



**PGIM**

India Portfolio  
Management Services

Stable core.  
Strong portfolio.

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**PGIM INDIA**

**CORE EQUITY PORTFOLIO STRATEGY**





**Himanshu Upadhyay,**  
Portfolio Manager

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

Dear Investor,

A quote from Vladimir Lenin aptly summarises the recent market developments.

***“There are decades where nothing happens, and there are weeks where decades happen..”***

In the first quarter of 2020, we witnessed unprecedented volatility in the markets with sharp drawdowns. Despite the most challenging period, you will be happy to note that your portfolio in Core Equity Strategy as of 1st April 2020, has fared better than the benchmark on 1-month, 3-month, 6-month, 1-year, 2-year, 5-year and since-inception basis. There is some gap in 3-year performance but we believe the tailwinds are in favour of the strategy. Throughout the entire market rally we continued to stick to our process and we will continue to do so as we believe that there can be periods of underperformance but they will be transient and the process will ultimately work in favour of our clients.

In our earlier communications, we had stated that we were highly uncomfortable with the valuations of the market and were fearful of the coming downturn in markets, especially in finance stocks. It has played out as anticipated. Nifty Finance Index, from a peak of 14685 on 12 Feb 2020, has come down to 8298 on 23 March 2020, with a fall of 44% in a matter of approx. 25 trading session. The sharp fall in finance stocks in our opinion was a thing waiting to happen. This was based on our understanding of the history of markets, that one of the best signs of a bubble in a sector is, every other company in the sector is perceived to be great, high quality and having a sustainable fast-growing business model, even if it has not completed a decade in the business. We saw it in the 2000s for the IT sector, in 2007 it was in infrastructure, commodities and real estate, in 2014 it was pharmaceutical sector and in 2018-19, it was the financial sector. The end of the bubble in a sector is near when people come up with the argument that this sector is India's growth story and if this sector will not do well then the economy will be in the dumps. We heard it for finance this time around as we had heard in the past for sectors that were darlings of the market at the peak of a bull run. We highlighted our concerns about the financial sector in our Feb 2018, Aug 2018, May 2019, Nov 2019, Feb 2020 and March 2020 newsletters, and why it made sense to be away from the sector.

To protect your portfolios we largely stayed away from this space, kept a diversified portfolio and maintained cash for lack of options fitting our criteria. The move is finally paying off for your portfolios.

We think this is the time for de-bubbling and sector rotation. Based on our understanding of market history we have two observations to share. First the stocks which lead you into the bubble rarely take you out of the mess and secondly the new bubble is in a sector where there is maximum pessimism in the previous bubble era and the valuations are dirt cheap, like consumer and pharmaceuticals stocks were completely out of favour in the 2007 bubble, old economy stocks in the 2000 and small caps in 2013.

Our approach as such remains in not trying to predict the next bubble but to have a diversified portfolio of strong companies bought at cheap valuations. This is exactly what we did in 2013, 2014 and 2015 when the portfolio was overweight with stocks of high quality companies from the most hated space of small cap companies like Grindwell, Vesuvius, FAG bearing, IGL, VST Tillers etc. Today too, the portfolio is filled with names of companies that are dominant players in their sectors, have clean balance sheets, are quoting at the cheapest valuations they have been in the past few years, and the value of the expected cash which they are likely to generate in future is much higher than their market prices.

We have been holding cash, given our view. We have used the sharp fall in the markets to invest further in our existing positions where we have seen sharp corrections like ITC, Power Grid, Cummins, Oracle Financial, Cipla, Coal India, GE Power, VST Tillers and Bosch. We have also added two new positions in Crisil and Suprajit Engineering. We sold our position in Divis Lab. On an average, the cash in portfolio has reduced from 12% to 6% currently.

In our opinion we have done well at the fag end of the bull market by not participating in the madness with the result that the drawdown has been less, and we can now focus more on building a differentiated portfolio that will provide genuine diversification to your investments positioned for the future upmove. However, we will continue to be guided by the thoughts of Seth Klarman in an Annual Letter to investors in 2015.

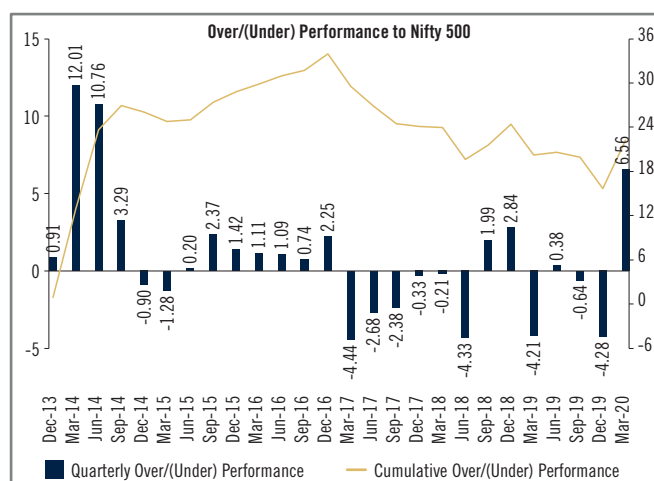
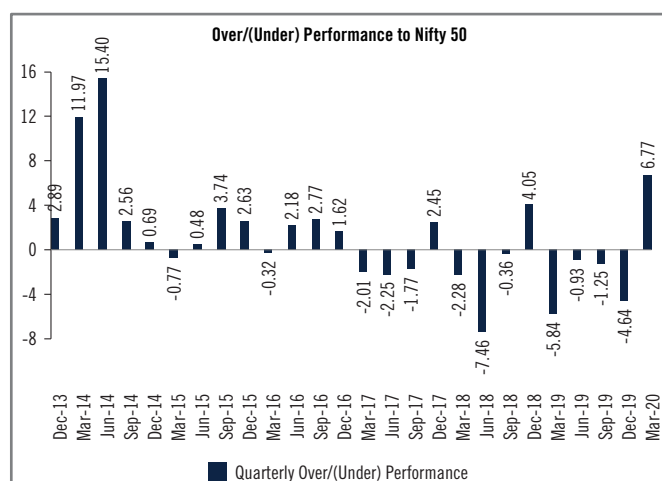
***“A successful investor must possess a number of seemingly contradictory qualities. These include the arrogance to act, and act decisively, and the humility to know that you could be wrong. The acuity, flexibility, and willingness to change your mind when you realize you are wrong, and the stubbornness to refuse to do so when you remain justifiably confident in your thesis. The conviction to concentrate your portfolio in your very best ideas, and the common sense to nevertheless diversify your holdings. A healthy scepticism, but not blind contrarianism. A deep respect for the lessons of history, balanced by the knowledge that things regularly happen that have never before occurred. And, finally, the integrity to admit mistakes, the fortitude to risk making more of them, and the intellectual honesty not to confuse luck with skill”.***

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 March 31st, 2020

Date of Purchase	Equity	Sector	%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	6.53%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	5.99%
Jun-2015	ITC Ltd	FMCG	5.45%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.30%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	5.23%
Sep-2015	State Bank of India	Banking / Financial Services	4.89%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	4.77%
Aug-2018	Cipla Ltd	Pharmaceuticals	4.22%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	4.15%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	4.10%
Mar-2015	Castrol India Ltd	Lubricants / oils	4.03%
Jul-2013	Container Corporation of India Ltd	Logistics	3.93%
Aug-2019	Coal India Ltd	Industrial Minerals	3.88%
Aug-2013	Cummins India Ltd	Engineering	3.34%
Jul-2013	Bosch Ltd	Auto Ancillaries	2.84%
	<b>Total</b>		<b>68.65%</b>

### Model Portfolio Details

Portfolio Details as on March 31st, 2020	
Weighted average RoCE	23.75%
Portfolio PE (1-year forward) (Based on FY 20)	13.35
Portfolio dividend yield	2.29%
Average age of companies	60 Years

### Portfolio Composition as on March 31st, 2020

Large Cap	32.75%
Mid Cap	22.25%
Small Cap	29.50%
Cash	15.50%

**Large Cap:** Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on March 31st, 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 March 31st, 2020

**Small Cap:** Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on March 31st, 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 March 31st, 2020

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-18.05%	-23.25%	-24.25%
3 Months	-22.57%	-29.34%	-29.13%
6 Months	-21.47%	-25.07%	-25.10%
1 Year	-23.66%	-26.03%	-27.60%
2 Years	-10.98%	-7.79%	-11.39%
3 Years	-5.82%	-2.14%	-4.35%
5 Years	0.10%	0.25%	0.05%
Since Inception Date 08/07/2013	9.65%	5.84%	6.65%
Portfolio Turnover Ratio*	13.43%		

\*Portfolio Turnover ratio for the period April 1st, 2019 to March 31st, 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 31-03-2020	-22.57%	-29.34%	-29.13%
08-07-2013 to 31-03-2020	9.65%	5.84%	6.65%

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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