

Monthly Letter

October 2025



Invest well. Celebrate life.

We were +0.5% vs +0.8% for the NIFTY50 TRI in September. While domestic sentiment remained extremely buoyant throughout the month, driven by significant GST rate cuts and expectations of record festive-season sales, particularly in mass-market categories, this optimism was not reflected in the stock market, owing to a few important reasons.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-10.9%	-3.5%
3 Years	22.2%	14.2%
5 Years	23.3%	18.4%
Since Inception (1-Mar-12)	22.8%	13.2%

*Figures are annualised, are as of 30th September 2025, 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.

First, the heavy and sustained selling by FPIs (Foreign Portfolio Investors), who shifted allocations towards other lower-valued Asian markets, especially China. Second, the continuous and large IPOs in our market have absorbed the additional domestic retail inflows. Third, adverse sentiment hitting our software and pharmaceutical sectors, due to fresh trade barriers imposed on them by the US administration. The currency depreciation compounds the problem and is another reason for FPIs to sell. Finally, India is seen as a big 'AI loser', with no meaningful contribution or participation in this new frontier, while our IT sector gets disrupted by it. Other Asian markets, by contrast, provide investors with exposure to the AI story at more attractive valuations than the U.S. Together, these factors imply FPIs are likely to remain on the sidelines in the near term.

The festive season appears to have started on a very strong note, with automobile and consumer goods companies reporting record-breaking sales. The combination of the income tax cuts in the last Union Budget, a strong monsoon season, low inflation, and the GST cuts, have all come together to provide an impetus of the likes not seen in a very long time. The RBI's latest policy decision also signals intent to carry forward the reform-oriented mindset of the Government, aimed at offsetting the fallout from the steep tariffs levied by the U.S. While this external pressure is adverse in the short run, it is also creating the political will to accelerate structural reforms which in the long run will create a stronger domestic base, both on the demand and supply side. It should be viewed as a welcome outcome.

While the domestic economy appears to be in fine fettle, as can be seen from the high-frequency indicators, we see the negatives persisting in the medium term. Indian equities, having already witnessed a time-wise correction of one year, continue to be viewed by foreign investors as expensive, relative to other emerging markets. The IPO market also has a huge pipeline ahead, which will continue to soak up liquidity and absorb domestic inflows. The US administration's behaviour towards India, and its active courting of our adversaries, is indicative of its

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hard stance towards us, and this is also likely to keep producing negative surprises. We need to be prepared for this. Thus, the positives and the negatives remain in delicate balance.

The singular and significant weakness of the Indian Rupee relative to all important international currencies over the last few months is our cross to bear. Our currency is now trading at a historic low compared to the US dollar, even though the Dollar Index itself has weakened significantly this year; this is reflective of all the issues we are challenged with. The first sign we would look for to indicate a reversal of sentiment for our market, would be a stabilisation of the rupee, along with some recovery of its recent losses. In this sea of macro uncertainty, we continue to see a lack of consistent leadership in our market, which is struggling to build on any significant gains as each up move is met with a fresh wave of selling. The weakness of the rupee is also constraining the RBI from cutting interest rates further, even though our inflation is well under control. Lower interest rates would be a positive trigger for our market.

Thus, we believe that while there is a strong build-up of positives at the domestic level, including the fiscal strength of the economy, the same may take time to shine through the extant negatives. Our focus now shifts to the Q2FY26 earnings season, where we will look for meaningful growth that can jumpstart our market, soften valuations and set the stage for a sustained rally. Ultimately, it is earnings and tangible numbers that provide the foundation on which any enduring uptrend must rest. The structural story is strengthening with the new reforms, and this is the key anchor for long-term investors. This is a good time to slowly allocate additional funds into the market, as a full year of consolidation is over and the time-wise correction in valuations has largely occurred.

Thank you for your support.

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