

# PORTFOLIO MANAGEMENT SERVICES

Newsletter    April 2017



Pramerica

Dear Investor,

We have just concluded another financial year. By the end of the year, an important legislation (GST) has been passed by Parliament, and the Finance Bill has also been passed. There are doubts whether this year's monsoon will be as good as last year, the problem of NPAs in banks still needs a lot of fixing, and the industrial revival has still not underway.

As far as the performance of our PMS is concerned, we concluded this year too with a decent performance. In each of the past 4 financial years, we have beaten the benchmark indices.

The past 3 months' performance has been below average. Our PMS portfolio has underperformed primarily for the following reasons:

- (a) IT sector and the Pharma sector, in which we had a fairly large exposure, has underperformed. Especially Infosys and Persistent Systems have underperformed the Indices during the last quarter. Also, Pharma sector (most notably Divi's labs) has underperformed significantly in the last quarter.
- (b) Sectors like commodities, where we generally have an underweight position, did well during the quarter.

We had a hard look at all the companies in the portfolio (especially the ones where the shares have underperformed), and are satisfied that none of them has lost the ability to compete, nor lost its long-term earnings potential.

We are running this portfolio with the following principles in mind:

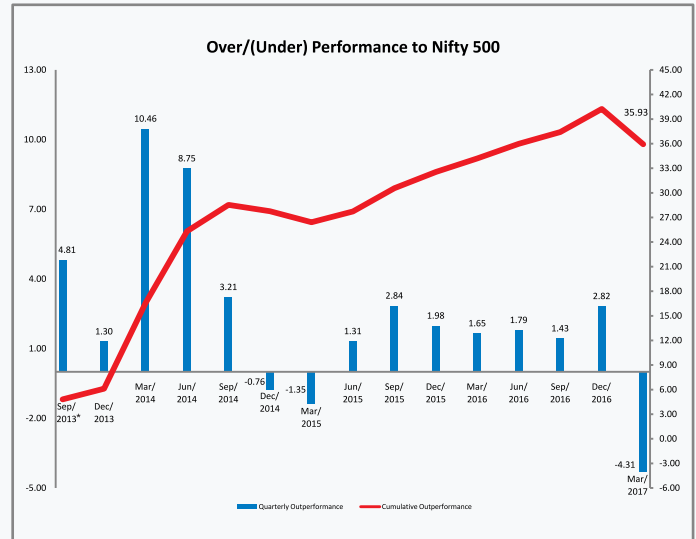
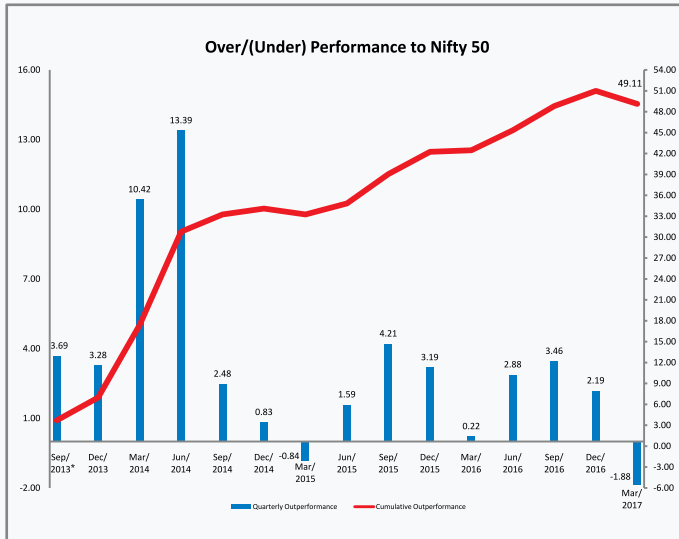
- (1) Companies that have the strong ability to compete in their respective businesses will be chosen in the portfolio. This does not mean that every quarter their shares should keep going up. What we will be worried about is when there is an impairment in the company's ability to compete effectively in the marketplace. A temporary setback does not bother us (it shouldn't bother you as well)
- (2) We would prefer to buy the shares when they are not very popular. At the very least, we would avoid the shares if they are very popular. Popularity is measured in terms of its valuation compared to the history of valuation the company has enjoyed, and also with the expected growth rate in earnings over the next 2-3 years.

While running the portfolio, we give less importance to its outlook over the next 1-2 quarters, but are more concerned with what the company is capable of doing over the next 3-5 years.

As already mentioned in our earlier newsletters and communications, we do not try to maximize the returns at all points of time. We are convinced that trying to continuously maximize returns increases the risk of dilution in the quality of the portfolio and that is something that we seek to avoid.

We are confident that these companies whose shares have underperformed in the last quarter have the ability to perform well over the next 3-5 years and beyond.

# 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 March 31st, 2017

Date of Purchase	Equity	Sector	%
Sep/2015	State Bank of India	Banking / Financial Services	5.38%
May/2014	Infosys Ltd	IT Services	5.09%
Jul/2013	Container Corporation of India Ltd	Logistics	4.78%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	4.70%
Aug/2013	Cummins India Ltd	Engineering	4.12%
Mar/2015	Castrol India Ltd	Lubricants / oils	3.95%
Jul/2013	Siemens Ltd	Engineering	3.89%
Apr/2016	Sanofi India Ltd	Pharmaceuticals	3.63%
Jun/2015	ITC Ltd	FMCG	3.52%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	3.50%
May/2015	HDFC Bank Ltd	Banking / Financial Services	3.36%
Jul/2016	Rallis India Ltd	Pesticides And Agrochemicals	3.25%
Jul/2014	Oil & Natural Gas Corporation Ltd	Oil Exploration	3.10%
Jul/2013	VST Tillers Tractors Ltd	Agricultural Equipment	3.10%
Jun/2016	Jagran Prakashan Ltd	Printing and Publishing	2.98%
	<b>Total</b>		<b>58.35%</b>

## Portfolio Details

### Portfolio Details as on March 31st, 2017

Weighted average RoCE	30.11%
Portfolio PE (1-year forward )	18.82
Portfolio dividend yield	1.33%
Average age of companies	53 Years

### Portfolio Composition as on March 31st, 2017

Large Cap	44.75%
Mid Cap	35.75%
Small Cap	6.50%
Cash	13.00%

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 March 2017

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	3.64%	3.31%	3.71%
3 Months	10.80%	12.07%	14.50%
6 Months	7.71%	6.53%	8.12%
1 Year	26.31%	18.55%	23.91%
2 Years	12.36%	3.94%	7.03%
3 Years	24.96%	11.02%	15.23%
Since inception date 08/07/2013	33.10%	12.72%	16.40%
Portfolio Turnover Ratio*	6.32%		

\*Portfolio Turnover ratio for the period 1st April 2016 to 31st March 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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