

# PORTFOLIO MANAGEMENT SERVICES

Newsletter

November 2017



Pramerica

Dear Investor,

One of the greatest books ever written about investing is “Security Analysis” by Benjamin Graham and David Dodd. This iconic book begins with a quote by the poet Horace:

***“ Many shall be restored that now are fallen,  
And many shall fall that now are in honor ”***

This is, in essence, what common-sense investing is all about. Just being aware that there is nothing permanent about the valuation, performance or prospects of any stock in the market.

If we carefully think about it, the price of a share (of any company) rises **ONLY** because of an enhanced level of expectation around that company's future performance. Conversely, the price of a share (of any company) falls **ONLY** because the level of expectations around its future performance takes a turn for the worse.

This is also reinforced by David Dreman in his marvellous book “Contrarian Investment Strategies”. The following quote is from the book:

***“ There are two types of event triggers. The first is a negative surprise for a favored company, which will drive its stock price down. The second is a positive surprise for an unfavored stock, which pushes its price much higher ”***

These have been the guiding principles for our investing style. In simple terms, we just seek to buy into the shares of a strong company when it is not very popular.

Permit us to share a couple of recent examples of these principles from our own portfolio:

- (a) The entire PSU banking sector was under the blanket of severe investor disfavour for more than a year now. The NPA problems that surfaced big time in 2015 kept their valuations at pretty low levels, even as the more favoured sector (i.e., private bank stocks and NBFCs and HFCs) continued to rise in valuations. We did not choose **any** PSU bank simply because it was cheap. We chose the strongest one amongst the pack (i.e., State Bank of India). When the positive surprise of the bank recapitalization plan hit the market, on that day, the stock rose by 27% **in a single day**.
- (b) Another similar example was United Spirits Ltd, which, when we purchased it, was quoting at close to its 3-year low. There were multiple negative news such as the prohibition threat from a few states, and the Supreme Court judgement that restricted the sale of liquor within a distance of 500 metres from a highway. These negative news, coupled with the company's indifferent performance, reduced the level of expectations around the stock. The positive surprise was the recent quarterly result. The company posted a stronger-than anticipated quarterly performance, and the stock has risen by **about 20% in the last week**.

Now, neither of these investments was into a weak company, nor done at historically high valuations. These were strong companies, but the stocks were unpopular **for reasons that we believed were temporary. A positive surprise in an unfavored stock drove the price up.**

Can one predict **when** the positive surprise will come? We believe it is beyond the scope of almost all investors (certainly beyond our scope). Rather than try to do that, we just focus on buying into strong businesses when the level of expectations around them is not too high.

This also means that we would also stay away from stocks where the levels of expectations (as evidenced by the valuations of the stock) are well above their historical averages. When the level of expectation is high, it is less likely that the investors are “positively surprised”, quite simply because it is difficult to satisfy an expectation that is already quite high.

This method is by no means the only method for successful investing. But it is a good method and, coupled with other good methods (a healthy mix of which always helps you) would balance your portfolio, and prevent it from falling into the perils of groupthink.

**Introduction of the DHFL Pramerica Phoenix PMS strategy**

We are very happy to introduce the launch of a new PMS strategy, christened the **Phoenix**, as the second PMS offering from DHFL Pramerica.

The Phoenix strategy would complement not only our existing Deep Value PMS, but also complement our range of equity mutual funds.

It has completed over a year of live track record, and after being satisfied with its performance on a pilot scale, we are very happy to formally launch it for subscriptions. The details of performance of the Phoenix strategy is given hereunder for your reference.

The Phoenix PMS strategy has, as its approach, two broad investment themes:

- (a) Reversion to the mean, and
- (b) Special situations

The full details of the Phoenix are available on the product brochure.

It will focus primarily (to the extent of at least 75%) on Midcap and Smallcap stocks, and the extent of overlap with our existing products would be consciously kept at a low level.

Phoenix will be managed by Himanshu Upadhyay, who has a total experience of about 11 years in the equity market. Himanshu is a B.Tech (Electronics) graduate and has earned a PGDM from IIM Kozhikode.

We are confident that the Phoenix would provide a genuine value-addition to your existing equity portfolio.

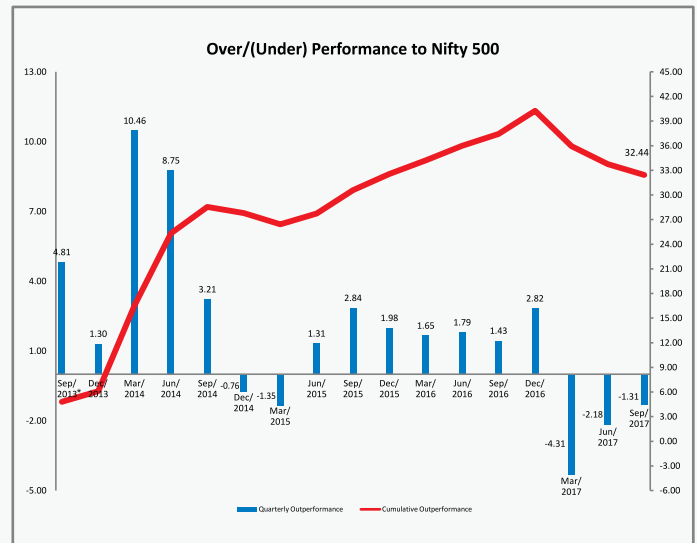
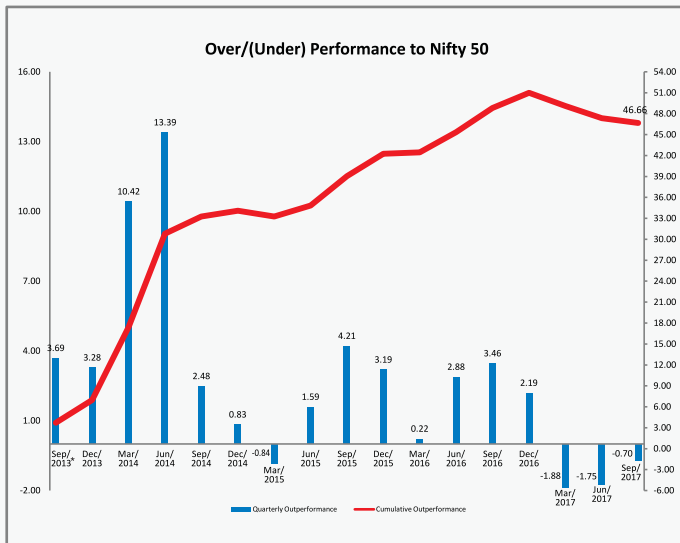
Happy investing!!

Warm regards,

Yours sincerely,

(E A Sundaram)  
Portfolio Manager.

# DHFL PRAMERICA DEEP VALUE STRATEGY KEY PORTFOLIO PERFORMANCE INDICATORS



\* Returns for the period 8th July, 2013 to 30th September, 2013. Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of DHFL Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR). Past performance may or may not be sustained in future.

### Top 15 Holdings of DHFL Pramerica Deep Value Strategy Discretionary Portfolio Regular Plan as on October 31st, 2017

Date of Purchase	Equity	Sector	%
Sep/2015	State Bank of India	Banking / Financial Services	5.87%
Jul/2013	Container Corporation of India Ltd	Logistics	5.46%
May/2014	Infosys Ltd	IT Services	5.08%
Mar/2015	Castrol India Ltd	Lubricants / oils	4.41%
Oct/2013	Divis Laboratories Ltd	Pharmaceuticals	4.34%
Jul/2013	Indraprastha Gas Ltd	City Gas Distribution	4.13%
Jun/2015	ITC Ltd	FMCG	3.98%
Aug/2013	Cummins India Ltd	Engineering	3.84%
Jul/2014	Oil & Natural Gas Corporation Ltd	Oil Exploration	3.81%
Apr/2016	Sanofi India Ltd	Pharmaceuticals	3.77%
Jan/2016	Oracle Financial Services Software Ltd	IT Services / Products	3.64%
Jul/2013	Siemens Ltd	Engineering	3.30%
Nov/2016	Persistent Systems Ltd	Computers - Software	3.19%
Jun/2016	Jagran Prakashan Ltd	Printing and Publishing	3.05%
Jul/2016	Rallis India Ltd	Pesticides And Agrochemicals	2.97%
	<b>Total</b>		<b>60.84%</b>

### Portfolio Details

Portfolio Details as on October 31st, 2017	
Weighted average RoCE	30.46%
Portfolio PE (1-year forward)	20.04
Portfolio dividend yield	1.58%
Average age of companies	57 Years

Portfolio Composition as on October 31st, 2017	
Large Cap	44.00%
Mid Cap	33.75%
Small Cap	13.00%
Cash	9.25%

**Large Cap:** Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on 31st October 2017

**Midcap:** Market cap below 100th company to the market cap of the 300th company in the Nifty 500 (sorted by market cap in descending order) as on 31st October 2017

**Small Cap:** Market cap lower than the 300th company in the nifty 500 (sorted by market cap in descending order) as on 31st October 2017

The above holding represents top 15 holdings of DHFL Pramerica Deep Value Strategy – Regular Portfolio based on all client portfolios 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.

**DHFL Pramerica Deep Value Strategy Portfolio Performance as on 31st October 2017**

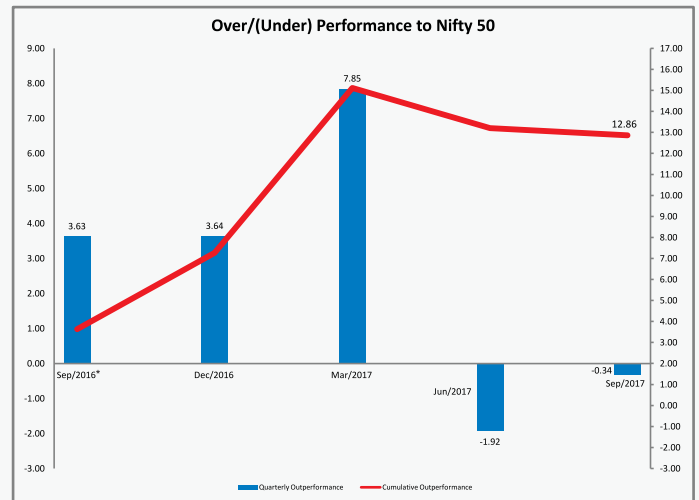
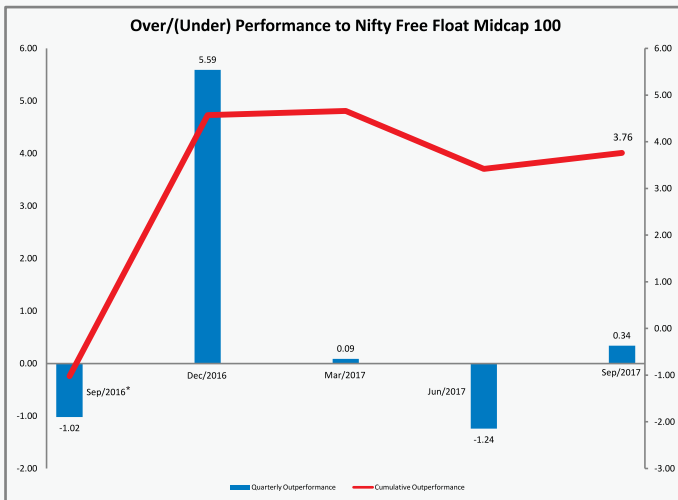
Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	5.18%	5.59 %	6.44 %
3 Months	4.15%	2.56 %	4.10 %
6 Months	7.71%	11.08 %	11.43 %
1 Year	16.27%	19.82 %	22.02 %
2 Years	17.26%	13.19 %	16.43 %
3 Years	14.15%	7.49 %	11.04 %
Since inception date 08/07/2013	31.00%	14.01 %	17.66 %
Portfolio Turnover Ratio*	10.99%		

\*Portfolio Turnover ratio for the period 1st November 2016 to 31st October 2017

**Important Disclosures regarding the consolidated portfolio performance:** Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of DHFL Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is before charging of any 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 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 DHFL Pramerica Deep Value Strategy:** DHFL Pramerica Deep Value Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of superior wealth creation over long term.

# DHFL PRAMERICA PHOENIX STRATEGY KEY PORTFOLIO PERFORMANCE INDICATORS



\*Return for the period 1st August, 2016 to 30th September, 2016. Performance depicted as at the above stated date is based on all the client portfolios under DHFL Pramerica Phoenix Strategy existing as on such date, using Time Weighted Rate of Return (TWRR). Past performance may or may not be sustained in future.

## Top 15 Holdings of DHFL Pramerica Phoenix Strategy as on October 31st, 2017

Date of Purchase	Equity	Sector	%
Aug/2016	Great Eastern Shipping Co Ltd	Shipping	3.83%
Aug/2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	3.75%
Jul/2017	Mayur Uniquoters Ltd	Textiles	3.67%
Aug/2016	Prestige Estates Projects Ltd	Residential/ Commercial/Sez Project	3.66%
Sep/2016	D B Corp Ltd	Printing And Publishing	3.57%
Feb/2017	Sanofi India Ltd	Pharmaceuticals	3.55%
Sep/2016	Oracle Financial Services Software Ltd	It Enabled Services - Software	3.53%
Aug/2016	FDC Ltd	Pharmaceuticals	3.47%
Aug/2016	Ahluwalia Contracts India Ltd	Cement Products	3.45%
Jan/2017	Techno Electric & Engineering Co Ltd	Engineering- Designing-Construction	3.36%
Sep/2016	Abbott India Ltd	Pharmaceuticals	3.28%
Oct/2016	Inox Leisure Ltd	Film Production, Distribution & Exhibition	3.23%
Feb/2017	Shoppers Stop Ltd	Retailing	3.19%
Aug/2016	Oberoi Realty Ltd	Residential/ Commercial/Sez Project	3.17%
Nov/2016	Century Plyboards (India) Ltd	Plywood Boards	2.95%
	<b>Total</b>		<b>51.66%</b>

## Portfolio Details

Portfolio Details as on October 31st, 2017	
Weighted average RoE	14.02%
Portfolio PE (1-year forward )	15.29
Portfolio dividend yield	0.97%

## Portfolio Composition as on October 31st, 2017

Large Cap	4.00%
Mid Cap	33.25%
Small Cap	45.50%
Cash	17.25%

**Large Cap:** Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on 31st October 2017

**Midcap:** Market cap below 100th company to the market cap of the 300th company in the Nifty 500 (sorted by market cap in descending order) as on 31st October 2017

**Small Cap:** Market cap lower than the 300th company in the nifty 500 (sorted by market cap in descending order) as on 31st October 2017

The above holding represents top 15 holdings of DHFL Pramerica Phoenix Strategy based on all the client portfolios under DHFL Pramerica Phoenix Strategy 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.



**DHFL Pramerica Phoenix Strategy Portfolio Performance as on 31st October 2017**

Period	Portfolio	Nifty Free Float Midcap 100	NIFTY 50
1 Month	5.37%	8.12 %	5.59 %
3 Months	5.42%	5.75 %	2.56 %
6 Months	7.71%	8.25 %	11.08 %
1 Year	25.60%	23.04 %	19.82 %
Since inception date 01/08/2016	27.07%	25.24 %	15.41 %
Portfolio Turnover Ratio*	24.06%		

\*Portfolio Turnover ratio for the period 1st November 2016 to 31st October 2017

**Important Disclosures regarding the consolidated portfolio performance:** Performance depicted as at the above stated date is based on all the client portfolios under DHFL Pramerica Phoenix Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is before charging of any 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 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 DHFL Pramerica Phoenix Strategy:** The objective of the strategy is to generate capital appreciation over the long term by investing in a portfolio of equity of Indian companies

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This document is dated November 06, 2017.

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