

Monthly Letter

October 2026



Invest well. Celebrate life.

We were +0.7% vs -6.0% for the NIFTY50 TRI in September. For the first half of this fiscal year, we are up +44.1% vs +2.1% for the NIFTY50 TRI. The extent of this divergence makes us believe that it is time for us to take a conservative stance in the near term. While our portfolio is at an all-time high, the NIFTY50 remains below its long-term averages. For the first half of this fiscal year, the NIFTY SMALLCAP 100 index is up 26% while the NIFTY MIDCAP 100 Index is up 13%. So, even compared to these indices, we have done significantly better.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	30.6%	-7.1%
3 Years	18.4%	6.1%
5 Years	17.3%	6.4%
Since Inception (1-Mar-12)	23.4%	11.7%

*Figures are annualised, are as of 30th September 2026, 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.

Clearly, there are two parallel markets at the moment: the NIFTY50 and the broader market beyond it. One feels like a bear market, the other a bull market. As reversion to the mean is a powerful force of nature that operates in markets, and given the extent of our outperformance, we have, as a matter of prudence, created some cash in the portfolio (~5%), and we will take a step back before evaluating our next course of action. In the past, we have often been too slow to take our gains and have left too much on the table once markets corrected, so this time we are focusing on being more agile. The worsening macro environment globally also reinforces our conservative stance. The earnings season for Q2FY27 is at hand, and as always, it will give us more pointers to form a decision on which way we should go. Notwithstanding the extant inflationary environment and macroeconomic headwinds, we are cautiously optimistic about the prospects of our holdings in the coming earnings season.

With bond yields the world over rising to levels not seen in the last 20+ years, and with the US 10-year Treasury yield breaching 5.3%, crossing the crucial level of 5%, coupled with the US Fed officially entering a rate-hiking cycle with its first hike in over 3 years, it is unsurprising that FPIs have remained strong sellers. A large part of the NIFTY50's 6% decline in September can be attributed to the fact that FPIs sold ~₹35,000 crores over the course of the month. Over the first half of this fiscal year, FPIs have sold close to ~₹65,000 crores; as long as they continue to sell this aggressively, the NIFTY50 will continue to struggle. While domestic institutions have managed to absorb a large part of the selling, the broader macroeconomic forces are likely to keep the rupee under pressure in the near term. With inflation rising across the world, driven by the stalemate in the Gulf war, and with central banks across the world raising rates, it was only a matter of time before the RBI followed suit and entered a rate-hiking cycle of its own. Thus, while domestic demand, notwithstanding the poor monsoon, continues to hold up strongly, it is the rising global bond yields that are the most concerning factor for our markets at the moment, along with oil at \$100/barrel once again. These levels also threaten to derail the rally in

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the US market and cause a sharp correction. Incidentally, as we write this, headline indices in the US have broken out into fresh all-time highs. This combination of high US yields, and a surging stock market make it all the more attractive for FPIs to sell emerging market currencies in favour of holding US dollar-denominated securities.

While we are not insulated from these geopolitical factors, India increasingly stands out as a relatively stable, domestic-consumption-driven, high-growth geography. Even though we have little presence in AI and other high-tech areas as China does, we are still growing at over 7% with stable fiscal discipline and policy continuity. The Government has shown its commitment to reforms and to supporting industry and demand. Thus, once the current geopolitical pressures subside and the euphoria around AI reduces, we see foreign funds, both FPI and FDI, returning in a big way, as India provides a play that is different from other markets. Valuations, too, have receded from elevated levels in the recent past.

We remain positive about our market and the stock-picking opportunities that it keeps throwing up. This, combined with our ability to identify structurally unique business models, is what has given us the outcome we have had.

Thank you for your support.

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