Monthly Letter

April 2024

prodigy INVESTMENT MANAGEMENT

Invest well. Celebrate life.

We were -3.4% in March 2024 vs +1.5% for the NIFTY50 TRI. For the financial year ended 2024, we were +60.6% vs +30.1% for the NIFTY50 TRI (all returns based on SEBI-mandated TWRR basis). The first half of March witnessed a sharp selloff in the broad markets, triggered by SEBI making its discomfort well-known with the way the broad market excesses had built up over the past year. Indeed, there were excesses, and the substantial fall that occurred in March, has to a large extent cleared them up (and given a chance to money sitting on the sidelines to enter). It is important to distinguish between a market with valuations that are 'bubble' like, and one where there are mere short-term excesses. In the prior, the damage wrecked when a correction occurs is more significant and where, time-wise years may pass to absorb the same, whereas in the latter, like the one we were in, the excesses get cleared out quickly, and the market becomes ready to move up on new leadership. This is where we are now.

Returns*	NIFTY50 TRI	Prodigy Growth Strategy
1 Year	30.1%	60.6%
3 Years	16.3%	27.3%
5 Years	15.3%	25.9%
Since Inception (1-Mar-12)	13.9%	24.7%

*Figures are annualised, are as of 31st March 2024, and are not verified by SEBI. The portfolio returns are post-fixed and performance fees. In line with SEBI guidelines, all the portfolio and benchmark returns are calculated using the TWRR method.

Clearly, the leadership of the market is changing and shifting towards larger and more liquid names, and we too are changing our portfolio composition accordingly. A correction always gives tremendous clarity and exposes the weaker holdings in the portfolio, which we then shift to newer ideas. We believe the market continues to be in a secular uptrend, with all the factors driving it (which we have alluded to in earlier Monthly Letters) continuing to be in force. With inflation ebbing, and the prediction of a normal to above-normal monsoon season ahead, we seem to be in an excellent position for strong economic growth to repeat in the coming financial year too. While India remains in a secular bull market, the corrections and volatility, as we witnessed in March, will happen again sometime in the future, but the final destination for our market is much higher over the coming years. We should allow that to manifest itself in our portfolio by being fully present in the market. In fact, this is a classic 'buy on dips' market, and one may take every meaningful correction to increase exposure.

With the Union election dates now announced for April and May, the market and industry is now in a 'watch and wait' mode, even though a favourable outcome for the incumbent party seems certain. Once the elections are out of the way and the result is indeed as anticipated, we believe the market will continue its upward journey, on the belief that the next round of big reforms will become possible. We see FPI funds coming in a big way and the nascent private capex cycle turning strong, particularly once all the domestic uncertainty is out of the way.

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In all likelihood, 2024 is going to be the year interest rate cuts begin in the US. All things considered, we see India as an extremely favourable destination for foreign investment, especially given that China continues to cause anxiety to the developed world. The Indian rupee could start strengthening, with the expected inflows from inclusion into the international bond indices. Our current account deficit, fiscal deficit, inflation levels, and real growth rates, are also very favourable now, relative to other countries. Geopolitics apart, the 2024/25 financial year should be a good one for us.

Thank you for your support as always.

RC

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