PGIM
India Portfolio
Management Services

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO

From the desk of Portfolio Manager

Surjitt Singh Arora,
Portfolio Manager

Themes we are bullish on in 2022 – Industrials, Consumption and Real Estate

Dear Investor,

PERFORMANCE RECAP

On a one-year basis, the portfolio delivered a return of 52.85% vs 46.06% for CNX Mid-cap 100 Index and 59.28% for CNX Smallcap 100 Index, outperforming the Mid-cap index by 680bps. The investment approach outperformed the index mostly due to stock selection in Industrials as well as Real Estate Sector and an Overweight in Industrials and IT sector.

Our portfolio delivered a return of 4.44% vs 2.67% for CNX Mid-cap 100 Index and 5.89% for CNX Smallcap 100 Index during the month of Dec '21. The positive attribution was on account of being Overweight in Real Estate, Materials and Information Technology Sector. This was negated by the stock selection in Information Technology and Communication Services Sector. The outperformers were KPR Mills, KPIT Technologies, Mayur Uniquoters, Apar Industries and Sanghvi Movers. The stocks which dragged our performance were Inox Leisure, Oracle Financial Services and Tata Consumer Products.

KEY CONTRIBUTORS (CY21)

KPR Mills - KPR is one of the largest vertically integrated players in the industry and has almost full control of product quality. This also enables it to have better return ratios compared to peers. Existing customer demand is robust with an order book of Rs 750 cr.

Carborundum Universal - An improving demand environment, operating leverage and a better product mix are driving consistent gains in margins for Carborundum Universal. Going forward, the company expects to benefit from market share gains, cost-reduction initiatives, new product development and pricing gains. New products also can be an added kicker to the above.

Apar Industries - It is a proxy play to government efforts of reviving the power sector as 75% of domestic revenues are linked to power infrastructure. We expect pick-up in execution across segments backed by a strong order book, supportive budget and demand uptake. The company is focusing on the cost control measures which would support overall profitability.

Sobha Ltd - Strong launch pipeline (10.5 mn sq. ft) for the residential business and a healthy order book for the contracts business (Rs 22.8 bn) bode well for the business. Also, in the medium to long term, Sobha like all its reputed counterparts is expected to benefit from a strong balance sheet, construction track record and consolidating market.

KEY DETRACTORS (CY21)

Oracle Financial Services (OFSS) - Oracle has under-performed in the recent past, given its low revenue and earnings growth and volatility in license sales on quarterly basis. However, OFSS is a global leader in underpenetrated CBS business, boasts of superior technology, provides integrated & reliable offering which would ensure that it emerge as most preferred vendor in the segment. Superior pricing and brand appeal would mean steady earnings growth and improved cash generation and generous pay-outs.

Federal Bank - The stock has under-performed on market concerns on Covid and its impact on SME segment and NPAs inching up in the retail book. However, in our view the Bank has embarked on a journey of growing its retail book via new products such as CVs, Gold loans and unsecured products such as MFI and credit cards which should improve the margin profile of the Bank. FB has an extremely strong liability franchise v/s regional private Banks with 90%+ deposits being granular and retail in nature, giving it significant pricing power and ability to gain market share as the economic environment improves post the COVID crisis.

NEW ADDITION IN THE PORTFOLIO

Tata Chemicals - The tightness in the global soda ash market is likely to persist for at least the next 2-3 years. On the supply front, Covid has delayed planned capacity expansions, which are now expected only in 2023 and onwards, while the proposed new carbon emission norms worldwide may make it increasingly challenging to add (or even sustain) certain synthetic soda-ash capacities. Such a scenario should be favorable for incumbent market leaders like Tata Chemicals, whose capacities are predominantly based on natural soda ash. The recent recovery in key end-use industries such as automotive and construction has perked up demand, while promising new-age opportunities include electric vehicle battery materials (such as lithium iron phosphate) and desulphurization (in thermal power plants and ships).

INVESTMENT PROCESS

In this Investment Approach, we use a judicious mix of Structural and Cyclical companies

Structural growth in a sector and companies:- India is a developing economy and market. There are a number of businesses which are unorganized and their penetration is very low. Hence, such companies can grow by gaining market share from other players and increased consumption once there is affordability and consumers become more aware. So Real Estate, Pharmaceuticals, IT Product companies, etc. have been a part of this theme. We believe some of tomorrow's multi-baggers will be from this space and hence, we have bought these companies with a long-term perspective.

Cyclical businesses:- There are many companies in the mid and small cap space which are market leaders in their segments and are profitable but cyclical businesses. For instance, companies in Manufacturing, Finance, Auto Ancillaries, Commodities, Textiles sectors etc. The thought here has been to be invested for a period of 3 to 5 years.

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. 2022 would put demands on temperament (read patience) and will put conviction to test. Hence we have constructed our portfolio of Quality companies with stocks, where we have conviction to increase the weightage if they correct 15-20%.

Two risks in 2022 which could impact short-term returns are the interest rate increases globally and supply-side pressures on account of supply chain disruption. Notwithstanding the above risks, increased uptake of vaccines, coupled with Government response should see COVID move towards the endemic stage as people learn to live normal lives with the virus present. Domestic story of reforms, strong earnings growth and low debt position of corporate India are the key positives for long-term equity investing.

We continue to remain Overweight on recovery plays i.e. Consumption, Real Estate and Industrials sector and Underweight on Financials.

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 Phoenix Portfolio as on December 31st 2021

Date of Purchase	Equity	Sector	%
Oct-2021	KPIT Technologies Ltd	Information Technology	6.33%
Sep-2021	Phoenix Mills Ltd	Real Estate	5.95%
Sep-2021	Inox Leisure Ltd	Communication Services	5.68%
Oct-2020	KPR Mill Ltd	Consumer Discretionary	5.49%
Aug-2018	Carborundum Universal Ltd	Materials	5.27%
Oct-2021	Tata Consumer Products Ltd	Consumer Staples	5.11%
Aug-2016	Sobha Ltd	Real Estate	5.05%
Oct-2019	Ashiana Housing Ltd	Real Estate	4.47%
Sep-2021	Procter & Gamble Health Ltd	Health Care	4.36%
Sep-2016	Apar Industries Ltd	Industrials	4.33%
Jul-2017	Mayur Uniquoters Ltd	Materials	4.28%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Health Care	4.27%
Sep-2016	Oracle Financial Services Software Ltd	Information Technology	3.94%
Nov-2020	S H Kelkar & Company Ltd	Materials	3.83%
Aug-2016	Oberoi Realty Ltd	Real Estate	3.77%
	Total		**72.13%**

Model Portfolio Details

Portfolio Details as on December 31st, 2021	
Weighted average RoE	6.42%
Portfolio PE (2-year forward) (Based on FY 23)	28.32
Portfolio dividend yield	0.80%

Portfolio Composition as on December 31st, 2021	
Large Cap	5.00%
Mid Cap	39.00%
Small Cap	54.00%
Cash	2.00%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on December 31st, 2021

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 December 31st, 2021

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on December 31st, 2021

PGIM India Phoenix Portfolio Performance as on December 31st, 2021

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	4.44%	2.67%	5.89%
3 Months	4.11%	0.19%	3.66%
6 Months	14.40%	12.87%	15.98%
1 Year	52.85%	46.06%	59.28%
2 Year	31.58%	33.39%	39.07%
3 Year	15.75%	19.41%	20.51%
5 Year	13.81%	16.23%	14.32%
Since Inception Date 01/08/2016	12.90%	14.28%	12.08%
Portfolio Turnover Ratio*	42.46%		

*Portfolio Turnover ratio for the period January 1st, 2021 to December 31st, 2021

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 December 31st, 2021

	Current Year April 1, 2021 to December 31, 2021	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019
PGIM India Phoenix Portfolio	37.69%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY MIDCAP 100	28.49%	102.44%	-35.90%	-2.66%

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.

Disclaimers and risk factors: PGIM India Asset Management Private Limited is registered with SEBI (Portfolio Managers) Regulations, 1993 [as repealed and superseded by SEBI (Portfolio Managers) Regulations, 2020]. This Document is for information purpose only. This Document and the Information do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities/ schemes or any other financial products/investment products (collectively "Products") mentioned in this Document or an attempt to influence the opinion or behavior of the Investors/Recipients. Any use of the information contained herein for investment related decisions by the Investors/ Recipients is at their sole discretion & risk. Please read the Disclosure Document and the agreement along with the related documents carefully before investing. Investments in Products are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/ warranty that the objectives of any of the Products will be achieved. The investments may not be suited to all categories of Investors/ Recipients. Investors/ Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. The Client can avail the Portfolio Management Services directly from the Portfolio Manager without any recourse to distributors.

This document is strictly confidential and meant for private & restricted circulation only and should not at any point of time be construed to be an invitation for subscribing to PGIM India Phoenix Portfolio. The document is solely for the understanding of intended recipient and if you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful.

This document is dated January 10, 2022. C276/2021-22