



**PGIM**

India Portfolio  
Management Services

Small today.  
Large tomorrow.

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**PGIM INDIA**  
**PHOENIX PORTFOLIO**





**Himanshu Upadhyay,**  
Portfolio Manager

### Real Estate, Manufacturing show promise

Dear Investor,

The Phoenix portfolio delivered a return of 7.92% Vs 7.83% by the benchmark Nifty Midcap 100 for the month of August 2020. The main contributors were Ashiana Housing (Up 37%), Indian Hotels (Up 36%) and Mayur Uniquoters (Up25%). Kirloskar Brothers (-3%), Mahanagar Gas Ltd (-2%) and Dhanuka Agritech (-1%) were the laggards.

All the real estate (RE) stocks from the portfolio did well during the month. There is great degree of uncertainty around the economic recovery and trajectory of corporate earnings and all the estimates suggest that the country's GDP is going to end with a negative number. What that number will be is anybody's guess. Given this backdrop, two questions need to be answered while picking up mid and small cap stocks. First, will the business survive the cycle and two, will it be amongst the first beneficiaries of the revival. To ensure that we pick up businesses that have the strength and capability to survive the cycle we have a well-defined process to filter out the weaker players. We have discussed the process earlier and continue to adhere to the same.

To answer the other question as to who will be the first beneficiaries of the economic recovery post COVID, we approach it with a perspective of balance sheets of four major constituents of the economy viz. Government, Banking System, Corporates and Individuals. The recovery after such an extensive damage to the economy will have to be led by government spends. Banks currently do not have the risk appetite to fund the entrepreneurs who are willing to take a risk in the current environment. For the corporates, the capacity utilization is still below the level that triggers investment. Even if the demand resumes, the stronger players will do a brownfield expansion by acquiring capacities of overleveraged weaker players. Majority of the Indians are either self-employed or employed in the unorganized sector. COVID has made a significant dent to the health of small businesses and household balance sheets of a larger section of the population. Consumption does not go away; it moves a segment lower in terms of product offerings. Clearly, to come out of this crisis, the government through fiscal and policy measures will have to lead it.

Going by the overall circumstances, the priorities for the government will be job creation and revival of farm income. For job creation, the sectors in focus are likely to be the manufacturing and construction. The added tailwind for the manufacturing sector is the trend of developing an alternate supplier away from China. Our ground checks have confirmed the trend. Construction, contrary to popular belief, was doing well prior to COVID. In fact, some of the RE companies had record sales which were multi-quarter high. Ground interest is also improving in RE especially in the lower ticket segment. On the farm side, the monsoon has been good. The reforms by the government will over time boost farm income. It augurs well for the agrochemicals and farm equipment sectors. Your portfolio is majorly aligned to benefit out of these outcomes. The other positions are annuity businesses like OFSS and lenders to the MME/SME segments like DCB and Federal.

Our conviction for the portfolio also comes from the fact that there is huge valuation comfort. A portfolio made up of segment leaders with strong balance sheets at P/E of 9.7 (FY 22) as per the Bloomberg estimate. We remain confident about the prospects of the companies in the portfolio and at the same time, remain vigilant towards data points that are contrary to our expectations.

Yours Sincerely,



### Top 15 Holdings of PGIM India Phoenix Portfolio as on August 31st, 2020

Date of Purchase	Equity	Sector	%
Aug-2016	Great Eastern Shipping Co Ltd	Shipping	5.75%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	5.25%
May-2019	Dhanuka Agritech Ltd	Pesticides And Agrochemicals	5.18%
Sep-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.04%
Jul-2017	Mayur Uniquoters Ltd	Textiles	4.29%
Apr-2017	Hexaware Technologies Ltd	Computers - Software	4.04%
Mar-2018	Cummins India Ltd	Engineering	3.94%
Apr-2018	Mahanagar Gas Ltd	LPG/CNG/PNG/LNG Supplier	3.67%
Oct-2016	CCL Products India Ltd	Tea & Coffee	3.65%
May-2017	MOIL Ltd	Industrial Minerals	3.56%
Aug-2016	Federal Bank Ltd	Banks	3.50%
Oct-2019	Ashiana Housing Ltd	Residential/Commercial/ SEZ Project	3.14%
Aug-2016	Ahluwalia Contracts India Ltd	Cement Products	3.02%
Aug-2016	Sobha Ltd	Residential/Commercial/ Sez Project	2.83%
Oct-2016	DCB Bank Ltd	Banks	2.81%
	<b>Total</b>		<b>59.67%</b>

### Model Portfolio Details

Portfolio Details as on August 31st, 2020	
Weighted average RoE	11.01%
Portfolio PE (1-year forward) (Based on FY 20)	11.72
Portfolio dividend yield	1.61%

Portfolio Composition as on August 31st, 2020	
Large Cap	2.50%
Mid Cap	22.50%
Small Cap	64.00%
Cash	12.00%

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

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

### PGIM India Phoenix Portfolio Performance as on August 31st, 2020

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	7.92%	7.83%	11.54%
3 Months	23.59%	25.69%	39.62%
6 Months	-0.02%	-0.62%	-1.52%
1 Year	-3.59%	6.58%	2.62%
2 Year	-9.73%	-8.48%	-14.63%
3 Year	-3.96%	-3.00%	-10.32%
Since Inception Date 01/08/2016	2.02%	3.02%	-2.07%
Portfolio Turnover Ratio*	21.86%		

\*Portfolio Turnover ratio for the period September 1st, 2019 to August 31st, 2020

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

	Current Year April 1, 2020 to August 31, 2020	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019	April 1, 2017 to March 31, 2018
PGIM India Phoenix Portfolio	39.22%	-38.7	-3.73	9.49
Benchmark - NIFTY MIDCAP 100	42.54%	-35.9	-2.66	9.07

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 PGIM India Phoenix Portfolio 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 Portfolio:** The objective of the portfolio is to generate capital appreciation over the long term by investing in quality Mid and Small Cap Indian companies.

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