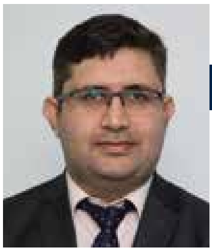
PGIM
India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO STRATEGY

From the desk of the Portfolio Manager for PGIM India Core Equity Portfolio Strategy



Himanshu Upadhyay,
Portfolio Manager

A Focus on Dominance and Strength

Dear Investor,

The month of April saw a pullback rally in the markets with Nifty 50 rising by 14.68 % for the month. The Core Equity Portfolio delivered 10.79% as compared to its benchmark of 14.52%. VST Tillers, Cipla and PI Industries were the top three gainers. The top three worst-performing stocks were MCX, Jagran and GE Power. Even before the lockdown was enforced due to the health crisis triggered by COVID 19, the growth in the economy was slowing down. It was visible in the auto sales, consumer goods and the overall build-up of stress in the financial system. In our view, COVID 19 will elongate the pain further. Overall, the economy will get impacted across sectors and it will have a deflationary impact in the short term. We expect subdued inflation in non-food items. It is difficult to envisage the sectors that will lead the recovery in the economy and the markets. Hence we feel that it is important to hold a well-diversified portfolio of companies with different drivers for business growth, a dominant position in their core business, and strong balance sheets. We believe that the holdings in Core Equity reflect the qualities discussed in addition to the fact that most of them were purchased at a discount to the fair value in our assessment. We are fairly confident that the portfolio companies will emerge stronger through the downturn. We thought it would be appropriate to share the rationale for some of our top holdings.

Lifestyle-related diseases are rising as India gets more affluent. A higher number of individuals is taking medications for cardiovascular/ diabetes-related ailments. We are capturing this long term trend through **Sanofi** a global leader in the treatment of cardiovascular diseases, diabetes etc. The other exposure we have to therapeutic segments is **Cipla,** the world's largest manufacturer of antiretroviral drugs. These businesses are expected to keep growing at a steady pace. We have reduced weightage over the quarters in Sanofi due to price movement.

We view recent downturn in the auto sector as cyclical in nature rather than a structural one. We are looking at this place with a more constructive frame of mind after more than two years. The cycle will reverse over a period of time. Once the lockdown is lifted the mobility needs will remain. Also after sales for automobiles sold already cannot be wished away. Our exposure to the sector is through auto ancillaries. **Suprajit** has been added to the portfolio recently in addition to **Bosch and Castrol** that we own. All three cater to the diversified segments of auto market (commercial vehicles, passenger vehicles, two-wheelers etc.), don't have too much concentration to a single customer and have a larger proportion of aftermarkets business. The fall in crude prices will benefit Castrol.

We are participating in the long-term trend of consumer preference shifting to packaged food through **ITC**. Though cigarettes is the core business where it enjoys dominant position, it is focusing on building a large food business as also some other businesses. The profitability of the food business is improving, and we expect it to further improve in future. We chose ITC in consumer space because of its balance sheet strength. Also, the stock was cheap compared to its peers. In an environment where incomes are likely to be impacted the consumer space cannot remain unscathed. So we prefer to stick to a stock where we believe there is a margin of safety. The company has announced that it will be paying 80- 85% of the profits as dividends from this year which in our view is quite positive. The company in our opinion will be able to overcome the near term headwinds to the business.

The current distress in the financial sector is likely to increase further as the ability of businesses and individuals to service debt obligations will be impacted due to the lockdown, resulting in higher NPAs for the system. This, in our opinion, would lead to a one major lasting change in the attitude of corporates, SMEs and the average common person towards debt. We think after this downturn the trend of less saving and more leverage will get reversed. We also expect the financial institutions to be a bit more cautious towards lending. The resultant impact can be for next few quarters and the growth in the sector may remain slow. In the environment of flight to the safety, we have restricted our exposure to **SBI** which enjoys confidence of the savers. The largest bank in the country has one of the best liability franchise, with a diversified asset portfolio and strong presence across the financial products, and the valuation is cheap. As depositors move their deposits from weaker financial institutions (banks, NBFCs and MFs) we expect SBI to gain as it is likely to get a large amount of cheaper deposits and increase its market share in the current and savings deposits space.

In the month of March we also added premier credit rating agency **Crisil** to the portfolio. Over the last few quarters Crisil has shown good results in comparison to its peers and has been gaining market share from the peers. We expect this trend to continue in the near future and it should benefit from the deepening of bond markets, increased securitization and the revival in economy.

Farm mechanization and use of agrochemicals to improve farm productivity is a trend that will continue to unfold for years to come. We are playing this theme through **Rallis, VST Tillers and PI Industries**. These companies were bought when the valuations were cheap as the sector was not doing well due to poor monsoon in last few years. Also the rising chemical prices were eroding the margins for agrochemicals. The prices of raw material have been going down and the last two crops have been good for the farmers. We expect the positive momentum in the sector to continue.

One of the tasks that the government is likely to focus on post-crisis is job creation on the manufacturing side. In the past, the government has encouraged entry of new players in the country through tax cuts for new manufacturing facilities in India while working on improving ease of doing business. Post-Covid, as companies try to diversify their supply chains away from China, manufacturing in India could see a big boost over the next few years. The portfolio is positioned to capture the same through a diversified basket of capital goods, engineering consultancy and manufacturing businesses viz **Thermax, BEL, Cummins, Engineers India Limited, GE Power & Vardhman Textiles.** All the companies are market leaders. In the case of BEL (Bharat Electronics), GE Power and Engineers India the order book is more than 3 years of revenue and caters to defense, power & emission control equipment and petrochemical industry respectively. In case of Cummins and Vardhaman the order book is short-term in nature and may get impacted, but the long-term prospects remain strong.

Trade needs logistics support. We have two companies in the logistics space - **Container Corporation and GE Shipping.** Container Corporation is the most logical beneficiary of the anticipated shift of movement of goods to railways from roads as the Dedicated Freight Corridor becomes operational in CY 20. The economic downturn can create headwinds for the business but long-term fundamentals are unlikely to get impacted. We held position in Great Eastern Shipping as the order book for most classes of ships is at multi-year lows. Our hypothesis was that as and when demand revives companies with an existing fleet will get pricing power. Unexpectedly, the Covid crisis has positively impacted the company as the excess production of crude oil and refined products compared to near-term demand led to the storage on ships in turn raising charter rates for the ships. We expect the good performance of the company in Q3FY20 to continue.

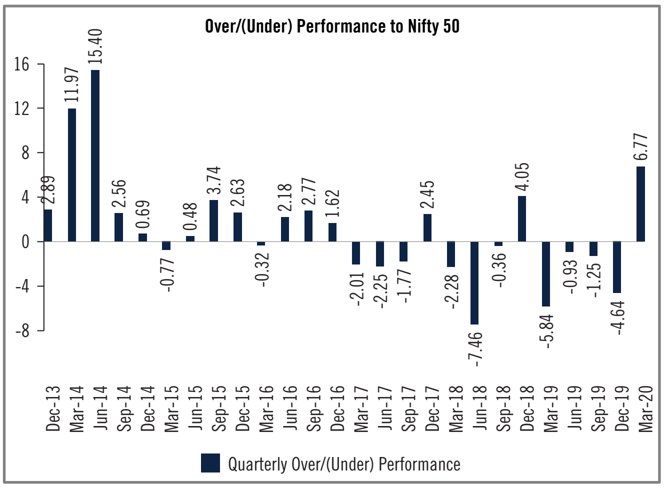
MCX is a play on rising participation in the commodities market by institutional as well as retail investors either directly or indirectly. **IGL, Coal India and Power Grid** are near monopolies and utilities. It is unlikely that the long-term value of these four companies will be significantly impacted by the current slowdown. Apart from strong balance sheets, they also offered attractive dividend yield. We are continuously monitoring the evolving situation and would assure you that we would not hesitate to take corrective actions if there is evidence of our hypothesis not working as anticipated.

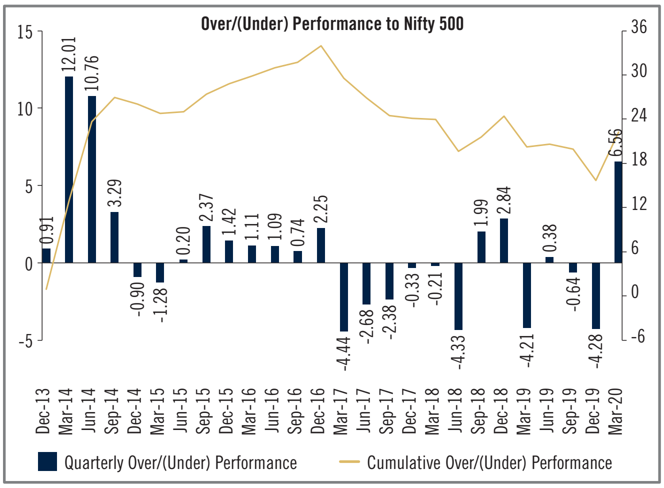
Portfolio Updates:

We have raised the weightage in Cummins, Suprajit and Vardhman in April beginning and brought Sanofi to 2.5% for clients who have completed 1 year.

Yours Sincerely,

PGIM INDIA CORE EQUITY PORTFOLIO STRATEGY
KEY PORTFOLIO PERFORMANCE INDICATORS





Performance depicted as at the above stated date is after charging of expenses and based on all the client portfolios under the Regular Portfolio of PGIM India Core Equity Portfolio Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client. Past performance may or may not be sustained in future.

Top 15 Holdings of PGIM India Core Equity Portfolio Strategy Discretionary Portfolio Regular Plan as on April 30th, 2020

Date of Purchase	Equity	Sector	%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	5.80%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.62%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	5.34%
Aug-2018	Cipla Ltd	Pharmaceuticals	5.28%
Jun-2015	ITC Ltd	FMCG	5.24%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.01%
Mar-2015	Castrol India Ltd	Lubricants / oils	4.76%
May-2018	Bharat Electronics Ltd	Industrial Electronics	4.65%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	4.52%
Sep-2015	State Bank of India	Banking / Financial Services	4.29%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	4.19%
Jul-2013	Container Corporation of India Ltd	Logistics	4.01%
Aug-2013	Cummins India Ltd	Engineering	3.82%
Aug-2019	Coal India Ltd	Industrial Minerals	3.45%
Jul-2013	Bosch Ltd	Auto Ancillaries	2.95%
	Total		**68.93%**

Model Portfolio Details

Portfolio Details as on April 30th, 2020	
Weighted average RoCE	23.82%
Portfolio PE (1-year forward) (Based on FY 20)	16.31
Portfolio dividend yield	2.10%
Average age of companies	61 Years

Portfolio Composition as on April 30th, 2020	
Large Cap	33.25%
Mid Cap	25.75%
Small Cap	31.25%
Cash	9.75%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on April 30th, 2020

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 April 30th, 2020

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on April 30th, 2020

The above holding represents top 15 holdings of PGIM India 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.

PGIM India Core Equity Portfolio Strategy Portfolio Performance as on April 30th, 2020

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	10.79%	14.68%	14.52%
3 Months	-15.38%	-17.57%	-18.75%
6 Months	-16.26%	-16.99%	-17.30%
1 Year	-14.82%	-16.07%	-17.09%
2 Years	-8.55%	-4.18%	-8.14%
3 Years	-2.99%	1.95%	-0.82%
5 Years	2.56%	3.80%	3.49%
Since Inception Date 08/07/2013	11.16%	7.91%	8.71%
Portfolio Turnover Ratio*	14.50%		

*Portfolio Turnover ratio for the period May 1st, 2019 to April 30th, 2020

Calendar Year Performance of PGIM India Core Equity Portfolio Strategy

Calendar Year	Portfolio Performance	Nifty 50	Nifty 500
08-07-2013 to 31-12-2013	13.2%	7.4%	8.4%
CY 2014	61.7%	31.4%	37.8%
CY 2015	1.8%	-4.1%	-0.7%
CY 2016	9.2%	3.0%	3.8%
CY 2017	22.8%	28.7%	35.9%
CY 2018	-3.3%	3.2%	-3.4%
CY 2019	-0.8%	12.0%	7.7%
CY 2020 till 30-04-2020	-14.3%	-19.0%	-18.8%
08-07-2013 to 30-04-2020	11.2%	7.9%	8.7%

Performance is calculated on Time Weighted Rate of Return (TWRR) basis

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. 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 live 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 PGIM India Core Equity Portfolio Strategy: PGIM India 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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This document is dated May 15, 2020. C013/2020-21