NEWSLETTER: MARCH 2022

PGIM
India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO

Surjitt Singh Arora,
Portfolio Manager

Focus on leaders with potential for market share gains

Dear Investor,

PERFORMANCE RECAP

Our portfolio has delivered a return of -3.7% vs -4.1% for Nifty 500 during the month of Feb'22, thereby outperforming by 40bps. Our overweight stance on Industrials, Power, Pharma, Specialty Chemicals and Textile sectors aided our performance. This was partially negated by our overweight stance in the Materials Sector. The stocks which outperformed were Vardhman Textiles, Timken, Crisil, Cummins and Bharat Electronics. The stocks which dragged our performance were VST Tillers & Tractors, MCX, KEI industries and HDFC Ltd.

On a one-year basis, our portfolio delivered a return of 18.2% vs 17.5% for Nifty 500, outperforming the benchmark by 70bps. The investment approach outperformed the index mostly due to stock selection in Pharma and Specialty Chemicals sectors as well as an overweight position in Industrials and underweight stance in the Financial sector.

INVESTMENT PROCESS

We invest in structurally strong companies, that are termed good quality companies. A good quality company is one 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. 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 have a 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 above mentioned thought process in mind.

GEOPOLITICAL RISKS

The BSE-30 and Nifty-50 fell around 3% each amid escalating geopolitical tensions between Russia and Ukraine. There are concerns that rising tension could spark global supply chain disruption resulting in rising input costs. Brent crude prices rose 11% in February to close at US$101/bbl. Midcap and smallcap indices underperformed the large-cap index and fell 7% and 11%.

The sanctions on Russia may result in higher crude oil and gas prices in case of disruption to current energy supply chains, especially of Russian oil and gas to Europe. Russia, being a large global producer of energy, may have to divert its crude oil and gas to other countries if its banks can no longer access SWIFT for energy-related transactions with Russia. There is low clarity on this point given news reports on energy-related payments being exempt for now.

We note that a US$10/bbl increase in crude oil has about 40 bps impact on inflation. The sectors which could be impacted are auto, paints, cement and chemicals. However, from a demand perspective, domestic cyclicals connected to the investment cycle, credit cycle and pent-up spending (industrials, financial services, discretionary consumption, real estate, etc.) are largely unrelated to the current geopolitical crisis. Hence, if the crisis recedes quickly, cyclical stocks, which have corrected largely due to the rise in 'systematic risk', could see the fastest recovery.

PORTFOLIO OUTLOOK

The period of making easy money is behind us. Investor expectations in terms of risk-adjusted returns need to be moderated and be more realistic. The year 2022 would put demands on temperament (read patience) and will put convictions to test. Hence we have constructed our portfolio of quality companies with stocks, where we have conviction to increase the weightage if they correct 5-10%.

If the geopolitical crisis recedes from the extreme global brinkmanship seen recently and converts into a localized conflict alongside negotiations, then we do not see any major earnings revision. On the flip side, if the geopolitical situation continues to worsen, extended period of elevated commodity prices is likely to further increase the input cost pressures felt over the past several quarters across sectors and could eventually impact aggregate demand (consumption). In this case, earnings outlook for most sectors which rely heavily on commodities such as raw materials will get impacted. Extension of global supply side disruptions (container delays, semiconductor chip shortage, etc.) could further impact the earnings outlook.

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) as we expect the capex cycle to pick-up pace. 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

Surjitt Singh Arora

Top 15 Holdings of PGIM India Core Equity Portfolio Discretionary Portfolio Regular Plan as on February 28th, 2022

Date of Purchase	Equity	Sector	%
Sep-2021	Phoenix Mills Ltd	Real Estate	6.34%
Sep-2021	Timken India Ltd	Industrials	5.98%
Jul-2013	VST Tillers Tractors Ltd	Industrials	5.75%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	5.58%
Sep-2015	State Bank of India	Financials	5.53%
Dec-2019	Vardhman Textiles Ltd	Consumer Discretionary	5.42%
May-2018	Bharat Electronics Ltd	Industrials	4.91%
Sep-2021	KEI Industries Ltd	Industrials	4.26%
Aug-2013	Cummins India Ltd	Industrials	4.21%
Oct-2021	Navin Fluorine International Ltd	Materials	4.14%
Sep-2021	ACC Ltd	Materials	4.08%
May-2014	Infosys Ltd	Information Technology	4.06%
Jun-2015	ITC Ltd	Consumer Staples	4.05%
Aug-2018	Cipla Ltd	Health Care	3.73%
Sep-2021	Asian Paints Ltd	Materials	3.72%
	Total		**71.76%**

Model Portfolio Details

Portfolio Details as on February 28th, 2022	
Weighted average RoCE	20.76%
Portfolio PE (2-year forward) (Based on FY 23)	27.58
Portfolio dividend yield	1.29%
Average age of companies	62 Years

Portfolio Composition as on February 28th, 2022	
Large Cap	41.00%
Mid Cap	43.00%
Small Cap	13.50%
Cash	2.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 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 February 28th, 2022

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 2022

PGIM India Core Equity Portfolio - Performance as on February 28th, 2022

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-3.67%	-4.11%	-3.15%
3 Months	-1.80%	-2.32%	-1.11%
6 Months	1.27%	-1.70%	-1.97%
1 Year	18.17%	17.46%	15.59%
2 Years	21.56%	24.48%	22.46%
3 Years	13.36%	16.90%	15.88%
5 Years	9.20%	13.17%	13.59%
Since Inception Date 08/07/2013	15.03%	14.21%	12.93%
Portfolio Turnover Ratio*	47.19%		

*Portfolio Turnover ratio for the period March 1st, 2021 to February 28th, 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 February 28th, 2022

	Current Year April 1, 2021 to February 28, 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	17.79%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	16.20%	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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This document is dated March 09, 2022. C338/2021-22