



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 driver of returns

Dear Investor,

PERFORMANCE RECAP

Our portfolio return was flat vs 2.3% decline for Nifty Small-cap 250 Index and 2.4% decline for Nifty Mid-cap 150 index during the month of Jan'23. Our portfolio outperformed both the indices by ~230bps on account of our overweight stance on Building material, Healthcare and Real Estate Sector. The stocks which aided our performance were KPIT Tech, J.B. Chemicals, Carborundum Universal, Mrs. Bectors' Foods and P&G Health. This was partially negated by the underperformance of Stovekraft, Sagar Cement and Kajaria Ceramics.

On a one-year basis, the portfolio declined by 1.9% vs a 5.6% decline for Nifty Small-cap 250 Index outperforming by 370bps. Our portfolio allocation to small caps is ~47%, hence, performance should be seen in the light of Small-Cap Index. The portfolio outperformed the index mostly on stock selection in Real Estate, Materials, Pharma as well as Media Sector and an overweight in Industrials and IT sector. The outperformers were Phoenix Mills, Inox Leisure, KPIT Technologies, 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 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 Manufacturing, Finance, Auto Ancillaries, Commodities, Textiles sectors etc. The thought here has been to stay invested for a period of 3 to 5 years.

UNION BUDGET FY24

Government announced the Union Budget for FY24 on Feb 1, 2023. We reckon it is a well balanced budget targeting fiscal prudence as well as investment push at the same time. Key highlights of the budget are:

- FY23 fiscal deficit retained at 6.4% of GDP and for FY24 estimated at 5.9% of GDP; on track to achieve 4.5% fiscal deficit target by FY25.
- Government expects nominal GDP growth to be 10.5%.
- Capital investment increased sharply by 33% to Rs.10tn or 3.3% of GDP. The effective capex of Rs.13.3tn up by 30% (4.5% of GDP)

Focus on investment - (1) higher allocation to core infrastructure sectors of railways and roads, (2) tariff protection through judicious use of high customs duties in the case of select sectors, (3) encouraging private sector investment in emerging areas (clean energy) and (4) capital support to OMCs.

Government seems to be targeting inclusive growth with a focus on lower and middle class, spurring domestic manufacturing and infrastructure development. We highlight the absence of no major populist measures despite upcoming states as well as union elections, depicting the resolve of fiscal prudence and focus on economic development. Measures to boost rural economy were expected given the rural weakness however instead of giving freebies, government focussed on asset creation and rightly so.

PORTFOLIO OUTLOOK

The Union budget continues on its path of consistency and credibility. The government is sticking to its targets, keeping the fiscal math believable, and has not become populist in a pre-election year. The objectives of macro stability and sustained growth are pursued pragmatically.

Q3FY23 results so far have broadly been in line. Banks delivered healthy NIM expansion in the rising interest rate regime, while IT results were mostly in line with estimates. However, certain pockets are seeing signs of slowing down. On an absolute basis, earnings upgrades and downgrades should determine the performance, while on a relative basis performance of other emerging markets and India's valuation premium/EM valuation discount would be a key driver. Domestic demand (especially on the rural side) and export buoyancy are near-term monitorable.

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 sector. We have an allocation of ~22% in Materials Sector and a ~10% allocation to stocks belonging to the house of Tatas.

We expect stock picking and sector allocations to be prime driver of returns. Nonetheless, 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 Phoenix Portfolio as on January 31st, 2023

Date of Purchase	Equity	Sector	%
07-Aug-18	Carborundum Universal Ltd	Materials	5.26%
24-Aug-22	Sagar Cements Ltd	Materials	4.81%
12-Apr-22	Greenply Industries Ltd	Materials	4.81%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	4.55%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	4.48%
06-Jul-17	Mayur Uniquoters Ltd	Materials	4.47%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	4.39%
22-Oct-21	Kpit Technologies Ltd	Information Technology	4.36%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.27%
13-Sep-21	Jamna Auto Industries Ltd	Consumer Discretionary	4.24%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	4.00%
20-Sep-21	Affle India Ltd	Communication Services	3.71%
17-Sep-21	Trent Ltd	Consumer Discretionary	3.63%
17-Nov-22	Kajaria Ceramics Ltd	Industrials	3.45%
23-Aug-16	Oberoi Realty Ltd	Real Estate	3.43%
	Total		63.86%

Portfolio Details as on January 31st, 2023

Weighted average RoE	12.70%
FY2024E P/E	23.42
Portfolio dividend yield	0.41%
Average age of companies (Years)	50

Portfolio Composition as on January 31st, 2023

Large Cap	5%
Mid Cap	30%
Small Cap	46%
Cash	19%

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

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

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

Period	Portfolio	Nifty Smallcap 250#	Nifty Midcap 150
1 Month	-0.06%	-2.32%	-2.43%
3 Months	-3.81%	-1.18%	-2.29%
6 Months	0.62%	5.36%	3.59%
1 Year	-1.90%	-5.62%	1.60%
2 Years	23.94%	22.84%	21.30%
3 Years	17.72%	21.21%	20.29%
5 Years	6.62%	5.70%	10.30%
Since inception date 01/08/2016	10.49%	10.74%	14.25%
Portfolio Turnover*	40.06%		

*Portfolio Turnover ratio for the period February 1st, 2022 to January 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 January 31st, 2023

	Current Year April 1, 2022 to January 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	2.88%	32.85%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY Smallcap 250#	-1.90%	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 February 09, 2023.

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