



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Himanshu Upadhyay,
Portfolio Manager

Changing situations, changing fortunes

Dear Investor,

The month of June has been excellent for the markets. Nifty 50 and the CNX 500 delivered 7.53% and 8.34% returns respectively for the month. Your portfolio was up 8.53% during the same period. The best performing stocks from the portfolio for the month of June were:- VST Tillers up by 45%, Suprajit Engineering up by 32%, Rallis and Bharat Electronics both were up by 28%. The laggards for the month were:- IGL and Coal India; both were down 6%, and MCX was down 3%.

Borrowing from Vladimir Lenin, we can safely say that in the case of our portfolio companies:

“There are few quarters where nothing happens; and there are weeks where years happen.”

Case in point is our exposure to agriculture focused companies Rallis, PI and VST Tillers. Last year before the monsoon, they were growing at a slower rate because of poor monsoon in the preceding years, low farmer income and higher raw material prices leading to lower margins for the company. Hence the stock where the state of agriculture was the main driver were available cheap and were bracketed as “value” by the street. Nothing changed for a few quarters. After a good monsoon last year, raw material prices started softening, prices of agriculture commodities rose and the government brought in some important regulatory changes. The confluence of factors led to a sharp rally in agriculture stocks this quarter and now the sector is seen as a growth sector.

Another example from the portfolio is of Bharat Electronics which was doing good for the past many years. Between 2013 to 2019, revenue and EBITDA multiplied 2x and 2.5x respectively. We were buying the stock at low teens PE. What street saw as a dull business of defense, in our view was a robust business having order book of 5x the revenue, with good track record and in a strategically important area of defense equipment for a country in a hostile neighborhood. The stock remained a laggard, but we remained convinced on the story and added more to it in the downfall. Meanwhile, a skirmish at the border changed perceptions, and all the defense-related stocks, including BEL, have rallied.

In our experience, generally very few opportunities are available in the market where despite good growth for a few years the valuations are cheap. In the past, we got such opportunities in the form of Indraprastha Gas Ltd, Sanofi, MCX etc. Now the valuations for these have moved up significantly. Most good opportunities are available, when the growth in the preceding 3 to 5 years period has been lower than historical averages, provided there is a huge potential for growth and some external change can lead to rerating in the whole space. A note of caution though is that it may take a little longer than expected to fructify.

Comparing the recent growth with the long-term growth has also helped us in avoiding certain “growth perception” traps. For example, we turned extremely cautious on auto space well before the peak of last cycle and were underweight in auto for a very long period of time before adding Bosch, VST Tillers and Suprajit over past 24 months. In most cases, once a company has been growing well for few years, the expectation of the street builds up that the high growth will continue for a prolonged period, resulting in stratospheric valuations. Just as all good things come to an end, the phase of this high growth also comes to an end resulting in the fall in stock valuation and prices. Also, the growth phase itself tapers down dramatically, leading to a negative impact on both revenues and margins. Hence, we have tried to not buy stocks where the growth expectations to justify the valuations seem unrealistic.

Over the last few months we have got queries on why don't we have stop loss and sell stocks when they fall?

The way we operate is that sincere attempts are made not to get swayed by the street narrative. We spend a lot of time to understand and think through the business before we purchase. After buying a stock, if there is no adverse development on the parameters like:

- Quality of management,
- Prudence with which they have managed their finances and cash across the cycles,
- Company's score on parameters that required to be successful in the business,
- Both medium and long-term risks to the business,
- Business opportunity, growth drivers and growth expectations,
- Execution capabilities

we persist with our holdings. This has worked well for us. During February and March of this year, all the agri sector stocks fell by ~40% and VST was quoting at much below our purchase price. Even BEL fell by 45% from our initial purchase price. Had we not persisted through the pain, we would have sold these and missed out on the gains as these became the flavor of the market.

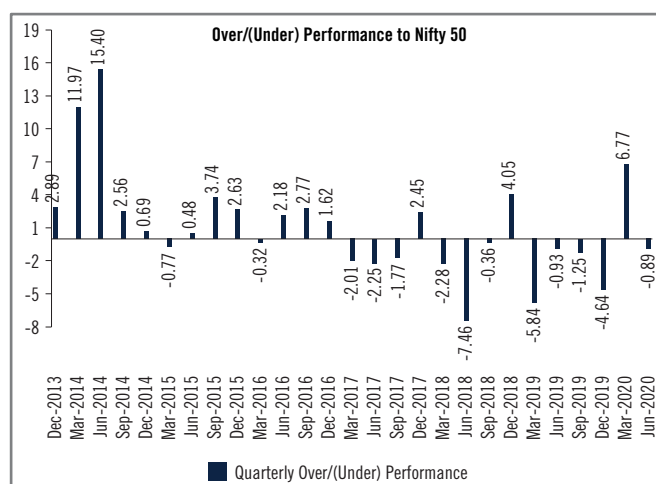
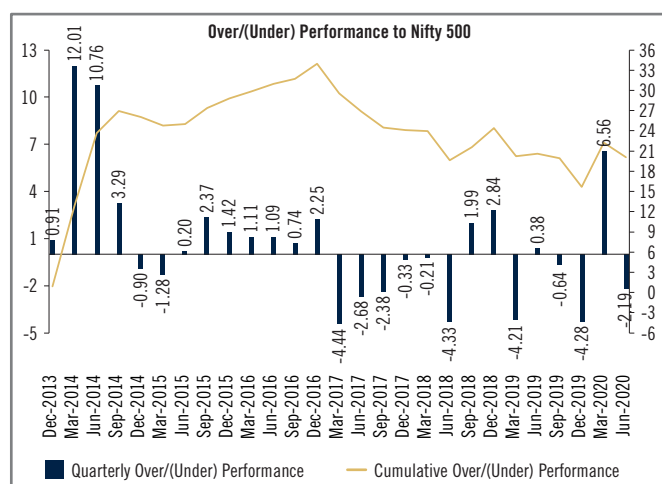
Inherent to the strategy is the fact that stocks at times can take longer than anticipated to reflect their true worth. The way we try to negate the risk is by having a well-diversified portfolio of 20 to 25 companies and with different drivers of growth that would play out at different points of time. During the waiting period, we do closely monitor the performance of the business, developments in the sector. If our hypothesis at the time of purchase remains intact, we will not sell just because the stock price has corrected, in fact we may end up buying more. Our current portfolio positions remain the same with no new additions or exits for the month of June.

Yours Sincerely,



PGIM INDIA CORE EQUITY PORTFOLIO

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 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 Discretionary Portfolio Regular Plan as on June 30th, 2020

Date of Purchase	Equity	Sector	%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.61%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	5.41%
Aug-2018	Cipla Ltd	Pharmaceuticals	5.38%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	5.28%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.24%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.17%
Jun-2015	ITC Ltd	FMCG	5.15%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	4.37%
Mar-2015	Castrol India Ltd	Lubricants / oils	4.32%
Jul-2013	Container Corporation of India Ltd	Logistics	4.10%
Aug-2013	Cummins India Ltd	Engineering	3.66%
Sep-2015	State Bank of India	Banking / Financial Services	3.66%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.48%
Jul-2013	VST Tillers Tractors Ltd	Agricultural Equipment	3.40%
Apr-2014	CRISIL Ltd	Credit Rating	3.04%
	Total		67.27%

Model Portfolio Details

Portfolio Details as on June 30th, 2020	
Weighted average RoCE	23.95%
Portfolio PE (1-year forward) (Based on FY 20)	17.64
Portfolio dividend yield	2.19%
Average age of companies	61 Years

Portfolio Composition as on June 30th, 2020

Large Cap	29.25%
Mid Cap	34.50%
Small Cap	27.25%
Cash	9.00%

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

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

The above holding represents top 15 holdings of PGIM India Core Equity Portfolio - 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 - Performance as on June 30th, 2020

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	8.53%	7.53%	8.34%
3 Months	18.93%	19.82%	21.12%
6 Months	-7.93%	-15.34%	-14.16%
1 Year	-9.63%	-12.61%	-12.25%
2 Years	-2.22%	-1.94%	-3.82%
3 Years	-0.66%	2.66%	0.57%
5 Years	3.68%	4.24%	4.20%
Since Inception Date 08/07/2013	12.01%	8.40%	9.37%
Portfolio Turnover Ratio*	15.56%		

*Portfolio Turnover ratio for the period July 1st, 2019 to June 30th, 2020

PGIM India Core Equity Portfolio - Annualised Performance as on June 30th, 2020

	Current Year April 1, 2020 to June 30, 2020	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019	April 1, 2017 to March 31, 2018
PGIM India Core Equity Portfolio	18.79	-23.79	3.79	5.34
Benchmark - NIFTY 500	21.12	-27.6	8.43	11.47

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

Important Disclosures regarding the consolidated portfolio performance: The performance related information provided herein is not verified by SEBI. 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: PGIM India Core Equity Portfolio seeks to generate returns by investing in a portfolio of quality companies that are available at reasonable valuations and have the potential of superior wealth creation over long term.

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This document is dated July 20, 2020.

C058/2020-21

