

# Monthly Letter

December 2025



*Invest well. Celebrate life.*

We were -0.6% in November vs +1.9% for the NIFTY50 TRI. The second half of the earnings season was not as good for us as we had anticipated. The extremely narrow nature of the market rally, in which the large caps are gaining but the broader market has been stagnant to declining, is reflecting in our performance of the last month. The delay in the trade deal with the US has also impacted the sentiment, and the rupee has continued to depreciate as a result of this. FPIs continue to favour other emerging markets over India, and the flood of both new issues (INR 30k crores of IPOs lined up for December) and incessant promoter selling have kept a lid on the market, notwithstanding the uptick in consumer demand post the new GST regime and a good monsoon. The broader market is likely to remain range-bound below its all-time highs, till the trade deal with the US is announced and consumer demand is seen to be sustained at higher levels.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-4.6%	9.9%
3 Years	23.8%	13.1%
5 Years	23.0%	16.5%
Since Inception (1-Mar-12)	23.1%	13.6%

\*Figures are annualised, are as of 30<sup>th</sup> November 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 Indian market has underperformed other emerging markets significantly over the last year. As a result of this, it is now trading at levels lower than the premium valuations it commanded over the last decade. The FPI holding in India has also now reached decadal lows. Both these data points indicate the extreme negative bias towards India now held by overseas investors. The hope of a trade deal with the US that would have fructified in November, has also been dashed, resulting in a further blow to investor sentiment and the rupee. As mentioned in our previous [Monthly Letter](#), till the rupee stabilises, it is hard to see any real rally developing.

The positives for the Indian economy continue to build and accumulate. The post-festive season demand has remained relatively buoyant, as compared to earlier years, evidenced by automobile sales numbers for November. Credit growth data has also seen early signs of a recovery. While GST growth for November appears muted, the underlying sales growth for September and October has grown by a very robust 15%. The most recent 8.2% GDP growth print for quarter two of this fiscal year, also point to strong underlying consumer sentiment. If this sentiment can sustain on the back of the GST cuts and strong rural demand emanating from consecutive good monsoons, then the foundation for the next up move will be in place. The upcoming wedding season is also expected to provide strong impetus to demand from all the early indications.

While Q2 GDP growth has been strong, however given the low inflation levels the economy is experiencing, the nominal GDP growth becomes a muted number, at just 8.7%. This is reflecting in corporate profit growth and keeping that number in single digits, as compared to earlier years, where higher inflation meant higher nominal GDP growth, resulting in double-digit profit growth. Low inflation means lower interest rates in the economy,

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which is conducive to sustaining robust consumer demand. Thus, we see the entire setup as one where the near term may be muted, but the medium to long term looks very positive. Low inflation and good growth are the core tenants of the 'Goldilocks Economy' that all nations strive for.

India is increasingly being viewed as an economy more likely to be adversely impacted by the explosion in the usage of artificial intelligence (AI), than a beneficiary of it. This is also an important reason for FPI selling, and diversion of funds towards China, Korea and Taiwan, which are being viewed as AI winners. India, being the 'back office' and coding capital of the world, is seen as losing out in a world where low-end jobs are made redundant by AI. The jury is out on this, and as of now, this view may be considered as extreme, and one which may not play out as badly as feared. Clearly, India needs to do more in changing this perception that the world is ascribing to it.

The narrative that the US market is in the grip of an AI bubble is one that is roiling global markets. Parallels between the dot-com bubble of the early 2000s and today are being drawn. However, today, an actual demand supply gap is driving investments into AI infrastructure versus just anticipated demand which drove investments into the dot com bubble. This is different as the concern this time points more towards ambiguity of actual dollar return from this massive investment outlay rather than excessive valuations being given to fantasy names that blew up in early part of the 21<sup>st</sup> century. Thus, we see the US market correct sharply every time this concern resurfaces, but we anticipate that the AI rally still has some way to go as the market will climb the proverbial 'wall of worry'. A falling interest rate environment in the US, which is almost guaranteed with the pending appointment of a 'compliant' new Chairman of the US Federal Reserve, will drive it on. In our view, the real bubble is somewhere ahead, but not so close still.

In the past year our market was buffeted by multiple global headwinds, but our resilience came through in form of domestic SIP inflows. While the challenges have not abated, it would serve the smart investor well to enhance exposure to the market as the economy appears on an upward trajectory. The economic indicators all point towards Main Street doing well, we believe Dalal street will follow in due course. A favourable US trade deal is the biggest positive trigger ahead.

Thank you for your support.

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