

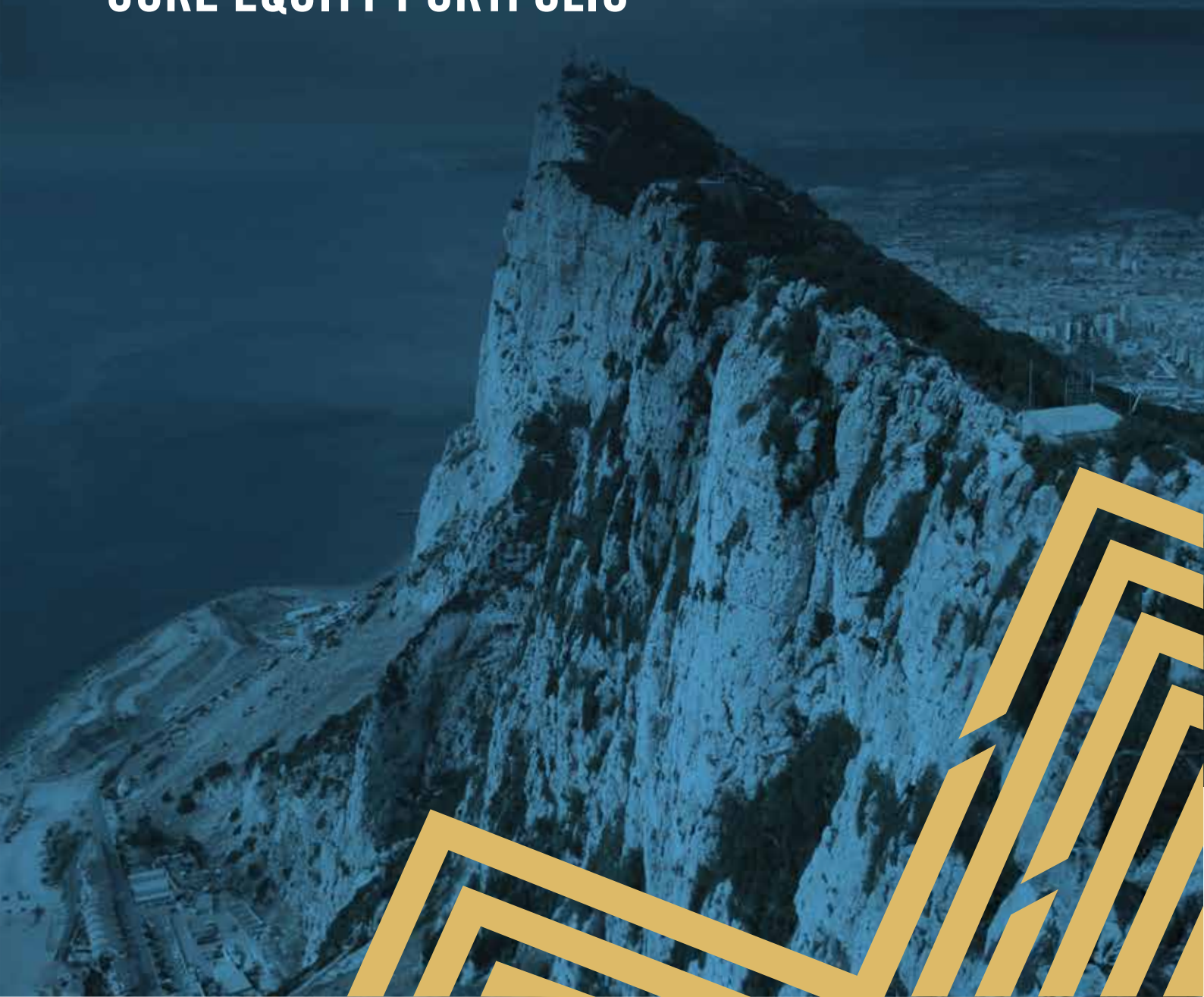


PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Himanshu Upadhyay,
Portfolio Manager

Challenging Month, Diversified Portfolio Expected to Benefit

Dear Investor,

September has been a challenging month for the Core Equity Portfolio. The returns were -2.98% versus -0.32% for the benchmark CNX 500. Cipla was the top performing stock and was up 9%, MCX was up 8% and Bosch was up 7%. The laggards for the month were Coal India, down 14%, SBI down by 13% and ITC down by 10%.

Over the last few months, we have been critically analyzing our approach and revisiting the rationales for the companies that we hold. To do so, we looked at choices we have made in the past, both good and bad as per the current context. We have generally focused on buying a company when either the company or the industry is unpopular, provided that the company has been a market leader and we had a very strong view that the company's business won't be affected to an extent that its leadership position will be challenged. With the same approach across companies, we have got different sets of results. One set of companies, Sanofi, Infosys, Rallis, Cipla, Divis, MCX, VST Tillers, PI Industries, IGL, and recent additions like Suprajit Industries and Crisil have done well. On the other hand, stocks such as SBI, GESCO, ITC, Power Grid, Oracle Financial Services, Engineers India etc. have underperformed. Interestingly, the stocks have not done well despite the business performance being nearly as per expectations.

Let's look at SBI as a representative stock of the latter set. At the time of purchase, our hypothesis was that it will have issues for a few quarters and then things will start improving. True to our hypothesis, the performance of SBI steadily improved and last year it had one of the best years in terms of profits and the NPAs has steadily improved - in Q1 FY 21 the NNPA was 1.86% and provision coverage ratio was 67%. The subsidiaries of the bank have also done well and are all the top players in the businesses where they operate. Yet the stock has lagged.

SBI Profit and loss statement

Year End	Y201603	Y201703	Y201803	Y201903	Y202003
TOTAL INCOME	273461	298640	306528	330687	368011
Profit Before Tax	18177	945	-12234	5929	30052
PAT	12743	-391	-4187	3069	18177

Source : Ace Equity

Quite a few times, we are asked why we don't sell the stock and buy something else, but in our experience as long as the underlying business is improving there is no point in losing our patience. Nobody can predict when the stock will catch the fancy of the market. We were holding MCX for a few years and the stock price remained flat for a number of years and suddenly things turned in its favor with increased volatility in commodities, and the stock doubled.

One of the issues for a well-diversified strategy like ours has been the narrowness of markets leading to only extremely few stocks doing very well. As the economic recovery starts, we expect both sector rotation and broadening of the market breadth in the next few quarters which should result in good performance of the portfolio.

The situation as we see currently:-

1. Power Demand across India fell marginally 1.5% in Q2FY21 and Sep'20 witnessed a 2.7% YOY rise in power demand.
2. Significant improvement in auto sales has been reported in the month of September 2020.
3. The headline PMI has increased to 56.8 in September, from 52 in August and is the highest since 2012.



4. GST collection has increased by 4% YoY to Rs 95480 cr in the month of September.
5. E-way bills generation in September was well above the pre-covid level and the highest since April 2019. Generation in September grew by 10% YOY compared to -3% in August.
6. FASTag toll collection improved by 13% MOM in September and is back at February'20 levels.
7. Petrol sales rose to 2.2 million tonnes in September as compared to 2.16 million tonnes in the same month last year and 1.9 million tonnes during August 2020. Diesel sales continue to be in the negative territory, with demand falling 7% year-on-year but the demand was 22% higher over August 2020.

The data for September has improved quite materially both month on month and in some parameters year on year as well, and it seems that the economy is getting back on track. Even in some companies we have seen strong growth, like in the case of Coal India where the dispatches were 32% higher YOY in Sept 2020 and Suprajit Engineering where the sales in Q2 FY 2021 are the highest ever and 15% higher than last year. In our opinion as stability emerges in the economy and gets more settled the narrowness in market moves will spread across the sectors and we expect a well-diversified portfolio like ours to do well.

Portfolio update:-

Sun Pharmaceuticals is a new stock which we have added in the portfolio in the month of September 2020. It is the largest pharmaceutical company in India with 8.2% market share and ranked number 1 with 11 classes of doctors in India. It is ranked 4th largest in global generic market (Sun pharmaceuticals and Taro combined). It has a well-diversified revenue stream with 33% of revenue from USA, 30% of revenue from India, 17% from Emerging Markets, 14% from Western Europe and other markets and remaining 6% from API sales in FY 20. We like the company :-

- For its focus on therapy areas in domestic areas where in our assessment growth should be good for the next few years, and it has 30 brands in the top 300 pharmaceutical brands in India. Sun Pharmaceuticals is increasing its sales team by 10% in India which should result in better growth for the company in India.
- Over the years it has been investing in specialty/branded and complex generic products in USA which in our view is a good long term strategy.
- In other markets the focus is on getting mass in key markets which should help in improving the profitability in these markets.

Yours Sincerely,



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

Date of Purchase	Equity	Sector	%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.63%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.40%
Aug-2018	Cipla Ltd	Pharmaceuticals	5.22%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	5.08%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	4.80%
Jun-2015	ITC Ltd	FMCG	4.57%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	4.50%
Aug-2013	Cummins India Ltd	Engineering	3.95%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.68%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	3.67%
Sep-2015	State Bank of India	Banking / Financial Services	3.64%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.52%
Jul-2013	Container Corporation of India Ltd	Logistics	3.42%
Jul-2013	Bosch Ltd	Auto Ancillaries	3.32%
Jul-2013	VST Tillers Tractors Ltd	Agricultural Equipment	3.28%
	Total		63.68%

Model Portfolio Details

Portfolio Details as on September 30th, 2020

Weighted average RoCE	22.77%
Portfolio PE (1-year forward) (Based on FY 20)	17.36
Portfolio dividend yield	2.56%
Average age of companies	61 Years

Portfolio Composition as on September 30th, 2020

Large Cap	31.00%
Mid Cap	27.00%
Small Cap	27.50%
Cash	14.50%

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

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

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

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-2.98%	-0.32%	-1.23%
3 Months	4.57%	10.23%	9.18%
6 Months	24.21%	33.52%	30.82%
1 Year	-2.58%	0.01%	-1.98%
2 Years	-0.71%	1.23%	1.44%
3 Years	0.64%	2.80%	4.74%
5 Years	4.88%	7.04%	7.19%
Since Inception Date 08/07/2013	12.25%	10.50%	9.41%
Portfolio Turnover Ratio*	20.44%		

*Portfolio Turnover ratio for the period October 1st, 2019 to September 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 - Annualised Performance as on September 30th, 2020

	Current Year April 1, 2020 to September 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	24.21%	-23.79%	3.79%	5.34%
Benchmark - NIFTY 500	33.52%	-27.60%	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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