



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Focus on companies with high earnings visibility

Dear Investor,

PERFORMANCE RECAP

Our portfolio has delivered 3.9% return vs 4.5% return for Nifty 500 during August 2022, underperforming by 60bps. Our overweight stance on Materials impacted our performance for the month. However, this was partially negated by our overweight stance on Industrials. The stocks which outperformed were Phoenix Mills, Cummins India, KEI Industries and Astral Poly. The stocks which dragged our performance were Navin Fluorine, Asian Paints and ACC.

On a one-year basis, our portfolio delivered a return of 15.2% vs 5.3% for Nifty 500, outperforming the benchmark by ~10%. The changes in the portfolio (during the 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 mostly due to stock selection in Speciality Chemicals and Consumer-oriented sector, as well as an overweight position in Industrials and underweight stance in the Financial sector. Three of our top holdings i.e. Timken India, Phoenix Mills and SBI contributed meaningfully to our outperformance, thereby reflecting the high conviction calls 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 have a large weightage in the portfolio currently - SBI, Timken India, Bharat Electronics, KEI Industries, Navin Fluorine, Asian Paints, and Phoenix Mills, etc. were bought keeping the above mentioned thought process in mind.

New Addition to the portfolio

Eicher Motors: Eicher Motors reported strong earnings for Q1FY23, with EBITDA growing 129% YoY/10% QoQ. EBITDA margins too expanded 600bps YoY/75bps QoQ to 24.5%. Eicher's margin expansion came at a time when most other OEMs reported a QoQ decline, given that the commodity benefit and operating leverage is yet to play out. Its non-motorcycle business grew +45% YoY (~15% contribution to sales) backed by an increasing management focus on margin accretive services and spares business. Easing of semi-conductor issues and strong product lifecycle are the key variables to watch-out for.

PORTFOLIO OUTLOOK

While Indian markets rallied last month as well, there are increasing noises globally about tighter monetary policies and rate hikes to combat inflation at least in the short term. We believe inflation should see a downward trajectory led by tightening liquidity, as is already being witnessed in commodity prices. Further, high frequency indicators like GST collections, power demand, retail sales, capacity utilisation point towards limited impact on demand so far, and higher pricing too has helped in general.

Overall, the earnings season for Q1FY23 was in line with expectations, while revenue growth was ahead of expectations indicating a healthy demand environment. The commentary on growth seems to be quite positive with companies anticipating a bumper festive season ahead.

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.

Given the uncertain environment and slowdown in global growth, CY22 could be a challenging year for the markets. However, from a 3-to-5-year perspective, we remain constructive on Indian Equities given the fact that the Indian economy would be one of the fastest growing economies in the world. 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 August 31st, 2022

Date of Purchase	Equity	Sector	%
Sep-2021	Phoenix Mills Ltd	Real Estate	7.79%
Sep-2021	Timken India Ltd	Industrials	6.60%
May-2018	Bharat Electronics Ltd	Industrials	5.93%
Sep-2021	KEI Industries Ltd	Industrials	5.30%
Sep-2015	State Bank Of India	Financials	5.19%
Jul-2013	VST Tillers Tractors Ltd	Industrials	5.06%
Dec-2021	Astral Ltd	Industrials	4.46%
Aug-2013	Cummins India Ltd	Industrials	4.38%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	4.30%
Jan-2015	ICICI Bank Ltd	Financials	4.28%
Jun-2015	ITC Ltd	Consumer Staples	3.92%
Oct-2021	Navin Fluorine International Ltd	Materials	3.82%
Sep-2021	ACC Ltd	Materials	3.81%
Aug-2018	Cipla Ltd	Health Care	3.58%
May-2014	Infosys Ltd	Information Technology	3.55%
	Total		71.97%

Portfolio Details as on August 31st, 2022

Weighted average RoCE	18.12%
Portfolio PE (1-year forward)	29.95
Portfolio dividend yield	1.37%
Average age of companies (Years)	47

Portfolio Composition as on August 31st, 2022

Large Cap	43.40%
Mid Cap	40.20%
Small Cap	8.49%
Cash	7.88%

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

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

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

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	3.90%	4.50%	3.50%
3 Months	10.44%	8.54%	7.08%
6 Months	13.78%	7.11%	5.75%
1 Year	15.23%	5.28%	3.66%
2 Years	26.69%	27.90%	24.90%
3 Years	18.83%	19.51%	17.23%
5 Years	11.08%	12.00%	12.36%
Since inception date 08/07/2013	15.77%	14.23%	12.87%
Portfolio Turnover*	54.33%		

*Portfolio Turnover ratio for the period September 1st, 2021 to August 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 August 31st, 2022

	Current Year April 1, 2022 to August 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	8.12%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	2.89%	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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This document is dated September 12, 2022.

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