

# Monthly Letter

April 2025



*Invest well. Celebrate life.*

We were up 7.0% in March vs 6.3% for the NIFTY50 TRI. The full year data is given in the table below. However, the events of last month lose relevance in the context of what has transpired on April 2nd, the day of the unveiling of the Trump Administration tariffs, which were much worse than all our expectations. The selloff experienced globally, especially in the US, with the retaliatory tariffs from China, has now turned this into a full-scale tariff war. To predict the outcome of everything that is evolving globally, on a daily basis, given the propensity of the US President to change directives whenever it suits him, is futile. It is better in this case not to try and predict, but react with due thought to whatever transpires. In the extant milieu, India may be amongst the best losers (a dubious distinction indeed), and it is possible that much of what has been slapped on many nations will eventually be rolled back significantly, as 'Liberation Day' may be just a negotiating tactic to browbeat the world into submission to US posturing (as is the tactic from the book by Mr. Trump, The Art of the Deal). However, when and how this will happen, as mentioned earlier, cannot be timed or modelled. We will focus on each individual holding and retain those least impacted by all the changes wrought by these significant changes to the old-world order.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	3.9%	6.7%
3 Years	16.6%	11.8%
5 Years	31.3%	23.7%
Since Inception (1-Mar-12)	23.0%	13.3%

\*Figures are annualised, are as of 31<sup>st</sup> March 2025, 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.

It would appear that the US is hurting itself the most by the new tariff regime. If these changes are not rolled back soon, the chances of a US recession will skyrocket. Most US Banks already place the probability of this at over 60%. Effectively, growth in the US in 2026 could plummet to 0% from 2% in 2025. The US is likely to face a situation of inflation returning to 4%+, unemployment rising and the stock market moving into bearish territory, which would be a full-blown stagflation (the NASDAQ is technically in a bear market, and the other broad indices are close to falling into the same zone). This is likely to cause a severe erosion in the approval ratings of the US President (already these have taken a drubbing since he took office), and the tipping point may not be far away, from where the pressure from his own party forces him to change course. The nation-wide protests in the US against the recent developments, witnessed over the past weekend, could also snowball and force the administration to save face, by resorting to an indefinite postponement of these tariffs.

The entire methodology by which the reciprocal tariffs have been calculated appears completely flawed to the educated mind. The desire for the current administration to bring low-tech manufacturing back to the US, when the US is the greatest exporter of high-end services (and manufacturing high-tech products like aircrafts, defence and GPUs), begs explanation. By one estimate the percentage of population in the US engaged in manufacturing is 7%, which even if manufacturing comes back will rise to a maximum of 8%! The US may be on the edge of an economic armageddon

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if what has happened on 'Liberation Day' (also being dubbed as 'Impoverishment Day' by some) is not rolled back significantly very soon. As the saying goes 'when America catches a cold, the whole world sneezes', and therein lies the greatest risk for India. A weak US economy means less demand for the entire world.

While tariffs can be unwound, the US has irreparably broken global confidence in its institutions and challenged its own status as the global reserve currency, leading to a massive trust deficit with rest of the world. The trust deficit feeds into a lack of business confidence which is likely to bring fresh capital investment in the US to a grinding halt. The US has not thought through the fact that the dollar's position as the reserve currency of the world is going to diminish at an alarming rate with the current antagonistic approach of the US President and his loss of credibility globally and at home.

India would appear to be amongst the least impacted by these tariffs at 26%. Other competing Asian nations have been slapped with tariffs of 35%+. Thus, it is possible that new manufacturing will seek out India as a part of their supply chains in the medium term. India, as we have mentioned in our last [Monthly Letter](#), has many positives going for it. Our fiscal situation is strong, inflation is soft and the RBI is likely to cut interest rates in the coming days. Crude oil prices have corrected sharply, which is another big positive. The personal tax rate cuts kick in from April 1st, which should play a role in stimulating demand. The indiscriminate selling due to the recent events has led to a sharp fall in markets and may continue beyond what can be foreseen (which culminated to the 'Black Monday') but this has also led to equity valuations declining consistently since October 2024. Valuations are now by some measures appearing quite attractive. Thus, we believe in this sharp ongoing fall, one will find good opportunities to invest. Our government is likely to negotiate with the US and accommodate their demands to the maximum extent possible. This should help sentiment improve as well. As mentioned earlier, the greatest worry remains a US recession and a global slowdown.

Last November in our [Monthly Letter](#), we had highlighted that a Trump Presidency was one of the greatest risks to the world, however, we did not expect these risks to materialise so quickly and this seriously. Let us hope sanity prevails over what is happening at the moment. This is unsustainably bad, for the US especially.

On a lighter note, we seem to experience 'once in a generation' bad events every few years. Maybe our karma debts are now over, and the future is bright!

Thank you as always for your faith in us.

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