

PORTFOLIO MANAGEMENT SERVICES

Newsletter: March 2019

DHFL Pramerica Core Equity Portfolio Strategy



Pramerica

From the desk of the Portfolio Manager for DHFL Pramerica Core Equity Portfolio Strategy

Dear Investor,

Journey so far

The PMS industry, to put it mildly, was not the most popular in 2013, when we launched the PMS. What plagued the industry was a torn reputation caused by (a) poor returns, which in turn was caused by buying into mediocre quality companies (b) very high levels of portfolio churn causing issues in taxation (c) broken promises, caused by performances that could not keep up with the exaggerated claims made earlier.

When we started, we resolved not to repeat these mistakes. Indeed, our product positioning (made clear in our publicity material) was that our product would focus on avoiding major mistakes, rather than trying to do anything spectacular.

We identified and articulated 3 mistakes that we would try and stay away from:

- (a) Buying into weak businesses
- (b) Buying into companies run by managements with a dubious record at corporate governance
- (c) Buying at exorbitant prices.

Our approach to managing portfolios therefore, was to focus on a strict process that helped us reduce the incidence of these three mistakes, rather than trying to show off how intelligent we were.

Over the past 5-and-a-half years, we are proud that we have not compromised on any of these principles. With your support, and the support of the distribution community, we are happy that this PMS has grown into one that compares favorably in terms of reputation with some of the industry giants. There were times when we were called “too conservative” and even “boring”. But the importance of a “boring” portfolio is known when the market suddenly corrects sharply, as it did after September 2018. We are proud to say that ours was one of the few PMS portfolios that were affected less.

Calendar Year	Portfolio Performance (CEP)	Nifty 500
2013 (from 08/07/2013)	13.79%	8.36%
2014	77.24%	37.82%
2015	2.48%	-0.72%
2016	8.90%	3.84%
2017	24.56%	35.91%
2018	-2.98%	-3.38%
2019 (till 28/02/2019)	-5.28%	-2.33%
Cumulative (08/07/13 - 28/02/2019)	19.32%	12.81%

Disclosure: The table displays performance of all the client portfolios for the relevant time periods, after expenses. Cumulative returns are calculated using Time Weighted rate of return (TWRR) for each client and then computing an arithmetic average (weighted for portfolio size) for the overall strategy. Past performance is no guarantee of future returns.

We believed it then, and we believe it now, that a PMS should be **complementary** to a mutual fund. It simply cannot position itself as (or claim to be) a product that is superior, and capable of giving a higher return. We have strong reasons to believe that this approach is fraught with risks.

1. If a fund manager claims that he would give higher returns compared to his competitors, implicit in that statement are the assumptions that the fund manager can predict what his returns are going to be, and also predict what the competitors' returns are going to be. In our opinion, both assumptions are dubious.
2. The worst mistake any fund manager can make is to have an anxiety of giving the highest returns "at all points of time". There are times in the market, as we have all seen, when the best thing to do is to stay away from the madness that has enveloped it. During such times, if one tries to "outperform" all others, it can be done only by taking crazy risks, which I am not willing to do.

We are most proud of the fact that we have given the investor a portfolio that is qualitatively and measurably different from the mainstream portfolios, built with good quality businesses, without any corporate governance issues, and at the same time, provided the investor with a decent track record.

A structured and disciplined process forms the backbone of investment management in Core Equity Portfolio. The objectivity incorporated in processes ensures that it is person agnostic. Clearly defined parameters result into same outcomes irrespective of who runs the process.

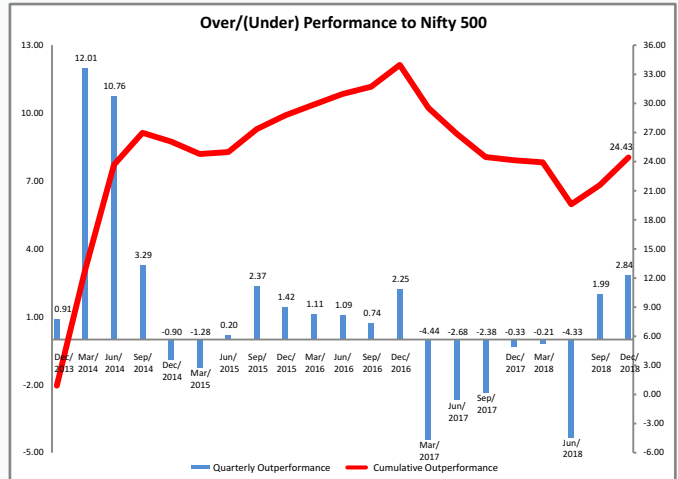
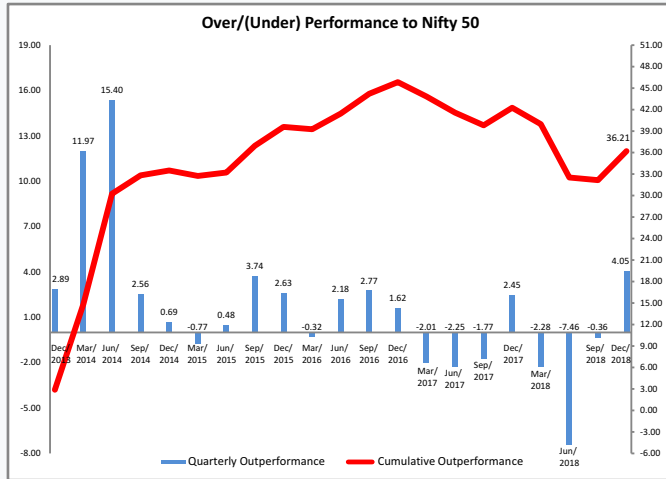
Warm regards,

E A Sundaram
Portfolio Manager

Himanshu Upadhyay
(Co-Portfolio Manager)

DHFL PRAMERICA CORE EQUITY PORTFOLIO 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 Core Equity Portfolio 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 Core Equity Portfolio Strategy Discretionary Portfolio Regular Plan as on February 28th, 2019

Date of Purchase	Equity	Sector	%
Sep/2015	State Bank of India	Banking / Financial Services	6.12%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	4.96%
Jun/2015	ITC Ltd	FMCG	4.87%
Jul/2013	Container Corporation of India Ltd	Logistics	4.66%
Mar/2015	Castrol India Ltd	Lubricants / oils	4.54%
May/2018	Bharat Electronics Ltd	Industrial Electronics	4.26%
Aug/2013	Cummins India Ltd	Engineering	4.25%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	4.08%
Oct/2017	Power Grid Corporation Of India Ltd	Power- Transmission	3.94%
Feb/2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	3.83%
Jun/2018	Ge Power India Ltd	Power Equipment	3.18%
Oct/2013	Divis Laboratories Ltd	Pharmaceuticals	3.17%
May/2014	Infosys Ltd	IT Services	3.16%
Aug/2013	Great Eastern Shipping Co Ltd	Shipping	3.04%
Apr/2016	Sanofi India Ltd	Pharmaceuticals	2.87%
	Total		60.93%

Model Portfolio Details

Portfolio Details as on February 28th, 2019	
Weighted average RoCE	23.58%
Portfolio PE (1-year forward) (Based on FY 20)	22.56
Portfolio dividend yield	1.26%
Average age of companies	56 Years

Portfolio Composition as on February 28th, 2019	
Large Cap	41.00%
Mid Cap	23.75%
Small Cap	20.75%
Cash	14.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 2019

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 February 28th, 2019

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 2019

The above holding represents top 15 holdings of DHFL Pramerica Core Equity Portfolio 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 Core Equity Portfolio Strategy Portfolio Performance as on February 28th, 2019

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-4.14%	-0.36%	-0.53%
3 Months	-2.49%	-0.77%	-1.68%
6 Months	-9.62%	-7.60%	-10.37%
1 Year	-6.15%	2.86%	-3.30%
2 Years	3.80%	10.25%	7.79%
3 Years	14.14%	15.61%	15.40%
5 Years	17.75%	11.58%	13.20%
Since inception date 08/07/2013	19.32%	11.40%	12.81%
Portfolio Turnover Ratio*	35.48%		

*Portfolio Turnover ratio for the period March 1st, 2018 to February 28th, 2019

Consolidated Portfolio CY Performance of DHFL Pramerica Core Equity Portfolio 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	-2.98	3.15	-3.38
CY 2019 till 28-02-2019	-5.28	-0.64	-2.33
08-07-2013 to 28-02-2019	19.32	11.40	12.81

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 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 Core Equity Portfolio Strategy: DHFL Pramerica Core Equity Portfolio Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of wealth creation over long term.

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