



PGIM

**India Portfolio
Management Services**

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Focusing on Companies with Strong Growth Visibility

Dear Investor,

PERFORMANCE RECAP

Our portfolio delivered a return of 5.00% vs. 3.03% return for Nifty50 TRI index during the month of July 2023. Our portfolio outperformed the index by ~197 bps on account of our overweight stance on Consumer Discretionary, Healthcare, and Real Estate sector. The stocks which aided our performance were Mrs. Bectors' Foods, Indian Hotels, J.B. Chemicals, P&G Health, Carborundum Universal, and Oberoi Realty. This was partially negated by the underperformance of Jamna Auto and Greenply Industries.

On a one-year basis, the portfolio delivered a return of 24.01% vs. a 16.28% for Nifty 50 TRI Index, thereby outperforming by ~727 bps. The portfolio outperformed the index mostly on stock selection in Real Estate, Pharma as well as Media Sector 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. The underperformers were Greenply Industries and Jamna Auto.

The outperformance should be considered in the light of lower beta i.e. 0.61 vs. the benchmark (Nifty 50 TRI). At the same time, the Sharpe ratio of the strategy is 2.03 vs. 1.42 for Nifty 50. Hence, the risk-adjusted return is superior.

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, 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 tomorrows' 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 the Manufacturing, Finance, Auto Ancillaries, Commodities, Textiles sectors. The thought here has been to be invested for a period of 3 to 5 years.

PORTFOLIO OUTLOOK

The 1QFY24 aggregate earnings so far have been in line with consensus estimates. Once again, the earnings growth was propelled by domestic cyclicals, such as Banking & Financial Services (BFSI) and Auto. The Nifty 50 made all-time high in July 2023, and trades at 19x FY24E EPS and 16x FY25E which is 5-7% premium to historical averages. Earnings growth expectations for Nifty 50 in FY24-25E remains strong at 11% and 17% YoY for FY24E and FY25E (Source: Bloomberg). And with inflation print remaining low, regulator could start cutting rates in this year itself.

In the near-term, market focus would shift towards the general election scheduled in 2024. As we approach closer to the date, we could see increased market volatility due to speculation about the election outcome. We are of the view that these are transient factors and would advise investors to look past these factors to benefit from the long-term India growth story. We continue with our positive stance on the Indian equity market from a medium to longer term perspective.

With global economies seeing growth slowdown in an inflationary environment and uncertain geo-political situation, India appears favourably placed due to its relatively higher GDP growth rate and moderating inflation outlook. Higher proportion of working-age population, rising household income and a stable government policy will act as structural growth drivers for the economy. With focus on continuous asset creation, benign policy environment, prudent fiscal management and improved global perception, India stands out. Corporate India, by and large, is expected to see strong earnings growth on the back of this structural demand outlook coupled with its strong balance-sheet.

The portfolio comprises about ~56% of small-cap stocks and ~27% of mid-cap stocks. We continue to remain overweight on recovery plays i.e., Building Materials, Real Estate, Healthcare and Industrials sector. We have an allocation of ~15.0% in Healthcare Sector, and a ~13.0% 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.

Portfolio Details

Top 15 Holdings of PGIM India Phoenix Portfolio as on July 31st, 2023

Date of Purchase	Equity	Sector	%
07-Aug-18	Carborundum Universal Ltd	Materials	5.40%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	5.32%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	5.19%
17-Nov-22	Kajaria Ceramics Ltd	Industrials	5.03%
23-Aug-16	Oberoi Realty Ltd	Real Estate	4.99%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	4.90%
20-Apr-23	Artemis Medicare Services Ltd	Health Care	4.74%
17-Sep-21	Trent Ltd	Consumer Discretionary	4.65%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.54%
22-Jun-23	C E Info Systems Ltd	Information Technology	4.48%
28-Sep-21	Phoenix Mills Ltd	Real Estate	4.44%
24-Aug-22	Sagar Cements Ltd	Materials	4.19%
12-Apr-22	Greenply Industries Ltd	Materials	4.04%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	4.01%
20-Jun-23	Sandhar Technologies Ltd	Consumer Discretionary	3.65%
	Total		69.57%

Portfolio Details as on July 31st, 2023

Weighted average RoE	14.59%
Portfolio PE (FY2025E)	26.05
Portfolio dividend yield	0.35%
Average age of companies (Years)	49
Standard Deviation	10.97%
Sharpe Ratio	2.03
Treynor Ratio	36.46
Jensen Alpha	12.64
Beta	0.61

Portfolio Composition as on July 31st, 2023

Large Cap	10%
Mid Cap	27%
Small Cap	56%
Cash	7%

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

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

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

Period	Portfolio	NIFTY 50 (TRI)#
1 Month	5.00%	3.03%
3 Months	17.30%	9.91%
6 Months	23.24%	12.55%
1 Year	24.01%	16.28%
2 Years	14.92%	13.23%
3 Years	32.87%	22.73%
5 Years	12.69%	13.03%
Since inception date 01/08/2016	13.04%	13.92%

#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty Smallcap 250 Index.

To view the portfolio's performance relative to other Portfolio Managers, you may [click here](#).

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 - Annual Performance as on July 31st 2023

	Current Year* April 1, 2023 to July 31, 2023	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
PGIM India Phoenix Portfolio (Net of all fees and charges levied by the portfolio manager)	22.92%	3.25%	32.85%	79.87%	-38.70%
Benchmark - NIFTY 50 (TRI)#	14.42%	0.59%	20.26%	72.54%	-25.02%

*Absolute returns for YTD period

#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty Smallcap 250 Index. Performance is calculated on Time Weighted Rate of Return (TWRR) basis.

To view the portfolio's performance relative to other Portfolio Managers, you may [click here](#).

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. 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.

Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of

- 1) the timing of inflows and outflows of funds; and
- 2) differences in the portfolio composition because of restrictions and other constraints.

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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