PORTFOLIO MANAGEMENT SERVICES

Newsletter: December 2018

From the desk of the Portfolio Manager for DHFL Pramerica Deep Value Strategy

The no-thrill portfolio

Dear Investor,

A feedback that we have received on more than one occasion about this portfolio is that while our companies are of acceptable quality, there is no "thrill" in this portfolio and that it is non-entertaining, and "boring".

We humbly accept this as the best compliment that we can receive.

Why is it boring?

- Is it because there is no "uncut diamond" in the portfolio that suddenly begins to sparkle?
- Is it because there is usually no spectacular, dizzying price rise in any of our stocks?
- Is it because that all the companies in our portfolio are well-known, and there is nothing really new or "exciting" about the technology, or nothing "spectacular" about the growth trajectory of the company's earnings?
- Or is it simply because usually our purchase is in stocks that are not gushingly recommended by any speaker on any business channel?

Permit us to reiterate our style of stock picking, and the logic behind it.

If we accept that the capital market rewards efficiency and punishes inefficiency in the use of capital (isn't that what the capital market is supposed to do?), then as investors, there are two things we can do to achieve it:

(a) Choose to invest only in companies that efficiently use their capital, and

(b) Choose to invest the client's capital more efficiently by trying not to overpay for what we buy.

Point (a) means that we choose companies with a strong track record of profitability, cash flow generation, and companies where the corporate governance is not at an unacceptable level (the boring stuff has begun!!).

It is in our insistence on point (b) that we can claim to be different. A good company has to be purchased at a reasonable price. A reasonable entry price increases the chances of a good return in the months and years to come. However, **a good company is available at a reasonable price only when there is less hype around that company's immediate future.**

Let us be clear. We are not the only persons who are tracking the stock. There are hundreds of intelligent, well-qualified analysts and fund managers who track the same companies on a daily basis. When we know that the company is going to do well (say) over the next couple of quarters, we can be confident that the rest of the world also knows the same thing. And when the rest of the world is excited or thrilled about the prospect of any stock, it is unlikely to be available at a reasonable price.

Therefore what we do with your portfolio is that we wait for times when such strong companies go through a period when there are questions around their immediate future (but not questions about their very existence, nor about their ability to compete). When we are confident that the apprehensions around the company would not last for more than a few quarters, that's when we buy.

Dear investor, this may be a boring way to invest, but you would have also observed that such an approach has delivered a decent return over the last 5-odd years, **without subjecting your money to unnecessary levels of risk.**

"Boring" also means that there are less chances that the company would do anything that destroys a portfolio's total value. It also means that there are less chances of any unpleasant surprise (although such surprises do happen once in a while).

We believe that success in investing (as in any other endeavour) can be achieved in two ways:

(a) By doing the right things, and

(b) By avoiding the big mistakes.

The big mistakes (meaning the mistakes that lead to permanent loss of capital), are the ones that manifest themselves in the following acts:

- Buying into businesses that are weak or deteriorating,
- Buying into businesses that are run by persons who don't care too much about the rights of minority shareholders, and
- Buying at prices that are exorbitantly high.

Our submission is that as long as the portfolio follows a logical process that reduces the incidence of these three errors, it enhances the chances of success in the long run. This is borne out in the results. Over the past one year and past 5 years, the portfolio returns have certainly been comparable to the peer set. It has never been our claim that this portfolio would **continuously** give high return. It has only been our claim that we provide a set of good companies, and a portfolio that complements most of the other portfolios in the market.

Let us conclude with an example. Imagine running a portfolio is like driving a car. Do you want your driver to drive the fastest, in order to be the first to reach the destination, or do you want to reach the destination in one piece while placing your bets on a driver who drives steadily, even though his intention is not to be the first to reach the destination?

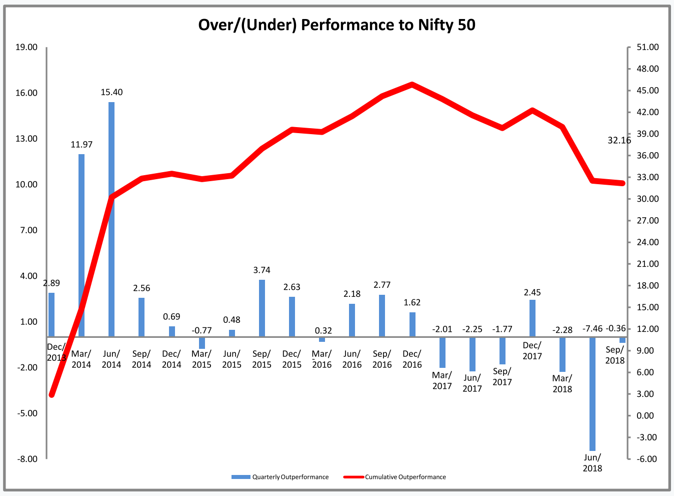
The second driver is a non-entertaining, no-thrill, boring driver.

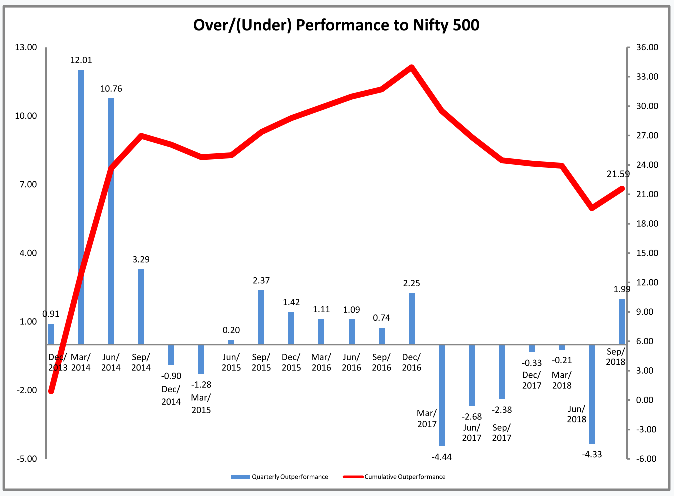
> **"Successful investing is based more on minimizing regrets than maximizing gains"**
> \- Brian Portnoy

Warm regards,
Yours Sincerely,

(E A Sundaram)
Portfolio Manager

DHFL PRAMERICA DEEP VALUE STRATEGY
KEY PORTFOLIO PERFORMANCE INDICATORS





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 may or may not be sustained in future.

Top 15 Holdings of DHFL Pramerica Deep Value Strategy Discretionary Portfolio Regular Plan as on November 30th, 2018

Date of Purchase	Equity	Sector	%
Sep/2015	State Bank of India	Banking / Financial Services	6.48%
Jul/2013	Container Corporation of India Ltd	Logistics	5.07%
Jun/2015	ITC Ltd	FMCG	5.04%
Aug/2013	Cummins India Ltd	Engineering	4.55%
Mar/2015	Castrol India Ltd	Lubricants / oils	4.40%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	4.32%
Feb/2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	4.26%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	3.99%
May/2018	Bharat Electronics Ltd	Industrial Electronics	3.94%
Oct/2017	Power Grid Corporation Of India Ltd	Power- Transmission	3.64%
Jul/2013	Bosch Ltd	Auto Ancillaries	3.53%
Oct/2013	Divis Laboratories Ltd	Pharmaceuticals	3.49%
Aug/2013	Great Eastern Shipping Co Ltd	Shipping	3.21%
Jun/2018	Ge Power India Ltd	Power Equipment	3.19%
Jun/2016	Amara Raja Batteries Ltd	Batteries - Automobile	3.13%
	Total		**62.24%**

Model Portfolio Details

Portfolio Details as on November 30th, 2018	
Weighted average RoCE	24.82%
Portfolio PE (1-year forward) (Based on FY 20)	17.28
Portfolio dividend yield	1.43%
Average age of companies	55 Years

Portfolio Composition as on November 30th, 2018	
Large Cap	41.50%
Mid Cap	30.75%
Small Cap	17.25%
Cash	10.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2018

Midcap: Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2018

Small Cap: Market cap lower than the 250th company in the nifty 500 (sorted by market cap in descending order) as on November 30th, 2018

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 November 30th, 2018

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-0.31%	4.72 %	4.06 %
3 Months	-7.32%	-6.88 %	-8.84 %
6 Months	-1.92%	1.31 %	-2.21 %
1 Year	-2.29%	6.36 %	-0.50 %
2 Years	8.61%	15.01 %	13.44 %
3 Years	9.84%	11.08 %	10.86 %
5 Years	20.07%	11.99 %	13.81 %
Since inception date 08/07/2013	20.74%	12.11 %	13.79 %
Portfolio Turnover Ratio*	29.36%		

*Portfolio Turnover ratio for the period December 1st 2017 to November 30th, 2018

Consolidated Portfolio CY Performance of DHFL Pramerica Deep Value Strategy

CY	Portfolio Performance	NIFTY 50	NIFTY 500
08-07-2013 to 31-12-2013	13.79	7.43	8.36
CY 2014	77.24	31.39	37.82
CY 2015	2.48	-4.06	-0.72
CY 2016	8.90	3.01	3.84
CY 2017	24.56	28.65	35.91
CY 2018 till date	-5.63	3.29	-4.02
08-07-2013 to 30-11-2018	20.74	12.11	13.79

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 after charging of expenses (as depicted above)

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 after charging of 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.

From the desk of the Portfolio Manager for DHFL Pramerica Phoenix Strategy

Dear Investors,

In this month's newsletter we will like to focus your attention to few changes we have taken in the portfolio and some changes we have made to our thinking regarding some stocks in the portfolio.

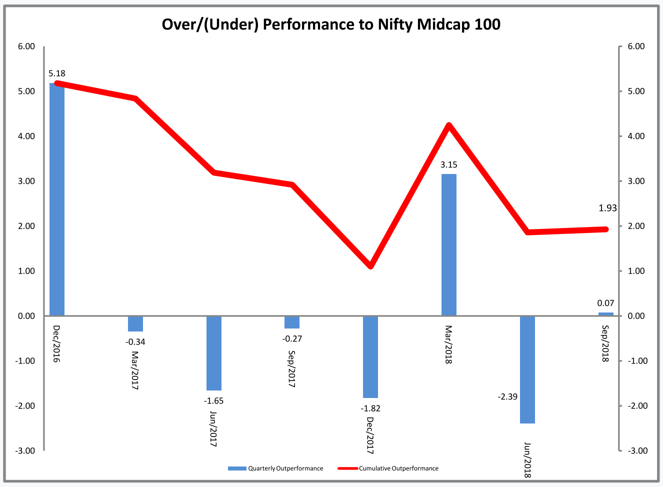
1. Looking at the tight liquidity situation in the market leading to higher interest rates for the corporates in India. Prestige has high amount of debt funded committed capex on commercial real estate and high debt equity ratioso we have trimmed our position by half percent in Prestige Estates.
2. In case of Vijaya bank we have decided at appropriate time we will like to exit it and not add any further in the portfolio. After the merger with Bank of Baroda and Dena bank, it will become a large cap bank. Secondly, we bought it because it had low Non-Performing Assets, was a profitable, dividend paying bank, comfortable capital position and at decent valuations. After the merger some of these reasons will not remain valid and hence we have changed our opinion.
3. We have added DhanukaAgritech to the model portfolio. It is an agrochemical company with a network of more than 7,500 distributors and dealers selling to approximately 80,000 retailers across India and reaching out to more than 10 million farmers. Dhanuka has technical tie-up with four American and six Japanese companies for sourcing specialty molecules, proprietary, technology and new products.In FY'18 the zone wise revenue share was North 26%, East 11%, West 31% and South 32%. We like the company for its focus on domestic market and building strong brands. Its revenue has grown at 14.5% and EBITDA at 17.5% over the last 10 years. With one of the lowest agrochemical consumption of 0.5 kg per hectare in India we expect there is long runway for growth in the sector.
4. Techno Electric has got relisted after the merger of it wind farm subsidiary. Board meeting for the buyback of shares is to be held on 13 December 2018. Based on the buyback price announcement we will decide what to do. We are not buying more of it currently as we think growth will remain tepid for the company for next 2 yrs and better growth opportunities might become available in the market.
5. ONGC also has corrected sharply. We continue to like the stock and at CMP of Rs 143 is available at 8 times FY 18 EPS and 6 times FY 19 EPS estimates (Source Bloomberg) and dividend yield of more than 3%. We have decided to hold on to ONGC for the time being.

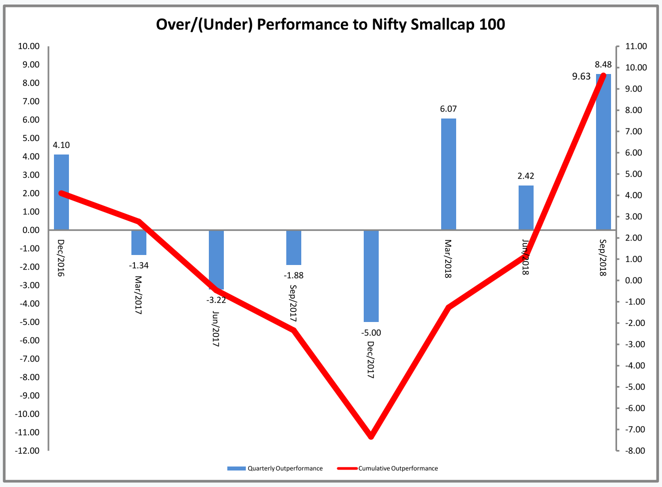
We continue to re-evaluate the new opportunities which are available in the market and existing portfolio positions. The aim is if better opportunities in the market are available than the existing stocks in the portfolio we would like to sell the existing stock from the portfolio and buy the better opportunities.

Yours Sincerely,

(**Himanshu Upadhyay)**
Portfolio Manager

DHFL PRAMERICA PHOENIX STRATEGY
KEY PORTFOLIO PERFORMANCE INDICATORS





Performance depicted as at the above stated date is based on all the client portfolios under DHFL Pramerica Phoenix 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 may or may not be sustained in future.

Top 15 Holdings of DHFL Pramerica Phoenix Strategy as on November 30th, 2018

Date of Purchase	Equity	Sector	%
Aug/2016	Federal Bank Ltd	Banks	5.39%
Aug/2016	Great Eastern Shipping Co Ltd	Shipping	5.04%
Mar/2018	Cummins India Ltd	Engineering	4.65%
Jan/2018	Indian Bank	Banks	4.22%
Apr/2018	Mahanagar Gas Ltd	LPG/CNG/PNG/LNG SUPPLIER	4.08%
Aug/2016	Oberoi Realty Ltd	Residential/Commercial/ Sez Project	3.91%
Sep/2016	Apar Industries Ltd	Power Equipment	3.90%
Jul/2017	Mayur Uniquoters Ltd	Textiles	3.75%
Aug/2016	Sobha Ltd	Residential/Commercial/ Sez Project	3.66%
Aug/2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	3.62%
Jan/2018	Vijaya Bank	Banks	3.37%
May/2017	MOIL Ltd	Industrial Minerals	3.34%
Apr/2017	Hexaware Technologies Ltd	Computers - Software	3.29%
Aug/2016	Ahluwalia Contracts India Ltd	Cement Products	3.14%
Oct/2016	DCB Bank Ltd	Banks	3.06%
	Total		**58.42%**

Model Portfolio Details

Portfolio Details as on November 30th, 2018	
Weighted average RoE	11.87%
Portfolio PE (1-year forward) (Based on FY 20)	11.19
Portfolio dividend yield	1.19%

Portfolio Composition as on November 30th, 2018	
Large Cap	0.00%
Mid Cap	28.50%
Small Cap	59.25%
Cash	12.25%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2018

Midcap: Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2018

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DHFL Pramerica Phoenix Strategy Portfolio Performance as on November 30th, 2018

Period	Portfolio	NIFTY MIDCAP 100	NIFTY SMALLCAP 100
1 Month	-0.62%	1.83 %	2.53 %
3 Months	-9.16%	-12.13 %	-18.94 %
6 Months	-9.17%	-7.40 %	-20.61 %
1 Year	-11.92%	-12.02 %	-28.65 %
2 Years	8.08%	8.37 %	3.16 %
Since inception date 01/08/2016	7.75%	7.54 %	0.91 %
Portfolio Turnover Ratio*	33.85%		

*Portfolio Turnover ratio for the period December 1st 2017 to November 30th, 2018

Consolidated Portfolio CY Performance of DHFL Pramerica Phoenix Strategy

Period	Portfolio	NIFTY MIDCAP 100	NIFTY SMALLCAP 100
01/08/2016 to 31/12/2016	1.08	-2.85	-5.01
CY 2017	42.13	47.26	57.3
CY 2018 till Date	-15.48	-17.18	-31.64
01/08/2016 to 30/11/2018	7.75	7.54	0.91

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Investment objective of DHFL Pramerica Phoenix Strategy: The objective of the strategy is to generate capital appreciation over the long term by investing in a portfolio of equity of Indian companies

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This document is dated December 10, 2018. **C106/2018-19**