

Monthly Letter

May 2026



Invest well. Celebrate life.

We were +15.8% in April vs +7.5% for the NIFTY50 TRI. This is the highest single-month return for us ever. On a 12-month rolling basis, we are +18.2% vs -0.3% for the NIFTY50 TRI. April reminded us that timing the market is an impossible game. In March, our market went through what is termed 'peak pessimism', wherein a confluence of negatives drives weak hands or leveraged investors to abandon hope of any recovery and jettison holdings indiscriminately at any price. However, the self-correcting mechanism, inherently present in markets, then kicks in and sanity returns. So even though the factors that drove the market down in March have not disappeared, we believe we have seen the worst of geopolitical pressures, currency depreciation and FPI selling intensity. From the price action as well as the dramatic reversal in market internals (advance/decline ratios, new highs/new lows ratios, volume data), we are confident that our market has bottomed in March, after a prolonged stealth bear market, one where the broader market suffered deep corrections while the blue chips held up, papering over the cracks.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	18.2%	-0.3%
3 Years	22.4%	11.2%
5 Years	18.4%	11.7%
Since Inception (1-Mar-12)	22.2%	12.5%

*Figures are annualised, are as of 30th April 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.

What drove this performance was staying true to our Reverse Research process. We continue to focus on relative strength and are rigorously aligning with market leadership. By doing so, we have been able to tune out the macro noise and remain invested as we passed through the eye of the storm. Our conviction in a number of holdings has been validated this month. Process discipline has led us to cull underperformers and increase allocations to the leaders, leaving us with a more concentrated portfolio than we have run at any point in the last two years.

The market appears to be looking beyond the fuel crisis, betting that the resulting inflation will be transient and the war will end in the foreseeable future. We remain watchful and are alive to the extant risks. The sentiment reversal, while sharp, is still fragile, and the reality on the ground needs to change in the coming weeks. We need a significant cooling off in crude oil prices, and the Strait of Hormuz has to actually open up to traffic for the rally to continue. The world cannot run on the shortages inflicted by the war. If prices do not recede very soon, the cure for high commodity prices is ultimately high commodity prices through demand destruction. This dynamic should force sense into the stop-start negotiations and brinkmanship, which are not alleviating the severe economic pain across economies. As of now, both sides appear to be moving towards a negotiated end of hostilities — though the situation evolves daily.

Monthly Letter

May 2026



Invest well. Celebrate life.

The domestic high-frequency data for April suggests that consumer demand as of now has not been impacted materially. Auto sales data show growth has sustained in April, carrying forward the impetus provided by the GST cuts last year. Surprisingly, SIP flows into mutual funds are also showing great resilience and have been robust throughout the prolonged bear market. Thus, in the face of record selling by the FPIs this calendar year to date, our market has held up thanks to this counterbalance of domestic flows. Another domestic positive is the conclusion of the state elections in early May. The results remove a near-term overhang and support the reform-continuity narrative in our country.

FPI disenchantment with India continues, with cumulative FPI outflows of over ₹1.9 trillion in the first four months of 2026 already exceeding all of CY25 (₹1.7 trillion). Foreign ownership of Indian equities has fallen to ~16%, a 15-year low. Beyond the weak rupee, several structural issues are weighing on FPI sentiment toward India. FPIs no longer view India as an outlier for earnings growth, and in fact other emerging markets, especially those with AI plays, have now shown stronger earnings growth, with lower valuations. Also, FPIs find the tax structure and processes they have to deal with in India too burdensome compared to other geographies, adding to their list of negatives. Much needs to be done at a policy level to attract overseas capital flows once again as there are structural issues that need deeper resolution. Our currency has been in a negative spiral over the last financial year, which has been a major bugbear for FPIs. However, if the war ends soon, our rupee should stabilise and help stem these outflows.

We believe the market will continue to climb a wall of worry from here, and capital waiting on the sidelines will be forced to enter at higher levels. Ultimately, as the geopolitical situation stabilises, investors will refocus on the India story and the traditional market drivers, which are structural reforms and earnings growth.

Thank you for your patience and belief.

RC

Disclaimer: This report is for the personal information of the authorized recipient and does not construe to be any advice to you. Prodigy Investment Management is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

MIV Investment Services Private Limited | 301-302, Mittal Avenue, Nagindas Master Road, Kala Ghoda, Fort, Mumbai – 400 001.
India Tel: +91 22 35220644 | SEBI Registration No: INP000001413