



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA

CORE EQUITY PORTFOLIO STRATEGY





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Portfolio Manager

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

Dear Investor,

In this newsletter, we aim to share our thoughts on the overall portfolio, how it's positioned, what has worked, not worked and the way forward.

The basic philosophy of our fund management style has been that over the longer term the value of a company is determined by its future cash flow and the certainty of those cash flows. In most companies in our portfolio, the cash flow they have generated and are generating is in line with our expectation when we purchased them but prices of some of these stocks have still been going down or remain flat. Generally, the catalysts for up-move in such cases has been higher dividends, buybacks, growth in business and change in market sentiment.

In the current market, where stocks are bought because it will get into an index or the weightage of a stock will increase in the index because the company is raising money and hence free float will increase is not an approach that we would take. Rather, our investment approach has been bottom-up and we believe we have a portfolio of strong companies where we expect good returns even in a conservative scenario. Our belief in our approach remains strong and we know this phase of euphoria will also not last.

"Being too far ahead of your time is indistinguishable from being wrong." – Howard Marks, The Most Important Thing Illuminated: Uncommon Sense for the Thoughtful Investor

We have been concerned about the declining economic growth over the last few quarters, the increased intensity of competition in the financial space because of new entrants and the excesses getting built up in the system. Over the last two years, the financial system has witnessed a few shocks and contrary to our expectation of more conservative lending standards and better valuations in the sector, the situation seems to have worsened. Finance is one of the most leveraged and intertwined sector in the economy. Therefore, any problem in the economy sooner or later will have impact on the financial sector and if there is sufficient callousness in loan disbursements the future repercussions can be serious.

Testimony by Warren Buffett Financial Crisis Inquiry Commission "They were trying to – and proclaiming that they could increase earnings per share in some low double-digit range or something of the sort. And any time a large financial institution starts promising regular earnings increases, you're going to have trouble, you know? I mean, it isn't given to man to be able to run a financial institution where different interest-rate scenarios will prevail on all of that so as to produce kind of smooth, regular earnings from a very large base to start with; and so if people are thinking that way, they are going to do things, maybe in accounting – as it turns out to be the case in both Freddie and Fannie – but also in operations that I would regard as unsound. And I don't know when it will happen. I don't even know for sure if it will happen. It will happen eventually, if they keep up that policy; and so we just decided – or I just decided to get out."

The other sector where we have taken negative stand is the consumer sector where our rationale has been that the valuations are extremely rich, and in a slowing economy, getting high volume growth will be a challenge; and as the penetration of consumer goods increases the growth will come down. The hypothesis in terms of volume growth has been right but the valuation multiples have increased instead of coming down. In our opinion, this is one of those times when the stock prices and the underlying business are telling completely different stories in many businesses.

In a market where the rally is as narrow as the current market, having a diversified portfolio has its own negatives. Quite a few of our stocks have done very well in the last six months, like IGL (up by approx. 60%), Rallis (up by approx. 60%), MCX (up by approx. 50%), PI Industries (up by approx. 45%), Divis Lab (up by approx. 20%) but a few others like Cummins, Jagran Prakashan, ITC, Bosch and Oracle Financial Services have given us significant pain and have dragged the performance. We expect that over a period of time, some of the stocks that have dragged will start contributing to the performance. In our opinion, having a diversified portfolio is in the interest of our investors because of the amount of change we are seeing in almost all spheres of our world; predicting what new business patterns will emerge and what business disruptions may happen is an extremely tall ask for anyone to comprehend all at once.

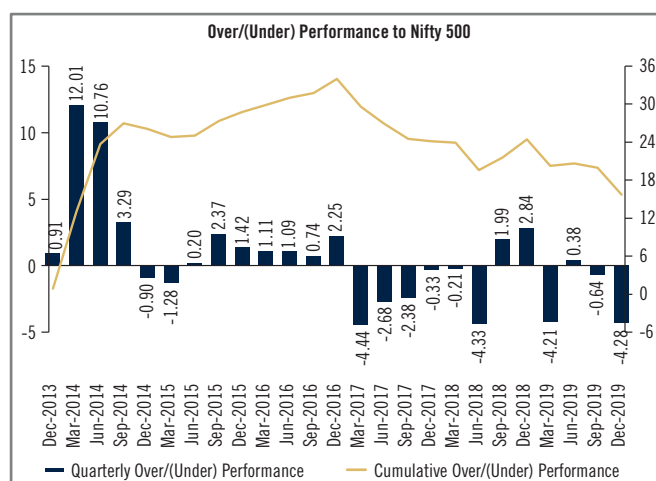
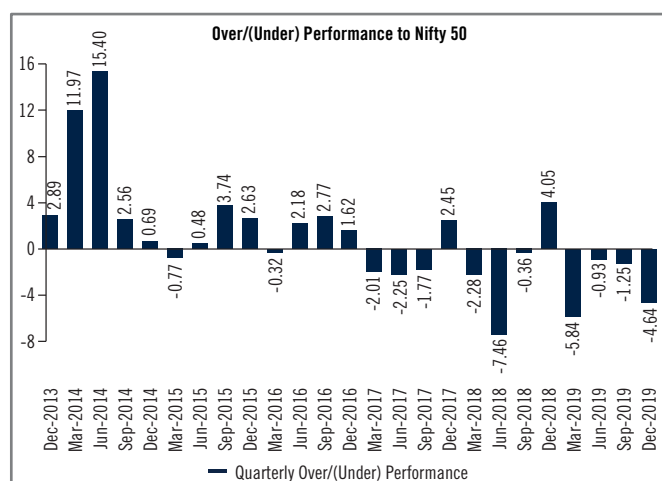
We remain extremely confident of our investment approach and believe the gains have got delayed but not denied. Most of the companies in our portfolio are market leaders and have seen many business cycles and have become stronger and larger players in the industry. We don't expect things to be any different this time as well.

Yours Sincerely,



PGIM INDIA 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 PGIM India 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 PGIM India Core Equity Portfolio Strategy Discretionary Portfolio Regular Plan as on January 31st, 2020

Date of Purchase	Equity	Sector	%
Sep-2015	State Bank of India	Banking / Financial Services	5.79%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.61%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	5.14%
Jul-2013	Container Corporation of India Ltd	Logistics	5.04%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	4.58%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	4.51%
May-2018	Bharat Electronics Ltd	Industrial Electronics	4.42%
Jun-2015	ITC Ltd	FMCG	4.34%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.92%
Aug-2013	Cummins India Ltd	Engineering	3.91%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	3.88%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.81%
Aug-2018	Cipla Ltd	Pharmaceuticals	3.26%
Jun-2018	GE Power India Ltd	Power Equipment	2.94%
Aug-2019	Coal India Ltd	Industrial Minerals	2.80%
	Total		63.95%

Model Portfolio Details

Portfolio Details as on January 31st, 2020

Weighted average RoCE	23.37%
Portfolio PE (1-year forward) (Based on FY 20)	17.68
Portfolio dividend yield	1.58%
Average age of companies	60 Years

Portfolio Composition as on January 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 January 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 January 31st, 2020

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

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	1.35%	-1.70%	-0.11%
3 Months	-1.03%	0.71%	1.77%
6 Months	4.16%	7.59%	9.03%
1 Year	1.69%	10.44%	9.52%
2 Years	-1.55%	4.15%	0.84%
3 Years	5.06%	11.80%	10.15%
5 Years	5.08%	6.31%	6.59%
Since Inception Date 08/07/2013	14.47%	11.45%	12.55%
Portfolio Turnover Ratio*	21.46%		

*Portfolio Turnover ratio for the period February 1st, 2019 to January 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 31-01-2020	1.35%	-1.70%	-0.11%
08-07-2013 to 31-01-2020	14.47%	11.45%	12.55%

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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