

PORTFOLIO MANAGEMENT SERVICES

Newsletter September 2016



Pramerica

Dear Investor,

One of my favourite movies is “The Shawshank Redemption”. This 1994 classic literally grows on you every time you watch it. There is a pithy line that is used more than once in the movie – “Salvation lies within”.

It may or may not have been true for the characters in the movie, but it is certainly true for an investor. I remember this line whenever I meet investors who are diffident about their ability to make a success of their investment program.

Too many retail investors are overawed by the snazzy discussions that appear on television about the stock markets, and conclude (wrongly) that in order to be a successful investor, one needs to know everything about:

- (a) *How exactly the Indian economy will move*
- (b) *How exactly the stock market index will move*
- (c) *How exactly the interest rates will move, not just in India, but in the US, Europe and Japan, for good measure*
- (d) *How exactly the price of commodities will move*
- (e) *How exactly the rupee-dollar rate will move.*

While all of the above factors are important, there is no doubt that they are less important than the factors that are internal. More often than not, what redeems us in the market is the worldly wisdom of the battle-hardened veterans, which came from within, out of hard experience, rather than from any fancy theory.

For those of us who were fortunate enough to have interacted with late Shri. Chandrakant Sampat, the benign giant of Indian investing, it was clear that what really set him apart was not his encyclopedic knowledge, nor his skills in dissecting the annual report of a company, but his approach to investing. Specifically,

- *He knew exactly what he wanted*
- *He knew the limits of his understanding (his circle of competence) and never invested in anything that he did not understand*
- *He knew which risks he was willing to take (and which he wasn't), and most importantly,*
- *He wasn't bothered about how much money someone else was making*

These were the traits that made him a great investor.

These traits are what it takes to have a successful investment plan. And since these are internal, I believe it is possible for anybody to design and create a good investment program for oneself. Far too many people have been left frustrated with their investment plans, not because they lacked intelligence, but because they made the sickening mistake of trying to be “the best investor”.

In the investment world, comparison of performance is one way of measuring the efficiency of the investment product. Most investors want to stay invested in the product that has generated the highest (or close to the highest) performance in the immediate past period.

So far, so good.

But investors would have also probably noticed that there is no investment product that is consistently at the top of the table.

If the approach to investing is different, then the trajectory of returns earned will also be different. Since no investment style can constantly be producing the highest results, the common mistake made is to switch from one product to another, usually into the one that has produced the highest (or close to highest) performance in the immediate past period.

The investment style of the product into which the switch was made is not likely to remain popular forever. When it turns less popular, or when some other style turns more popular, a product where the switch was made is likely to produce lower returns for that period.

“The only ones to get hurt on a roller coaster are the jumpers”

— Paul Harvey, radio broadcaster

It makes eminent sense for any investor to focus on having a “good” investment program, rather than “the best” investment program.

A good investment program would most likely consist of a collection of investment products, preferably a set where each product is different from the others.

Therefore, before embarking on an investment program it is in the interest of the Investor to ask the following questions that only he/she can really answer:

- (a) *What am I investing for? What is the goal that I seek to achieve with this program?*
- (b) *Which set of products will provide the path for reaching this goal (remember, there is no single product that will help you do this. It probably will be a combination). The input of your investment advisor/financial planner is critical in arriving at this mix.*
- (c) *What is the extent of volatility that I can withstand, and have I really understood the product that I am investing in? This is an important input in deciding the mix of products.*
- (d) *After choosing the set of products, it is a good idea to be steadfast about the choice of products you have made. A systematic investment (SIP or STP) is probably the most efficient way to invest and build capital over the long term.*
- (e) *Periodically (maybe once a year) have a review with your investment advisor about whether any tweaking is necessary in your investment program.*
- (f) *Most importantly, as long as each product in your investment program is doing what it is supposed to do, there is no need to switch. Frequent switching increases your costs and your blood pressure, while not adding significantly to overall returns.*

There will be some investors who would, at some point of time, earn a higher return compared to what you have done. But you would have observed that the persons who have got the highest returns are usually different people getting it in different products at different points in time. There would also be a lot many investors who haven't matched your returns.

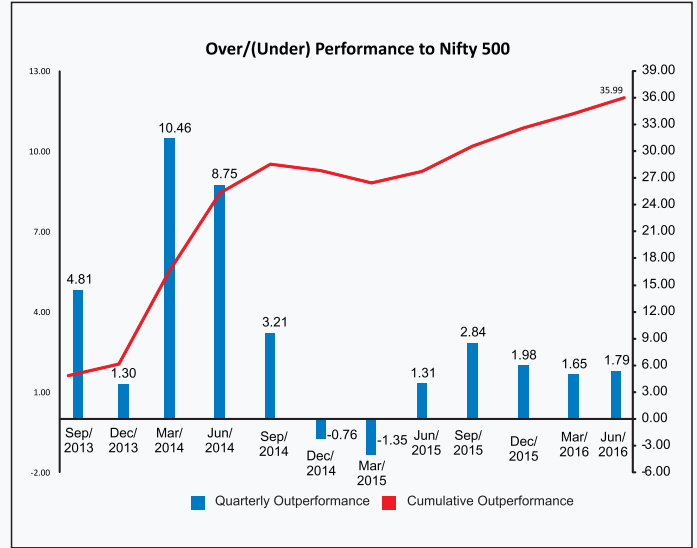
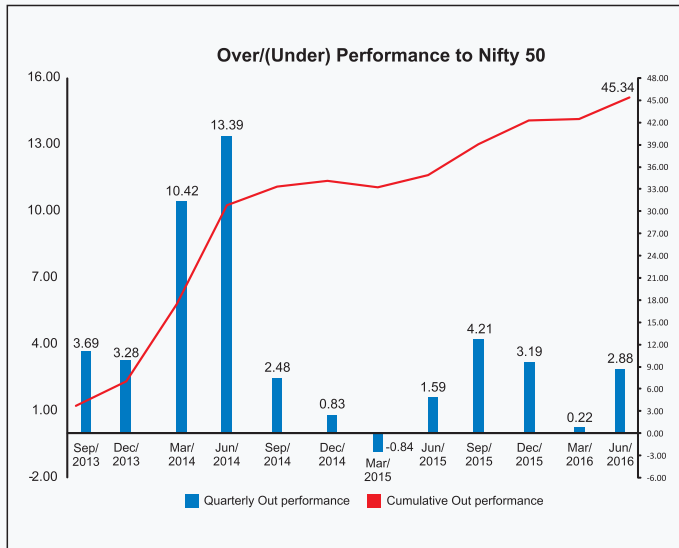
You must have also observed that none of these factors listed above has anything to do with the economy, the interest rates, or currency movements. These are all internal factors, within our control, and these are the ones that make it possible for any investor to have a good investment program.

Remember the golden rule that people like Chandrakantbhai have taught us - **“Salvation lies within”**.

Warm regards,

E A Sundaram

KEY PORTFOLIO PERFORMANCE INDICATORS



* Return 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 August 31, 2016

Date of Purchase	Equity	Sector	%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	6.64%
Sep-2015	State Bank of India	Banking / Financial Services	5.29%
Jul-2013	Container Corporation of India Ltd	Logistics	5.23%
May-2014	Infosys Ltd	IT Services	4.48%
Jul-2013	Bosch Ltd	Auto Ancillaries	4.31%
May-2015	HDFC Bank Ltd	Banking / Financial Services	4.15%
Jul-2013	Siemens Ltd	Engineering	4.02%
Dec-2014	Colgate-Palmolive (I) Ltd	FMCG	3.94%
Jul-2014	Oil & Natural Gas Corporation Ltd	Oil Exploration	3.51%
Aug-2013	Cummins India Ltd	Engineering	3.37%
Jul-2013	Blue Star Ltd	Air Conditioner	3.17%
Jun-2015	ITC Ltd	FMCG	3.11%
Oct-2013	Divis Laboratories Ltd	Pharmaceuticals	3.06%
Jul-2013	Hero Motocorp Ltd	Motor Cycles/Scooters	3.00%
Jul-2015	Tata Motors Ltd DVR	Automobiles	2.96%
		Total	60.24%

Portfolio Details

Portfolio Details as on August 31st, 2016	
Weighted average RoCE	30.00%
Portfolio PE (1-year forward)	16.80%
Portfolio dividend yield	1.53%
Average age of companies	56 Years

Portfolio Composition as on August 31st, 2016	
Large Cap	54.00%
Mid Cap	26.00%
Small Cap	6.00%
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 31st August 2016

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	3.70%	1.71%	2.19%
3 Months	11.43%	7.67%	10.09%
6 Months	31.94%	25.75%	28.49%
1 Year	19.16%	10.22%	12.31%
2 Years	14.98%	5.10%	8.51%
3 Years	33.65%	17.10%	21.50%
Since inception date 08/07/2013	30.89%	13.67%	17.26%
Portfolio Turnover Ratio*	25.14%		

* Portfolio Turnover ratio for the period 1st September 2015 to 31st August 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.

Disclaimers and risk factors: DHFL Pramerica Asset Managers Private Limited (Erstwhile Pramerica Asset Managers Private Limited) is registered with SEBI as Portfolio Manager as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993. This Document is for information purpose only. This Document and the Information do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities/ schemes or any other financial products/investment products (collectively "Products") mentioned in this Document or an attempt to influence the opinion or behavior of the Investors/Recipients. Any use of the information contained herein for investment related decisions by the Investors/ Recipients is at their sole discretion & risk. Please read the Disclosure Document and the agreement along with the related documents carefully before investing. Investments in Products are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/warranty that the objectives of any of the Products will be achieved. The investments may not be suited to all categories of Investors/ Recipients. Investors/ Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. Pramerica and Pramerica Financial are trade names used by Prudential Financial, Inc., (PFI) a company incorporated and with its principal place of business in the United States, and by its affiliated companies in select countries outside the United States. None of these companies are affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom. Pramerica, the Pramerica logo, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

This document is strictly confidential and meant for private & restricted circulation only and should not at any point of time be construed to be an invitation for subscribing to DHFL Pramerica Deep Value Strategy. The document is solely for the understanding of intended recipient and if you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful.