



PGIM

India Portfolio
Management Services

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Large tomorrow.

PGIM INDIA
PHOENIX STRATEGY





Himanshu Upadhyay,
Portfolio Manager

Midcaps could bloom after the gloom

Dear Investor,

With Nifty Midcap and Nifty Small Cap Index delivering flattish returns of 0.34% and -1.18% respectively, May 2020 proved to be a lackluster month. The portfolio in comparison delivered 0.69% for the month. The index level movements, however, do not reveal the underlying volatility. We witnessed a great divergence in performance at a stock specific level. The portfolio had positive contributors like JB Chemicals (up 22%), CCL Products (up 9%) and Oracle Financial (up 6%) with DCB (23% down), Gesco (16% down) and DB Corp (16% down) underperforming.

This seems to be a time of complete gloom and doom for small and midcap companies because of their poor stock price performance in the last few years. In our opinion, in 2017 there was a euphoria for small and midcap space and today there is abject pessimism and neglect for the small cap space. Normally, such times offer good investment opportunities from a 3 to 5-year perspective. We maintain a positive view on the small and mid-cap space for the following reasons:-

Quite often we see a debate about large cap companies versus mid/small caps in terms of return potential and ability to sustain over cycles. We believe that more than the size, what matters is that the business should be a provider of product/service that is valued by its customers, and the management should be capable of running it in a disciplined manner with financial prudence. There are many companies that are small because many a times they are young companies or in lines of business where the size of opportunity is small or the management has chosen to be more specialized in niche segments where the margins are better. If we take an example of auto ancillary companies, they will be always smaller than an automobile manufacturer but still in their niches they can have extremely good technology related to certain parts used by the automobile manufacturer and can have high return ratios than some of their clients. There are many companies in our country itself which are in small and mid-cap space and have been doing business for more than 50 years. The mid and small caps are an integral part of the economy and the stronger ones will survive this cycle as well.

The mid and small companies have been facing business headwinds for the past few years starting with demonetization, then with GST, slowing economy and now the Covid-19 crisis. In our opinion, this slowdown period will lead to a cleansing of the system where weaker and inefficient players will have to move out of the business and stronger players will take their place. As and when the cycle revives, the surviving players will emerge stronger in their respective industries. We believe that our portfolio companies have the resilience to survive the cycle with strong business propositions and will emerge much stronger after this crisis.

Finally, the valuations are looking attractive as there has been a significant correction in the prices of the companies present in small and mid-cap space. Overall, the Nifty Midcap index is down 34% and Nifty Small cap index is down 58% from the peak as of 29 May 2020. To summarize, this space looks attractive from a 3 to 5-year perspective, owing to availability of specialty/niche businesses with ability to survive the cycles, consolidation of business in the hands of stronger players and favorable valuations.

Portfolio update

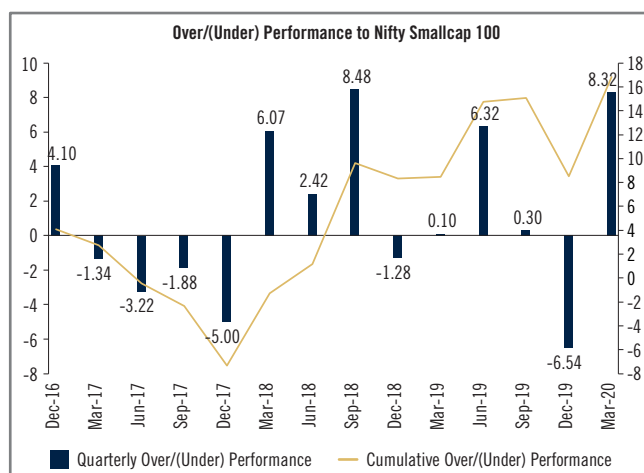
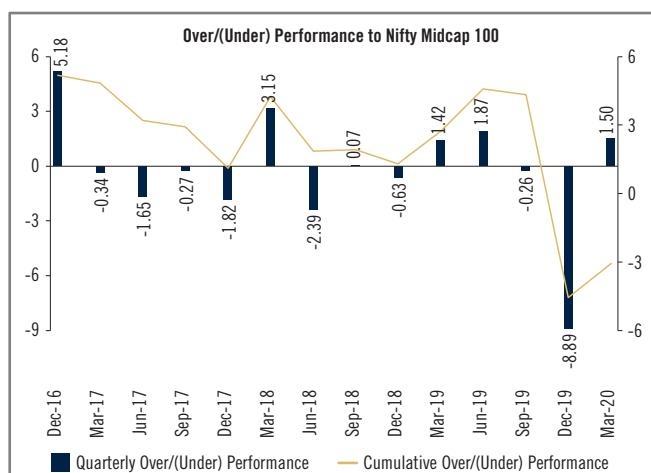
We have added to our position in DCB and reduced weightage in JB Chemicals and Dhanuka Agritech in the last month.

Yours Sincerely,



PGIM INDIA PHOENIX 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 PGIM India Phoenix 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 Phoenix Strategy as on May 31st, 2020

Date of Purchase	Equity	Sector	%
May-2019	Dhanuka Agritech Ltd	Pesticides And Agrochemicals	7.86%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	7.03%
Sep-2016	Oracle Financial Services Software Ltd	IT Services / Products	6.25%
Aug-2016	Great Eastern Shipping Co Ltd	Shipping	5.87%
Apr-2018	Mahanagar Gas Ltd	LPG/CNG/PNG/LNG SUPPLIER	5.59%
Mar-2018	Cummins India Ltd	Engineering	4.15%
Oct-2016	CCL Products India Ltd	Tea & Coffee	4.15%
May-2017	MOIL Ltd	Industrial Minerals	4.04%
Apr-2017	Hexaware Technologies Ltd	Computers - Software	4.01%
Aug-2016	Federal Bank Ltd	Banks	3.76%
Sep-2016	Apar Industries Ltd	Power Equipment	3.19%
Jul-2017	Mayur Uniquoters Ltd	Textiles	3.15%
Jan-2018	Oil & Natural Gas Corporation Ltd	Oil Exploration	3.13%
Aug-2016	Oberoi Realty Ltd	Residential/Commercial/ Sez Project	2.89%
Mar-2018	Kewal Kiran Clothing Ltd	Fabrics And Garments	2.82%
	Total		67.89%

Model Portfolio Details

Portfolio Details as on May 31st, 2020	
Weighted average RoE	12.63%
Portfolio PE (1-year forward) (Based on FY 20)	10.39
Portfolio dividend yield	2.54%

Portfolio Composition as on May 31st, 2020	
Large Cap	3.00%
Mid Cap	24.50%
Small Cap	64.75%
Cash	7.75%

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

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

The above holding represents top 15 holdings of PGIM India Phoenix Strategy based on all the client portfolios under PGIM India Phoenix Strategy 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 Phoenix Strategy Portfolio Performance as on May 31st, 2020

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	0.69%	0.34%	-1.18%
3 Months	-19.10%	-20.93%	-29.47%
6 Months	-20.87%	-22.93%	-31.16%
1 Year	-32.53%	-25.67%	-39.36%
2 Year	-18.88%	-16.38%	-28.94%
3 Year	-10.27%	-8.32%	-17.43%
Since Inception Date 01/08/2016	-3.34%	-2.76%	-10.37%
Portfolio Turnover Ratio*	15.60%		

*Portfolio Turnover ratio for the period June 1st, 2019 to May 31st, 2020

Calendar Year Performance of PGIM India Phoenix Strategy

Calendar Year	Portfolio Performance	Nifty Midcap 100	Nifty Smallcap 100
01-08-2016 to 31-12-2016	1.08%	-2.85%	-5.01%
CY 2017	40.71%	47.26%	57.30%
CY 2018	-12.50%	-15.42%	-29.08%
CY 2019	-10.46%	-4.32%	-9.53%
CY 2020 till 31-05-2020	-21.23%	-22.39%	-31.40%
01-08-2016 to 31-05-2020	-3.34%	-2.76%	-10.37%

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 PGIM India Phoenix Strategy 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 Phoenix Strategy: The objective of the strategy is to generate capital appreciation over the long term by investing in a portfolio of equity of Indian companies

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www.pgimindiapms.com

022-6159 3131

care@pgimindia.co.in