

PORTFOLIO MANAGEMENT SERVICES

Newsletter June 2017



Pramerica

Dear Investor,

We are often asked - “isn’t the PMS supposed to give a higher return compared to other traditional forms of investment?” Let us pause for a moment to understand the implication behind this question.

If we begin our investment journey with the objective of “beating everybody else”, then it is inevitable that we take our eyes off what is really important, and dilute the quality of what we buy. You would have observed that in the stock market, sometimes (during bull runs) stocks of companies with distinctly inferior business economics do much better than those with stronger balance sheets.

Let us pause and look at this phenomenon called the stock market.

Why does the price of a share rise? The only reason for this, as far as we can see, is that the level of expectations around the future performance of the share remains high, or rises higher than before. Conversely, the reason the price of a share falls is because the expectations around that share have been belied

Let us also not forget that, over the long term, there is a very strong correlation between the fundamental strength of the company, its ability to consistently generate a return that is higher than its cost of funds, and its ability to compete in the market place.

Therefore, superimposing these two important things together, the logical thing for any investor to do is to restrict the choice to companies that display these tendencies (and can, with reasonably diligent study, expected to sustain these tendencies in the foreseeable future), and buy the shares of such companies when the level of expectations around them is not too high.

When a stock is purchased when the level of expectations around it is too high (as reflected by high valuation multiples) then the margin for error is less. Buying any share when there is little margin for error is not a good idea. The only way a high-priced stock can give a good return is when its performance continues to surpass the levels of expectations around it.

The shares of a strong company (one that has not lost its ability to compete) trades with reasonable expectations only when the company concerned faces temporary difficulties. As long as the investor is satisfied (after a reasonably diligent study) that the difficulty faced by the company is not a terminal difficulty, then the opportunity to buy the share at a reasonable level of expectation should be grabbed with enthusiasm, without worrying about whether the stock would “maximize” our returns or not.

This is what we try to do in our PMS.

We never try to “maximize” your return

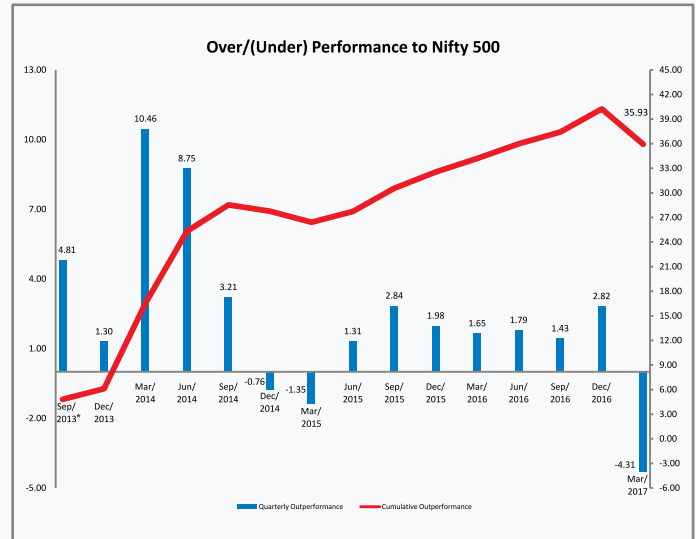
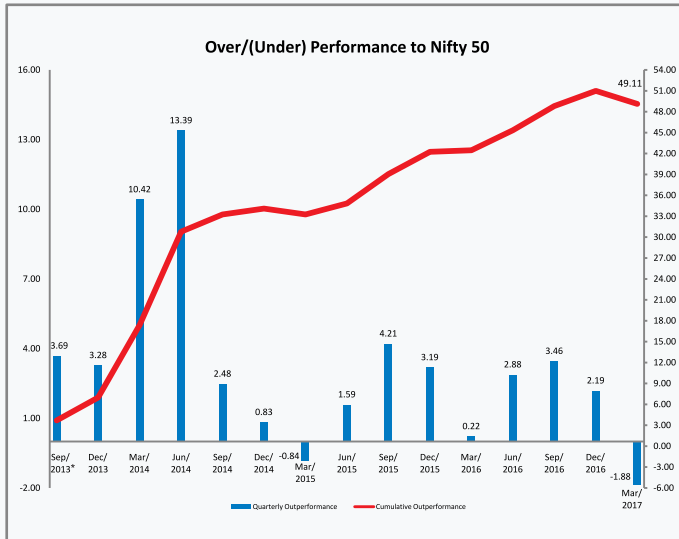
We don’t buy into any business that does not have a long track record

We do not buy stocks when the level of expectations around them (reflected by their valuation) is too high.

In the process, if we generate a decent return without subjecting your money to unnecessary levels of risk, we are happy.

We trust that you would be happy too.

DHFL PRAMERICA DEEP VALUE STRATEGY KEY PORTFOLIO PERFORMANCE INDICATORS



* Returns for the period 8th July, 2013 to 30th September, 2013. Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of DHFL Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR). 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 May 31st, 2017

Date of Purchase	Equity	Sector	%
Sep/2015	State Bank of India	Banking / Financial Services	5.21%
May/2014	Infosys Ltd	IT Services	5.13%
Jul/2013	Container Corporation of India Ltd	Logistics	5.02%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	4.36%
Aug/2013	Cummins India Ltd	Engineering	4.07%
Mar/2015	Castrol India Ltd	Lubricants / oils	3.85%
Jun/2015	ITC Ltd	FMCG	3.83%
Apr/2016	Sanofi India Ltd	Pharmaceuticals	3.52%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	3.30%
Jul/2013	Siemens Ltd	Engineering	3.08%
Jul/2016	Rallis India Ltd	Pesticides And Agrochemicals	3.04%
Jul/2013	VST Tillers Tractors Ltd	Agricultural Equipment	2.95%
Jul/2014	Oil & Natural Gas Corporation Ltd	Oil Exploration	2.93%
Jun/2016	Jagran Prakashan Ltd	Printing and Publishing	2.75%
Apr/2014	CRISIL Ltd	Credit Rating	2.70%
	Total		55.74%

Portfolio Details

Portfolio Details as on May 31st, 2017

Weighted average RoCE	29.42%
Portfolio PE (1-year forward)	17.9
Portfolio dividend yield	1.47%
Average age of companies	58 Years

Portfolio Composition as on May 31st, 2017

Large Cap	41.25%
Mid Cap	31.50%
Small Cap	12.75%
Cash	14.50%

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 May 2017

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-0.25%	3.41%	1.66%
3 Months	4.41%	8.35%	8.33%
6 Months	10.90%	16.98%	17.96%
1 Year	18.32%	17.91%	22.74%
2 Years	9.72%	6.80%	9.53%
3 Years	16.66%	9.99%	12.90%
Since inception date 08/07/2013	28.11%	13.52%	16.95%
Portfolio Turnover Ratio*	13.06%		

*Portfolio Turnover ratio for the period 1st June 2016 to 31st May 2017

Important Disclosures regarding the consolidated portfolio performance: Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of DHFL Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is before charging of any expenses (as 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. 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.

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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