Monthly Letter

July 2023

We were up 6.3% in June vs a total return 3.7% for the NIFTY50. The positive momentum that the market has been witnessing from April, persisted through the month, confirming the secular uptrend; and the leading indices hit an all-time high towards the end of June. The sustained and robust inflows by FPIs is the fuel for this rally, with inflows of ₹47k crores in June, on the back of flows of ₹44k crores in May. The diversion of interest from the Chinese market towards the Indian market by FPIs, is one of the reasons for this high level of inflow.

Returns*	NIFTY 50 TRI	Prodigy Growth Strategy
1 Year	22.9%	32.6%
3 Years	24.5%	35.7%
5 Years	13.7%	18.2%
Since Inception (1-Mar-12)	13.3%	23.4%

***Figures are annualised, are as of 30th June 2023, 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.**

Indeed, it would appear as though the stars have aligned for India. The build-up of internal factors (such as political stability, fiscal improvement in government budgets leading to infrastructure spending, GST traction, cleansing of the banking system, direct taxation reforms, PLI schemes to give manufacturing an impetus, revival in the capital investment cycle, improvement in inflation, peaking of interest rates and sustained inflows into equity markets by domestic investors), combined with the adverse political and investment climate in China, the slowing down of growth in China and the developed world, the favourable demographics of India as a consumption, manufacturing and brainpower hub; have all come together to almost make this an 'aha' moment for foreign investors viewing India. The significant overtures by the Biden government towards India, is emblematic of the West's assessment of India's imminent potential, both as an economic and political ally, in a world that is becoming increasingly multipolar. In fact, this is further playing out as a strengthening of the rupee against the yuan, which is a big benefit for India, China is our largest source of non-oil imports.

While there have been concerns about the El Nino effect impacting the monsoons this year, so far, the spread of the monsoons has been ahead of time. Should the monsoons be much weaker than normal, this could affect demand, especially in rural areas and it could also be inflationary for food prices. Hopefully, the weakness will not be to the degree that creates an acute impact. The persistent strength of the US economy is another risk factor that may see further rate hikes by the US Fed, and force other central banks to also follow suit.

However, we believe that any correction engendered by these factors will be viewed by those who missed this rally as a buy on the dips opportunity and thus corrections will neither be very long nor very deep. Long-term money that can ride out this volatility is likely to be the biggest beneficiary, as we see this rally to be a long-term one. The only thing we see that can upset the current set-up is a new conflict in East Asia (which can have major global ramifications), or elsewhere, that impacts the price of commodities, especially crude. As we move towards the Union elections in India next year, markets may become increasingly skittish, but there is no getting around that. One will have to sit it through and hope for an outcome that markets will be happy with. As of now, it would appear that this should happen.

The earnings season for quarter one of fiscal 2024 is just ahead. We expect the same to be good as all high-frequency indicators have been strong this past quarter and commodity prices have remained benign. While the market breadth remains strong, which is a positive, we believe the market needs a consolidation phase to digest the recent gains before a further up move develops.

Thank you for your support.

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