

Monthly Letter

September 2025



Invest well. Celebrate life.

We were +0.8% in August vs -1.2% for the NIFTY50 TRI. While we had a very good earnings season for our portfolio holdings, the same did not translate into any meaningful gains, as the environment abruptly turned 'risk off' with the additional 25% tariff levied on India (taking the total tariff to a punitive level of 50%) by the US under the pretext of India 'buying too much Russian crude'. It is common knowledge that the US administration and its thin-skinned leadership and sycophantic minions have levied the same for reasons other than what has been stated.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-9.9%	-2.0%
3 Years	22.3%	12.5%
5 Years	25.6%	17.9%
Since Inception (1-Mar-12)	23.0%	13.3%

*Figures are annualised, are as of 31st August 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.

This has resulted in heavy selling by FPIs during the month (approximately USD 4 billion outgo), which has also caused the rupee to end at an all-time low of almost Rs. 88 to a dollar. This has been the primary reason for our market's poor performance last month. However, it must not be lost on anyone that our market has stood firm in the face of exorbitant tariffs, border conflict and intense geopolitical pressure in this fiscal year. This has been due to the constant inflow of DII money in the form of SIPs from the Indian retail investor. August witnessed the second-highest level of DII buying at nearly Rs. 1,00,000 crore, marking the 25th consecutive month of domestic inflow. This is helping in anchoring our market, making it less vulnerable to fickle FII money, which tends to flee at the first sign of trouble.

We believe the pragmatic and strong stance of our government in the face of such bullying and humiliation, has been the right response, and this challenge is likely to create the political will to bring forward the next round of reforms. We are already witnessing this with the announcement on August 15th by the Prime Minister, that GST rates would be rationalised and reduced on a plethora of mass consumption items in order to spur growth. This, along with the Income Tax cuts in the Union Budget earlier this year, is a huge boost for consumption, and we are likely to see strong festive season demand this financial year.

Nonetheless, in the near term, there may be some softness in the quarter two earnings as uncertainty about the specifics of GST implementation has temporarily disrupted pre-festive demand, prompting deferment of purchases as distributors and retailers await clarifications. Advanced notice on rate changes would have been more conducive to business, helping inventory management and ensuring that working capital does not get tied up. As it stands, businesses may face a one-time adjustment on unsold inventory.

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Casting a longer-term geopolitical lens, it is clear that the transactional and unpredictable approach of the US Government towards all nations, friend and foe alike, is spurring reforms in a similar fashion the world over. And also creating new alliances and reigniting old ones where it was once thought to be highly improbable. After all, the enemy of my enemy is my friend. The world recognises the weaponisation of the US on the trade, currency, and security front. And to counteract this, the countries globally have begun to realign, all mostly away from the US.

The eventual resolution of tariff pressures should be a catalyst for a strong rebound in the Indian market. India continues to post solid macroeconomic performance, including fiscal discipline, low inflation, and a striking GDP growth of 7.8% for the first quarter of this financial year. Notably, S&P's rating upgrade after an 18-year hiatus is a powerful affirmation of the strong wicket our nation finds itself upon, and this should help lower borrowing costs for us and corporates across the board. The coming months will likely see the US Federal Reserve yield to political pressure to lower interest rates, accelerating capital flows into emerging markets and leading to further depreciation of the US dollar. However, it is important to monitor the US equity market for signs of fragility, as much of its apparent strength is narrowly concentrated within the primary players of the AI sector, raising concerns about sustainability. Weakness in the mother market, which is the US, will create an overhang in global equity markets.

Recent market underperformance has reset India's equity valuations to align with long-term averages, and the acknowledgement of macroeconomic stability by S&P should underpin the market and create a floor for valuations. The current punitive tariffs are unlikely to persist long-term, being recognised as unjustified; there is room for a constructive resolution between the US and India. Thus, we believe that one should ride out this period and allow the build-up of positives to shine through.

Thank you for your support as always.

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