



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Quality at a Reasonable Price

Dear Investor,

PERFORMANCE RECAP

Our portfolio has delivered -3.0% return vs -4.5% return for the Nifty 500 during the month of May'22, thereby outperforming by 145bps. Our overweight stance on Industrials, Consumer, and Power sector aided our performance. This was partially negated by our overweight stance in the Textiles Sector. The stocks which outperformed were Timken India, Phoenix Mills, Bharat Electronics, Power Grid Corporation, and ITC. The stocks which dragged our performance were Vardhaman Textiles, and Astral Poly.

On a one-year basis, our portfolio delivered a return of 13.5% vs 6.8% for the Nifty 500, outperforming the benchmark by 675bps. The changes in the portfolio (during Sept-Oct'21 period) with a tilt towards Growth at Reasonable Prices (GARP) approach has led to an improvement in the overall performance as against a pure Value Approach earlier. The portfolio outperformed the Index due mostly to stock selection in Pharma, Specialty Chemicals and Consumer-oriented sectors, as well as an overweight position in Industrials and underweight stance in the Financial sector. Two of our top holdings i.e. Timken India and Phoenix Mills contributed meaningfully to our outperformance, thereby highlighting the importance of allocation in the portfolio.

INVESTMENT PROCESS

We invest in structurally strong companies, that are termed as good quality companies. A good quality company is a company that has reached a minimum scale in terms of revenue, has gone through at least one downcycle and emerged as a stronger company, has a consistency in cash flows and higher return on capital employed over the last 10 years. The second aspect has been to always own companies which are market leaders in a particular domain. We have, over a period of time, seen that market leaders generally tend to come back stronger with higher market share after the downturn as weaker players usually exit in the downturn.

All stocks which are large weightage in the portfolio currently - SBI, Vardhman Textiles, Timken, Bharat Electronics, Asian Paints, HDFC Ltd, VST Tillers & Tractors, Phoenix Mills, etc. were bought keeping the aforementioned thought process in mind.

Portfolio Companies Q4 Results

Our top holdings reported strong set of numbers in Q4FY22. Some of them are highlighted below :

Timken India : Timken India reported 4QFY22 EBITDA of Rs 1.8bn (+40% YoY), led by (1) strong performance of the exports segment (30% of the revenues), (2) robust demand from process segment (13% of revenues) and (3) double-digit volume growth in the CV segment. EBITDA margin came in at 26.9% (+860 bps YoY), driven by (1) pass-through of the RM inflation to the end-consumers, (2) a richer product mix (higher exports mix) and (3) operating leverage benefit. (Source : Company)

Phoenix Mills : Phoenix Mills reported consolidated revenues of Rs 4.9bn (+28% YoY), EBITDA of Rs 2.4bn (+39% YoY,) and PAT of Rs 1.2bn (+85% YoY). Like-for-like consumption for 4QFY22 was at 0.9x of 4QFY19 at Rs 17bn despite the impact of the third-wave of Covid in January 2022. Retail revenues for the full year grew +35% YoY, taking FY2022 consolidated revenue, EBITDA and PAT to Rs 14.8bn (+38% YoY), Rs 8.2bn (+66%) and Rs 3.6bn (5.7X YoY). (Source: Company presentation)

PORTFOLIO OUTLOOK

The 4QFY22 earnings season ended with corporates reporting revenue and operating profit in line with consensus expectation. Key take-aways from management commentary are a) Cautiously optimistic outlook in terms of demand despite recent price and interest rate hike; b) Rural consumption is likely to revive due to normal monsoon, elevated agri prices and government capex; c) Margin pressure may continue in near term; and d) Optimistic of revival in private capex as enquiry levels have picked up.

Consensus estimate for Nifty 50 earnings growth is projected at ~15.0% CAGR over the next two years (Source : Bloomberg). However, in our view, there is a downside risk to these predictions, given the inflationary environment. While the war is transient, liquidity withdrawal and rate hike are likely to stay. Though it may be difficult to stay calm in the heat of uncertain times, the best course of action may be to stay patiently invested.

We are focusing on companies with visibility of earnings growth with higher certainty equivalent factor and not trading at very high valuations. Companies with strong brands, pricing power, and larger economies of scale continue to be a part of our portfolio. We continue to be positive on Industrials (Including Capital Goods) on account of economic recovery. In addition, we are bullish on the Real Estate sector given the consolidation on the supply side and improvement in affordability on the demand side.

We continue to believe that investors with a 3 to 5-year view would benefit from investing in the current scenario.

Yours Sincerely

Top 15 Holdings of PGIM India Core Equity Portfolio Discretionary Portfolio Regular Plan as on May 31st, 2022

Date of Purchase	Equity	Sector	%
Sep-2021	Phoenix Mills Ltd	Real Estate	7.45%
Sep-2021	Timken India Ltd	Industrials	6.66%
Jul-2013	VST Tillers Tractors Ltd	Industrials	5.57%
Sep-2015	State Bank of India	Financials	5.26%
May-2018	Bharat Electronics Ltd	Industrials	5.26%
Sep-2021	KEI Industries Ltd	Industrials	5.14%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	4.90%
Jun-2015	ITC Ltd	Consumer Staples	4.89%
Aug-2013	Cummins India Ltd	Industrials	4.32%
Sep-2021	ACC Ltd	Materials	4.16%
Oct-2021	Navin Fluorine International Ltd	Materials	4.03%
Aug-2018	Cipla Ltd	Health Care	3.87%
Aug-2015	Sun Pharmaceutical Industries Ltd	Health Care	3.61%
May-2014	Infosys Ltd	Information Technology	3.55%
Dec-2021	Astral Ltd	Industrials	3.47%
	Total		72.14%

Model Portfolio Details

Portfolio Details as on May 31st, 2022

Weighted average RoCE	20.63%
Portfolio PE (1-year forward)	29.97
Portfolio dividend yield	1.61%
Average age of companies	62 Years

Portfolio Composition as on May 31st, 2022

Large Cap	40.00%
Mid Cap	38.50%
Small Cap	18.00%
Cash	3.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on May 31st, 2022

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, 2022

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on May 31st, 2022

PGIM India Core Equity Portfolio - Performance as on May 31st, 2022

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-3.04%	-4.49%	-3.03%
3 Months	3.02%	-1.32%	-1.25%
6 Months	1.17%	-3.61%	-2.35%
1 Year	13.49%	6.75%	6.43%
2 Years	30.39%	34.38%	31.60%
3 Years	11.87%	12.92%	11.63%
5 Years	9.02%	11.08%	11.51%
Since inception date 08/07/2013	14.96%	13.61%	12.39%
Portfolio Turnover Ratio*	48.52%		

*Portfolio Turnover ratio for the period June 1st, 2021 to May 31st, 2022

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 May 31st, 2022

	Current Year April 1, 2022 to May 31, 2022	April 1, 2021 to March 31, 2022	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019
PGIM India Core Equity Portfolio	-2.37%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	-5.20%	20.96%	75.99%	-27.60%	8.43%

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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