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Ashva Capital Management LLC – Q1 2026 and April Update Letter to Investors

May 6, 2026

Dear Partners,

The worst markets often reveal the best investment opportunities.

That does not mean volatility is pleasant. It rarely is. No one enjoys watching stock prices fall, headlines turn apocalyptic, and otherwise reasonable investors start acting like the market has entered a period of permanent decline.

But this is exactly when discipline matters most.

The first quarter of 2026 reminded investors of a simple truth: **stock prices move much faster than intrinsic business values.** Prices can fall 10%, 20%, or 30% in a matter of weeks. The underlying businesses, however, rarely change that quickly.

That gap between price and value is where long-term investors earn their keep.

At Ashva Capital, our job is not to predict every short-term market disruption. Our job is to own high-quality businesses, manage risk intelligently, and use volatility as an ally rather than an enemy.

Performance Through April 30, 2026

After a difficult first quarter, April provided a sharp reminder of why staying disciplined through volatility matters. **In April 2026, Ashva Capital LP was up 9.22% net of fees and expenses and 10.96% gross.**

Year-to-date through April 30, 2026, Ashva Capital LP was up 6.02% net and 8.24% gross, compared with a 5.31% gain for the S&P 500.

We are pleased with the rebound, but we are not surprised by the pattern. Markets often punish discipline before rewarding it.

The first four months of 2026 have been a useful test.

Markets declined sharply during the first quarter, with particular weakness in areas that had previously attracted significant enthusiasm. Technology, software, crypto-related equities, and other long-duration growth assets experienced meaningful pressure. Some of the highest-multiple businesses were hit especially hard as investors reassessed valuation, AI disruption risk, interest rates, and the durability of future growth expectations. April then delivered a strong recovery for the portfolio, underscoring a lesson we have learned many times: returns rarely arrive in a neat, emotionally convenient sequence.

We do not view this as unusual. In fact, this is part of the normal rhythm of equity markets.

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Perspective on the Recent Correction

It is also worth keeping the current decline in perspective.

The average annual intra-year correction in the S&P 500 has historically been roughly **14%** since at least 1980. In other words, meaningful drawdowns are not rare. They are part of the normal operating system of equity investing.

And yet every market decline seems to arrive with a new explanation for why this time is different.

This quarter's explanation was the oil supply disruption caused by the war in the Middle East. The resulting spike in oil prices quickly became the explanation for market weakness, inflation fears, and renewed economic anxiety.

Predictably, parts of the financial media treated the move as if it were the beginning of the end of economic life on planet Earth.

We have seen this movie before.

Different villain. Same script.

The recent oil spike has been described in some quarters as historically extreme. But perspective matters. After the October 1973 oil embargo, the world price of oil effectively quadrupled over the next five months. In 1979, following the Iranian Revolution, oil prices more than doubled.

By comparison, the current episode is serious but not unprecedented.

There is another important difference. Over the past five decades, the United States has gone from a large and vulnerable oil importer to the world's largest oil producer. That does not eliminate energy shocks, but it does change the country's strategic and economic position in a meaningful way.

This is precisely why we try not to invest by headlines alone.

Headlines compress time. Markets exaggerate emotion. Business value compounds slowly.

Our job is to separate temporary fear from permanent impairment. The former can create opportunity. The latter destroys capital. The distinction matters enormously.

Volatility Is Not the Same as Risk

One of the most important distinctions in investing is the difference between **volatility** and **risk**.

Volatility is the price moving around.

Risk is the permanent impairment of capital.

The market often treats them as the same thing. We do not.

A stock declining because investors are temporarily fearful is very different from a business declining because its economics are permanently impaired.

Our work is focused on separating the two.

During the quarter, we spent significant time reviewing companies whose stock prices had moved dramatically lower. In several areas, the market's reaction was understandable. Some businesses had been priced for perfection. Others faced legitimate competitive threats, particularly from AI. And in certain cases, the valuation compression was not enough to compensate for the uncertainty.

Falling prices alone do not make something cheap.

But when a durable business with strong free cash flow, recurring revenue, rational capital allocation, and a defensible competitive position sells off sharply, we pay attention.

That is where volatility becomes useful.

Market Leadership and the Secular Bull Market

Our base case remains that the secular bull market in U.S. equities is intact.

That does not mean every year will be easy. It certainly does not mean every quarter will be smooth. And it definitely does not mean investors should suspend judgment and buy anything with a ticker symbol and an AI story.

But the broad backdrop remains constructive.

The U.S. economy continues to demonstrate resilience. Corporate balance sheets, especially among large-cap companies, remain broadly healthy. Many of the highest-quality technology and financial businesses continue to generate substantial free cash flow. And while valuations in certain areas remain elevated, the recent sell-off has created more attractive entry points across select parts of the market.

We continue to believe that the long-term leadership of the market is likely to come from companies with scale, data advantages, recurring revenue, strong balance sheets, and the ability to compound free cash flow over many years.

Many of these businesses remain in technology and adjacent sectors.

This should not be surprising. The largest value creation in the modern economy continues to come from companies that use software, networks, payments, data, AI, and distribution advantages to improve productivity and capture economies of scale.

That said, we are not interested in owning technology merely because it is technology.

We want businesses where the future cash flows justify the current valuation.

Big difference.

One is investing. The other is financial cosplay with a Bloomberg terminal.

AI: Opportunity, Threat, and Valuation Reality

Artificial intelligence remains one of the most important investment themes in the market.

It is also one of the most difficult to underwrite.

AI is creating enormous opportunities for certain companies. It is also creating real disruption risk for others. In the software sector, especially, investors must now ask whether historical competitive advantages remain as durable as previously assumed.

For many software companies, current valuation levels still imply years of strong growth, high margins, and persistent pricing power. That may prove correct for some businesses. But it is dangerous to assume that every software company will remain untouched by AI-driven disruption.

Our approach is selective.

We are looking for companies where AI either strengthens the business model, expands the opportunity set, or is unlikely to materially impair the core economics. We are more cautious where a company's valuation still depends heavily on distant future growth, while its competitive moat is becoming less certain.

In plain English: we like innovation. We do not like paying fantasy prices for businesses with real disruption risk.

Where We Are Finding Opportunity

The quarter's volatility created more dispersion across the market. That is good for stock pickers.

We are particularly focused on companies with several characteristics.

First, high free cash flow generation.
Businesses that generate meaningful free cash flow have more control over their destiny. They can reinvest, reduce debt, buy back stock, or simply endure difficult markets without depending on outside capital.

Second, shareholder-friendly capital allocation.
We like companies that repurchase shares when their stock trades below intrinsic value. Done correctly, buybacks increase per-share value and create a quiet, powerful tailwind for long-term owners. General Motors (GM) is a good example. While investors have often focused on cyclical concerns around autos, EV uncertainty, and broader macro risks, GM has continued to generate substantial free cash flow and has used that cash flow to aggressively reduce its share count at what we believe are attractive valuations. When a company buys back stock below intrinsic value, remaining shareholders own a larger percentage of the business without having to invest an additional dollar. That is not financial engineering. That is disciplined capital allocation.

Third, valuation support.
A great business can still be a poor investment at the wrong price. We are especially interested in companies where pessimism is already reflected in the stock.

Fourth, resilience across scenarios.
We want companies that can do well if our base case is right, but can also survive and compound if the environment becomes more difficult.

This final point matters.

We do not build the portfolio around a single forecast. We build it around multiple possible futures.

Compounding Small Edges: The Simons Lesson

Jim Simons, the mathematician behind Renaissance Technologies, understood one of the most powerful truths in investing: extraordinary long-term results do not usually come from swinging for the fences. His flagship Medallion Fund reportedly became one of the greatest compounding machines in financial history, generating roughly 39% annualized returns after fees from 1988 to 2018. The lesson was not that investors should try to copy Renaissance — good luck recreating a secretive quant shop full of mathematicians and PhDs with your ChatGPT Plus subscription. The lesson is that small edges, applied repeatedly with discipline, controlled risk, and enough time, can produce outcomes that look almost impossible in hindsight. That is the quiet magic of compounding: mathematics does the heavy lifting, but only for investors disciplined enough to stay in the game.

That idea is deeply relevant to how we think at Ashva Capital. We are not trying to outperform every week, predict every headline, or identify the one perfect stock that changes everything overnight. We are trying to build a portfolio and process where many rational decisions, repeated over time, can compound into meaningful long-term results.

Simons' great insight was that small advantages, when repeated with discipline and protected from catastrophic loss, can become very large numbers. Most investors underestimate this because compounding is quiet. It does not announce itself with a CNBC countdown clock. It just keeps working while impatience slowly self-destructs in the corner.

The same principle applies to our options overlay.

We do not use options because we believe we can predict every short-term market move. We use them because, when structured properly, options allow us to define risk, select high-probability setups, and let repeated execution work in our favor.

Andy Crowder of The Option Premium recently made a useful point about the Law of Large Numbers in options trading: over a sufficiently large sample of trades, actual outcomes should begin to converge toward expected probabilities.

But the key phrase is "over a sufficiently large sample."

One trade proves nothing. Ten trades may prove very little. A short losing streak does not mean the strategy is broken, just as a short winning streak does not mean we can now retire to a beach with a Bloomberg terminal.

Variance is part of the game.

Even with a high expected win rate, investors can still experience short-term losing streaks because sequencing risk is real. The math only works if the investor survives long enough to let the probabilities play out.

That is why risk management matters more than cleverness.

The Law of Large Numbers only helps investors who stay in the game. That means position sizes must remain rational, losses must be defined, and no single trade can be allowed to impair the portfolio.

That is exactly how we think about Ashva's options strategy.

Our objective is not to maximize premium income in any single week or month. It is to create a repeatable, risk-managed process that can complement our long-term equity ownership. We want to generate income, improve entry points, and shape downside exposure while maintaining the ability to compound capital over time.

The edge is not prediction. The edge is process. Define the risk. Size the trade. Repeat the setup. Respect variance. Stay in the game.

The Main Lesson Through April

The first four months of 2026 reinforced a lesson we return to often:

Compounding only works if you survive long enough to let it.

This is where Simons' lesson and Ashva's philosophy meet. A small edge is only valuable if it can be repeated. It can only be repeated if risk is controlled. And risk can only be controlled if the investor refuses to confuse temporary volatility with permanent capital loss.

Survival does not mean hiding in cash every time the market gets uncomfortable. It means owning businesses that can endure difficult periods, avoiding permanent mistakes, and maintaining the emotional discipline to act when others are forced to react.

Markets will always produce uncertainty. That is not a bug. That is the admission ticket.

The reward goes to investors who can stay grounded while prices move around them.

We believe Ashva Capital is well-positioned for the year ahead. We own businesses we believe can compound intrinsic value over time. We remain disciplined on valuation. We continue to manage risk actively. And when volatility creates attractive opportunities, we intend to capitalize on them.

With appreciation,



Ankur Shah

Managing Member

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