



PGIM

**India Portfolio
Management Services**

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Stock picking and sector allocations to be prime drivers of returns

Dear Investor,

PERFORMANCE RECAP

Our portfolio declined by 4.3% vs a 1.8% decline for the Nifty Small-cap 250 Index and a 1.7% decline for the Nifty Mid-cap 150 Index during the month of December 2022. Our portfolio underperformed the Nifty Small-cap Index by 250bps and the Nifty Mid-cap 150 index by 260bps on account of our overweight stance on Building material, Healthcare and Real Estate Sectors. The stocks which impacted our performance were Greenply Industries, P&G Health, Oberoi Realty and Stovekraft. This was partially mitigated by outperformance of KPIT Tech, J.B. Chemicals and Mrs. Bectors' Foods.

On a one-year basis, the portfolio delivered a return of -0.6% vs -3.6% for the Nifty Small-cap 250 Index, outperforming by 300bps. Our portfolio allocation to small caps is ~56%, hence, performance should be seen in the light of the Small-Cap Index. The portfolio outperformed the index mostly on account of stock selection in Real Estate, Materials as well as Media Sectors and an overweight in Industrials and IT sectors. The outperformers were Phoenix Mills, KPIT Technologies, J.B. Chemicals, Affle India 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 which are unorganized, with low penetration. Hence, such companies can grow by gaining market share from other players and increased consumption once there is greater affordability and consumer awareness. 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 process here has been to be invested for a period of 3 to 5 years.

PORTFOLIO OUTLOOK

In CY2022, the Indian market emerged as one of the top performing equity markets of the year. The Nifty-50 Index delivered +4% in INR and -6% return in USD terms. In 2023, we expect growth trends to remain decent. Themes that the markets will look out for include rural recovery, private capex, sustainability of credit growth, global slowdown impact, rates, and inflation. Flows provide support – resilient domestic & improving FII flows – along with a weaker USD. India's macroeconomic stability, relatively resilient EPS growth and conducive flow environment justify India's premium valuations. We expect the market to consolidate and would selectively buy on dips, with our longer-term view remaining positive.

We believe that the Indian economy's performance should stand out in the times to come, with most of the developed world teetering on the brink of recession and larger emerging markets also seeing much lower growth rates. While India is not totally immune to global shocks and events, the risks are lesser and smaller in comparison, being largely a domestic consumption driven economy. Further, with lower leverage and repaired balance sheets India Inc., the financial system is in a much better situation to weather any global financial volatility.

The 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. Building Materials, Real Estate, Consumption and Industrials sectors. We have an allocation of ~13% in Auto Sector and a ~15% allocation to stocks belonging to the house of Tatas.

We expect stock picking and sector allocations to be the prime drivers of returns. Nonetheless, from a long-term perspective we reckon Indian markets will do well, led by earnings growth prospects and macro stability.

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, 2022

Date of Purchase	Equity	Sector	%
24-Aug-22	Sagar Cements Ltd	Materials	5.45%
12-Apr-22	Greenply Industries Ltd	Materials	5.25%
07-Aug-18	Carborundum Universal Ltd	Materials	5.20%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	4.77%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	4.65%
06-Jul-17	Mayur Uniquoters Ltd	Materials	4.64%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	4.61%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.43%
22-Oct-21	Kpit Technologies Ltd	Information Technology	4.40%
13-Sep-21	Jamna Auto Industries Ltd	Consumer Discretionary	4.36%
	VST Tillers Tractors Ltd	Industrials	3.85%
23-Aug-16	Oberoi Realty Ltd	Real Estate	3.80%
30-Oct-19	Ashiana Housing Ltd	Real Estate	3.72%
20-Sep-21	Affle India Ltd	Communication Services	3.70%
31-Jan-20	Indian Hotels Company Ltd	Consumer Discretionary	3.46%
17-sep-21	Trent Ltd	Consumer Discretionary	3.30%
	Total		66.29%

Portfolio Details as on December 31st, 2022

Weighted average RoE	13.60%
Portfolio PE (2-years forward)	24.73
Portfolio dividend yield	0.40%
Average age of companies (Years)	47

Portfolio Composition as on December 31st, 2022

Large Cap	9%
Mid Cap	28%
Small Cap	54%
Cash	10%

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

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

PGIM India Phoenix Portfolio Performance as on December 31st, 2022

Period	Portfolio	Nifty Smallcap 250#	Nifty Midcap 150
1 Month	-4.28%	-1.76%	-1.72%
3 Months	-3.67%	3.07%	1.98%
6 Months	11.00%	17.22%	18.35%
1 Year	-0.63%	-3.65%	2.96%
2 Years	23.20%	24.93%	22.97%
3 Years	19.79%	24.97%	23.42%
5 Years	6.15%	5.56%	10.20%
Since inception date 01/08/2016	10.67%	11.29%	14.89%
Portfolio Turnover*	36.03%		

*Portfolio Turnover ratio for the period January 1st, 2022 to December 31st, 2022.

#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 December 31st, 2022

	Current Year April 1, 2022 to December 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	3.46%	32.85%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY Smallcap 250#	0.42%	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 January 10, 2023.

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