

# Monthly Letter

April 2026



*Invest well. Celebrate life.*

We were -8.4% for the month of March vs -11.3% for the NIFTY 50 TRI. It is indeed cold comfort that we outperformed the market in a brutal month like the one just witnessed. The fall in March is one of the worst on record in any given month since the Global Financial Crisis of 2007/08. For the fiscal year 2025/26, we were also better off than the NIFTY 50 TRI (see table below). As of now, there appears to be no timeline as to when the Gulf War will end. Given the extant regime in Iran has not capitulated already means it is unlikely to, and therefore the Strait of Hormuz continues to remain largely shut to shipping traffic for now. The implications for the world economy, and for ours, are severe, and will increasingly impact economic growth the longer the strait remains shut. We are in a deeply risk-off environment, one that is driven by daily changing news flows, and unclear objectives of the main proponents of this conflict. In this situation, we have had to recalibrate our actions almost on a daily basis, with the effort being to not do anything unless we absolutely have to, as everything can also recover overnight if there is a whiff of the conflict getting resolved. The significant FPI selling, of Rs. 1.17 lakh crore in March and a further Rs. 20,000 crore in the first days of April, is exerting tremendous pressure on the market and on the rupee.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-1.3%	-4.0%
3 Years	18.1%	10.0%
5 Years	16.2%	10.0%
Since Inception (1-Mar-12)	21.1%	12.0%

\*Figures are annualised, are as of 31<sup>st</sup> March 2026, 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.

In many a sense this is now more than just a war in the Gulf region. Economically, it is a world war - the overriding fear is that we are on the precipice of financial contagion — a lurching economic crisis from one sector to the next as the energy crisis cascades through first, second and third order effects, ultimately bringing about a global economic crisis. The asymmetric nature of Iran's response is plunging the entire region's trade and supply lines into severe disruption. Beyond crude oil and natural gas, fertilisers, aluminium, refined products, and other critical inputs like helium all pass through the Strait of Hormuz; practically every economy and industry is impacted to varying degrees. The second-order and third-order effects, such as capital flows from employment in the Middle East, and thus our exchange rates, will also be felt if things are not resolved quickly. Exports of agricultural items like rice to the Gulf region are also under strain. While 20% of the world's crude and natural gas supplies pass through this strait, we receive 40% and 70% of our crude and gas supplies from the Gulf. So, we are very significantly exposed to the fallout in this region as is the rest of Asia. This is not a crisis of our doing, but it is disproportionately our cross to bear, as it is for countries with similar reliance on Gulf energy supply.

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In the near term, there will be a limited impact on our fiscal situation and on consumer demand, this is evident in the March consumption data, which has come in quite strong. However, with interest rates having spiked to 7.1% on our 10-year bond, the rupee depreciating rapidly, and crude oil remaining elevated at over USD 110 a barrel, it is only a matter of time before the positive spiral our economy is in reverses into a negative one, with inflation rearing its ugly head again. There is practically no sector that does not have some linkage to the price of crude oil or to its derivatives or to natural gas or to some product that flows through the Strait of Hormuz. As the rhetoric from the US becomes increasingly desperate, it is clear that the Americans are looking for an off-ramp to end the war, but as they are learning now, starting a war is easy, ending one is not. This is a lesson the US is learning for the nth time.

Our market has been in a corrective phase for well over a year now, and valuations have moderated to more reasonable levels. However, this conflict has pushed us to yet another new low of pessimism. We have to hope that things will not drag on. This factor makes us want to move slowly and give our holdings a chance to recover. We feel upbeat about the businesses we own, and are confident that they will do well if the environment improves. The more economy-sensitive sectors like banks, industrials, and automobiles (especially as fuel prices and interest rates seem set to rise) may be more impacted. If things worsen or remain in a quagmire, we will increase our cash levels as is necessary. Even if things were to be resolved tomorrow, it would take many weeks or months for crude and natural gas supplies to revert to earlier levels, given the damage to the energy infrastructure in the GCC countries. The most constructive outcome from here would be the market finding a floor, which it seems to have found for now. If there is a de-escalation, we would expect an initial sharp recovery spike, followed by a slow reversion to normal over the rest of the year. Let us hope that in our next letter we have a more positive report than this one. The pain threshold for both the US and Iran appears to have been crossed, making the chance of a ceasefire in the near term a real possibility. Let us hope sanity prevails over jingoism.

That which does not kill us makes us stronger. I have no doubt we will emerge much stronger from this. Thank you for your support.

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