

# Letter to *Partners*

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November 10, 2025

## To the Partners of the Umatiya Investment Group Funds,

UIG was launched in March 2025 and Fund 1 started investing in April 2025. In the following six months since inception the fund has seen a 24.97% increase, which compares to a gain of 16.91% for the S&P 500. The reference to the S&P 500 is provided solely for context.

While we expect to outperform the index over the long run, given our investment philosophy and time horizon, short-term comparisons are not particularly meaningful. Markets can move sharply over brief periods for reasons unrelated to underlying business fundamentals. Our focus is on compounding capital over many years, not beating an index over a few months.

For that reason, I include the S&P 500 only as a long-term benchmark, a useful measuring stick over multi-year periods, but not as a driver of our day-to-day investment decisions.

You can expect semi-annual letters (this is our inaugural letter) in which I discuss our investment ideas and share thoughts on the macro-environment influencing our businesses. I am always available for inquiries regarding the fund's holdings and you can reach me at my email.

As it turns out, our launch date was rather unanticipated. The price of businesses had fallen (concerns over tariff fueled trade war and an uncertain economic outlook) and despite regular additional contributions by new investors, we were able to invest a sizable portion of the fund much faster than we would have anticipated and at prices which we feel will produce exceptional returns. We have made eight investments to date which operate in various industries such as specialty chemicals, telecom services, oilfield services, and more — most of which operate globally.

Before I dive into some of these businesses, I want to briefly digress to highlight what the majority of investors fail to understand or do understand but do not implement. This should offer you a lens with which analyzing businesses is much simpler. Such is the discussion on the distinction between business valuations and stock prices

### Market Price ≠ Intrinsic Valuation

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It is a common misperception that stock prices are just numbers flashing across a screen each minute of the day. In reality, every stock represents a business, and its quoted price simply reflects the market's

current “going rate” for that business, what one counterparty is willing to pay and another is willing to accept at that moment.

As odd as that may sound, it is the truth: stock markets are auction-driven, and prices fluctuate constantly based on the shifting emotions and expectations of participants. This is why a company’s market price can fluctuate sharply, even when nothing about the underlying business has changed.

Conversely, intrinsic value is what a business is actually worth based on the cash it will generate over time, discounted back to the present. It is grounded in earnings power, balance sheet strength, competitive position, and long-term prospects and not the mood of the market on any given day. This distinction is crucial to understand.

Investing in a stock is no different than buying a piece of income-producing real estate. If you owned a small apartment building, you would not check its price every day; you would care about the rent it collects, how well it is managed, and how its value grows over time.

Stocks work the same way; they represent ownership in real businesses with underlying earnings power. The market may quote different prices daily, but that does not change what you actually own.

At UIG, our focus remains on the long-term economics of each business, not the short-term emotions of the marketplace. And that is how I hope every partner will view the financial markets.

## VEON Ltd.

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This is the very first business we purchased and currently one of our strongest in the portfolio. VEON is a telecom and digital services company operating primarily in emerging markets such as Pakistan, Bangladesh, Kazakhstan, Uzbekistan, and Ukraine. On the surface, it appears to be a conventional mobile carrier; a capital-intensive business often viewed as a slow-growing utility. But under new leadership, VEON has transformed into something much more valuable: a digital ecosystem business with durable infrastructure and a proven model for high returns on invested capital in frontier markets.

In 2022, VEON faced an existential crisis. Russia’s invasion of Ukraine left the company with large operations trapped in both countries. Rather than hoping for political winds to shift, management acted decisively. Over the next two years, VEON exited Russia entirely, did a partial public offering of its Ukrainian operations (Kyivstar) at a fair price, and used the proceeds to de-lever the balance sheet and refocus on its five remaining markets, each with secular tailwinds in data consumption, financial

inclusion, and digital services adoption. This ability to act rationally in the face of crisis stands in contrast to the typical corporate response of denial and delay.

Today, VEON's underlying business is far stronger than the market perceives. Its digital platforms, such as JazzCash in Pakistan and Toffee in Bangladesh, have evolved beyond telecom adjacencies into integral parts of the local economies, providing services from mobile payments and microloans to entertainment and digital content. In several markets, these platforms are already cash-flow positive and growing faster than the core mobile business. Meanwhile, the company's network assets and subscriber base provide an enduring competitive moat: telecom is a business where scale and trust matter, and VEON possesses both.

Yet despite a cleaner balance sheet, double-digit local currency growth, and substantial operating cash flow, VEON trades at a fraction of its intrinsic value. The market continues to anchor to its troubled past and complex jurisdictional footprint, overlooking the structural improvements and simplification that have taken place. Today, VEON commands a market capitalization of roughly \$3.3 billion, or about \$48 per share, while the business is on track to generate \$900 million to \$1 billion in free cash flow annually by 2027, with revenue growing 16-19% and EBIT 19-22% per year. If that does not catch your eye, hear this: VEON owns 89.6% of Kyivstar post IPO, currently valued at \$2.5 billion. This means that the rest of the businesses VEON owns (excluding Kyivstar) in the remaining four markets are being ascribed a price of \$800 million. These same four markets generate +\$800m in revenue while all of VEON generates \$584 million (LTM) in free cash flow. It does not get much better than that. In comparison to our above real estate example, it is as if we bought a cash-generating apartment building for 25¢ on the dollar, and the market is only still partially recognizing its value at \$48.

Much like a well-located property ignored by buyers due to its location in an unfashionable neighborhood, VEON is a solid, cash-generating business selling at an unfair price simply because it operates in less glamorous parts of the world. While investors crowd into the equivalent of "prime downtown real estate," AI and Silicon Valley stories trading at lofty valuations, VEON is quietly compounding earnings in markets with real demand growth and minimal competition.

Our job is not to predict quarterly fluctuations or geopolitical headlines, it is to recognize when a business with strong fundamentals, capable management, and clear value creation is being mispriced by the crowd. VEON represents precisely that kind of opportunity.

## NESR Corp.

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Our second discussion is regarding an oilfield services operator, National Energy Services Reunited Corp. (NESR). NESR, headquartered in Houston, TX, operates in the Middle East & North Africa (MENA) region. It started as a Special Purpose Acquisition Company (SPAC) IPO in 2017 and later in the same year acquired two companies which make up the business today. NESR has one strong advantage over its competitors: it is local. In a region where national oil companies prefer trusted, on-the-ground partners, NESR has become an integral part of the production ecosystem. Its contracts are multi-year and capacity-driven; tied to long-term production goals and driven by sovereign wealth funds, rather than short-term commodity prices. This structure, combined with deep relationships across Saudi Arabia, Algeria, Oman, and other MENA countries, makes NESR uniquely positioned to compound value quietly while its global peers remain tied to the volatility of the U.S. shale cycle.

The investment thesis is twofold:

1. Jafurah gas development in Saudi Arabia: one of the largest unconventional gas projects in the world, where NESR is providing cementing and directional drilling services while rolling out its proprietary Roya rotary-steerable platform.
2. NEDA (Environmental & Decarbonization Applications): an initiative turning environmental liabilities into commercial opportunities by treating and recycling produced water, recovering valuable minerals like lithium, and improving reservoir efficiency.

These growth drivers position NESR at the intersection of necessity and innovation. If NEDA can be executed at scale, it could significantly reduce water disposal costs for upstream operators, often one of their largest recurring expenses, while creating a new profit center for NESR. In regions like Saudi Arabia and Oman, where fresh water scarcity is a structural challenge, closed-loop recycling systems are not just ESG-friendly, they are economically vital. Over time, this division could evolve into a standalone business that complements the company's core oilfield operations while diversifying its cash flows.

Beyond Saudi Arabia, the opportunity set across North Africa and the broader MENA region is underappreciated. Algeria, for instance, holds vast untapped reserves that remain underdeveloped due to decades of underinvestment and infrastructure bottlenecks. As production ramps up to meet both domestic demand and export commitments to Europe, NESR, already an established player in the country, is positioned to capture a disproportionate share of incremental service work. The same

dynamic applies to other underdeveloped basins across Egypt, Kuwait, and the UAE, where production expansion aligns with national energy diversification plans under Vision 2030.

Structurally, the Middle East remains the lowest-cost oil production region globally, with some existing fields and low-cost operators having breakeven costs under \$10 per barrel (the average for new projects is now closer to \$27 per barrel). That means projects stay profitable even in low oil price environments, a key reason why NESR's utilization and earnings remain steady through commodity cycles. Unlike their Western counterparts that are dependent on spot activity, NESR's work is governed by long-term contracts with state-owned producers, ensuring both visibility and durability of cash flow.

At today's market price of around \$1.4 billion in market capitalization (~\$14 per share), NESR still trades at a discount to intrinsic value. Our fund began building its position when the company was valued at approximately \$600 million (~\$6 per share). At that level, NESR was already generating over \$100 million in annual free cash flow, translating to a free-cash-flow yield well above 15%, a rare opportunity for a business with durable contracts, strong reinvestment prospects, and visible deleveraging.

Management has guided for mid-teens to 20% annual EBITDA (earnings before interest tax depreciation & amortization) growth over the next several years, supported by higher activity in Saudi Arabia, the ramp-up of the Jafurah gas project, and contributions from NEDA's water-treatment and mineral-recovery initiatives. As capital expenditures normalize and leverage falls below 1x EBITDA, free cash flow is expected to grow materially and become increasingly stable. What was originally a 15%+ cash-yielding business at our cost basis is now transforming into a stronger, more self-funding business — one whose economics should compound steadily over time.

In essence, NESR gives us ownership in a mission-critical, cash-producing infrastructure provider in the fastest-growing energy region in the world. The company sits on the cusp of two massive trends, energy security and sustainability, while trading at a price that assumes little to no success. As the business continues to compound free cash flow and unlock new profit opportunities, intrinsic value should steadily converge toward economic reality.

## Closing

I am grateful for the trust you have placed in me and in the investment approach we are building at UIG. We are still in the early innings of our fund, and I take seriously the responsibility of compounding your

capital alongside my own. My goal is simple: to make a small number of high-quality decisions each year, stay disciplined in our process, and let the underlying economics of the businesses we own do the heavy-lifting for us.

I look forward to reporting back to you with continued transparency and with the same long-term mindset that has guided UIG since inception. Like I mentioned earlier, should you have any questions about the portfolio, our approach, or this letter, please feel free to reach out.

Sincerely,

Samit Umatiya

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