Monthly Letter

November 2022

Invest well. Celebrate life.

We were + 2.1% in October vs + 5.4% for the Nifty (rolling twelve months we are -4.4% vs +1.9 for the Nifty). We believe we are well positioned in our larger holdings, and the same should perform in the medium term. Nearly all legacy positions which have been a drag on returns have been exited. We continue to strengthen our larger sectoral allocations in Banks, Automobiles and Engineering. The broad market lagged the Nifty last month, and we expect this to normalise going forward, which should be favorable for us.

Returns*	NIFTY50	Prodigy Growth Strategy
1 Year	1.9%	-4.4%
3 Years	14.9%	25.5%
5 Years	11.7%	14.0%
Since Inception (1-Mar-12)	11.9%	22.6%

***Figures are annualised, are as of 31st October 2022, 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.**

The unfolding India story, that we have been constantly referring to in every Monthly Letter over the past months, continues to strengthen. The divergence between our market and other global markets is likely to sustain, given the strength of high-frequency indicators for October (GST collections, Purchase Managers Index, Fuel sales, Passenger vehicle sales, Real Estate registrations etc). Apart from this, the post-re-election action by Xi Jinping in China, to fill his politburo with 'yes men' to the exclusion of moderates, is likely to alienate foreign capital further, as China increasingly moves in the direction of 'common prosperity' over capitalism. This continues to make India a more favorable destination for investment as supply chains seek to mitigate risk. Furthermore, the cost of labour in China is now at double the level of India and the government's endeavor of 'Make in India' is attracting companies to set up their supply chains in the country (Most recently with Apple shifting some of its iPhone 14 production to India). FPIs inflows turned positive in October once again, and the early November data builds on this trend, notwithstanding the continuing hawkish tone of the US Fed, a sign that long-term money has already started recognizing this.

With growing weakness in the US housing market and in its manufacturing sector, as well as the cooling off of commodity prices, generated a narrative towards the end of October that peak inflation levels may have been seen in the US. In addition, this led to a belief that the US Fed may ease up on its severely hawkish tone post the rate hike of 2nd November. However, the Fed dashed these hopes and maintained its stridently hawkish stance, leading to a risk-off sentiment taking hold of markets once again. Interestingly, our market has been able to shake off the recent corrections in the US market and continues to trade above its long-term averages, a bullish construct.

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prodigy INVESTMENT MANAGEMENT

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Notwithstanding its elevated valuations, our market is climbing the proverbial 'wall of worry'. Geopolitical risks in many regions, from Taiwan to Korea to the Middle East, keep making adverse headlines, while the situation in Ukraine remains tense. It is evident in October that rising interest rates are beginning to take their toll at the lower end of the consumption basket in many sectors like automobiles and consumer goods. These headwinds mean that returns will have to be grinded out over the next many months. While we see the years ahead as full of potential, we need to see these negative factors abate before a meaningful rally can take hold.

Thank you for your support.

RC

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