



PGIM

**India Portfolio
Management Services**

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Stock selection and allocation, a key to generating returns

Dear Investor,

PERFORMANCE RECAP

Our portfolio delivered a return of 3.75% vs 2.87% return for the Nifty50 TRI Index during the month of May '23. Our portfolio outperformed the Index by ~90bps on account of our overweight stance on Consumer Discretionary, Healthcare and Real Estate sectors. 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 MM Forgings.

On a one-year basis, the portfolio delivered a return of 17.74% vs a 12.94% for the Nifty50 TRI Index, thereby outperforming by ~ (approx) 480bps. The portfolio outperformed the Index mostly on stock selection in Real Estate, Pharma as well as Media sectors and an overweight in Industrials and IT sectors. The outperformers were Phoenix Mills, KPIT Technologies, Mrs. Bectors' Foods, J.B. Chemicals, Carborundum Universal and Indian Hotels. The underperformers were Greenply, and Affle India.

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 affordability and higher 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 here has been to be invested for a period of 3 to 5 years.

ADDITIONS TO THE PORTFOLIO

Elin Electronics: Elin is an EMS company with presence in components and finished products of durables, appliances, lighting etc. These are high volume albeit low margin businesses but the sector is seeing strong tailwinds due to domestic manufacturing and outsourcing. Though the company is relatively small in size (~Rs10bn FY22 turnover) it has a long history, presence of sticky customers and is adding further products/customers.

PORTFOLIO OUTLOOK

FY23 earnings were broadly in-line. The key highlights were:

- Full-year FY23 Revenue and Earnings for Nifty 500 grew by 23% and 9% at Rs 136 trillion and Rs 11.09 trillion, respectively.
- Nifty 500 Earnings logged a healthy CAGR of 15% over FY18-23.
- Full-year BFSI / non-BFSI Net Earnings at Rs 4.4 trillion and Rs 6.7 trillion grew by 50% and -7.4%, respectively.
- BFSI constituted 39.4% of the overall earnings in FY23 vs 29% for full year FY22.
- Oil & Gas and Metal, Mining were key drags on earnings. Excluding the same, 402 non-BFSI companies earnings grew 9% in 4Q and 13% in FY23.

In the near-term, market focus would shift towards the general election schedule 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 overlook them 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 favorably placed due to its relatively higher GDP growth rate and moderating inflation outlook. A higher proportion of working-age population, rising household income and stable government policy will act as structural growth drivers for the economy. Focus on continuous asset creation, benign policy environment, prudent fiscal management and improved global standing augurs well for the economic growth of the country. 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.

We continue to remain overweight on recovery plays i.e. Building Materials, Real Estate, Consumption and Industrials sectors. We have an allocation of ~18.0% in Materials Sector and a ~13.8% allocation to stocks belonging to the house of Tatas. We believe that investors with a 3-to-5-year view may benefit from investing in the current scenario.

Yours Sincerely

Surjitt Singh Arora

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

Date of Purchase	Equity	Sector	%
07-Aug-18	Carborundum Universal Ltd	Materials	5.99%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	5.48%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	5.43%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	5.27%
17-Nov-22	Kajaria Ceramics Ltd	Industrials	5.26%
17-Sep-21	Trent Ltd	Consumer Discretionary	4.78%
24-Aug-22	Sagar Cements Ltd	Materials	4.69%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.67%
23-Aug-16	Oberoi Realty Ltd	Real Estate	4.66%
28-Sep-21	Phoenix Mills Ltd	Real Estate	4.52%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	4.42%
12-Apr-22	Greenply Industries Ltd	Materials	4.38%
31-Jan-20	Indian Hotels Company Ltd	Consumer Discretionary	4.32%
13-Sep-21	Jamna Auto Industries Ltd	Consumer Discretionary	4.13%
15-Nov-22	M M Forgings Ltd	Materials	3.73%
	Total		71.73%

Portfolio Details as on May 31st, 2023

Weighted average RoE	14.71%
Portfolio PE (FY2025E)	17.63
Portfolio dividend yield	0.44%
Average age of companies (Years)	50
Standard Deviation	12.71%
Sharpe Ratio	1.36
Treynor Ratio	24.91
Jensen Alpha	8.06
Beta	0.69

Portfolio Composition as on May 31st, 2023

Large Cap	14%
Mid Cap	24%
Small Cap	53%
Cash	9%

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

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

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

Period	Portfolio	NIFTY 50 (TRI)#
1 Month	3.75%	2.87%
3 Months	7.94%	7.44%
6 Months	4.12%	-0.80%
1 Year	17.74%	12.94%
2 Years	13.22%	10.40%
3 Years	33.44%	26.09%
5 Years	9.60%	12.90%
Since inception date 01/08/2016	11.36%	13.18%
Portfolio Turnover*	41.23%	

*Portfolio Turnover ratio for the period June 1st, 2022 to May 31st, 2023.

#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 May 31st 2023

	Current Year* April 1, 2023 to May 31st, 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	8.72%	3.25%	32.85%	79.87%	-38.70%
Benchmark - NIFTY 50 (TRI)#	7.09%	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 (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.

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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