



**PGIM**

**India Portfolio  
Management Services**

Small today.  
Large tomorrow.

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**PGIM INDIA**  
**PHOENIX PORTFOLIO**



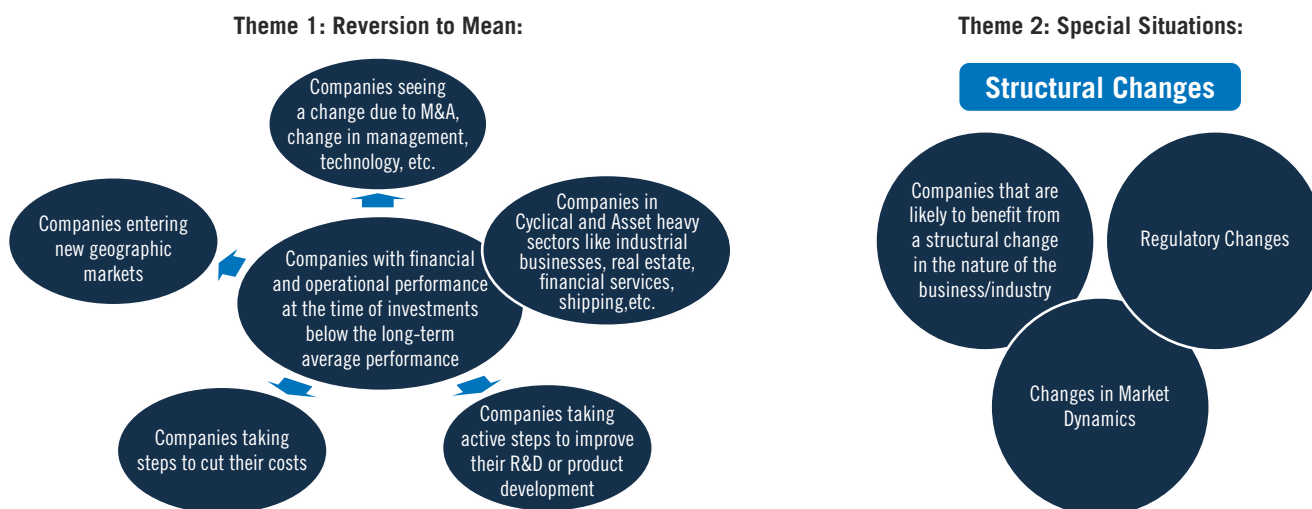
“Regression to the mean is the most powerful law in financial physics: Periods of above-average performance are inevitably followed by below-average returns, and bad times inevitably set the stage for surprisingly good performance.”

— Jason Zweig, Wall Street Journal

## Product Positioning

- The Strategy seeks to invest in companies that are close to an inflection point in their lifecycle.
- To identify opportunities amongst companies that are experiencing or expected to see an upturn in their respective sectors/businesses.
- The strategy seeks to benefit from structural changes in the economy and/or markets.

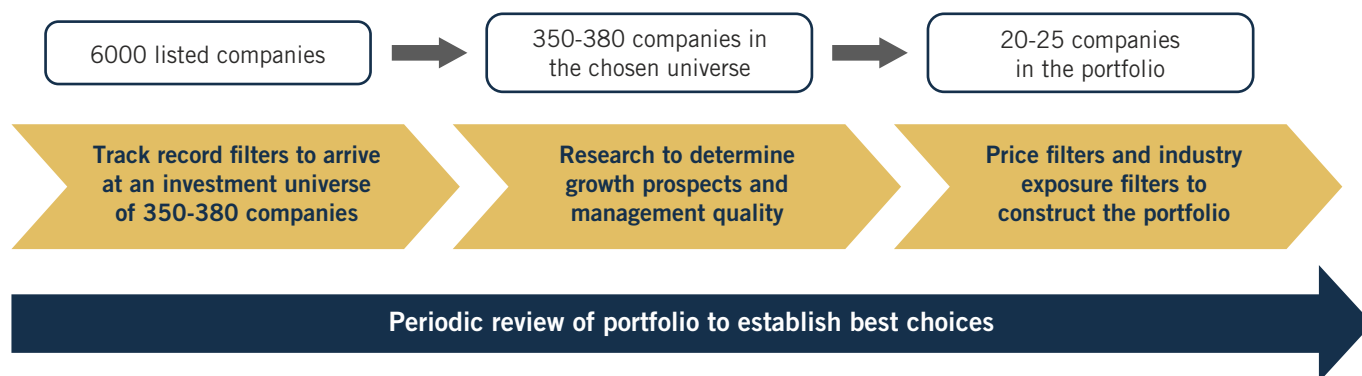
## Portfolio Build Up Strategy



At least 75% of the investments will be in these two categories

## Investment Process

The flow chart diagram of the investment process



The investment process consists of

- Screening all possible choices to create an investment universe of acceptable quality
- Further filter the Universe on the basis of growth prospects and management quality
- Construct the portfolio using filters of valuation levels, and sector exposure limits.

## Selection of the Investment Universe (about 350-380 companies)

The investment universe consists of companies that meet the following criteria:

- Average ROE for the last 10 years is greater than 8%**

The ROE measures how efficiently the equity capital of the company is being used. The higher the ROE, the better it is for the investor, but the basic idea is to verify whether the company is efficient enough to consistently earn more than its cost of funds.

**(b) Positive Operating Cash Flows is more than 6 out of the 10 last years**

Net profits can be "adjusted" with clever accounting, or with lenient trade terms, but the cash flows of a company indicate how smoothly the business is being run. Just as we would expect any individual to live within his/her means, a company generating positive cash flow indicates that the company is living within its means.

**(c) Market Cap between Rs. 750 crore to Rs. 20,000 crore**

**A mathematical model comprising the above variables is used to arrive at the investment universe.**

**At least 75% of the investment would be made in mid and small cap companies**

## **Portfolio Construction**

### **Determining the growth prospects and management quality**

While a good track record of a company is a necessary condition, it is not sufficient to be included in the portfolio. We seek to satisfy ourselves about the following:

- (a) The ability of the company to grow its sales and profits over the next 3-5 years
- (b) The ability of the company to do this without consistently resorting to additional external funding
- (c) The track record of the management in capital allocation

### **Price filters**

The inclusion in the portfolio happens when the company, apart from qualifying on all of the above criteria is as available at valuation which is lower than the expected growth rate in earnings over the foreseeable future

### **Buying when the future is “uncertain”**

- (a) A stock is available cheap only when the general market does not expect it to do well in the short term
- (b) Therefore, if an investor wishes to “beat the market” he/she should purchase the stock before the market does (i.e., buy when the fear caused by the uncertainty still exists in the minds of most investors)
- (c) If one is confident about the quality of the company and its long-term earnings power, then its short term price movement should be of less importance

**An investment process that seeks to reduce the incidence of these 3 mistakes automatically increases the chances of success**

### **When do we sell a stock?**

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

### **Cash strategy**

The holding of cash is a residual strategy, i.e., the portfolio manager does not pre-decide the extent of cash. If suitable investment opportunities are not available at that point, cash is held to that extent.

### **Product suitability**

This product is suitable for all equity investors who wish to invest in portfolio of quality companies bought at reasonable prices. **It offers a qualitative diversification compared to the mainline mutual funds. It is suitable for investors with a time horizon of 3 years.**

## Strategy Snapshot

Benchmark	Nifty Free float Midcap 100
Target Capitalization Range	Midcap and Small cap will be at least 75%
Target Diversification	20 – 25 Stocks
Min. Investment Horizon	3 years
Leverage	No
Maximum Allocation to a sector	30%
Maximum Allocation to a stock	10%



**Himanshu Upadhyay**  
PMS Portfolio Manager

- In his career spanning 10 years, Himanshu has extensive experience in Equity Markets
- B.Tech from NIT Hamirpur and PGDM (IIM Kozhikode)
- Since November 2015 has been with PGIM India Asset Management Private Limited
- 2010-2015 was with M3 Investments
- 2007-2010 was with Max-New York Life Insurance

**Investment objective of PGIM India Phoenix Portfolio:** The objective of the strategy is to generate capital appreciation over the long term by investing in a portfolio of equity of Indian companies.

**Disclaimers and Risk Factors:** PGIM India Asset Management Pvt. Ltd. (erstwhile DHFL Pramerica Asset Managers Pvt. Ltd.) is registered with SEBI as Portfolio Manager as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993.

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