PORTFOLIO MANAGEMENT SERVICES

Newsletter February 2016

DHFL Pramerica

Dear Investor,

The last month saw our company achieve a very important landmark.

As you are aware, DHFL Pramerica Asset Managers Pvt Ltd (the asset management company that manages the DHFL Pramerica Mutual Fund and the DHFL Pramerica Portfolio Management Services (PMS) had successfully bid for the assets of Deutsche Mutual Fund in India. The formal approval from SEBI for this transaction came late last month, and the integrated operations of the combined entities will probably take place from March 2016.

With this transaction, DHFL Pramerica will be able to offer a wider range of products to its customers, both in fixed income and in equity.

In the PMS, we will be able to straightaway offer an additional product to our customers, and the new PMS product will be complementary to the existing strategy offered by us so far.

As far as you, the investor, is concerned, there will be no change in the way the portfolio would be managed. We would continue to manage your portfolio the same way it has been managed, and that would go for the PMS that joins us from the Deutsche part of the transaction as well.

What is important is that :

(a) Each investment product is managed according to its mandate, and

(b) As a group, each asset management company offers a comprehensive range of products that meet as much of the investment requirement of the client as possible.

We are happy that with this transaction, the range of products that would be offered to our investors is now wider than before.

What doesn't change is the commitment to quality, and the discipline of buying at prices that are not extravagantly expensive.

Equity Market Outlook of DHFL Pramerica Asset Managers

January 2016

January 2016 has been one of the weakest starts to a new year with the Nifty losing almost 4% while the broader market had a near capitulation driving a 7% cut in midcap index tracking the losses of risk assets across the world. FIIs were net seller in cash equities to the tune of over $1.8bn as expected and highlighted by us in the December note.

The extent of sharp cuts seen in markets such as China where the Shanghai Composite fell over 23% in January combined with losses ranging from anywhere between 5-10% in developed equity markets has sparked off the debate whether we are heading towards a situation similar to the one seen in 2008.

We believe the situation is different for a variety of reasons beginning with the fact that the US economy's recovery is well on track. The Federal Reserve re-emphasized this in their recent FOMC statement while noting the improvement in the labour market conditions though maintaining an accommodative stance to further better it. The only risk to the 2% inflation target outlined in the policy was the global economic developments which have led to a correction in commodity prices.

The year 2008 was highlighted by defaults and bailouts. Post the sharp correction in the crude oil which declined by a further 8% in January (recovering from the over 25% loss where it touched a low of $27/barrel), the fear that the middle-eastern and other crude dependent economies may be teetering on the edge of default, has surfaced. It must be noted that these countries have reaped windfall gains in all these years and still have very comfortable debt to foreign exchange reserve ratios with many even better than India despite some fall in their reserves. Similarly even the major global oil & gas corporates are sitting on substantial reserves and though their profitability will be hit, it will be a long time before we see a default situation.

Indian corporates' unhedged foreign debt exposure has been in check since the last crisis which will avoid the kind of sharp increase that was seen in their leverage resulting from the flight of capital.

However, stabilization of crude prices is key even for the Indian economy versus the intuitive belief that falling prices are always good for India. This is due to the fact that cumulatively the negative impact of lower exports, remittances, outflow of capital from sovereign wealth funds, ETFs etc. and weakening of our commodity driven corporates offsets the benefit from the lower import bill below a threshold. We expect crude prices to recover marginally and stabilize from these levels towards 2H of 2016.

3QFY16 result

By the end of January, almost 50% of the Nifty companies had reported earnings. There has been a divergence in performance of companies within sectors. In the IT sector where 3Q is a weak quarter due to fewer working days, some of the larger companies did report strength in sales driving upgrades while most others had a downgrade in earnings as competition in traditional business continues to be high. The divergence was seen in the banking and financial services space too where some of the larger private banks with higher exposure to corporate took a knock on asset quality, the more retail oriented ones were unscathed. Commodity companies continued to have a tough quarter.

The consumer companies managed to prop up volume growth but faced pressure on pricing as competition has heightened resulting in lower benefit on margins compared to the decline in raw material prices. In the capital goods and infrastructure space, demand from private sector is still elusive and order book is driven by government spending. However, execution has been tepid.

Outlook

India's relative attractiveness in the global economy is now well established and hardly contested. This has led to most emerging market funds sitting on overweight India positions. The relative outperformance of Indian markets and its currency has only increased these positions. Given the turmoil that has rocked other emerging markets, these funds have faced redemptions which have resulted in the selloff in Indian equity markets precisely on account of its oversized position in the EM funds.

We continue to believe that this volatility may persist for a couple of quarters but also present opportunities to invest in good quality companies which may not otherwise be available at such valuations. This is also based on our understanding that we are not in a 2008 like situation as outlined earlier.

Data Source : Bloomberg.

KEY PORTFOLIO PERFORMANCE INDICATORS

Quarter on Quarter Performance

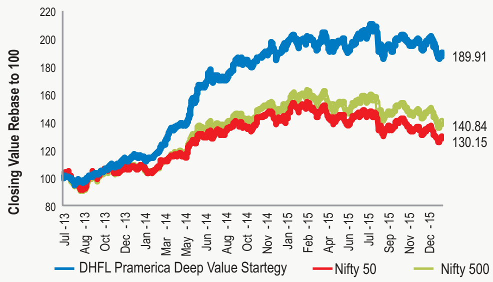
	Jul '13 - Sep '13*	Oct '13 - Dec '13	Jan '14 - Mar '14	Apr '14 - Jun '14	Jul '14 - Sep '14	Oct '14 - Dec '14	Jan '15 - Mar '15	Apr '15 - Jun '15	Jul '15 - Sep '15	Oct '15 - Dec '15
DPDVS	2.38%	13.20%	16.77%	26.92%	7.12%	4.82%	1.67%	0.15%	-0.80%	3.16%
Nifty 50	-1.31%	9.92%	6.35%	13.53%	4.64%	3.99%	2.51%	-1.44%	-5.01%	-0.03%
Nifty 500	-2.43%	11.90%	6.31%	18.17%	3.91%	5.58%	3.02%	-1.16%	-3.64%	1.18%
Over/(Under) Performance to Nifty 50	3.69%	3.28%	10.42%	13.39%	2.48%	0.83%	-0.84%	1.59%	4.21%	3.19%
Over/(Under) Performance to Nifty 500	4.81%	1.30%	10.46%	8.75%	3.21%	-0.76%	-1.35%	1.31%	2.84%	1.98%

* Return for the period 8th July 2013 to 30th September 2013.
Returns calculated for 3 months gross of expenses.
Returns are Quarterly returns for DHFL Pramerica Deep Value Strategy - Discretionary Clients Regular Portfolio.

Top 15 Holdings of DHFL Pramerica Deep Value Strategy Discretionary Portfolio Regular Plan as on January 31, 2016

Security	Sector	% Assets
Indraprastha Gas Ltd.	City Gas Distribution	8.19%
Container Corporation of India Ltd.	Logistics	5.75%
Infosys Ltd.	Computers - Software	5.53%
Colgate-Palmolive (I) Ltd.	FMCG	4.77%
Oil & Natural Gas Corporation Ltd	Oil Exploration	4.38%
Hero Motocorp Ltd	Motor Cycles/Scooters	4.36%
ITC Ltd	FMCG	4.31%
Sun Pharmaceutical Industries Ltd	Pharmaceuticals	3.99%
CRISIL Ltd	Credit Rating	3.96%
VST Tillers Tractors Ltd	Agricultural Equipment	3.88%
Siemens Ltd	Engineering	3.87%
Bosch Ltd	Auto Ancillaries	3.75%
State Bank of India	Banking/Financial Services	3.72%
HDFC Bank Ltd	Banking/Financial Services	3.55%
Tata Motors Ltd DVR	Automobiles	3.40%
Total		**67.41%**

Performance Comparision



Date	PDVS	Nifty 50	Nifty 500
31-Jan-16	189.91	130.15	140.84

Portfolio Details

Portfolio Details as on January 31, 2016	
Weighted average RoCE	38.80%
Portfolio PE (1-year forward)	15.85
Portfolio dividend yield	1.70%
Average age of companies	55 Years

Portfolio Composition as on January 31, 2016	
Large Cap	39.50%
Mid Cap	34.00%
Small Cap	15.50%
Cash	11.00%

The above holding represents top 15 holdings of DHFL Pramerica Deep Value Strategy – Regular Portfolio based on all client portfolios existing as on the date stated above, excluding any temporary cash investments. The above holdings do not represent the model portfolio being offered to the clients (including prospective clients) and hence it is possible that these stocks may not be part of the portfolios constructed for new clients. The above holdings are for illustration purpose only and it should not be considered as investment recommendation or analysis or advice or opinion from the Portfolio Manager on the above mentioned stocks. The above portfolio holdings are provided on an "as is" basis, and the Portfolio Manager makes no express or implied warranties or representations with respect to the accuracy, completeness, reliability, or fitness of the above portfolio holdings or any financial results you may achieve from their use. In no event shall the Portfolio Manager, its directors or employees or its affiliates have any liability relating to the use of the portfolio holdings.

DHFL Pramerica Deep Value Strategy Portfolio Performance as on 29th January, 2016

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-5.05%	-4.61%	-5.46%
3 Months	-5.41%	-6.76%	-6.56%
6 Months	-6.11%	-9.69%	-9.10%
1 Year	-5.78%	-15.51%	-12.65%
2 Years	29.86%	11.17%	15.90%
Since inception date 08/07/2013	28.52%	10.41%	13.95%
Portfolio Turnover Ratio*	45.90%		

*Portfolio Turnover ratio for the period 8th July 2013 to 31st January 2016.

Important Disclosures regarding the consolidated portfolio performance: Performance depicted above is based on all the client portfolios under Regular Portfolio of DHFL Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR). 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 above. 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.

Investment objective of DHFL Pramerica Deep Value Strategy: DHFL Pramerica Deep Value Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of superior wealth creation over long term.

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This document is dated February 05, 2016.