Monthly Letter

April 2021

prodigy
INVESTMENT
MANAGEMENT
Invest well. Celebrate life.

We were -0.5% in March (Nifty +1.1%). For the financial year ended 31st March 2021 we were up 82.1% vs 70.9% for the Nifty (elevated due to the base effect of the fall of 26% in March 2020). Never could we have imagined at the beginning of last year, that we would finish the way we have. Those who were not shaken by the extreme volatility, benefited immensely. It only highlights that how we behave in markets may be more important than what we think we know about them. Thus, our repeated message to all our constituents, that time spent in the market is far more important than timing the market. The power of compounding gets a chance to work its magic when given sufficiently long periods of time.

The second wave that we are experiencing has progressed so rapidly through March, that it has indeed caught everyone off guard once again. The new lockdown in Maharashtra and in some other states which contribute meaningfully to the overall economic pie, has dampened economic sentiment and it feels eerily similar to what we experienced exactly a year ago. However, there is a big difference this time, in that the vaccination program is gathering pace and the fatality rate is much lower, indicating a better grip on the treatment side. Of course, there are new developments daily, which keep the uncertainty levels elevated. However, one may be hopeful that just as the warp speed with which the vaccines were developed, so will be the ability of human intelligence to cope with whatever transpires. Therefore, we believe the current speed breaker on our economic recovery will be traversed, and we could return to growth in due course. How rapidly the vaccination program can be scaled up is the key determinant in the return of confidence.

In the true spirit of 'that which does not kill me makes me stronger'; businesses have emerged from the crisis with cleaner Balance Sheets and greater cost efficiency, and are thus in a position to bounce back strongly this year, once things stabilise. Furthermore, on the global front, notwithstanding the resurgence of the virus in many geographies, the global economy is poised for a strong recovery this year. The hardening of bond yields witnessed last month is also an indicator of this expected recovery. The continuous reflation of economies, most recently with the new infrastructure package in the US, and the positive jobs data in the US, are keeping global market sentiment positive, with the Dow Jones now at a life-time high once again.

India attracted record FPI inflows of approximately USD 38 billion. We believe India will remain an attractive destination for foreign funds given its new growth-oriented policies (discussed in previous Monthly letters) as well as the need for a 'China Plus One 'approach for global supply chains. With its large internal market, India does appear favourably set up for a period of sustained growth going forward. With the new higher fiscal deficit level that we are now at; we have created a very large pool

of funds for reflating the economy and for infrastructure building. This will be available every year till we return to the earlier targeted fiscal deficit levels. Hopefully, we will not score any own-goals to curtail this potential, as we have done many times in the past. We believe the coming fiscal year should be a good one for investors, albeit a more normal one in terms of returns.

Thank you for your support through the most turbulent year ever!

RC

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