Monthly Letter

June 2023

Invest well. Celebrate life.

We were up 9% for May vs 2.9% for the NIFTY50. Strong FPIs inflows of Rs ~44k crores in May, the highest in the last 9 months, was the primary reason for the market performing well. These strong inflows are persisting in June as well, as the high-frequency economic indicators of the Indian economy continue to impart confidence to global investors, of the growth momentum present here. The level of interest in India from global investors and manufacturers has seldom, if ever, been higher than it is today and this should see flows of foreign investment in the form of both, FPIs and FDI, to continue to rise in the future.

In this up-move, the broader market's performance has been relatively better than the large-cap indices; in a scenario where interest rates appear to have peaked out, a more risk-on environment is developing. Small and mid-cap stocks which are a high beta play on the market, gain greater favour in an environment of falling interest rates. Our focus on increasing allocation to these segments of the market has worked well for us.

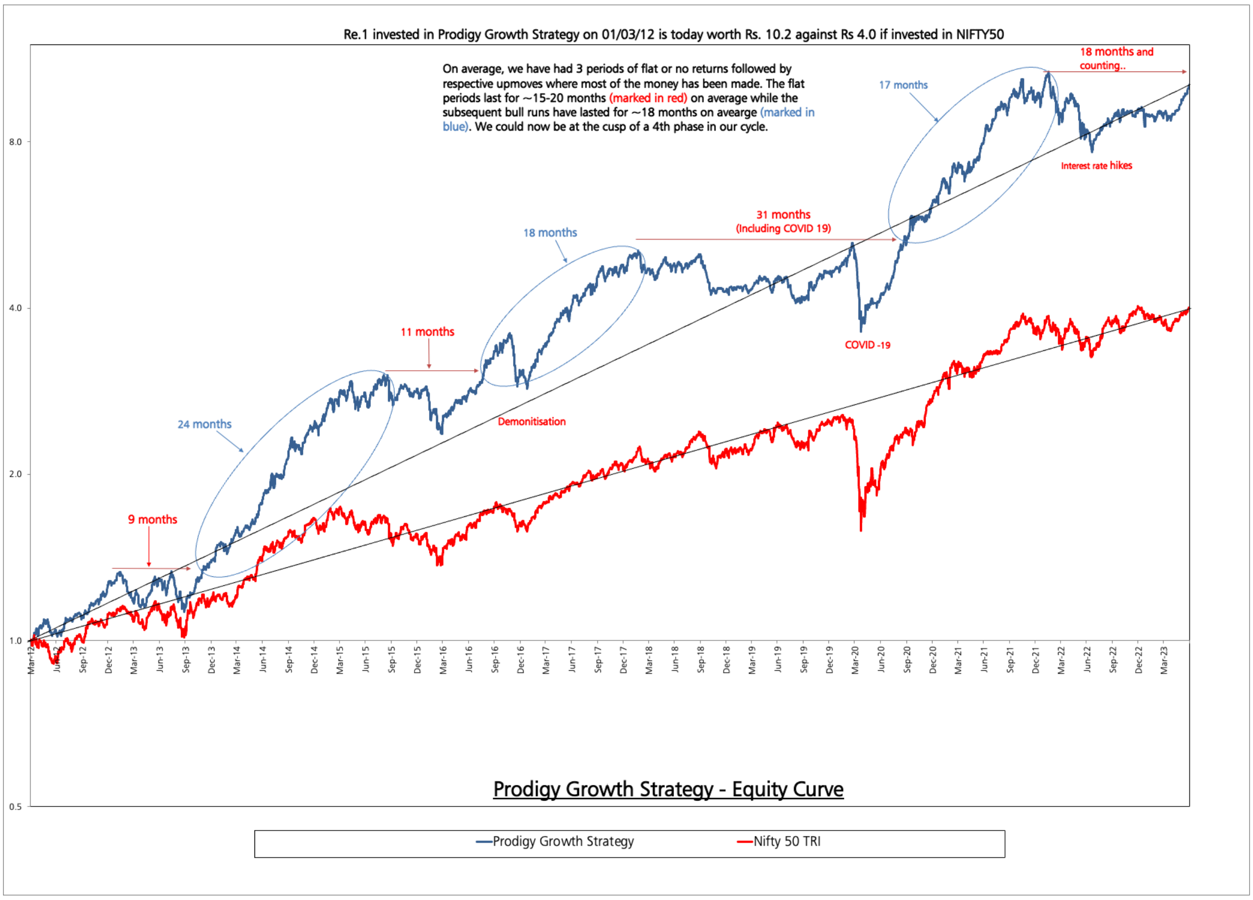
Returns*	NIFTY 50 TRI	Prodigy Growth Strategy
1 Year	12.9%	20.1%
3 Years	26.1%	34.7%
5 Years	12.9%	16.1%
Since Inception (1-Mar-12)	13.0%	22.9%

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

While for many years now there has been a favourable build-up of factors for the Indian market, this has been offset by negative global developments, which have kept the lid on a secular up move from developing. This appears to have changed now, and we believe that the current up move is just the start of a larger multiyear rally for Indian equities. Nothing will be one way, and as always, the 'wall of worry' will show up constantly (weaker monsoons, elections, geo-political developments); but for those with a longer horizon the rewards of withstanding any volatility, should be well worth it. India appears to be in an economic sweet spot and a place of relative geo-political calm in an increasingly unstable world order. While these global factors create a very favourable tailwind, for India to seize the moment, the driver of the structural story has to be the economy itself; and that is coming through. The GDP data for Q4 of fiscal 2023 was a positive surprise at 7.2% and with forecasts of 6.5% GDP growth for fiscal 2024, India would be the fastest-growing large economy in the world in 2023-24. This growth number seems all the more attractive given that China's growth has faltered again after a promising growth spurt post its covid lockdown, and most of the West is struggling to stave off a recession.

May was wracked by political brinkmanship (a recurring theme) related to the US Debt ceiling not being revised upwards in time, the consequences of which would have been devastating. However, as expected, this was resolved at the last moment, which triggered a relief rally globally. These kinds of developments have no lasting effect on markets, and very soon all the other woes engulfing the world economy and fresh geopolitical developments will gain ascendancy. As one editorial put it appropriately, 'the worries have receded for now, but the uncertainties remain the same'. This has not been the first time this situation has troubled world markets, and neither is it likely to be the last time.

In the chart of our equity curve below, one can see that over the last 11 years, we have done significantly better than the market. We have grown our portfolio at a CAGR of 22.9% (post all fees and costs, based on SEBI TWRR methodology) vs the NIFTY50 which has grown at a CAGR of 13%. Thus Rs 1 invested with us has grown to Rs 10.2 vs Rs 4.0 if were it to have been invested in the market (voila, the power of compounding!). The important thing to notice is that there have been periods of waiting followed by a subsequent period of a sharp up move. Thus, it is important to stay invested through these waiting periods. We believe we are just concluding one such period of waiting and we believe there is a similar rally ahead, especially as the interest rate cycle appears to be peaking.



The other important thing to highlight is the adherence to our process through thick and thin, which is the real factor behind our performance. So let me share my favourite quote here on following one's process.

Define the process that leads to success. Learn to love the process. Be committed to it. Be patient while you wait for it to work. Define success in terms of how well you honor your commitment to the process.

-Bob Rotella (Life is Not a Game of Perfect)

We would like to pay tribute to William O'Neil who passed away last month. William O'Neil developed the CANSLIM process of investing, upon which our own process of Reverse Research relies heavily. He was one of our Gurus, may his soul rest in peace.

Thank you for your patience when things have been tough.

Warm regards,

RC

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