



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 returned 1.0% vs 3.6% decline for Nifty Small-cap 250 Index and 1.6% decline for Nifty Mid-cap 150 index during the month of Feb'23. Our portfolio outperformed both the indices by ~260bps on account of our overweight stance on Consumer Discretionary, 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 Greenply, and Kajaria Ceramics.

On a one-year basis, the portfolio delivered a return of 7.0% vs a 0.4% return for Nifty Small-cap 250 Index outperforming by 660bps. Our portfolio allocation to small caps is ~50%, 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, 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 in the near future, 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.

PORTFOLIO OUTLOOK

Higher inflation and interest rates, resurfacing of geopolitical issues and increasing risk of EL Nino in 2023 have impacted the markets and valuations have corrected. On a one - year forward basis, NIFTY trades at ~19x earnings vs long term average of 17.5x and the premium to long term average has seen some moderation. While India continues to trade at a premium to some of its peers, we reckon the premium is justified given the healthy earnings growth prospects.

India seems to be on balanced path of asset creation led growth without overlooking the fiscal prudence. The multiplier effect of asset formation should reap in economic benefits in the long term and importantly for the long term. Hence India is in a sweet spot and can see multi-year growth based on this phenomenon assuming the asset creation exercise continues.

High frequency indicators like GST collection, peak power demand, recovery in Air Travel, PV, CV, Housing, Capital Goods and improving capacity utilisation are showing healthy signs and we expect things to improve when broader economic headwinds abate. While there are short term issues of consumption slowdown especially on the rural side, flaring up of inflation, rate hike cycle seeing elongation and high current account deficit, we are mindful of them, and we believe this situation would also lead to emergence of interesting opportunities for investing and allow for bottoms up stock picking for healthy alpha generation.

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 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 February 28th, 2023

Date of Purchase	Equity	Sector	%
12-Apr-22	Greenply Industries Ltd	Materials	6.05%
07-Aug-18	Carborundum Universal Ltd	Materials	5.64%
06-Jul-17	Mayur Uniquoters Ltd	Materials	5.57%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	5.51%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	5.51%
01-Aug-16	JB Chemicals & Pharmaceuticals Ltd	Health Care	5.26%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	5.18%
24-Aug-22	Sagar Cements Ltd	Materials	5.16%
23-Aug-16	Oberoi Realty Ltd	Real Estate	4.98%
17-Nov-22	Kajaria Ceramics Ltd	industrials	4.85%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.84%
20-Sep-21	Affle India Ltd	Communication Services	4.81%
13-Sep-21	Jamna Auto Industries Ltd	Consumer Discretionary	4.79%
17-Sep-21	Trent Ltd	Consumer Discretionary	4.53%
28-Sep-21	Phoenix Mills Ltd	Real Estate	4.47%
	Total		77.15%

Portfolio Details as on February 28th, 2023

Weighted average RoE	14.70%
Portfolio PE (FY2024E)	27.53
Portfolio dividend yield	0.49%
Average age of companies (Years)	48

Portfolio Composition as on February 28th, 2023

Large Cap	5%
Mid Cap	41%
Small Cap	50%
Cash	5%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 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 February 28th, 2023

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 2023

PGIM India Phoenix Portfolio Performance as on February 28th, 2023

Period	Portfolio	Nifty Smallcap 250#	Nifty Midcap 150
1 Month	0.98%	-3.64%	-1.60%
3 Months	-3.54%	-7.53%	-5.64%
6 Months	-2.66%	-3.89%	-3.84%
1 Year	7.04%	0.41%	7.44%
2 Years	18.40%	13.80%	13.78%
3 Years	21.20%	22.72%	22.07%
5 Years	6.88%	5.68%	10.85%
Since inception date 01/08/2016	10.53%	9.98%	13.79%
Portfolio Turnover*	42.24%		

*Portfolio Turnover ratio for the period March 1st, 2022 to February 28th, 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 February 28th, 2023

	Current Year April 1, 2022 to February 28, 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	4.41%	32.85%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY Smallcap 250#	-5.48%	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 March 09, 2023.

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