

Monthly Letter

June 2026



Invest well. Celebrate life.

We were +4.3% in May vs -1.7% for the NIFTY50 TRI. The follow-through our portfolio has experienced after a big month in April (+15.8% vs +7.5% for the benchmark) is a very positive signal for us, indicating that our portfolio positioning is working. What carried our performance this month was solid earnings performance in our core portfolio scrips in the recently concluded Q4FY26 earnings season. This, coupled with strong commentary and visibility, has seen the market reward our holdings. As important as aligning with market leadership is, staying far away from laggards has also driven this performance, we have no exposure to banks and IT, both heavyweight sectors in the NIFTY50. This is again an outcome of our investment process, of steadfastly aligning with leadership and culling losers. This process is overlaid with identifying high growth, unique and non-fungible businesses, with expanding moats (businesses that are price makers rather than price takers). This is succinctly what we do. Everything is process and discipline; outcomes are not what we focus on. We have followed our 'Reverse Research' methodology since inception, and while it has been refined constantly, the core principles remain unchanged.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	14.4%	-3.8%
3 Years	20.7%	9.5%
5 Years	17.5%	9.9%
Since Inception (1-Mar-12)	22.5%	12.3%

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

On the global front, not much has changed in the month of May. The same issues that troubled us in April continue to do so, viz, FPI selling, elevated crude and commodity prices, weak currency, high inflation expectations and the threat of artificial intelligence to our technology services sector. As the US administration continues to blow hot and cold over the terms of the ceasefire with Iran, the world waits for some relief from the economic fallout from the continuous closure of the Strait of Hormuz. A war that was to conclude in a few weeks now seems to have become something of a contemporary Cold War, with both sides not really firing at each other, except on Twitter and in the media, where brinkmanship is on full display. While there is a fragile ceasefire in place, markets need the Strait to reopen. What has changed is that markets have become less sensitive to media headlines and appear to be pricing in a longer closure, with volatility reducing significantly. The only bright spot is that consumer demand continues to hold up notwithstanding all the above issues, thanks to the GST cuts and income tax cuts effected last year.

So, the question is why are we doing so well in this environment, which is still clearly challenged? The answer lies in what I have outlined above. Intense focus on finding businesses that satisfy the above criteria. Today, I am extremely proud of the research team we have, and I can say with confidence that our research team is presently the best we have ever had. Our challenge is to keep up-skilling ourselves and to integrate AI into our day-to-day

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processes. It is this holistic effort that is producing the desired results. Even in this tough environment, there is a small group of businesses that continue to do well and promise to sustain their growth due to structural tailwinds. We have been able to capture some of these ideas.

As we turn our focus to FY27, the overriding concern is domestic resilience showing signs of wobbling against the disruptions and second-order effects from the Strait of Hormuz closure. Domestic demand, which so far has held up, will not be able to sustain much longer at these levels. The commentary from managements suggests the same, that inflation in raw materials is very significant and will soon be passed on to consumers, this will certainly lead to some level of demand destruction. Uncertainty is itself a huge dampener of sentiment. On the other hand, the artificial intelligence investment boom continues to drive investment capital away from India towards Korea, China, Japan and Taiwan, which have much deeper and relevant AI-related technology plays. We are well behind, and not even in the conversation on the AI front. Unless there is some cool-off in investor sentiment towards this sector globally, we will not be able to stem the outflow, which is also a factor putting pressure on the rupee. Let us hope the monsoons are not very deficient this season, as is forecasted. That too is a concern.

The frontline stocks that are under pressure are where the FPIs have substantial holdings to sell, whereas the pockets of investment we are finding are holding up due to their moated, superior growth profile. Let us hope that there is a resolution to the Gulf conflict and that the negative economic spiral can turn. The India story is in abeyance for now, as much of the fiscal gains of the last few years have been diluted due to the pressures emanating from this conflict. We feel confident it will re-emerge once things begin to revert to normal.

Thank you for your support.

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