Monthly Letter

May 2023

prodigy INVESTMENT MANAGEMENT

Invest well. Celebrate life.

We were +3.8% vs +4.1% for the NIFTY50. April was an interesting month from the point of view that there was a significant shift in sentiment from negative to positive, and the indices which had been trading below their long-term averages (along with the appearance of the proverbial 'death cross'), recovered on the back a reversal in FPI flows for two consecutive months now. This could be interpreted to mean that the secular trend of the market is now bullish. In this rally, the broader market has performed better than the NIFTY50, which to us is a strong indicator that the character of this up move is solid and sustainable. Generally, in the first month of such a reversal the cash drag (due to the high percentage of cash holding in the portfolio) we experience in our portfolio results in a muted return relative to the market.

Returns*	NIFTY50	Prodigy Growth Strategy
1 Year	5.6%	-0.3%
3 Years	22.4%	30.9%
5 Years	11.0%	13.6%
Since Inception (1-Mar-12)	11.4%	22.1%

***Figures are annualised, are as of 30th April 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 Time-Weighted Rate of Return method.**

After the huge volatility experienced in early March emanating from the banking crisis in the US (Silicon Valley Bank debacle) and Europe (Credit Suisse collapse), the months of March and April witnessed the return of FPI flows into India. The belief that the interest rate cycle was at its apogee both in India as well as globally, combined with the correction in valuations for India, relative to other emerging markets over the past few months, provided the trigger for a reversal in FPI flows. In many ways, India looks like the most attractive large market to be in at the moment from a growth perspective, the reasons for which we have been highlighting in our Monthly Letters over the past many months, and these factors are the foundation for this up move. We believe that the domestic facing sectors, especially those of infrastructure, financials, and consumption, will outperform in the period ahead.

The current earnings season for quarter four of fiscal 2022/23 has had a good start. The improvement is more at the margin level than at the top-line level. The fall in commodity prices and logistics costs is reflecting in the improvement in margins. Going forward we believe the topping out of interest rates should spur consumption and help drive the top line in the coming fiscal year. High levels of government spending too, should keep the economy strong. Overall, we expect the coming financial year to be a good one.

The risks from a global economic slowdown remain. There remains a sense of uneasy calm as the US Fed appears to have taken a step back from the 'whatever it takes' attitude towards firefighting against inflation.

Monthly Letter

May 2023

Invest well. Celebrate life.

The attention has shifted to the troubles of the US regional banks. Since the sudden bank collapses we saw in March, the crisis may still be festering below the surface and may break out once again. Given how swiftly the US Fed swooped in last month to contain the banking crisis; the markets are betting on a more accommodative Fed once again. Markets climb a wall of worry, and there is a case for cautious optimism.

A weaker-than-anticipated monsoon could also hurt domestic growth. Geopolitics remain in an unstable zone. However, notwithstanding all this, we believe the India story is here to stay, and we are now in a 'buy on the dips 'market rather than in a 'sell on the rise 'market. Indian equities are likely to be the best-performing asset class in the years ahead. Therefore, we once again urge long-term money to be added to your portfolio with us.

Warm regards

RC.

301-302, Mittal Avenue, Nagindas Master Road, Kala Ghoda, Fort, Mumbai – 400 001. India Tel: +91 22 22875801