



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Post the recent correction, risk reward may be favourable

Dear Investor,

PERFORMANCE RECAP

Our portfolio declined by 1.4% vs a 0.3% return for the Nifty 50 in March '23, thereby underperforming by ~170bps. Our overweight stance on Autos and Chemicals impacted our performance for the month. The underperforming stocks were Eicher Motors and PI Industries. This was partially negated by an overweight position in Industrials.

On a one-year basis, our portfolio delivered a return of 4.9% vs a -2.3% return for the Nifty 500, outperforming the benchmark by 720 bps. The changes in the portfolio (during Sept-Nov'21 period) with a tilt towards Growth at Reasonable Prices (GARP) approach has led to an improvement in the overall performance.

The portfolio outperformed the Index due to our overweight position in Industrials, Building Materials and underweight stance in the Information Technology (IT) sector. Four of our top holdings, Timken India, Phoenix Mills, SBI and Cummins India, contributed meaningfully to our outperformance, thereby reflecting the high conviction calls in the portfolio.

INVESTMENT PROCESS

We invest in structurally strong companies, that are termed as good quality companies. A good quality company is a company that has reached a minimum scale in terms of revenue, has gone through at least one downcycle and emerged as a stronger company, has a consistency in cash flows and higher return on capital employed over the last 10 years. The second aspect has been to always own companies which are market leaders in a particular domain. We have, over a period of time, seen that market leaders generally tend to come back stronger with higher market share after the downturn as weaker players usually exit in the downturn.

All stocks which have a large weightage in the portfolio currently - SBI, Timken India, Bharat Electronics, Maruti Suzuki, KEI Industries and Phoenix Mills, etc. were bought keeping the above mentioned thought process in mind.

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.

High frequency indicators like GST collection, peak power demand, recovery in Air Travel, PV, CV, Housing, Capital Goods and improving capacity utilization are showing healthy signs and we expect things to improve when broader economic headwinds abate.

We are positive on Industrials, Autos and Building Materials. We have increased our weight in Information Technology (IT) sector and are now equal weight on the sector vs underweight earlier. 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 Core Equity Portfolio
Discretionary Portfolio Regular Plan as on March 31st, 2023**

Date of Purchase	Equity	Sector	%
Nov-2022	Maruti Suzuki India Ltd	Consumer Discretionary	6.94%
Jul-2013	VST Tillers Tractors Ltd	Industrials	6.13%
Dec-2021	Astral Ltd	Industrials	5.81%
Sep-2021	Timken India Ltd	Industrials	5.31%
Aug-2013	Cummins India Ltd	Industrials	4.88%
May-2018	Bharat Electronics Ltd	Industrials	4.67%
May-2014	Infosys Ltd	Information Technology	4.65%
Feb-2023	Nestle India Ltd	Consumer Staples	4.63%
Sep-2021	Phoenix Mills Ltd	Real Estate	4.48%
Aug-2017	P I Industries Ltd	Materials	4.38%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	4.32%
Aug-2022	Eicher Motors Ltd	Consumer Discretionary	4.20%
Oct-2021	Navin Fluorine International Ltd	Materials	4.04%
Jan-2015	ICICI Bank Ltd	Financials	4.02%
Feb-2023	Mphasis Ltd	Information Technology	4.00%
	Total		72.46%

Portfolio Details as on March 31st, 2023

Weighted average RoCE	22.22%
Portfolio PE (FY2024E)	26.70
Portfolio dividend yield	1.26%
Average age of companies (Years)	50

Portfolio Composition as on March 31st, 2023

Large Cap	38%
Mid Cap	41%
Small Cap	17%
Cash	4%

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 Core Equity Portfolio - Performance as on March 31st, 2023

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-1.37%	0.27%	0.32%
3 Months	-3.62%	-5.77%	-4.12%
6 Months	-2.90%	-1.83%	1.55%
1 Year	4.89%	-2.26%	-0.60%
2 Years	14.03%	8.74%	8.71%
3 Years	25.84%	27.68%	26.41%
5 Years	9.57%	10.31%	11.41%
Since inception date 08/07/2013	14.41%	12.73%	11.79%
Portfolio Turnover*	52.15%		

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

The above holding represents top 15 holdings of PGIM India Core Equity Portfolio - Regular Portfolio based on all client portfolios 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 Core Equity 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 Core Equity Portfolio	4.89%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	-2.26%	20.96%	75.99%	-27.60%	8.43%

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 the Regular Portfolio of 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 Core Equity Portfolio: PGIM India Core Equity Portfolio seeks to generate returns by investing in a portfolio of quality companies that are available at reasonable valuations and have the potential of superior wealth creation over long term.

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This document is dated April 12, 2023.

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