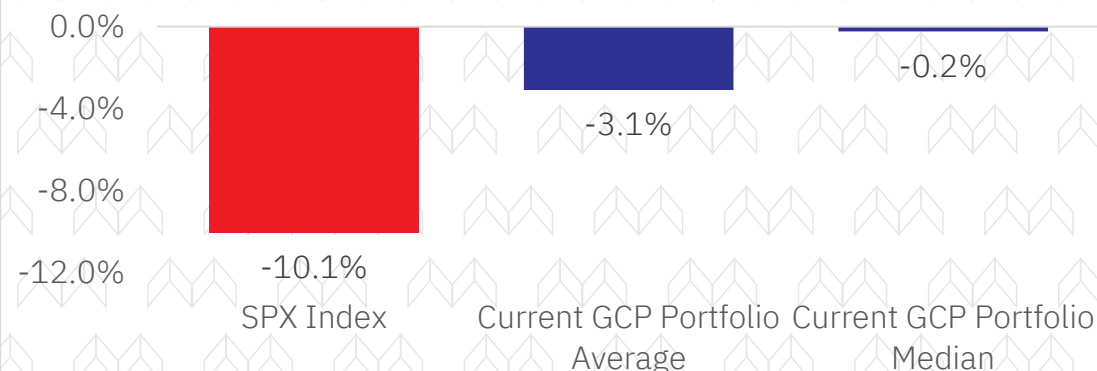
Rate Hike + Inflation back Risk (Jun'22-Jun'23)

CY23 Earnings Revision in 2022



Covid-19 (2020-21)

CY21 Earnings Revision in 2020



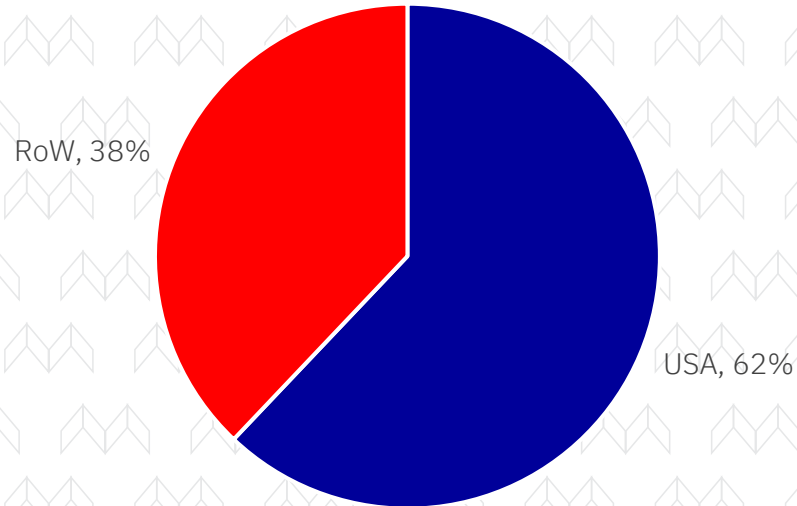
- In previous periods of global uncertainty — such as the 2018 trade war and the COVID-19 pandemic — GCP portfolio companies saw minimal earnings revisions, highlighting the resilience of their business models.
- Given their historical ability to deliver high-teens earnings growth even in tough environments, we expect GCP companies to sustain low to mid-teens compounding going forward — unless there is a full-blown recession - our base case assumptions around earnings growth is unlikely to be altered much.

Source: Bloomberg, Marcellus Investment Managers. Note: The number presented in index and GCP are Bloomberg consensus estimates not actuals. Here GCP means the Global Compounders Portfolio (PMS strategy). This chart presented for informational/educational purposes only and is not intended to be personal financial advice. Past performance is not indicative of future results.

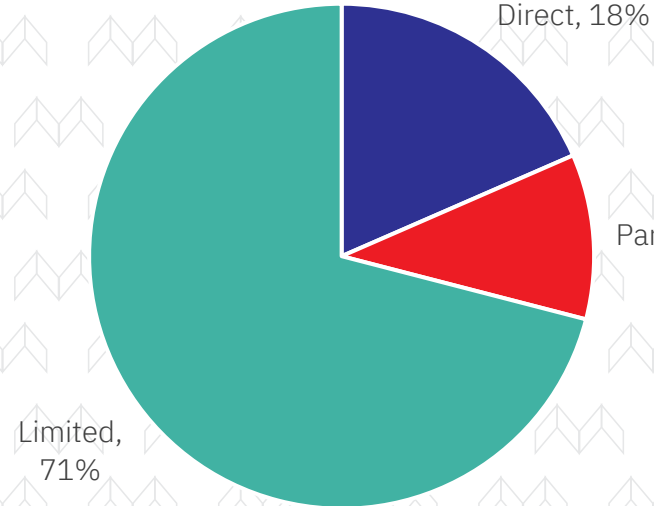
GCP portfolio geographic and consumer exposure



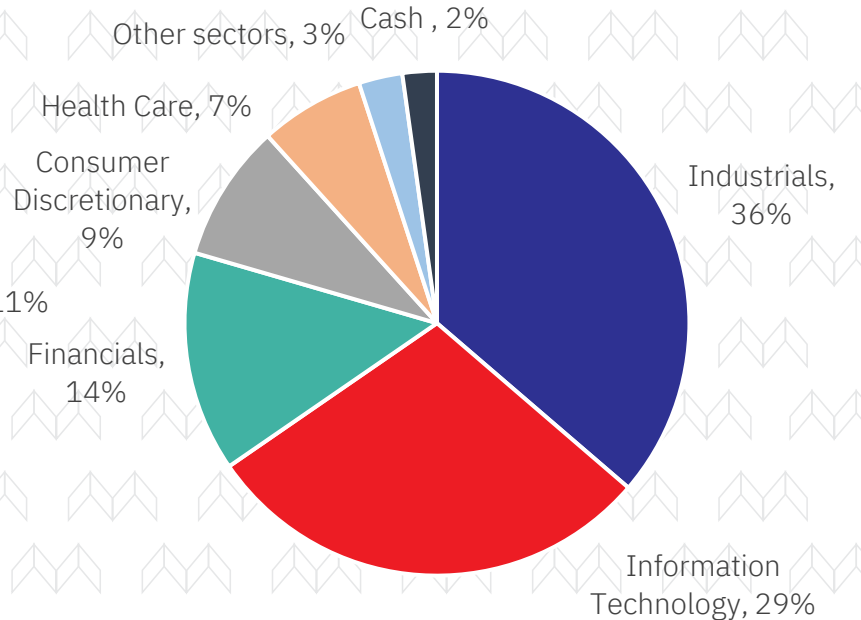
GCP - Geographic Exposure Split



GCP - Consumer Exposure



GCP - Sector Exposure



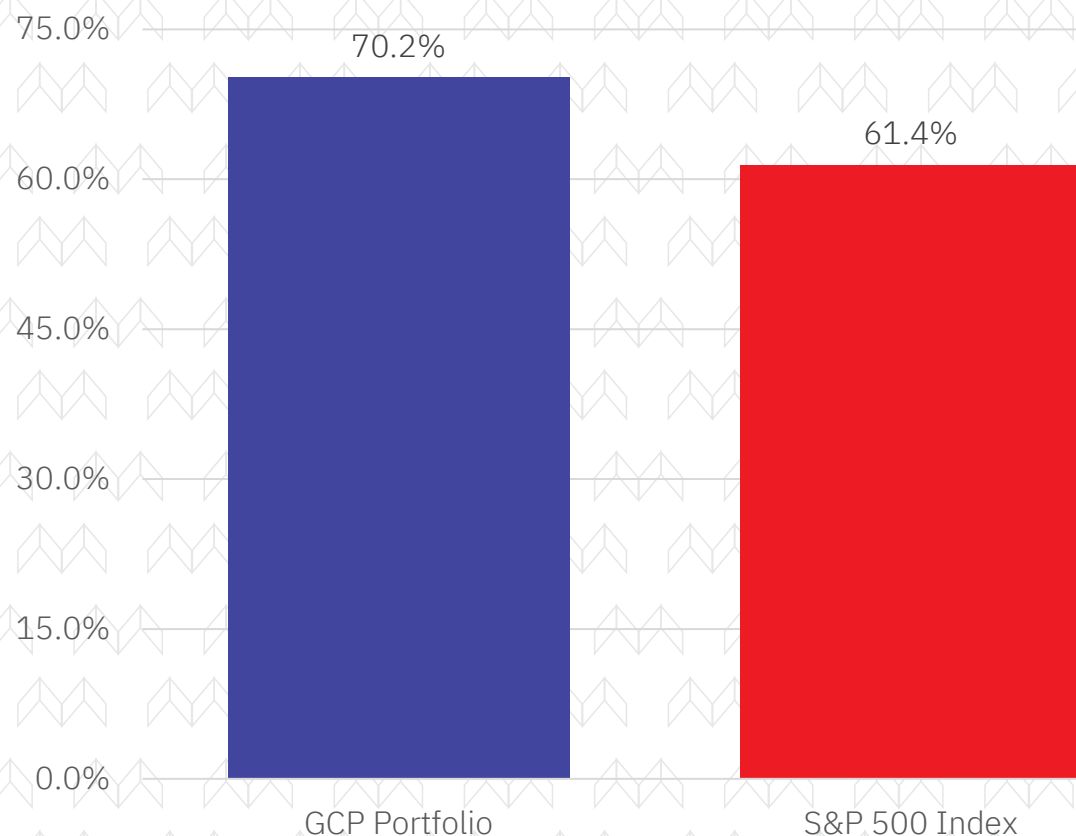
Source: Company filings, Marcellus Investment Managers. Note: Geographic exposure split is based on FY 2024 revenue of GCP Portfolio companies. This is GCP PMS strategy's representation, and the data allocation is as of 30th April 2025.

GCP has limited exposure to stressed “Consumption” theme

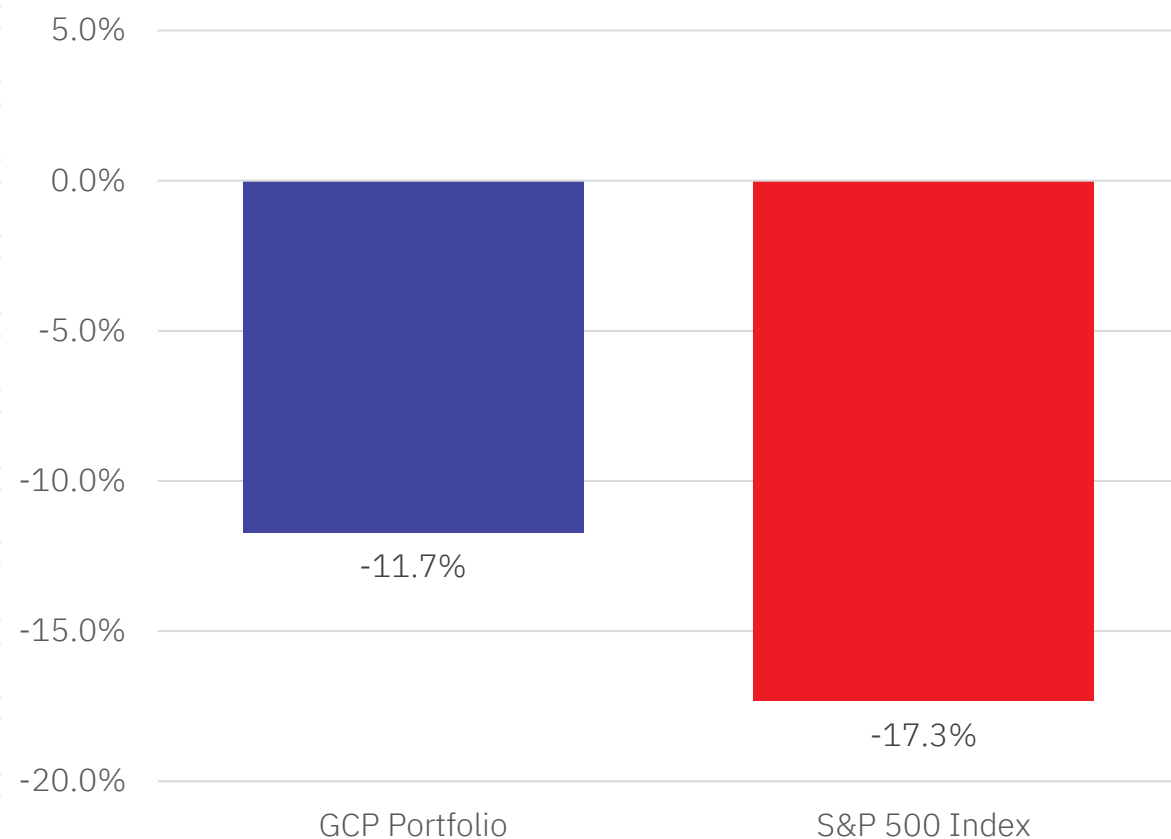
GCP portfolio has outperformed S&P 500 Index Up markets



Up Market Performance (28th Oct'22 to 19th Feb'25)



Down Market Performance (19th Feb'25 to 4th Apr'25)

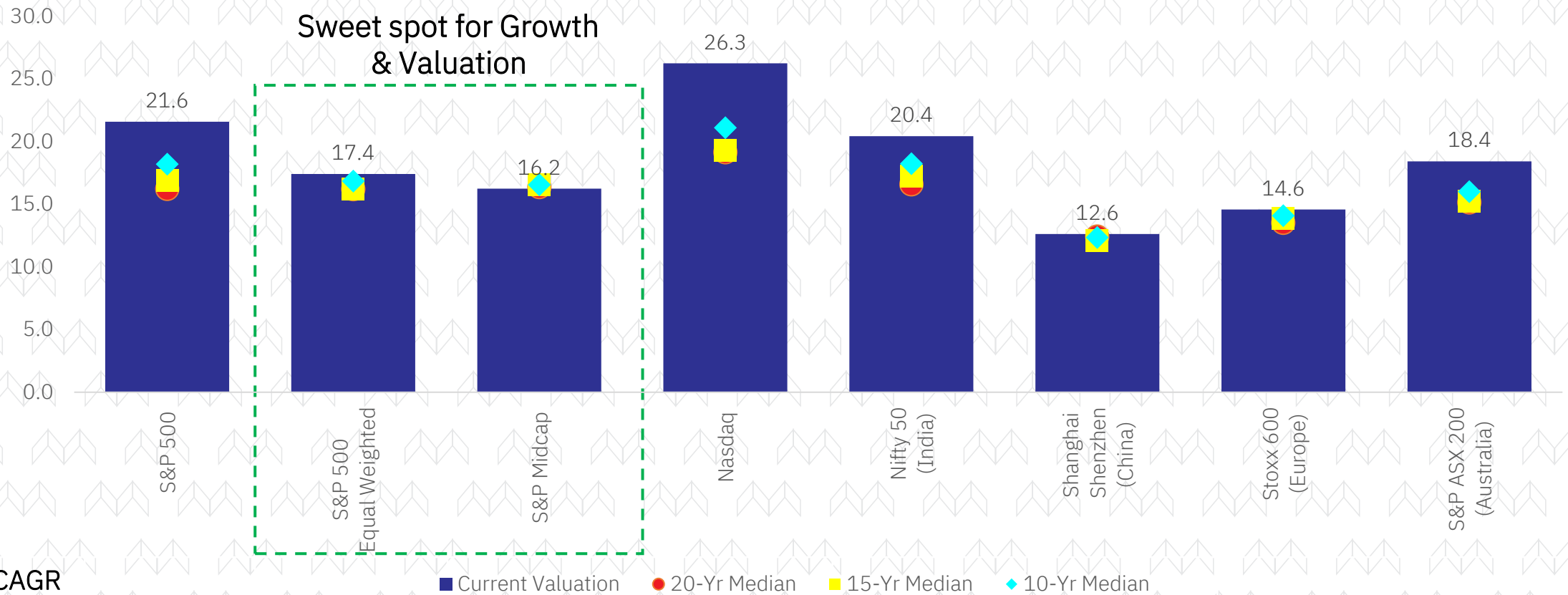


Source: Bloomberg, Marcellus Investment Managers; Marcellus performance data is shown gross of taxes till 31st March 2025 on client account. Time period returns are absolute. Note: Since Inception performance calculated from 31st Oct 2022. The inception date is 31st October 2022, being the next business day after the account got funded on 28th October 2022. S&P 500 net total return is calculated by considering both capital appreciation and dividend payouts. The calculation or presentation of performance results in this publication has NOT been approved or reviewed by the IFSCA or US SEC. Performance is the combined performance of RI and NRI strategies. Data is shown in USD terms

Higher US market valuations are supported by earnings growth



Index Valuation - P/E (12m blended forward)



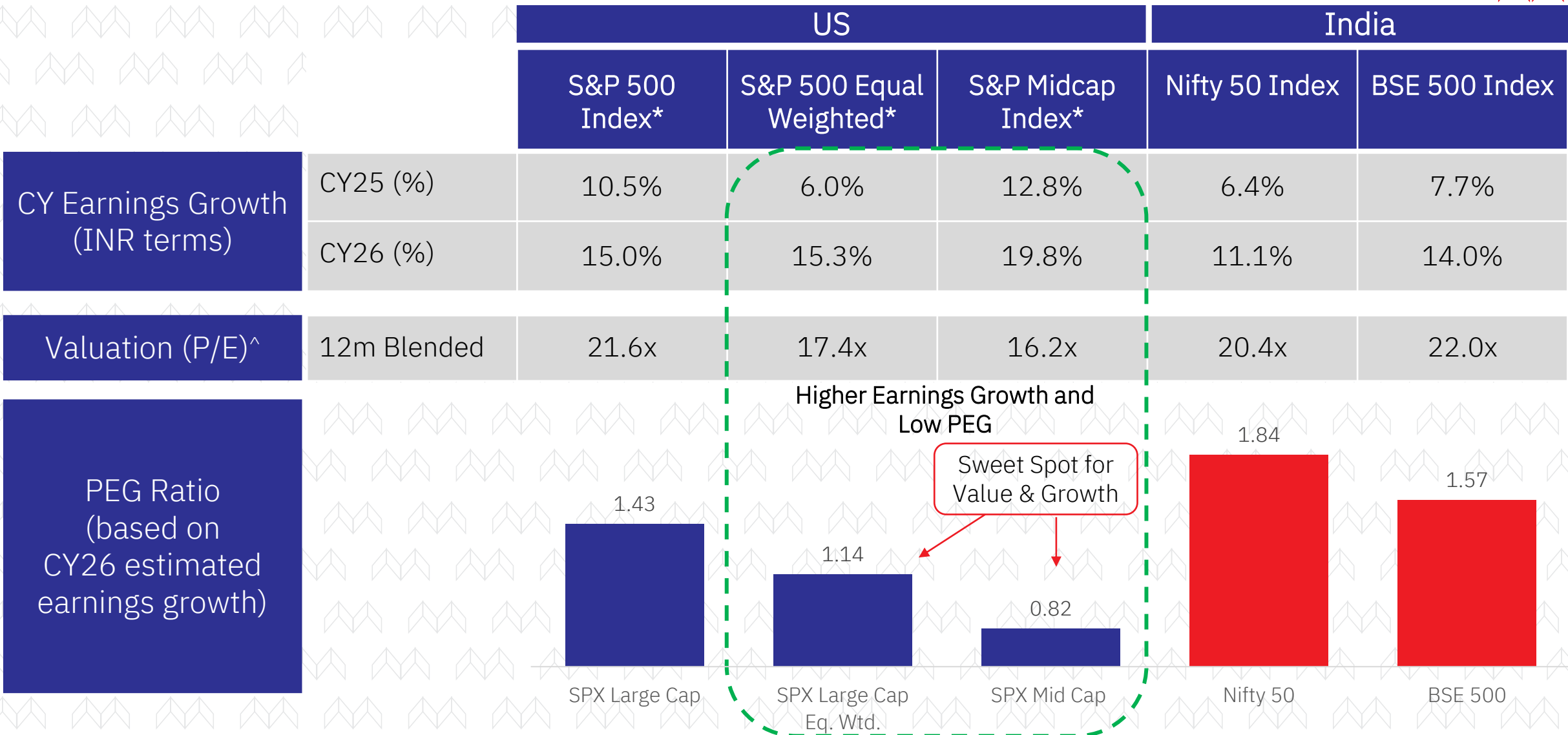
Earnings CAGR
(USD terms)

	S&P 500	S&P 500 Equal Weighted	S&P Midcap	Nasdaq	Nifty 50 (India)	Shanghai Shenzhen (China)	Stoxx 600 (Europe)	S&P ASX 200 (Australia)
20-Year	6.5%	8.9%#	7.9%	12.9%	5.6%*	7.2%^	4.5%	0.8%*
15-Year	9.4%	8.9%#	11.8%	14.6%	5.8%	4.1%	3.5%	1.6%
10-Year	7.2%	7.6%	9.0%	11.6%	5.5%	-0.5%	3.3%	-0.8%

Source: Bloomberg, Marcellus Investment Managers; Note: *19 Year EPS CAGR is shown for Nifty 50 and S&P ASX 200, ^18 Year EPS CAGR is shown for Shanghai Shenzhen Index, #14 Year EPS CAGR is shown for S&P 500 Equal Weighted Index. 12m blended forward PE shown as of 2nd June 2025.

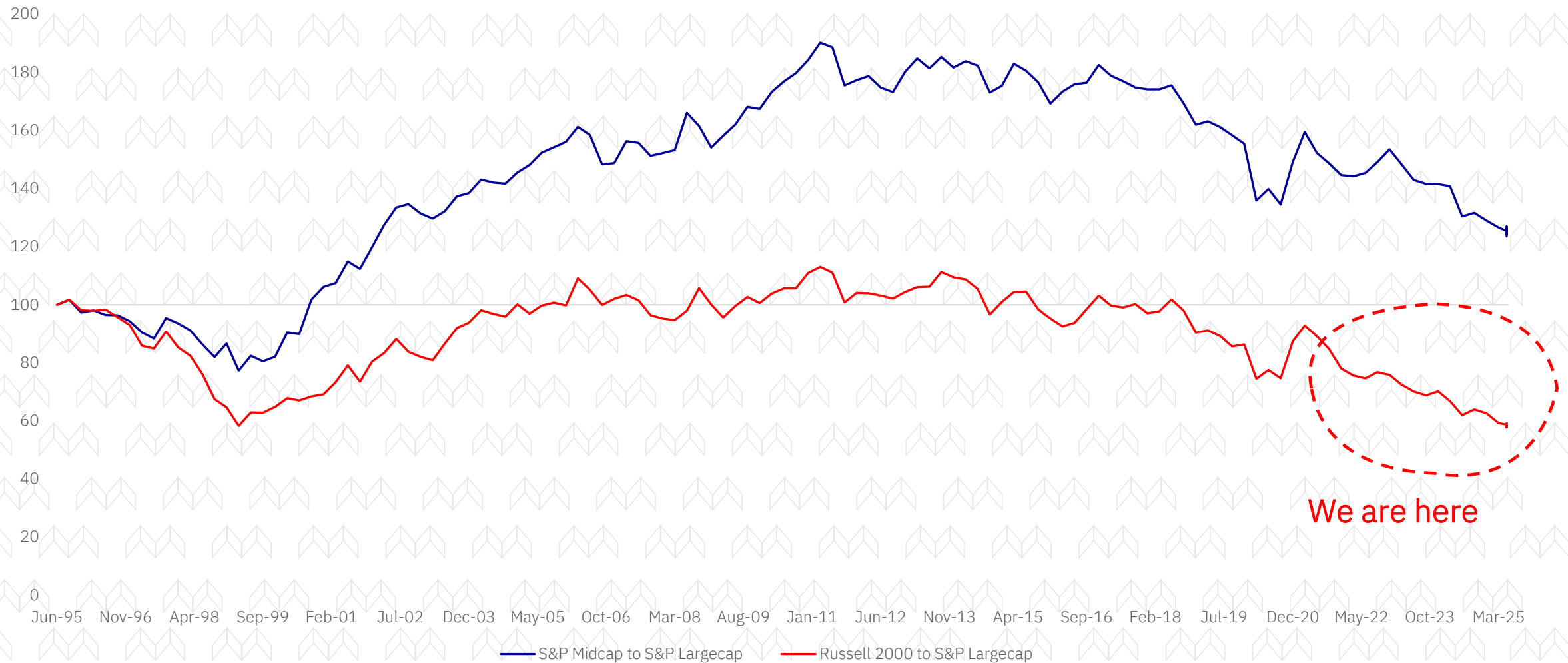
Note: past performance is not indicative of future results.

Broader US market offers higher earnings growth with lower valuations = Low PEG



Source: Bloomberg, Marcellus Investment Managers. *For S&P 500, S&P 500 Equal Weighted and S&P Midcap Index EPS growth is adjusted for long term FX (USD/INR) impact of ~3%. ^12-month blended forward valuation shown as of 2nd June 2025. Note: The information is for informational/educational purposes only and is not intended to be personal financial advice. Any forward-looking figures contained in this document speak only as of the date on which they are made and are not Marcellus's estimates. Past performance is not indicative of future results.

S&P 400 Index (Mid Cap) and Russell 2000 Index (Small Cap) Discount to S&P 500 (Large Cap) is at a decadal low



Source: Bloomberg LP; Note: Valuation data shown till May'25. The information is for informational/educational purposes only and is not intended to be personal financial advice.

Key Information - Structure



- Investment Manager- Marcellus Investment Managers Private Limited - GIFT City branch
- Regulator – International Financial Services Centres Authority (IFSCA) formed under Act of Parliament viz. International Financial Services Centres Authority Act, 2019
- Indian Residents can remit upto USD 2,50,000 per year per person under the Liberalised Remittance Scheme (LRS) of RBI.
- Tax Collected at Source (TCS) by the remitting bank for LRS is 5% of the remitted amount (20% with effect from October 1, 2023).
- **Minimum Ticket Size for investment in GCP for an Accredited Investor is USD 25,000 and minimum ticket size through GIFT City is USD 75,000 for Non-Accredited Investor .**
- Tax related information: For any foreign security held for not more than 24 months, tax on STCG shall be payable @ highest slab rate as applicable + surcharge & cess. For foreign securities held for more than 24 months, gains shall qualify as LTCG and shall be taxable @ 12.5% tax rate. Dividend shall be subject to tax at tax rates applicable to respective investors. Foreign jurisdictions where securities are traded may also withhold taxes. Credit of such taxes will depend on the tax treaties India may have with such countries and tax credit rules in India. Please consult your tax advisor for assessing the tax implications applicable to you.
- Preferred mode of holding: Joint holding (to avoid any estate tax implications in US in case of death of the single holder). However single account establishment is allowed under this strategy.

Fee Structure (USD)



- Marcellus offers Global Compounders Portfolio with a zero fixed fees option
- The Global Compounders Portfolio comes with ZERO entry load/exit load and with no lock-in. Our clients can choose any of the following fee structures:
 1. A fixed fees model (1.5% p.a. fixed fees + zero performance fees) or
 2. A performance fees model (zero fixed fees + performance fees of 20% profit share above a hurdle of 5% p.a., no catch-up) or
 3. A hybrid model (0.75% p.a. fixed fees + performance fees of 15% profit share above a hurdle of 9% p.a., no catch-up).
- *High water mark applies for performance fees*
- Fees are subject to 18% GST for Resident Indian client

Disclosures



Note: The above material is neither investment research, nor investment advice. Marcellus Investment Managers Private Limited (“Marcellus”) is regulated by the International Financial Service Centre Authority (Fund Management) Regulations, 2025 (earlier 2022) (“IFSCA”) as Fund Management Entity – Non retail, rendering Investment Management Services. Marcellus is also registered with US Securities and Exchange Commission (“US SEC”) as an Investment Advisor. No content of this publication including the performance related information is verified by IFSCA or US SEC. If any recipient or reader of this material is based outside India or US, please note that Marcellus may not be regulated in such jurisdiction and this material is not a solicitation to use Marcellus’s services. This communication is confidential and privileged and is directed to and for the use of the addressee only. The recipient, if not the addressee, should not use this material if erroneously received, and access and use of this material in any manner by anyone other than the addressee is unauthorized. If you are not the intended recipient, please notify the sender by return email and immediately destroy all copies of this message and any attachments and delete it from your computer system, permanently. No liability whatsoever is assumed by Marcellus as a result of the recipient or any other person relying upon the opinion unless otherwise agreed in writing. The recipient acknowledges that Marcellus may be unable to exercise control or ensure or guarantee the integrity of the text of the material/email message and the text is not warranted as to its completeness and accuracy. The material, names and branding of the investment style do not provide any impression or a claim that these products/strategies achieve the respective objectives. Marcellus and/or its associates, employees, the authors of this material (including their relatives) may have financial interest by way of investments in the companies covered in this material.

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Appendix

GCP companies play on global megatrends

Digitalization, Productivity, Re-industrialization and Consumption



RE-INDUSTRIALIZATION



Near monopoly in lithography – Essential for chip manufacturing

DIGITALIZATION



PRODUCTIVITY

Largest generic spare parts providers to commercial Aerospace globally



Iconic and coveted global luxury brand



CONSUMPTION

Business Score – quantify qualitative aspects



Historical fundamental filters – Consistency of growth and returns

Marcellus Forensic Accounting

Moat score

Strength of today's pricing power

FCF (CFO – Capex) return on invested capital > Cost of equity

Stewardship score

Execution, Capital Allocation

Decentralized execution

Consistent deepening of moat

Quantify revenue growth related to expected market share gains

Profitability and asset turns - expected to improve meaningfully

Drivers of compensation

Growth score

Normalized FCF growth and growth durability

Total return potential for next 5-15 years

How long it can outgrow an average company in S&P 500

Nature of compounding – Cyclical (Specific Drivers)/Growth

Terminal risk score

Disruption risk

Internal: Experimentation / investments towards adding new moated revenue growth drivers

External: Attempts at radical disruption of the industry's future

How conducive are external and internal parameters to ensure a predictable future?

Idiosyncratic risk score

Softer risk aspects

CXOs - quality and tenure

Historical evidence of succession planning in CXO roles

Independence of Board of Directors

Predictability of Cash Flows

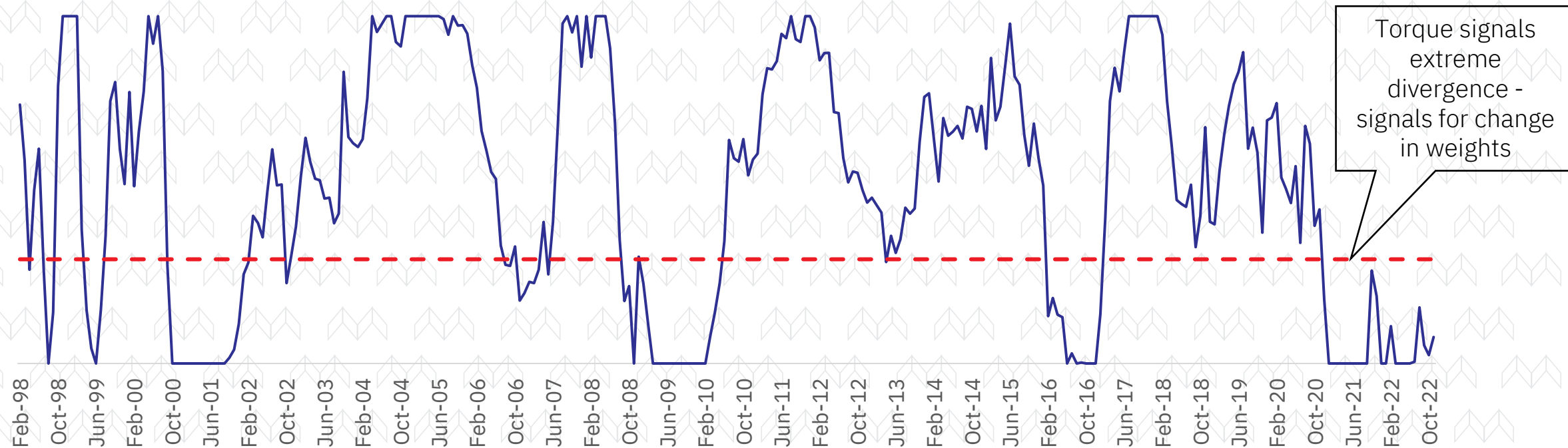
Financial Engineering / Leverage

Buy and Sell decisions

TORQUE – Style framework for risk management



Identifies extreme style exposure of Portfolio – Triggers Torque driven rebalancing



Source: Bloomberg and Marcellus proprietary model generated data

Heterogeneous mix of stocks in the portfolio allows position sizing to take care of the “Systematic Extremes”

Top 20 stocks constitute ~75% of the portfolio. Remaining positions provide cushion for extreme systematic risks through TORQUE

CASE STUDY: HEICO [MKT CAP \$36 BN]



- “I remind you that I think, and upper Management feels, that HEICO is really a vehicle for generating strong cash flow. The methodology that we use are in two groups: Aviation and Electronic Technologies, where we get very, very strong margins on products which are protected mainly from excessive competition. - Q4 2016 Earnings Call” — Larry Mendelson – CEO, HEICO
- Component / parts supplier for Airlines, Aerospace companies, and defense contractors. Established monopoly for certain defense components; 60% market share in aerospace generic spare parts.
- Growth drivers:
 - Moats built predominantly around regulatory (FAA) hurdles and solid customer relationships.** Takes years to develop and get parts approved. Even harder to achieve scale. Heico nailed it with 60% + market share in generic equivalent spare parts (PMA).
 - House of Entrepreneurs:** 80+ M&As over last 30 years. It is an acquirer of choice. Uniquely designed acquisition framework in a decentralized set up is hard to replicate.
 - Focused R&D investments:** Long lasting customer relationships help understand the needs. Heico’s absolute R&D spend is hard to match for smaller players – fortifying Heico’s lead even further.
 - Significant Growth Runway:** In Aerospace side, penetration of generic parts is ~4%, implying massive “organic” growth opportunity ahead. In Defense side, inorganic opportunities are plenty as Heico is likely 3-4% of the addressable market.

Growth over years	Revenue Growth			Cash Flow (CFO) Growth		
	2003-13	2013-18	2013-23	2003-13	2013-18	2013-23
Boeing (BA)	5.5%	3.1%	-1.1%	7.7%	13.4%	-3.1%
Southwest (LUV)	11.5%	4.4%	4.0%	6.4%	14.6%	2.5%
Heico (HEI)	19.0%	12.0%	11.4%	16.8%	20.0%	13.0%

	2003-13	2013-18	2018-20	2020-23
Air Traffic Growth	6.0%	8.5%	-40.9%	38.9%

Results impacted from covid

Financial Metrics	US\$ bn	CAGRs			
		3-Yr	5-Yr	7-Yr	10-Yr
Sales	3.86	27.4%	13.4%	15.9%	13.0%
EBITDA	1.01	27.5%	13.4%	17.3%	15.4%
EPS (US\$)	3.71	18.9%	9.4%	17.7%	15.6%

NOTE: Heico is a part of the Marcellus’ GCP Portfolio thus our clients, employees and their immediate relatives may have interest in the said stocks.

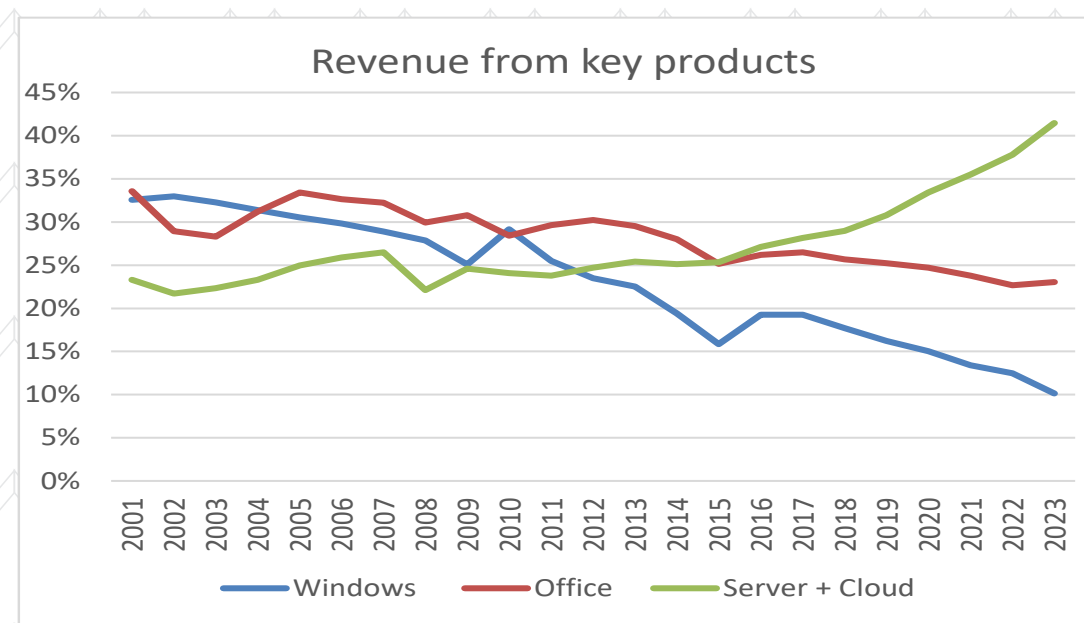
Source: Company filings and reports; Bloomberg LP; Disclaimer: The mentioned security is for illustration/information purpose only and not recommendatory.

CASE STUDY: MICROSOFT [MKT CAP \$3.4 TN]



- Microsoft has evolved from a Windows/Office business into a strong enterprise tech player with over 40% of revenue now coming from cloud / servers and transitioning Office to a SAAS business model
- It is also a rare tech company that recovered from over a decade of lethargy following a change in management. As a result, over the past decade, Microsoft has seen its culture become more growth oriented and uniquely collaborative among tech majors
- This cultural shift helped deliver on the cloud opportunity and build non-cloud growth levers (LinkedIn, gaming). Microsoft leveraged its enterprise tech legacy to emerge as a strong no 2 in the public cloud market with margins higher than the leader (AWS). This is also what drove the early mover advantage the company has developed in AI
- Microsoft also enjoys network benefits in the non-cloud business (Windows, server, gaming, LinkedIn, GitHub)
- In our view Cloud business has strong growth runway (over 20% CAGR ahead), we anchor to 15% revenue growth and 17% PAT/FCF

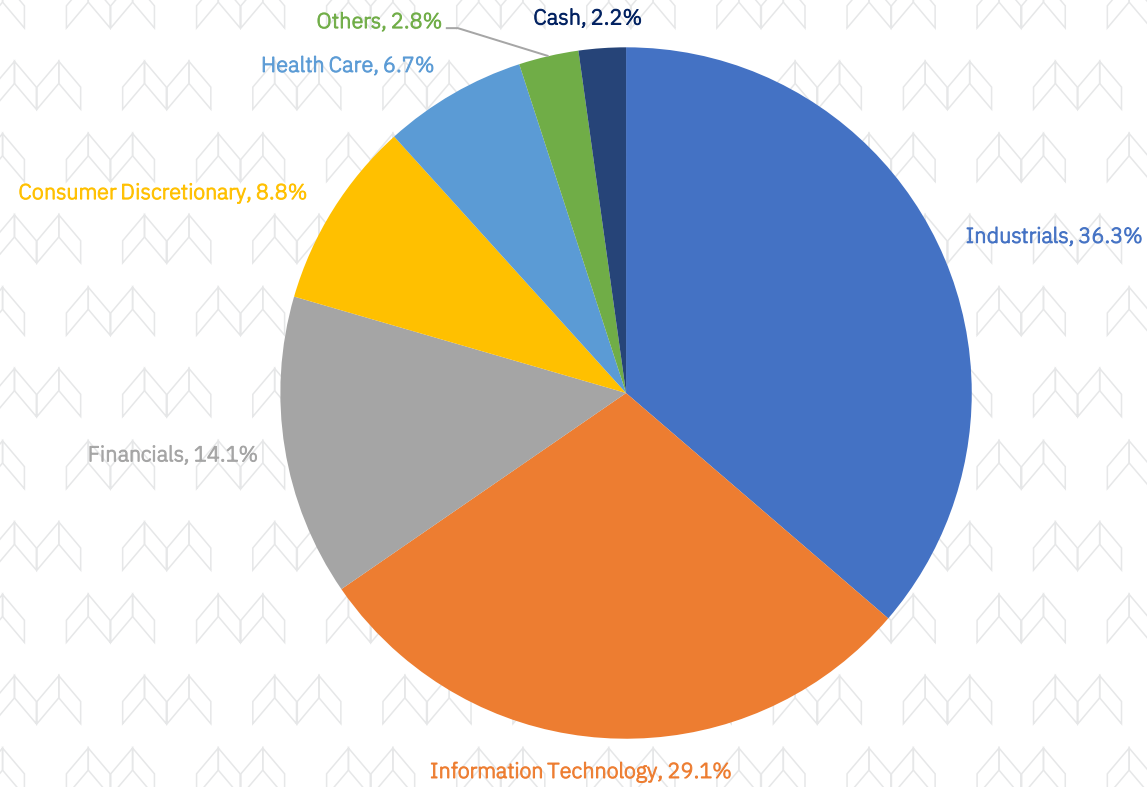
NOTE: Microsoft is a part of Marcellus' GCP portfolio thus our clients, employees and their immediate relatives may have interest in the said stocks.



	1990-2001	2001-14	2014-24
Revenue	32%	10%	11%
Op profit	36%	7%	15%
Op cashflow	42%	7%	14%
FCF	52%	6%	11%
FCF/share	48%	8%	12%

Source: Company Filings; Bloomberg LP; Company filings; FCF = Operating cash flow less Capex; Disclaimer: The mentioned security is for illustration/information purpose only and not recommendatory.

GCP's Sectoral Allocation



Source: Marcellus Investment Managers

INR:USD exchange rate

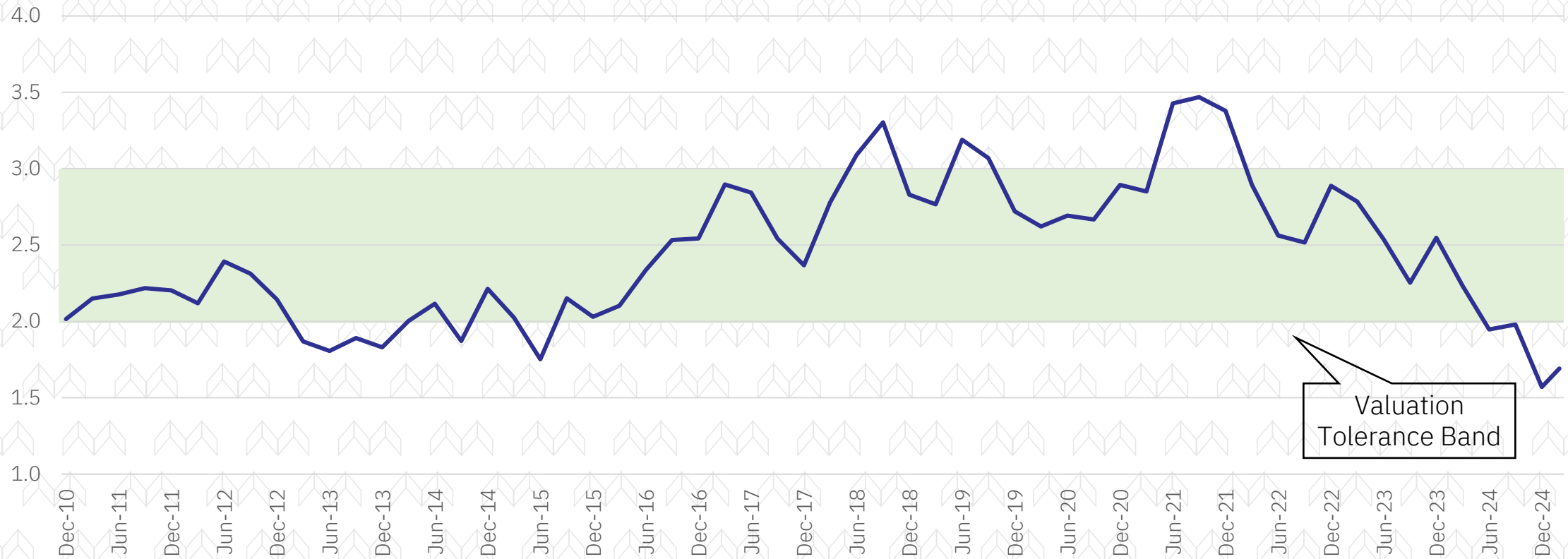


Source: Bloomberg, RBI

GCP portfolio companies' valuation framework



Relative Valuation vs. S&P 500 Index



Source: Bloomberg: Note: The chart shows relative PE valuation of Idexx vs. S&P 500 Index. Idexx forms the part of Marcellus portfolio thus Marcellus clients, Marcellus employees and their immediate relatives may have interest in. The described stocks are for illustration & education purpose only and not recommendatory