



PGIM

India Portfolio
Management Services

Small today.
Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO

December 2021



About us



Source: www.pgim.com & www.prudential.com. *For AUM Breakup please refer to slide no. 34

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About us

Global Footprint



10TH
largest global
asset manager¹

1300+
investment
professionals

39
OFFICES

17
COUNTRIES

¹PGIM is the investment management business of Prudential Financial, Inc. (PFI); PFI is the 10th largest investment manager (out of 477 firms surveyed) in terms of global assets under management based on Pensions & Investments' Top Money Managers list published on May 31, 2021. This ranking represents global assets under management by PFI as of December 31, 2020.

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Position of Strength

Ranking Based on Worldwide Assets

Top 10 Asset Managers	Assets (\$ Billions)
1 BlackRock Inc.	\$5,150
2 Vanguard Group Inc.	\$4,761
3 State Street Global Advisors	\$2,517
4 BNY Mellon Investment Management	\$1,784
5 Fidelity Investments	\$1,746
6 Legal & General Investment Management	\$1,684
7 J.P. Morgan Asset Management	\$1,422
8 Wellington Management Group LLP	\$1,289
9 Amundi	\$1,280
10 PFI*	\$1,252



PGIM

**India Portfolio
Management Services**

- Launched in July 2013
- Experienced investment team
- Offer equity strategies with a focus on Long Term Growth and Value Generation





PGIM India Phoenix Portfolio

December 2021

Overview

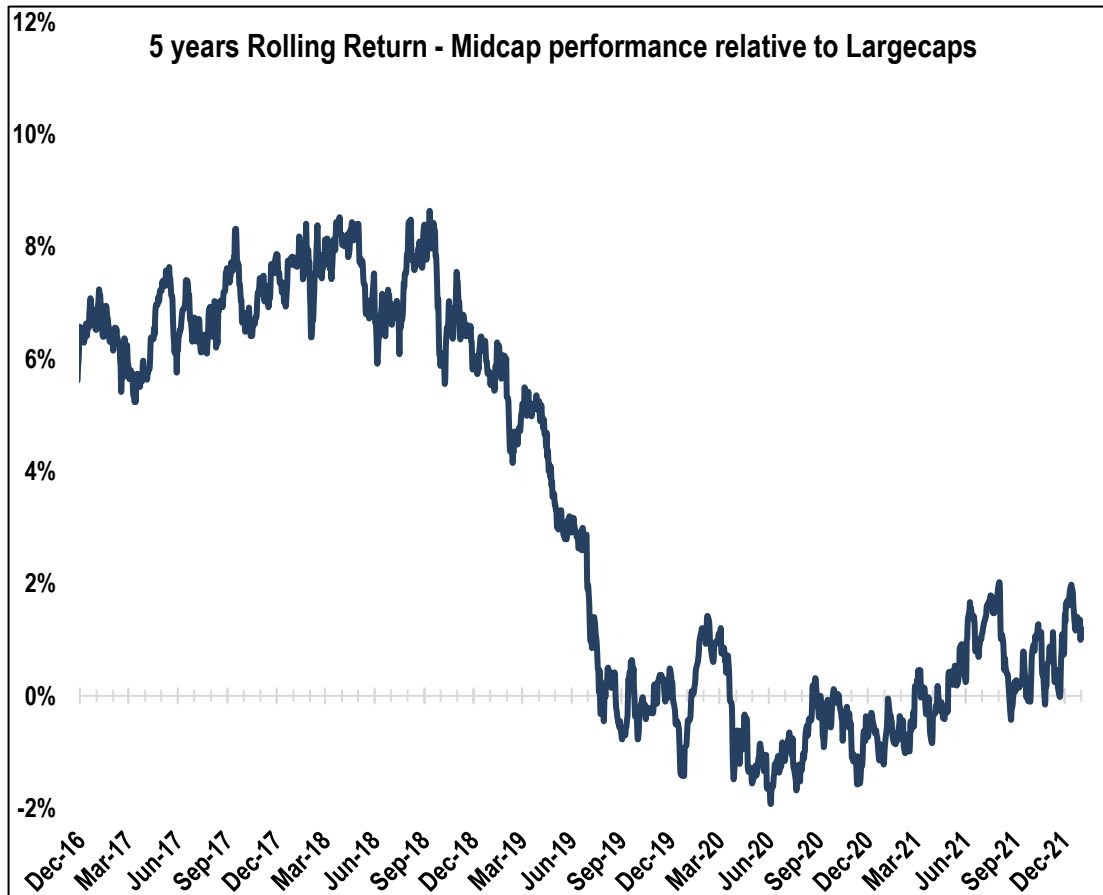
- Why Midcap and Small Caps?
 - Why invest in a Midcap and Small Cap PMS?
 - Why Midcap and Small Caps now?
 - Why Phoenix?
 - Investment Process
 - Performance
 - Fund Management Team
 - Features
 - Annexure
 - Disclaimers
-



Why Invest in Mid and Small Caps ?

Mid and Small Cap to outperform Large Cap over long term

Nifty Mid Cap Index has outperformed Nifty 50, 79% times on a 5 Year Rolling basis



5 Years Rolling Returns Analysis (Last 10 Years)	
Number of Observations	5591
% of Observations Mid Cap > Large Cap	79%
Maximum outperformance	18.41%
Maximum underperformance	-4.29%

The above chart is for understanding purpose only. Past performance may or may not sustain in the future.

Data from January 01, 2001 to December 31, 2021
Source: Bloomberg

Some themes have better representation in Mid/Small Cap space

- **Software Product Development Companies**

India is seeing emergence of some interesting IT product companies that are different from the normal IT Services companies

- **Discretionary Retail**

This segment is a beneficiary of rising per capita GDP and higher discretionary spends. Many sub segments find no representation in large caps like footwear, clothing brands, food and retail chain, etc.

- **Hospitality**

Increasing incomes will lead to people travelling more and holidaying. The need for hotel rooms & airlines will grow manifold

- **Real Estate**

Housing will be a long-term story in India. Post RERA, the transparency has gone up and overtime the competition will come down.

- **Home Building**

As a corollary to the real estate sector, as the sector takes off, there will be a good demand of tiles, sanitary ware, etc. There is very little representation of large caps in the segment.

- **Chemicals**

The sector is seeing a lot of vibrancy in terms of growth and profitability as China clamps down on pollution. Lots of business is flowing to India

Why Invest In A Mid And Small Cap Oriented PMS?

- **Unconstrained**

A Midcap Mutual Fund has to mandatorily invest 65% in stocks of mid-sized companies i.e. 101st to 250th companies based on market capitalization. Similar restrictions exist for Small Cap whereas, a Portfolio Management Service (“PMS”) does not have any such restriction and has flexibility with respect to its investments

- **Institutional Imperatives**

Very nature of the MF industry makes it is difficult for MF fund manager to construct a portfolio of stocks that do not have immediate triggers. PMS on the other hand can be free to do so

- **Customization**

PMS unlike MFs can be customized to fit an investors preferences (including but not limited to ones religious believes with respect to certain sectors)

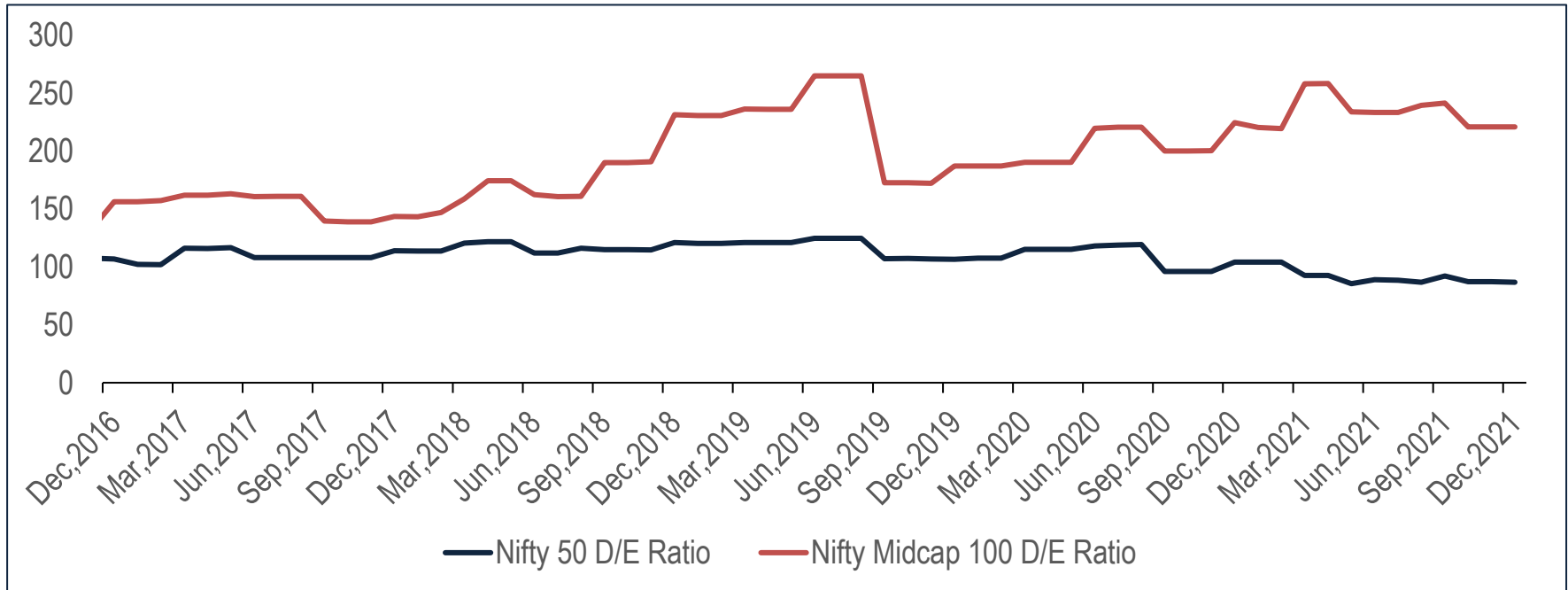
- **Concentrated portfolios**



Is it a good time to consider allocations to Mid and Small Cap segment?

Falling interest rate augurs well for Mid Caps

Large Cap Vs Mid Cap Debt to Equity Ratio



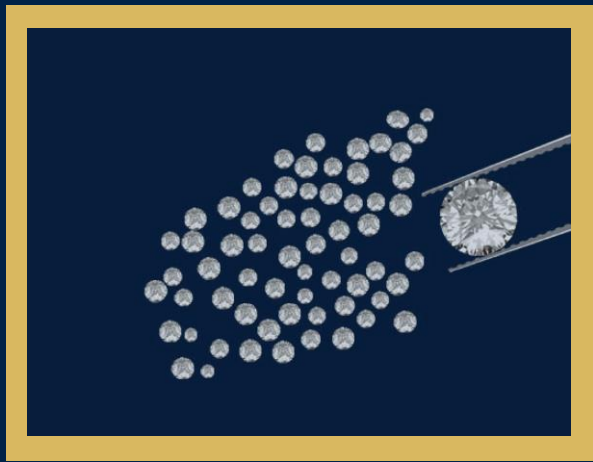
Historically, Mid Caps and Small Caps have been more leveraged than Large Caps. Recent changes with interest rates reducing Mid Caps are likely to benefit more than Large Caps.

Mid Caps post a sharp recovery post drawdown

Bearish Events	Period	High to Low Correction	2 Years Return thereafter	3 Years Return thereafter	5 Years Return thereafter
Sub-prime Crisis	Dec 2007 to March 2009	-62.96%	135.96%	126.31%	152.75%
European Crisis	Oct 2010 to Dec. 2011	-34.71%	32.06%	105.89%	134.81%
Greece Default	Dec 2012 to Aug 2013	-22.52%	98.17%	133.25%	202.29%
Demonetization effect	Oct 2016 to Dec. 2016	-9.81%	24.56%	19.17%	112.12%
SEBI reclassification, Credit Crisis	Dec 2017 to Feb 2019	-20.88%	39.16%	???	???

The Returns of 2 years, 3 years and 5 years are absolute returns and are calculated from the end of the correction for all the above mentioned events.

The extent of drawdowns is a factor in determining risk but the time taken to recover a drawdown is an equally important factor. Historically, the midcaps have demonstrated a decent drawdown recovery.



Phoenix Portfolio

Turnaround and Structural
Growth Opportunities

Phoenix Portfolio - Proposition

- Focus on buying businesses that are close to the inflection in their lifecycle either due to cyclical or structural reasons.
 - Concentrated portfolio of Mid and Small Cap companies.
 - Low Overlap with the mainstream products.
 - Long term holdings with low churn.
 - Flexibility to take cash calls.
-

Investment Philosophy

Our philosophy of investing can be summed up in a few quotes from the legends

*“The number one idea is to view stock as an **ownership of the business** and to judge the staying quality of the business in terms of its competitive advantage.”*

-Charlie Munger

*“Most analysts feel they must choose between two approaches customarily thought to be in opposition: **"value" and "growth."** In our opinion, the two approaches are joined at the hip: Growth is always a component in the calculation of value, constituting a variable whose importance can range from negligible to enormous and whose impact can be negative as well as positive. In addition, we think the very term "value investing" is redundant. What is "investing" if it is not the act of seeking value at least sufficient to justify the amount paid?”*

-Warren Buffet

When we evaluate a Mid or Small Cap business, we look for



Quality Business



Competent and
Honest Management



Reasonable
Valuation

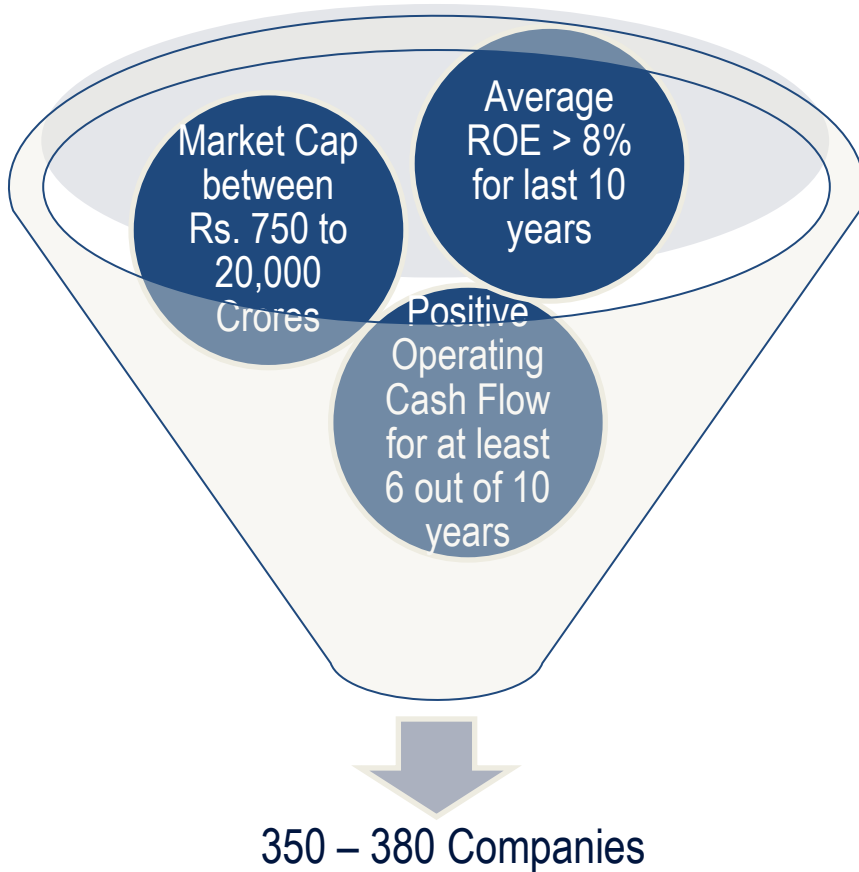






Phoenix Portfolio Construct


Ensuring the business has solid fundamentals

6000 Listed Companies



 To accommodate Financials

 To capture opportunities that meet most of the criteria but fail on a single parameter

 To provide leeway to the Fund Manager to buy high conviction ideas beyond the universe.

Exceptions restricted to 25%

At least 75% of the portfolio will be from the universe

Not all Mid Caps and Small Caps are new businesses

Mid and Small Cap Businesses



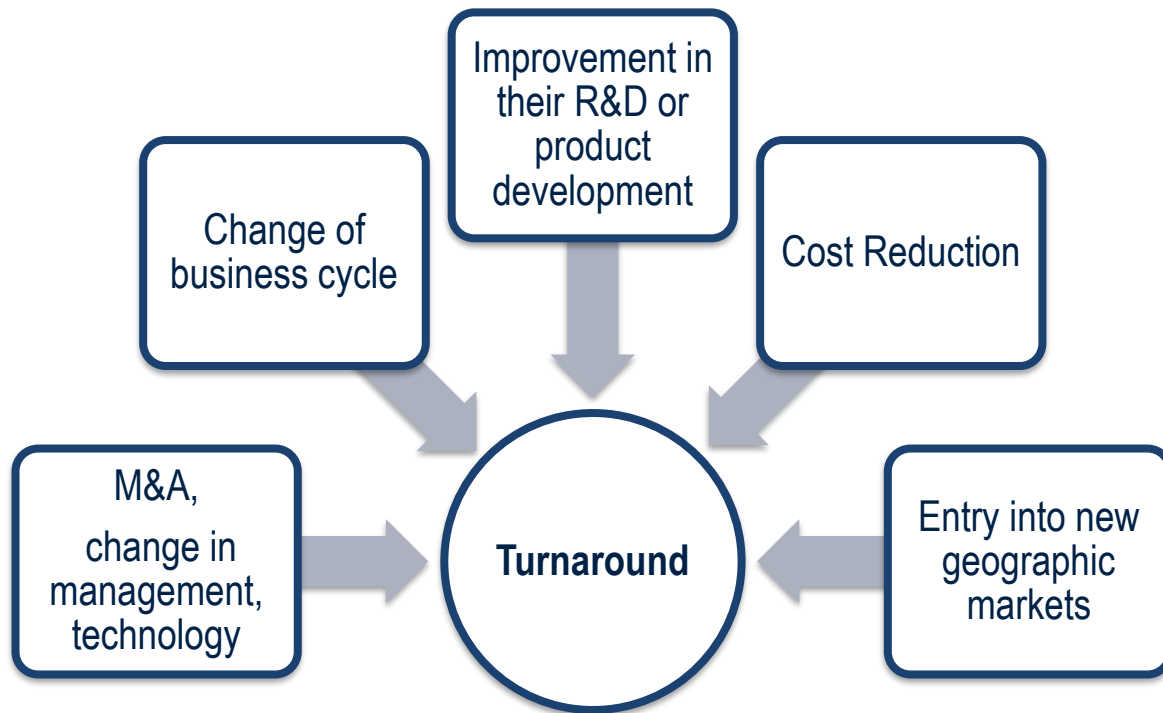
Matured Businesses



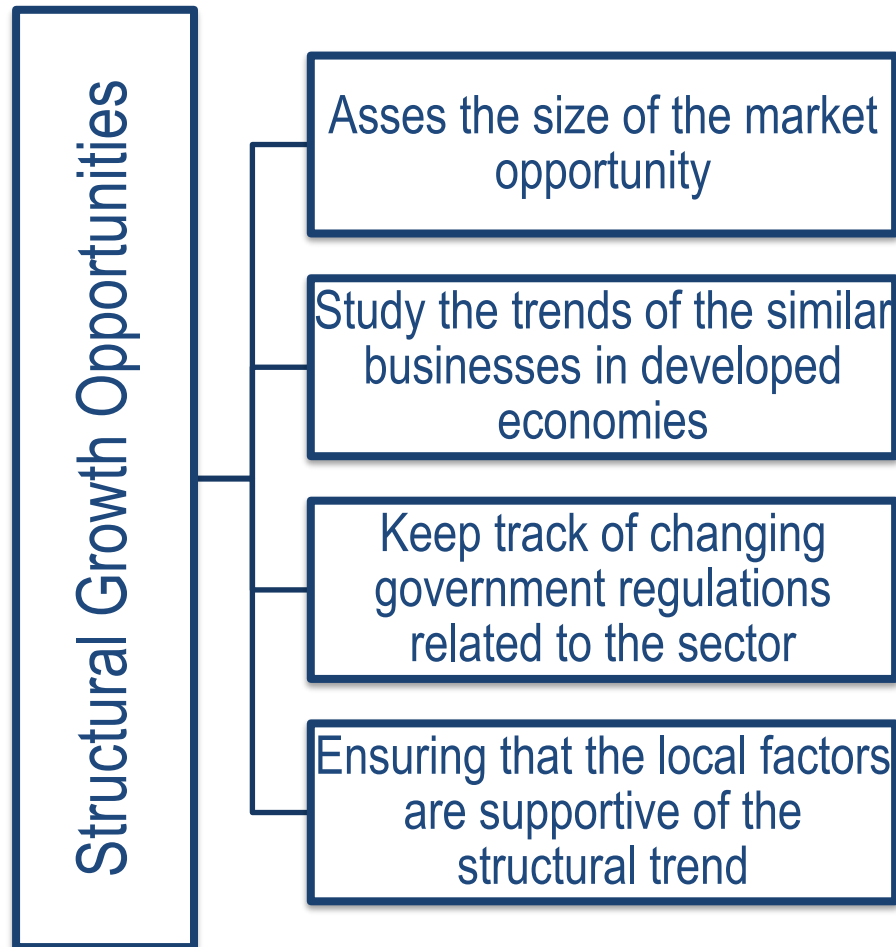
New opportunities due to structural changes

Approach to identifying opportunities in mature businesses

“Regression to the mean is the most powerful law in financial physics: Periods of above average performance are inevitably followed by below-average returns, and bad times inevitably set the stage for surprisingly good performance.”— Jason Zweig, Wall Street Journal



Approach to identifying opportunities in structural growth areas



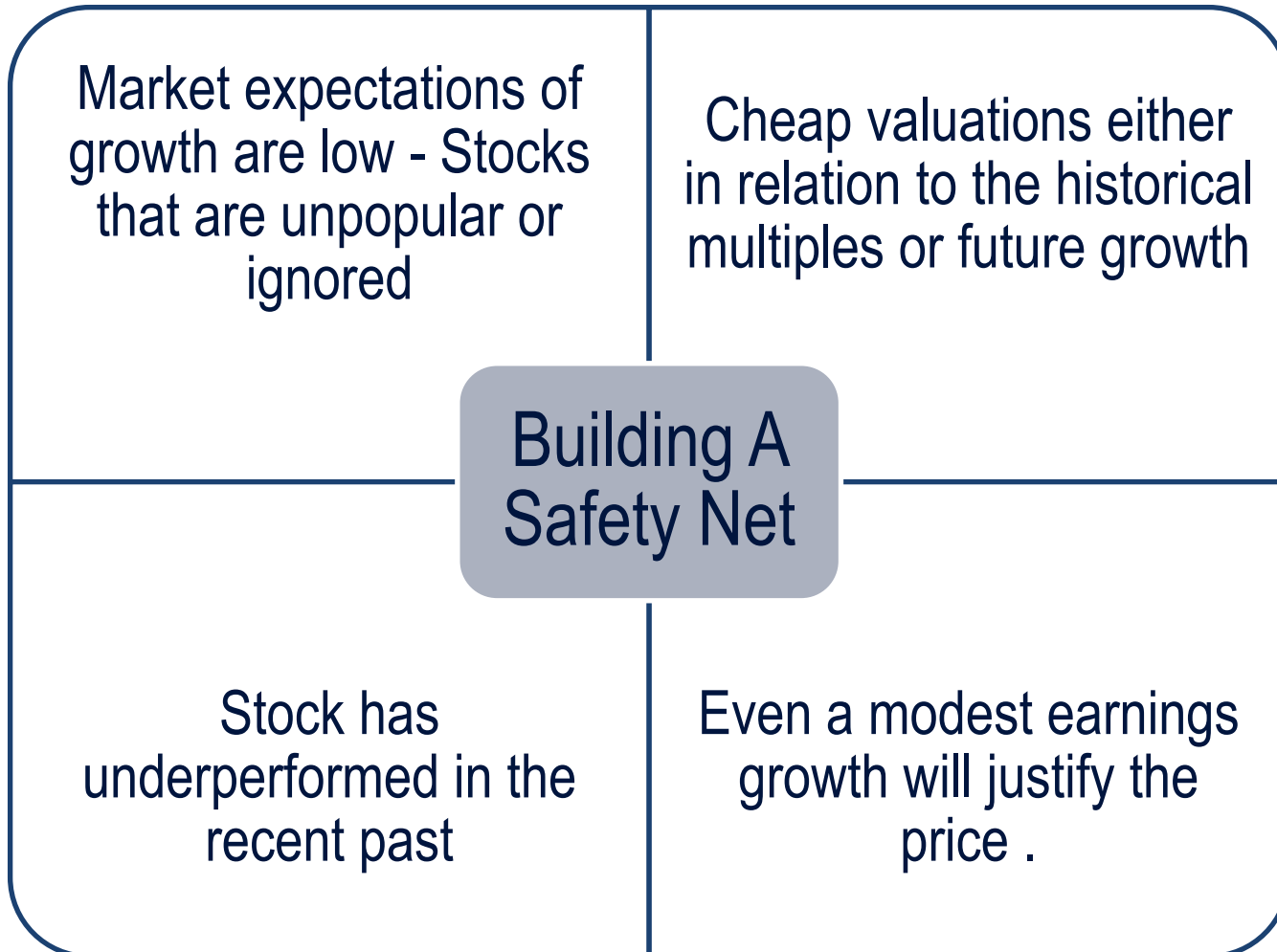
Corporate Governance and Growth

**Expected
growth in sales
and profits
greater than
industry
average over
next 3-5 years**

**Growth
should not
be come by
resorting
consistently
to external
funding**

**Management
should have
a good track
record of
capital
allocation**

Valuation




Portfolio Sell Discipline

- When the assumptions with which the stock was purchased in the first place are no longer valid
 - When the stock's price goes well beyond what we think it is worth
 - When for the same perceived level of risk, we spot a superior opportunity
 - When there is a redemption request
-

Why Phoenix Portfolio?

A Unique Opportunity with



Less Than 15% portfolio overlap with top 10 MF schemes by AUM
Mid and Small Cap Offering available at PE of 28.3 (FY23) lower than that of the Benchmark PE of 29 (FY23)
Debt to Equity of the Portfolio (Ex-Financials) is 52.16%
Average Market Cap Rs. 16,682 crores
Maximum Allocation to a sector at 30% and Maximum Allocation to a stock at 10% #

PGIM India Phoenix Portfolio - Performance

Performance as on December 31st, 2021

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	4.44%	2.67%	5.89%
3 Months	4.11%	0.19%	3.66%
6 Months	14.40%	12.87%	15.98%
1 Year	52.85%	46.06%	59.28%
2 Year	31.58%	33.39%	39.07%
3 Year	15.75%	19.41%	20.51%
5 Year	13.81%	16.23%	14.32%
Since Inception Date 01/08/2016	12.90%	14.28%	12.08%
Portfolio Turnover Ratio*	42.46%		
*Portfolio Turnover ratio for the period Jan 1st, 2021 to Dec 31st, 2021			

Data as on December 31, 2021. Source: Internal Research
Past performance may or may not sustain in future.

PGIM India Phoenix Portfolio - Performance

Annualised Returns as on December 31st, 2021

Portfolio	Current Year April 1, 2021 to Dec 31, 2021	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	37.69%	79.87%	-38.70%	-3.73%
Benchmark - NIFTY MIDCAP 100	28.49%	102.44%	-35.90%	-2.66%

Data as on December 31, 2021. Source: Internal Research
Past performance may or may not sustain in future.

The Fund Management Team

Fund Manager

Surjitt Singh Arora
Over 16 years of experience

Dealer and Operations

Melroy Rodrigues
Over 3 years of experience

Research Team

Apurva Sharma
Research Analyst
Over 10 years of
work experience

Vivek Sharma
Research Analyst
Over 10 years of
work experience

**Anandha
Padmanabhan**
Research Analyst
Over 15 years of
work experience

**Ravi Kumar
Adukia**
Research Analyst
Over 15 years of
work experience

Utkarsh Katkoria
Research Analyst
Over 14 years of
work experience

Rahul Jagwani
Research
Analyst
Over 7 years of
work experience

Know Your Fund Manager

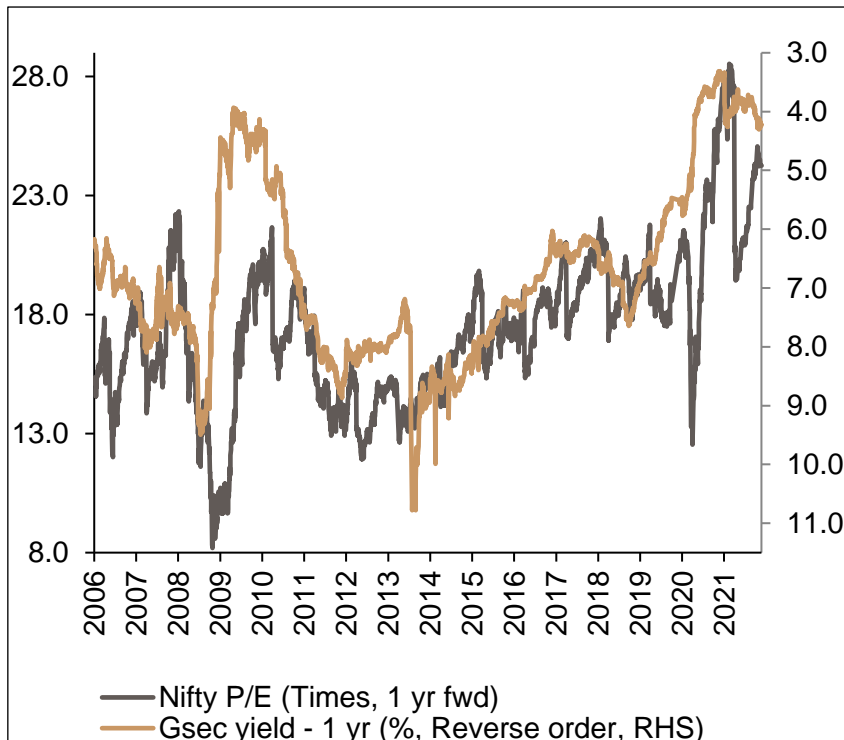
- Surjitt holds a Bachelor's degree in Management Studies from Sydenham College, Mumbai and a Master's degree in Management Studies from Sydenham Institute of Management and Research (SIMSREE), Mumbai.
 - He has more than 16 years of rich work experience in the Equity Markets including over 6 years in the Asset Management industry.
 - In his last stint, Surjitt was Head of PMS and Principal Officer with Tata Asset Management. He was managing Tata ACT and Tata Emerging Opportunities Portfolio.
 - Prior to that he was with Tata Mutual Fund as Equity Research Analyst.
-

Features

Portfolio Name	PGIM India Phoenix
Investment objective	The objective of the portfolio is to generate capital appreciation over the long term by investing in quality Mid and Small Cap Indian companies.
Types of Securities	All funds would be predominantly invested in listed equity and equity related securities.
Basis of Selection	The central theme of the product is that the Portfolio Manager would choose stocks of companies that, in his assessment, are close to an inflection point in their lifecycle either due to a cyclical or structural changes. The Phoenix Portfolio, as the name suggests, would concentrate on companies whose financial and operational performance (profit margins, market share etc.) at the time of investment would be below the long-term average performance displayed by the company.
Asset allocation	At least 75% of the portfolio would be invested in the shares of Mid and small Cap companies.. Pending deployment of funds of the Portfolio in securities in terms of the investment objective, the funds of the Portfolio may be parked in short term deposits of scheduled commercial banks or in the liquid and debt schemes of PGIM India Mutual Fund.
Investment Horizon	Markets usually take time to spot value, and hence, this portfolio requires a longer holding period. Hence, this portfolio is suitable for investors with investment horizon of at least 3 years.
Risk associated	Please refer to Disclosure document at www.pgimindiapms.com
Benchmark Index	Nifty Midcap 100 Index

Annexure

- Most market participants suggest that equity valuations are high as current valuations are significantly above 10 Year average, and close to 10-year highs.
- Our point is while that above argument is true, we need to compare valuation of one asset class with that of another market share. This comparison is more helpful for asset allocation.
- Equity valuation (Nifty 1 Year Forward PE of 24.9x) converts into earnings yield of ~4.0% compared to ~4.2% bond yield (G-Sec 1 year).



	PE Ratio (x)		
	NIFTY Index	NSEMCP Index	NSESMCP Index
Current PE	24.9	26.6	28.7
10 yr Average	21.5	28.4	60.7
Prem/disc over average	16%	-6%	-53%
	PB Ratio (x)		
	NIFTY Index	NSEMCP Index	NSESMCP Index
Current PB	3.4	3.1	2.3
10 yr Average	2.8	2.0	1.4
Prem/disc over average	22%	53%	62%

Disclaimer (1 of 2)

AUM Breakup: Asset class wise disclosure of AAUM: AUM as on November 30, 2021 (Rs in Crores): Income: 1,408.61, Equity Other than ELSS: 8,120.45, Balanced: 0.00, Liquid: 934.30, Gilt: 142.80, Equity ELSS: 330.64, Hybrid: 1,736.72, GOLD ETF: 0.00, Other ETF: 0.00, Fund of Fund Investing Overseas: 2,002.78, Total: 14,676.29; Average AUM for the month: Income: 1,468.12, Equity Other than ELSS: 8,154.94, Balanced: 0.00, Liquid: 1,031.17, Gilt: 141.61, Equity ELSS: 338.94, Hybrid: 1,736.76, GOLD ETF: 0.00, Other ETF: 0.00, Fund of Fund Investing Overseas: 2,020.22, Total: 14,891.75; Disclosure of percentage of AUM by geography: % of Total AUM as on November 30, 2021: Top 5 cities: 49.30%, Next 10 cities: 16.63%, Next 20 cities: 5.09%, Next 75 cities: 28.98%, Other: 0.00%, Total: 100.00%; Disclosure of AUM by Service Category: AUM as on November 30, 2021 (Rs. in Crores): Mutual Funds: 14,676.00, PMS: 122.00, Advisory: 2,515.00, Total: 17,313.00.

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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Disclaimer (2 of 2)

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.

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