



**PGIM**

India Portfolio  
Management Services

Stable core.  
Strong portfolio.

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**PGIM INDIA**  
**CORE EQUITY PORTFOLIO**





**Surjitt Singh Arora,**  
Portfolio Manager

### Positive on sectors driven by domestic demand

Dear Investor,

#### PERFORMANCE RECAP

Our portfolio has declined by 3.7% vs a 3.1% decline for the Nifty 500 during the month of December 2022, thereby underperforming by 60bps. Our overweight stance on Autos, Chemicals and Building Materials impacted our performance for the month. The stocks which underperformed were Maruti Suzuki, Eicher Motors, Navin Fluorine, and ACC. This was partially compensated by the overweight position in Industrials and underweight position in Information Technology. Stocks which outperformed during the month were VST Tillers & Tractor, Phoenix Mills and ITC.

On a one-year basis, our portfolio delivered a return of 10.4% vs 3.0% for the Nifty 500, outperforming the benchmark by ~7.4%. 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 as against a pure Value Approach earlier. The portfolio outperformed the index, primarily due to stock selection in Specialty Chemicals as well as an overweight position in Industrials and underweight stance in the Information Technology (IT) sector. Three of our top holdings i.e. Timken India, Phoenix Mills and SBI 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, KEI Industries, Navin Fluorine, Escorts Kubota, and Phoenix Mills, etc. were bought keeping the above mentioned thought process in mind.

#### 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 impacts, 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 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 much better situation to weather any global financial volatility.

In our portfolio, majority of our investment companies are either debt-free or have very low Net Debt: Equity. We prefer companies which are inward oriented i.e. mainly domestic demand driven as against those who are pre-dominantly dependent on exports given the current global environment. At the same time, domestic data is quite encouraging whether it is credit growth, personal loan growth, GST collections, Auto sales, IIP data. In terms of sectoral allocation, we are positive on Industrials, Autos and Building Materials. We continue to remain underweight on Information Technology (IT) sector.

We expect stock picking and sector allocations to be the prime driver of returns. From a long-term perspective we reckon Indian markets to 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 Core Equity Portfolio Discretionary Portfolio Regular Plan as on December 31st, 2022

Date of Purchase	Equity	Sector	%
Nov-2022	Maruti Suzuki India Ltd	Consumer Discretionary	6.66%
Jul-2013	VST Tillers Tractors Ltd	Industrials	6.31%
Dec-2021	Astral Ltd	Industrials	6.16%
Sep-2015	State Bank Of India	Financials	5.05%
May-2018	Bharat Electronics Ltd	Industrials	4.37%
Jan-2015	ICICI Bank Ltd	Financials	4.37%
Sep-2021	Timken India Ltd	Industrials	4.27%
Jun-2015	ITC Ltd	Consumer Staples	4.10%
Aug-2013	Cummins India Ltd	Industrials	4.10%
Sep-2021	Phoenix Mills Ltd	Real Estate	4.03%
Sep-2021	A C C Ltd	Materials	4.02%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	3.99%
Sep-2022	Escorts Kubota Ltd	Industrials	3.96%
Aug-2022	Eicher Motors Ltd	Consumer Discretionary	3.88%
Aug-2017	P I Industries Ltd	Materials	3.77%
	<b>Total</b>		<b>69.04%</b>

### Portfolio Details as on December 31st, 2022

Weighted average RoCE	18.10%
Portfolio PE (2-years forward)	24.01
Portfolio dividend yield	1.25%
Average age of companies (Years)	48

### Portfolio Composition as on December 31st, 2022

Large Cap	37%
Mid Cap	41%
Small Cap	15%
Cash	7%

**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 Core Equity Portfolio - Performance as on December 31st, 2022

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-3.70%	-3.12%	-3.48%
3 Months	0.88%	4.18%	5.91%
6 Months	15.24%	15.40%	14.73%
1 Year	10.37%	3.02%	4.33%
2 Years	22.12%	15.82%	13.80%
3 Years	17.08%	16.09%	14.16%
5 Years	9.01%	10.24%	11.45%
Since inception date 08/07/2013	15.27%	13.79%	12.61%
Portfolio Turnover*	40.83%		

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

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 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 Core Equity Portfolio	8.60%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	3.72%	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 January 10, 2023.

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