Pramerica

Portfolio Management Services

Monthly Factsheet - February 2014

Dear Investor,

The election season has set in, and inevitably, the predictions about parties, alliances, number of seats etc. have started. There are innumerable predictions about which alliance has higher chances of victory, and how each alliance will affect the various sectors of the stock market.

It is tempting to make a prediction about election results, and adjust the portfolio accordingly. But the reality is that we know no more than what is already available in the public domain.

It is our belief that the investors are better advised to look at the underlying strength of the individual companies and the price at which their shares trade, rather than try to predict election results. Consider this….

Two of the biggest bull runs in recent memory (i.e., the technology bull run between 1998 and 2000 and the bull run between 2004 and 2007) happened in times of maximum "political uncertainty" in this country. Between 1998 and 2000, India was still weighed down by the post Pokhran II sanctions and the Kargil war. In both periods, 1998-2000 and 2004-2007, the country was ruled by coalitions; in the latter case, by a government dependent on the support of the "left" parties.

This is not to say that the ruling political dispensation does not impact corporate performance. Rather, just to highlight the fact that political impact is less important when compared to the fundamental business economics of the company concerned, and the price at which the stock is quoting.

To repeat what we said in our earlier newsletter, our investment philosophy is centered on the principle of "avoiding the big mistakes". Big mistakes, in our opinion, occur when (a) investors choose to buy companies with weak or weakening fundamentals and (b) investors pay too much for what is purchased.

We seek to avoid these mistakes by sticking to these rules:

(i) Buy companies with a long track record of profitability, including high returns on capital employed and consistency in generating free cash flow

(ii) Buy companies where there is a track record to show an alignment between promoters' and minority shareholders' interest

(iii) Preferably, buy these companies when they are going through a difficult period.

The share of a good company is available at a reasonable price only when there are minimal expectations about its price performance in the short term. This can happen only when there is a cloud hanging over the company's prospects. Therefore, if investors wish to buy a company at a reasonable price, they should buy it while it is still going through difficult times, provided they are satisfied after reasonable research that the difficulty is temporary.

Done consistently, we are confident that this strategy may provide a decent return to investors. That is what we seek to do with your money. Of course, we constantly remind ourselves of the following:

(a) It is not possible to buy all stocks that go up

(b) It is not possible to be right on all occasions. A strike rate of 7 on 10 is what we seek to achieve.

(c) It is possible, even probable, that the price of a share that we consider attractive will fall after we buy it. We view this as an opportunity to buy more of it.

(d) We can expect with a good deal of confidence as to **WHY** a stock should go up. We cannot predict **WHEN** it will go up.

We will be the first to admit that this is a boring way to invest. But it is profitable!!

Consolidated Portfolio Performance of Pramerica Deep Value Strategy as on 31st Jan 2014

Period	Portfolio	Nifty
1 Month	-2.59%	-3.40%
3 Months	4.79%	-3.33%
6 Months	13.85%	6.05%
Since inception date 03/07/2013	14.59%	3.96%
Portfolio Turnover Ratio	2.96%	

Performance depicted above, as at Jan 31, 2014, is based on all the client portfolios under Pramerica Deep Value Strategy existing as on such date, using time weighted average methodology.

Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. Please read the complete text of the disclosure on page number 3.

3 Months Absolute Returns				
	From	To	Strategy Return	Nifty Return
Lowest Returns of Pramerica Deep Value Strategy	15-Jul-13	15-Oct-13	2.00%	0.97%
Lowest Return of NIFTY	31-Oct-13	31-Jan-14	4.79%	-3.33%
Highest return of Pramerica Deep Value Strategy and NIFTY	3-Sep-13	3-Dec-13	15.93%	16.11%

Performance depicted above is based on all the client portfolios under Pramerica Deep Value Strategy existing as on such date, using time weighted average methodology. Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. Please read the complete text of the disclosure below. The time period considered is 3rd July 2013 - 31st Jan 2014.

Important Disclosures regarding the consolidated portfolio performance

Performance depicted on page number 2 and above, as at Jan 31, 2014, is based on all the client portfolios under Pramerica Deep Value Strategy existing as on such date, using time weighted average methodology. Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client mandate, specific portfolio construction characteristics or other structural parameters. These factors may have impact on client portfolio performance and hence may vary significantly from the performance data depicted above.

Neither the Portfolio Manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual client portfolios. The Portfolio Manager does not make any representation that any investor will or is likely to achieve profits or losses similar to those depicted on page no. 2.

Return for period upto 1 year is absolute. Since inception date stated is considered to be the date on which the first client investment was made under the strategy.

Disclaimers and risk factors

Pramerica Asset Managers Private Limited is registered with SEBI as Portfolio Manager as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993.

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