

Monthly Letter

August 2025



Invest well. Celebrate life.

We were +0.4% for July vs -2.8% for the NIFTY50 TRI. So far, the earnings season has been very good for our holdings. Yet, persistent global headwinds have proved too strong for any meaningful gains to be registered. Domestic demand has also struggled to gain traction, even though the factors to encourage the same are in place. At least we have the satisfaction of knowing that we are positioned correctly, given that we have not had a negative month. We believe the second half of this earnings season will also be good for us. While markets are always challenging, this time seems more so than usual. We find that the market is unable to establish real leadership in any sector, which is what forms the basis of a new rally. Over this last quarter, we saw signs of leadership emerging in financials (on the back of lower interest rates) and then in defence-related stocks (on the basis of larger outlays by many countries, including ours), but neither sector has been able to build on that foundation. This is partly due to the escalating uncertainty of the tariff war with the US and the rhetoric from the White House.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-7.9%	0.5%
3 Years	23.1%	14.3%
5 Years	26.8%	18.9%
Since Inception (1-Mar-12)	23.0%	13.4%

*Figures are annualised, are as of 31st July 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.

The ongoing US–India negotiations on tariffs have kept the market in check in July. The initial hope was for a balanced and mutually beneficial outcome, or at the very least, one that would not put us at a disadvantage with competing exporters from other nations. It does not look like this will transpire, with the sticking point being food and dairy products, on which a significant section of our population depends on for a living. Without dwelling on the specifics, this stance seems unfair as the US farm sector itself enjoys huge benefits from the state to sustain itself. What is on display from the White House was its typical bluster and brinkmanship, and we should be proud that our Government has not succumbed to the same. After all, those who live in glass houses should not be throwing stones, and countries around the world are increasingly finding the courage to call out and stand up to Trump. The US is no longer anyone's friend, and everything is purely transactional in nature for them now. It's either 'you're my follower or my foe'. It would do us well to turn our focus to other nations for trade, as we have done with the UK. The 25% tariff on India will have a short-term impact on growth till a workaround is found. Negotiations will continue and we believe the last has not been established on this matter. We have been cautious towards sectors that would be impacted by such an event (like garments, jewellery and engineering) and will continue to be so. Worryingly, on the back of the tariff threat, the rupee has weakened

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dramatically over the last month, further complicating the landscape we navigate. Continued weakening of the rupee will delay any sustained rally in our market.

Another surprise last month was the rationalisation of headcount by 2% by the software major TCS, which has been a one of the biggest domestic employment generators for decades. While reasons will be given by the company, the underlying cause would appear to be the advancing capabilities of AI, which are increasingly rendering lower-end coding jobs obsolete. Could this be the first sign of more to follow as AI becomes more advanced? Is this the canary in the coal mine for a lot of basic processing jobs? If so, the ramifications of demand for other sectors, that depend on the spending of IT professionals are also of concern. The software sector is also a huge foreign currency earner for India, and this will also be impacted. Maybe it's premature to harbour such concerns, and perhaps the demand for other offshore services such as that for Global Capability Centres, could fill this gap, but this is an event worth noting.

While there are green shoots indicating that domestic demand is reviving (two-wheeler sales data in July has been notably better), The real pickup is expected only once the festive season nears. With a favourable monsoon and the RBI's liquidity push, the ingredients for a rebound are in place. However, the increasingly difficult negotiation terrain our government traverses will not be lost on the market, and further brinkmanship from Trump will continue to unsettle all investors, FIIs and DIIs alike. The stand our government is taking appears to be correct, and we should support the same, even if it means that the trade negotiations may become even more complex and prolonged. We will have to wait for these headwinds to subside. Else, the India story remains in place.

Thank you for your support as always.

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301-302, Mittal Avenue, Nagindas Master Road, Kala Ghoda, Fort, Mumbai – 400 001. India Tel: +91 22 22875801