Monthly Letter

March 2024

prodigy INVESTMENT MANAGEMENT

Invest well. Celebrate life.

We were +0.7% in February 2024 vs +1.3% for the NIFTY50 TRI. On a rolling twelve-month basis, we were +68.3% vs +28.5% for the NIFTY50 TRI (all returns based on SEBI-mandated TWRR basis). The earnings season for Q3FY24 did not go as smoothly as hoped. We had more than our usual share of earnings misses, reflecting the weakness in consumer demand. This is likely to spill over into Q4 earnings as well, and this has resulted in the underperformance by stocks exposed to the consumption side of the economy. The recent SEBI and AMFI guidelines to Mutual Funds, asking them to put in place controls to ensure investor protection, with regard to small and mid-cap funds, including limits on inflows, is likely to impact the broad market going forward - in terms of fund flow and investor sentiment. In light of these factors, and given that the market has already run up ahead of the upcoming Union Elections, discounting a win by the incumbent party, we believe that our portfolio is likely to witness a subdued return in the period ahead. At this point in time, we are likely to push for raising liquidity levels in the portfolio and reorient the positioning towards larger and more liquid stocks over time. Unanticipated regulatory risk has also surprised us adversely.

Returns*	NIFTY50 TRI	Prodigy Growth Strategy
1 Year	28.5%	68.3%
3 Years	16.1%	28.6%
5 Years	16.6%	28.1%
Since Inception (1-Mar-12)	13.8%	25.3%

*Figures are annualised, are as of 29th February 2024, 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.

Economic growth for the economy for Q3 posted a positive surprise, coming in at 8.4%, ahead of the best of estimates. This has prompted GDP growth upgrades for the fiscal year ending 2024, and confirms India as an outlier amongst all large economies in terms of economic growth. It is this growth that is fuelling the strong revenue flows for the government and resulting in the outperformance over the fiscal targets. This should rekindle inflows from global investors once the Union Election results are out and the incumbent party indeed wins, as is expected. We expect a slew of fresh reforms once this is over, a boost in government orders and the private capital investment cycle to strengthen significantly. High-frequency indicators such as auto sales and GST collections, continue to display strength.

Geopolitical risk continues to be the main overhang in 2024, and a second Trump Presidency in the USA, as is widely expected, will only accentuate this risk. Even though his relationship with India was better than that with most nations during his first term, his unpredictable nature and protectionist intentions, could throw up challenges for all exporters and accelerate deglobalisation. His utterances on USA's role as a global stabilising force is already forcing many allied nations to reassess their defense capabilities and relationship with the USA.

Thus, should Trump be re-elected, the world may enter a highly unpredictable era. Markets hate uncertainty, and the same combined with weak economic growth, may spell trouble.

We remain sanguine in the long term given how strong a wicket the Indian economy is on at the moment. However, while up to a point the problems of our neighbours are helping us, yet if the same worsens, then we will not be immune to global factors that drag the world down. Let us hope this does not happen.

Warm regards.

RC

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