

PORTFOLIO MANAGEMENT SERVICES

Newsletter October 2016



Pramerica

Dear Investor,

Quite often, we as investors feel the need to compare our performance with the others in the market. This is common both for “amateur” and “professional” investors. Comparison of performance is one way of keeping ourselves from becoming complacent. At the same time, it is also important to remember that comparison of a portfolio’s performance for a time period is just that - **the performance for that time period.**

Something that is far more important is the measurement whether philosophy followed for investment and the assumptions behind the investment are founded on rational thinking and sound logic.

Far too often, the short-term price movement of a share is taken as a proxy for the effectiveness of the investment strategy. If this becomes the investment philosophy, then we would focus on buying any share that shows the tendency to move up quickly, rather than focus on what is really important. Consider the following:

- (a) Different investment themes get popularity at different points of time. Sometimes according to market capitalization, sometimes according to industries, sometimes according to style of investment. **No investment theme and no investment style is permanently on top.**
- (b) For the reason outlined above, we would be well advised to try and be “good” investors rather than try to be “the best”. What is important is that each product sticks to what it is mandated to do, rather than trying to be “the best” at all points of time.

Let us put this in the right perspective. The “stock market” as we call it, it actually controlled by institutional investors who have the ability to hire the brightest minds and spend huge amounts on the latest information technology and databases. Every investment institution, whether Indian or foreign, hires MBAs, CFAs and CAs from the best educational institutions. Every one of these companies has invested large amounts in the latest databases and information tracking systems. Literally thousands of such bright and qualified people scour the financial markets and data for investment opportunities. Institutional investing has become so powerful that “the market” is actually the collective wisdom of these institutions.

Can anyone seriously claim that he/she possesses the intelligence, the analytical ability, or the information that is not available to this powerful group? The most important thing an investor should have is the willingness to confront the truth. And the truth is that no individual, whether “professional” or “amateur” has the mental faculties to beat this group continuously.

“Knowing the edge of your competency is important. If you think that you know more than you do, you will get in trouble”

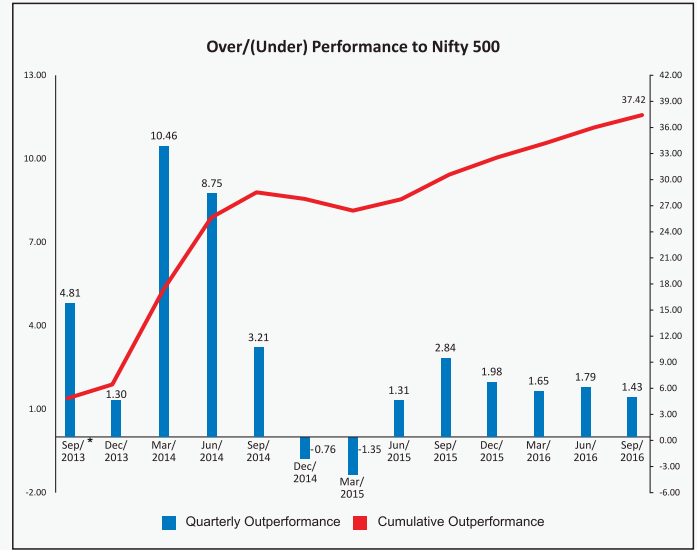
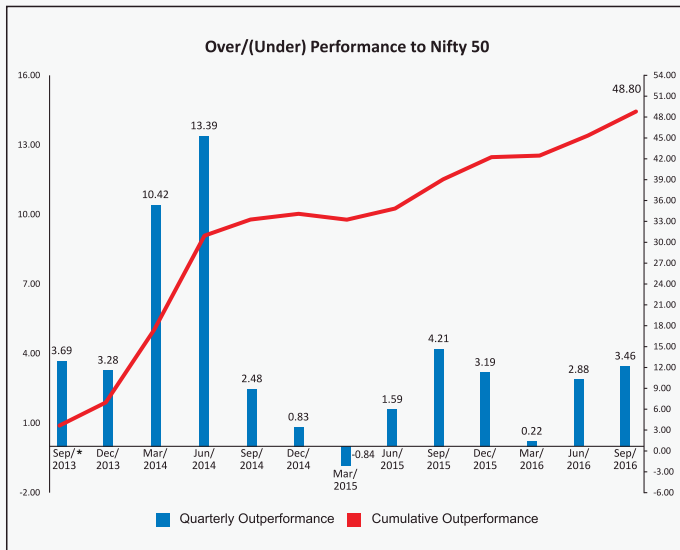
- Charlie Munger

The smart way, we believe, is to focus on having a good investment program that is built on sound fundamentals, ensures adequate diversification between styles and avoids major risks.

There is a great benefit of trying to stay invested in “good investment products” rather than trying to invest only in “the best”. As a good investor, we can have several good products at the same time. But only one product can be the best, **and the best keeps changing every now and then.**

Our warm wishes to you and your family for the ensuing festive season.

DHFL PRAMERICA DEEP VALUE STRATEGY KEY PORTFOLIO PERFORMANCE INDICATORS



* Returns for the period 8th July, 2013 to 30th September, 2013. Past performance may or may not be sustained in future.

Top 15 Holdings of DHFL Pramerica Deep Value Strategy Discretionary Portfolio Regular Plan as on September 30, 2016

Portfolio Details

Date of Purchase	Equity	Sector	%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	6.32%
Jul/2013	Container Corporation of India Ltd	Logistics	5.15%
Sep/2015	State Bank of India	Banking / Financial Services	4.83%
May/2014	Infosys Ltd	IT Services	4.64%
May/2015	HDFC Bank Ltd	Banking / Financial Services	4.18%
Jul/2013	Siemens Ltd	Engineering	4.01%
Jul/2013	Bosch Ltd	Auto Ancillaries	3.95%
Jul/2014	Oil & Natural Gas Corporation Ltd	Oil Exploration	3.80%
Dec/2014	Colgate-Palmolive (I) Ltd	FMCG	3.76%
Aug/2013	Cummins India Ltd	Engineering	3.39%
Jul/2013	Blue Star Ltd	Air Conditioner	3.33%
Oct/2013	Divis Laboratories Ltd	Pharmaceuticals	2.96%
Jun/2015	ITC Ltd	FMCG	2.89%
Jul/2013	VST Tillers Tractors Ltd	Agricultural Equipment	2.84%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	2.75%
	Total		58.80%

Portfolio Details as on September 30th, 2016	
Weighted average RoCE	29.97%
Portfolio PE (1-year forward)	19.75
Portfolio dividend yield	1.79%
Average age of companies	56 Years

Portfolio Composition as on September 30th, 2016	
Large Cap	54.00%
Mid Cap	23.00%
Small Cap	9.00%
Cash	14.00%

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 30th September 2016

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-0.63%	-1.99%	-1.28%
3 Months	7.36%	3.90%	5.93%
6 Months	18.08%	11.28%	14.61%
1 Year	18.89%	8.33%	11.27%
2 Years	12.26%	3.98%	7.35%
3 Years	31.35%	14.50%	18.96%
Since inception date 08/07/2013	29.73%	12.59%	16.32%
Portfolio Turnover Ratio*	23.73%		

*Portfolio Turnover ratio for the period 1st October 2015 to 30th September 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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