



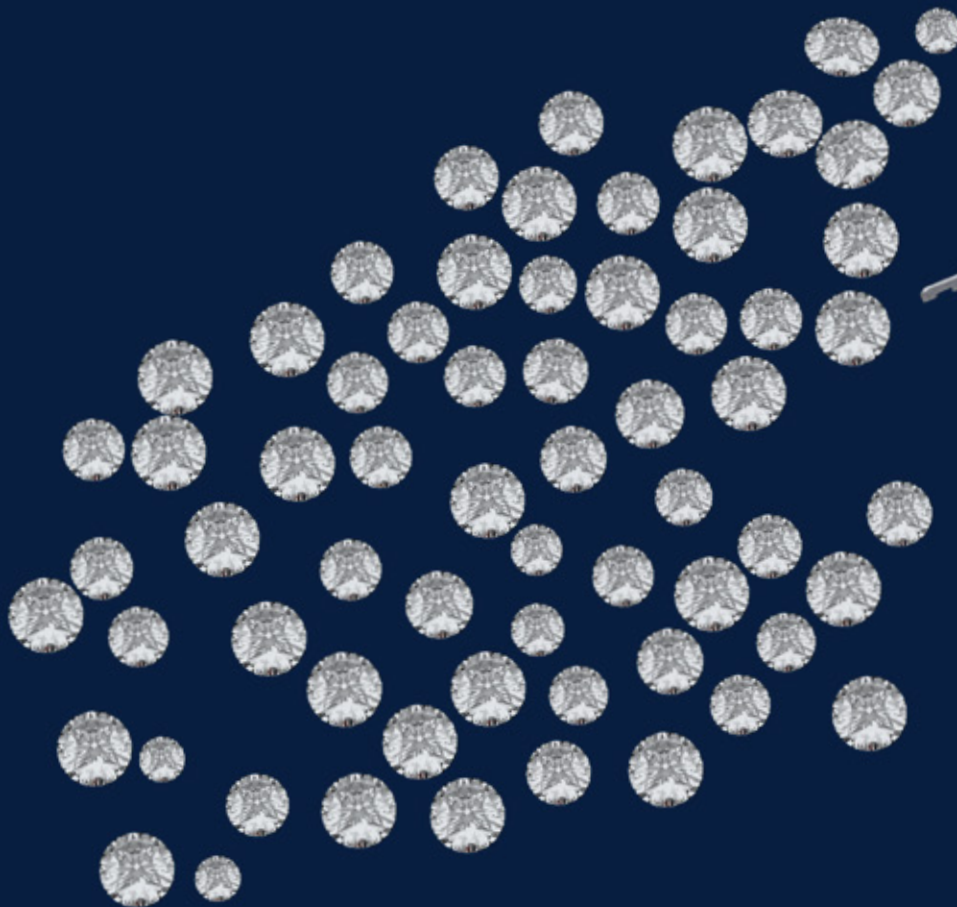
**PGIM**

**India Portfolio  
Management Services**

Small today.  
Large tomorrow.

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





**Surjitt Singh Arora,**  
Portfolio Manager

## Growth momentum to continue

Dear Investor,

### PERFORMANCE RECAP

Our portfolio delivered a return of -5.5% vs -5.3% for the Nifty Mid-cap 100 Index and -10.2% for the Nifty Small-cap 100 Index during the month of May'22. Our portfolio underperformed the Nifty Mid-cap 100 Index by 20bps and outperformed the Nifty Small-cap Index by 470bps, mainly on account of our overweight stance on Communication, Healthcare and Real Estate sectors. The stocks which outperformed were Inox Leisure, Phoenix Mills, P&G Health, J.B. Chemicals, and Jamna Auto.

On a one-year basis, the portfolio delivered a return of 8.8% vs 9.8% for the Nifty Mid-cap 100 Index and -0.6% for the Nifty Small-cap 100 Index, underperforming the Mid-cap Index by 1.0% and outperforming the Small-cap Index by 9.4%. Our portfolio allocation to small caps is ~58%, hence, the performance should be seen relative to the Small-cap Index. The portfolio outperformed the index mostly on stock selection in Communication, Materials as well as Real Estate Sector and an overweight in Industrials and IT sectors. The outperformers were Inox Leisure, Tata Chemicals, Phoenix Mills, Oberoi Realty and Indian Hotels.

### INVESTMENT PROCESS

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

**Structural growth:-** 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 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 Companies' Q4 Results

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

**Inox Leisure :** Inox Revenues grew 2.5x to Rs 3.1bn with EBITDA at Rs 210m vs a loss of Rs 600m . Inox Leisure results indicate that momentum is coming back into the multiplexes sector, backed by a strong movie pipeline and improving trajectory of ticketing and non- ticketing revenues. In Mar'22, Inox reported highest ever monthly collection (box office + F&B) of Rs 1.98bn (Jan'20 was Rs 1.67bn; higher than pre-Covid) as restrictions have been lifted and movie releases are bunched up from previous years. While 4QFY22 saw six blockbuster films being released, the pipeline remains extremely healthy for FY23. (Source : Company presentation)

**Phoenix Mills :** Phoenix Mills reported consolidated revenues of Rs 4.9 bn (+28% YoY), EBITDA of Rs 2.4 bn (+39% YoY,) and PAT of Rs 1.2 bn (+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 Rs14.8bn (+38% YoY), Rs 8.2bn (+66%) and Rs 3.6bn (5.7X YoY). (Source: Company presentation)

### PORTFOLIO OUTLOOK

In our view, the earnings upgrade cycle has taken a pause. There is a near-term headwind to earnings given the commodity pressures. However, from a medium to long-term perspective, we expect earnings to revive. We continue to hold a positive long-term outlook on the market, which is supported by broader economic recovery and improving credit growth.

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.

We are focusing on companies with visibility of earnings growth with higher certainty equivalent factor and not trading at very high valuations. Domestic story of reforms, relatively 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 be positive on the Tata Group which is reflected in our ~18% allocation to stocks belonging to the house of Tatas.

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 May 31, 2022

Date of Purchase	Equity	Sector	%
Sep-2021	Inox Leisure Ltd	Communication Services	8.64%
Sep-2021	Phoenix Mills Ltd	Real Estate	7.61%
Oct-2021	KPIT Technologies Ltd	Information Technology	7.10%
Apr-2022	Greenply Industries Ltd	Materials	5.94%
Oct-2021	Tata Consumer Products Ltd	Consumer Staples	5.70%
Sep-2021	Procter & Gamble Health Ltd	Health Care	5.21%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Health Care	5.15%
Sep-2021	Jamna Auto Industries Ltd	Consumer Discretionary	5.14%
Aug-2018	Carborundum Universal Ltd	Materials	5.10%
Oct-2020	KPR Mill Ltd	Consumer Discretionary	4.38%
Jan-2020	Indian Hotels Company Ltd	Consumer Discretionary	4.06%
Sep-2021	Trent Ltd	Consumer Discretionary	3.96%
Dec-2021	Tata Chemicals Ltd	Materials	3.95%
Aug-2016	Oberoi Realty Ltd	Real Estate	3.79%
Aug-2016	Federal Bank Ltd	Financials	3.68%
	<b>Total</b>		<b>79.41%</b>

### Model Portfolio Details

Portfolio Details as on May 31st, 2022	
Weighted average RoE	9.37%
Portfolio PE (1-year forward)	28.27
Portfolio dividend yield	0.63%

Portfolio Composition as on May 31st, 2022	
Large Cap	5.00%
Mid Cap	29.50%
Small Cap	60.00%
Cash	5.50%

**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 Phoenix Portfolio Performance as on May 31st, 2022

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	-5.55%	-5.33%	-10.22%
3 Months	-1.87%	0.23%	-6.46%
6 Months	-4.20%	-4.59%	-13.62%
1 Year	8.84%	9.75%	-0.63%
2 Years	42.04%	46.03%	51.72%
3 Years	10.83%	16.35%	12.03%
5 Years	7.67%	10.07%	5.09%
Since inception date 01/08/2016	10.30%	11.78%	7.36%
Portfolio Turnover Ratio*	54.89%		

\*Portfolio Turnover ratio for the period June 1st, 2021 to May 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 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 Phoenix Portfolio	-4.76%	32.85%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY MIDCAP 100	-4.73%	25.32%	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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This document is dated June 13, 2022.

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