



**PGIM**

India Portfolio  
Management Services

Small today.  
Large tomorrow.

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





**Surjitt Singh Arora,**  
Portfolio Manager

### Strong Earnings Growth coupled with de-leveraged Balance sheet

Dear Investor,

#### PERFORMANCE RECAP

Our portfolio delivered a return of 1.1% vs -0.6% for the CNX Mid-cap 100 Index and -1.5% for the CNX Smallcap 100 Index during Jan'22. The positive attribution was on account of being overweight in Communication, Information Technology, and Chemicals Sectors. The outperformers were recovery-based stocks like Inox Leisure and Indian Hotels, Federal Bank, Tata Chemicals, Affle India, Oberoi Realty and Jamna Auto. The stocks which dragged our performance were Oracle Financial Services, Carborundum Universal, Care Ratings and Mayur Uniquoters.

On a one-year basis, the portfolio delivered a return of 56.5% vs 44.8% for the CNX Mid-cap 100 Index and 54.89% for the CNX Smallcap 100 Index, outperforming the Mid-cap index by 11.7%. The investment approach outperformed the index mostly due to stock selection in Communication, Materials as well as Real Estate Sector and being an overweight in Industrials and IT sector.

#### INVESTMENT PROCESS

In our 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 unorganized businesses with low penetration. Such companies can grow by gaining market share from other players and through increased consumption once there is affordability and greater consumer awareness. 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. The thought here has been to be invested for a period of 3 to 5 years.

#### THE "BUILD INDIA" BUDGET - BUDGET TO ACCELERATE GROWTH MOMENTUM

The FY23 Union Budget was focused on steering the economy on the path of strong growth with 1) higher allocation of capital expenditure, primarily in infrastructure, 2) announcing policy support to sunrise and new-age sectors, such as artificial intelligence, geospatial systems and drones, semiconductors and clean mobility systems among others, 3) laying the foundation for energy transition & creating levers for its funding and 4) taking forward the agenda of Atmanirbhar Bharat & inclusive growth.

The Budget math seems to be reliable, perhaps even understated in some instances. For example, tax revenue growth is pegged at 10%, which is an underestimation considering that nominal GDP is stated to grow by 13%. Average monthly GST collection is pegged at INR 1.3 lakh crore, which is lower than the collection trend of the last few months. Therefore, there might be positive surprises on the tax revenue and non-tax revenue fronts in FY23.

The key sectoral winners are capex-oriented sectors – real estate, infrastructure and defense.

#### 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 the conviction to increase the weightage if they correct 15-20%.

Two risks in 2022 which could impact short-term returns are: interest rates increase 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 sectors 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 January 31st 2022

Date of Purchase	Equity	Sector	%
Sep-2021	Inox Leisure Ltd	Communication Services	6.62%
Oct-2021	KPIT Technologies Ltd	Information Technology	6.59%
Sep-2021	Phoenix Mills Ltd	Real Estate	5.99%
Oct-2020	KPR Mill Ltd	Consumer Discretionary	5.47%
Oct-2021	Tata Consumer Products Ltd	Consumer Staples	4.95%
Aug-2016	Sobha Ltd	Real Estate	4.75%
Aug-2018	Carborundum Universal Ltd	Materials	4.74%
Sep-2021	Jamna Auto Industries Ltd	Consumer Discretionary	4.59%
Oct-2019	Ashiana Housing Ltd	Real Estate	4.39%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Health Care	4.14%
Sep-2021	Procter & Gamble Health Ltd	Health Care	4.13%
Aug-2016	Oberoi Realty Ltd	Real Estate	3.97%
Sep-2021	Affle India Ltd	Communication Services	3.92%
Jul-2017	Mayur Uniquoters Ltd	Materials	3.90%
Aug-2016	Federal Bank Ltd	Financials	3.85%
	<b>Total</b>		<b>72.00%</b>

### Model Portfolio Details

Portfolio Details as on January 31st, 2022	
Weighted average RoE	6.05%
Portfolio PE (2-year forward) (Based on FY 23)	29.55
Portfolio dividend yield	0.64%

Portfolio Composition as on January 31st, 2022	
Large Cap	5.00%
Mid Cap	39.00%
Small Cap	51.50%
Cash	4.50%

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

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

### PGIM India Phoenix Portfolio Performance as on January 31st, 2022

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	1.11%	-0.55%	-1.53%
3 Months	6.16%	-0.64%	3.25%
6 Months	9.22%	8.84%	5.65%
1 Year	56.52%	44.78%	54.89%
2 Year	28.93%	29.63%	33.60%
3 Year	17.47%	21.43%	21.92%
5 Year	13.21%	14.46%	12.02%
Since Inception Date 01/08/2016	12.90%	13.93%	11.57%
Portfolio Turnover Ratio*	47.48%		

\*Portfolio Turnover ratio for the period February 1st, 2021 to January 31st, 2022

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 January 31st, 2022

	Current Year April 1, 2021 to January 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 Phoenix Portfolio	39.06%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY MIDCAP 100	27.78%	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.

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