



PGIM

**India Portfolio
Management Services**

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

A perfect blend of structural and cyclical companies

Dear Investor,

PERFORMANCE RECAP

Our portfolio declined by 0.6% vs a 1.5% decline for the Nifty Small-cap 250 Index and a 0.5% decline for the Nifty Mid-cap 150 Index in March '23. Our portfolio outperformed the Nifty Small-cap 250 Index by ~90bps on account of our overweight stance on Consumer Discretionary, Healthcare and Real Estate Sectors. The stocks that aided our performance were Mrs. Bectors' Foods, KPIT Tech, J.B. Chemicals, P&G Health and Carborundum Universal. This was partially negated by the underperformance of Greenply, and Kajaria Ceramics.

On a one-year basis, the portfolio delivered a return of 3.2% vs a 6.9% decline for the Nifty Small-cap 250 Index outperforming by 10.1%. Our portfolio allocation to small caps is ~47%, hence the performance should be seen in the light of the Small-Cap Index. The portfolio outperformed the Index mostly on stock selection in Real Estate, Pharma as well as Media Sectors and an overweight in Industrials and IT sector. The outperformers were Phoenix Mills, KPIT Technologies, Mrs Bectors Foods, J.B. Chemicals, Carborundum Universal and Indian Hotels.

INVESTMENT PROCESS

In this 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 that are unorganized and have low penetration. 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 that 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

We have seen a slowdown in consumption, particularly in discretionary spends and on the rural side, as was largely expected in an inflationary and high interest rate regime. Further, the possibility of El-Nino and an erratic monsoon does exist overlaid by possible fallouts of a lengthy election calendar. However, we believe these events are at best transitory, and they will be less of a worry with the passage of time and/or base effect catching on aided by the taking of corrective measures. Amongst these concerns, the Nifty too is down 8% from its peak and seems to be factoring them to varying extents.

India has underperformed most of its emerging as well as developed market peers in recent times (i.e. 6 months). While the Indian market's valuation has traded at a premium to its peers, with this relative underperformance the premium has come back to historical averages. What this implies is the valuations on a relative basis are more palatable than before. Further, Indian markets are expected to see an earnings growth of ~15% which makes India one of the real growth markets, with the valuation premium being reasonably justified.

On an absolute basis as well, valuations are more palatable at ~17x 1 year forward, and several sectors/stocks have seen a reasonable correction and are trading close to historical averages thereby making the risk reward more favorable. While the risks highlighted above exist, there are positives too in the form of improvement in CAD, weak commodities driving WPI softening, and the recent weakening in crude.

We continue to remain overweight on recovery plays i.e. Building Materials, Real Estate, Consumption and Industrials sectors. We have an allocation of ~22% in the Materials Sector and a ~10% allocation to stocks belonging to the house of Tatas. We 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 March 31st, 2023

Date of Purchase	Equity	Sector	%
12-Apr-22	Greenply Industries Ltd	Materials	5.99%
07-Aug-18	Carborundum Universal Ltd	Materials	5.56%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	5.30%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	5.27%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	5.16%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	4.82%
17-Sep-21	Trent Ltd	Consumer Discretionary	4.74%
23-Aug-16	Oberoi Realty Ltd	Real Estate	4.74%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.68%
24-Aug-22	Sagar Cements Ltd	Materials	4.66%
06-Jul-17	Mayur Uniquoters Ltd	Materials	4.66%
17-Nov-22	Kajaria Ceramics Ltd	industrials	4.62%
20-Sep-21	Affle India Ltd	Communication Services	4.56%
13-Sep-21	Jamna Auto Industries Ltd	Consumer Discretionary	4.53%
28-Sep-21	Phoenix Mills Ltd	Real Estate	4.26%
	Total		73.55%

Portfolio Details as on March 31st, 2023

Weighted average RoE	14.18%
Portfolio PE (FY2024E)	27.41
Portfolio dividend yield	0.48%
Average age of companies (Years)	50

Portfolio Composition as on March 31st, 2023

Large Cap	10%
Mid Cap	36%
Small Cap	47%
Cash	7%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on March 31st, 2023

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 March 31st, 2023

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on March 31st, 2023

PGIM India Phoenix Portfolio Performance as on March 31st, 2023

Period	Portfolio	Nifty Smallcap 250#	Nifty Midcap 150
1 Month	-0.61%	-1.53%	-0.52%
3 Months	0.29%	-7.31%	-4.49%
6 Months	-3.50%	-4.47%	-2.59%
1 Year	3.25%	-6.92%	1.99%
2 Years	17.03%	12.44%	12.39%
3 Years	35.08%	40.05%	36.23%
5 Years	7.77%	6.98%	11.46%
Since inception date 01/08/2016	10.28%	9.60%	13.51%
Portfolio Turnover*	37.00%		

*Portfolio Turnover ratio for the period April 1st, 2022 to March 31st, 2023.

#w.e.f. August 1, 2022, the benchmark has changed to the Nifty Smallcap 250 Index from Nifty Midcap 100 Index.

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 March 31st, 2023

	Current Year April 1, 2022 to March 31, 2023	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	3.25%	32.85%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY Smallcap 250#	-6.92%	35.80%	117.16%	-41.13%	-13.27%

#w.e.f. August 1, 2022, the benchmark has changed to the Nifty Smallcap 250 Index from Nifty Midcap 100 Index.

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 April 12, 2023.

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