Monthly Letter

February 2026

prodigy INVESTMENT MANAGEMENT

Invest well. Celebrate life.

We were -8% in January vs -3% for the NIFTY50 TRI. January was a month where the geopolitical strain between the NATO allies reached an unprecedented and unanticipated crescendo over the ownership of an island named Greenland, arising from the egotistical ambitions of one man. This engendered a risk-off environment, and with the US trade deal still in abeyance, India came into the crosshairs of significant FPI selling, which saw the rupee weaken to new lows of Rs. 92 to the USD. Notwithstanding this outcome for the month, we remain extremely upbeat about the scrips we hold, and believe this is more a short-term quotational loss, rather than one reflective of a shift in fundamentals of these businesses or their outlooks. In fact, the earnings season to date has actually been strong for almost all of our holdings and we believe the few days left for earnings season will also pan out favourably for us.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-3.2%	9.0%
3 Years	20.9%	14.1%
5 Years	19.5%	14.5%
Since Inception (1-Mar-12)	21.9%	13.1%

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

The Indian economy continues to perform well, as we allude to in every Monthly Letter, and indeed January was no different, with consumer demand staying robust as the GST cuts of October continued to fuel post-festive season off-take. This follow-through in consumer demand is very important, as it is this that gives us confidence that finally, we should see a change in the trajectory of earnings growth in the coming year. One sector where this is clearly visible in is the automobile sector, with most sub-segments recording growth between 10% to 20% year on year. With low inflation and high GDP growth, we once again highlight the 'Goldilocks' phase our economy is in. Indeed, the dichotomy between 'Main Street' and 'Dalal Street' has never been more pronounced. While last year this may have been justified due to high valuations, multiples have now reverted to below their historic mean. India's stark underperformance last year versus other world markets in 2025 (underperformance by over 30%), also sets it up for a 'reversion to the mean 'trade.

In the backdrop of Main Street's resilience lies the wealth effect in rural India arising from the surge in gold prices over the last year. Given gold forms such a pivotal part of rural and semi-urban household balance sheets - where financial savings are low - the collateral base has improved markedly. This, in turn, has created both the confidence and the ability to take on incremental credit, which ultimately feeds through into consumption (something that is already evident in gold-loan data). This is an important tailwind to the rural recovery, alongside a promising Rabi crop sowing and the demand impulse from the GST cuts. The winds of change are building—and, in our view, they will ultimately reflect on Dalal Street as well.

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Finally, in early February, the trade deal with the US was announced, with tariffs being reduced to 18% from 50% (including the penal tariffs of 25% on Russian crude), the fine print is still to come through. However, this is a huge sentimental positive, and immediately, the rupee has shown good recovery. This should anchor our currency by reducing FPI selling and create the environment for capital inflows, from capital outflows. Markets have rebounded strongly as a result of this and we believe this recovery will sustain. The Union Budget for fiscal year 2026/27 was mostly positive, except for the sentiment dampener of raising Securities Transaction Tax rates on select derivative securities, which in our view, was not the best way to discourage excessive retail trading, and created more heat than light. With so much reform happening outside the Budget through the last year, unsurprisingly there was not much new reform in the Budget itself. The Budget was credible in terms of revenue targets and the fiscal glide path. The trade deal with the EU towards the end of January is also a big deal. All in all, the setup for the market with these positive developments seems encouraging.

The one known unknown that is really hard to gauge, is the impact of artificial intelligence on many businesses. The sheer speed at which new developments in this space are occurring, makes it a threat as well as an opportunity to almost all business models. Who will finally benefit and who will lose has become a daily debate, and this can have a dramatic effect on prices overnight, as was seen on the IT stocks this week with the launch of the new AI model from Anthropic. Separating the reality from the hype is not in any way easy. The elevated geopolitical uncertainty intertwined with the daily upheavals that innovation in AI brings means we live in times of extreme volatility – we are even seeing this volatility in precious metals prices. All this signals to us that we will have to stay reasonably diversified and keep position sizes in check,

Thank you as always for your support.

RC

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