Monthly Letter

June 2025

prodigy INVESTMENT MANAGEMENT

Invest well. Celebrate life.

We were +7.8% for May vs +1.9% for the NIFTY50 TRI. We witnessed a sharp recovery in our holdings on the back of strong earnings in Q4FY2025, as well as a robust outlook for the coming fiscal year. As we all settle into what is likely to be the new normal, which is the way the US conducts itself with the rest of the world, sentiment has somewhat stabilised. The new equation is one where the US first launches an extreme salvo of conditions and then backs down to something more reasonable (termed as TACO by the media, meaning "Trump Always Chickens Out"). Everyone now understands this playbook. Thus, global markets have taken a breather, though the level of uncertainty remains significantly elevated.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	0.7%	11.1%
3 Years	22.7%	15.6%
5 Years	30.3%	22.3%
Since Inception (1-Mar-12)	23.1%	13.6%

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

As the new administration in the US picks its targets indiscriminately, attacking friends and foes alike, and increasingly turns upon itself, creating deep internal divides, the one trade that will only gather strength, is the 'ABUSA' trade. This stands for "Anywhere But USA", implying that overseas money is increasingly departing US shores, finding its way to any other worthy geography. This is going to benefit other markets. We see India as one of the biggest beneficiaries of the same, given that China at the moment has many problems that make it less attractive, though it admittedly appears cheap.

The other factor that makes the U.S significantly less tempting is Trump's new 'Big Beautiful Bill', which will keep the annual US fiscal deficit elevated by extending tax cuts (7%+ vs India's expected figure of 4.4% in FY26). To put the fiscal recklessness in perspective, the US on average has run a deficit of 3.8% over 50 years. US bond yields continue to harden in response to this, and a debt crisis looms for the U.S. All this further depletes the attractiveness of US debt, and was capped off by the credit rating downgrade by Moody's in June to one level below the pristine level of triple A. The spread between the US 10-year bond yield (4.5%) and that of India (6.3%) has now narrowed to a 20-year low, reflecting divergence in the health of each country's fiscal situation. This further strengthens the case for fund flows into India.

The macro case for India is gaining momentum. We now have a confluence of supportive tailwinds: lower crude oil prices, a weaker USD, a normal to above normal monsoon forecast, and a rising purchasing manager index. All of this with confirmed robust real Q4 2025 GDP growth data of 7.4%, benign inflation levels of 3.2% (notably with declining food inflation), and hitting our fiscal deficit glide path. All these data points indicate a foundation for sustained growth in the year ahead, especially when combined with the consumption boost from the tax relief to the middle class in the last Union Budget. On the back of all these factors, interest rates are likely to be cut further in the forthcoming RBI meeting. This will increase liquidity in the system and should create a rising tide for equities.

The long-time wise correction, coupled with a healthy Q4 earnings season for our holdings, leads us to believe that the worst is behind us in the market. Due to the fluid geopolitical scenario, markets may not rally sharply, but are likely to remain in positive territory. Valuations have moderated but are still not yet cheap across the board, though pockets of growth exist. Contrary to popular belief, in this reversal, the broad market is outperforming, yet again. We are seeing traction in our holdings once more, which is the most important signal of all, confirming that we are positioning ourselves correctly. Despite the variables at play on a daily basis, India's structural story remains intact and should unfold over the years to come. We have ridden out many turbulent times, and remain confident that we will do so again.

Thank you for your belief in us.

RC

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