



**PGIM**

India Mutual Fund

# PGIM India Midcap Opportunities Fund

(Mid Cap Fund - An open-ended equity scheme predominantly investing in mid cap stocks)

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November 2021



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## About Us



Source: [www.pgim.com](http://www.pgim.com) and [www.prudential.com](http://www.prudential.com). \*For AUM Breakup please refer slide no. :

# About Us

## Global Footprint



**10<sup>TH</sup>**  
largest global  
asset manager

**73%<sup>1</sup>**  
of asset in 4/5 star

**39**  
OFFICES

**1300+**  
investment  
professionals

<sup>1</sup>Based on Morningstar ratings of PGIM assets in all share classes as of December 31, 2018.

<sup>2</sup>PG-IM is the investment management business of Prudential Financial, Inc. (PFI); PFI is the 10th largest institutional investment manager (out of 477 firms surveyed) in terms of global institutional assets under management based on Pensions & Investments' Top Money Managers list published on May 31, 2021. This ranking represents institutional assets under management by PFI as of December 31, 2020 Source: www.pgim.com

## Position of Strength

### Ranking Based on Worldwide Assets

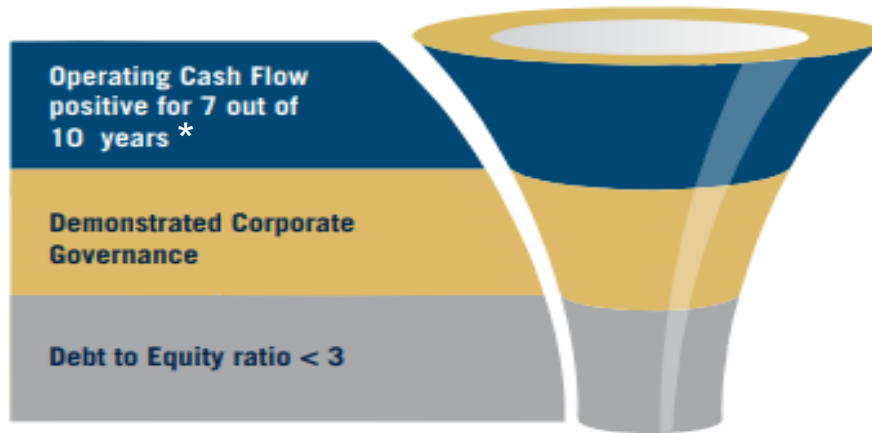
| Top 10 Asset Managers <sup>2</sup> |                                       | Assets<br>(\$ Billions) |
|------------------------------------|---------------------------------------|-------------------------|
| 1                                  | BlackRock Inc. <sup>2</sup>           | \$5,150                 |
| 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                 |

\*Worldwide AUM include assets managed by PFI's Asset Management business and non-proprietary AUM.

# **PGIM India – Equity Investment Process**

# Investment Process Overview

Assessing the ability to survive the cycles. Three factors for inclusion in investment universe.



Abundantly available in India



Companies strong on either are in focus for evaluation

\* In companies with less than 10 years of data available, at least 70% of the years should have generated positive operating cash flows.

# Investment Philosophy

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## Respect for Capital

Strong focus on Return on Capital Employed (RoCE) & Return on Equity (RoE)

## Operating Leadership

A leader or competent challenger in its operating space

## Sector Dominance

- Favor industries gearing up for consolidation
- Avoid industries slated for fragmentation

## Solid Financials

- Conservative debt
  - Positive operating cash flows
  - Strong projected cash flow generation
-

# Why Midcaps?



## Many Themes/Sectors where Midcap companies have significant presence compared to Large Caps – providing unique opportunities

### **Software Product development companies:**

India is seeing emergence of some interesting IT product companies. Different from the normal IT Services companies

### **Discretionary Retail:**

This segment is a beneficiary of rising per capital GDP and higher discretionary spends. Many sub segments find no representation in large caps: Footwear, Clothing brands, Food & Retail chain

### **Water & Water transportation:**

Water will increasingly become a critical element in the eco-system of India. Higher population & erratic monsoons will require water transportation & river linking

### **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

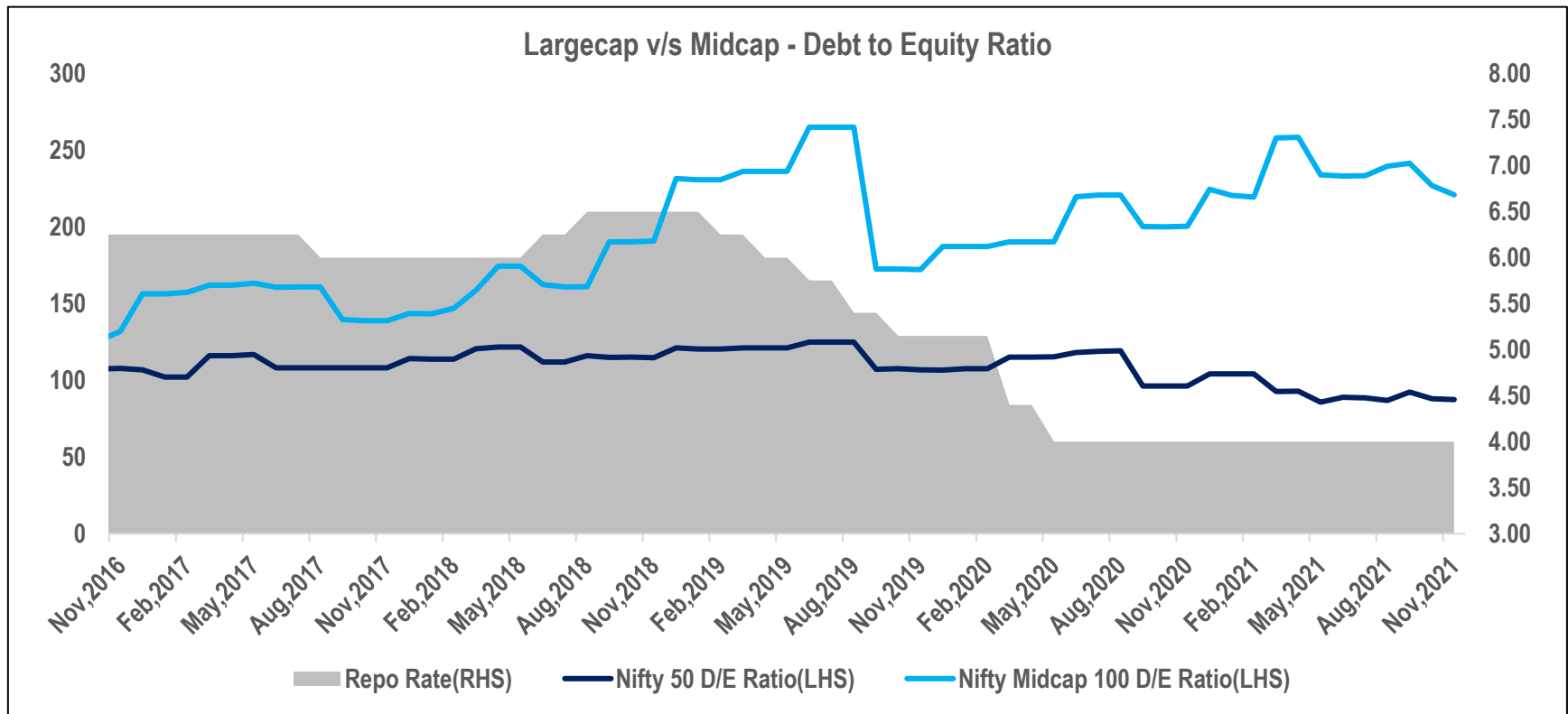
### **Chemicals:**

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

### **Staffing:**

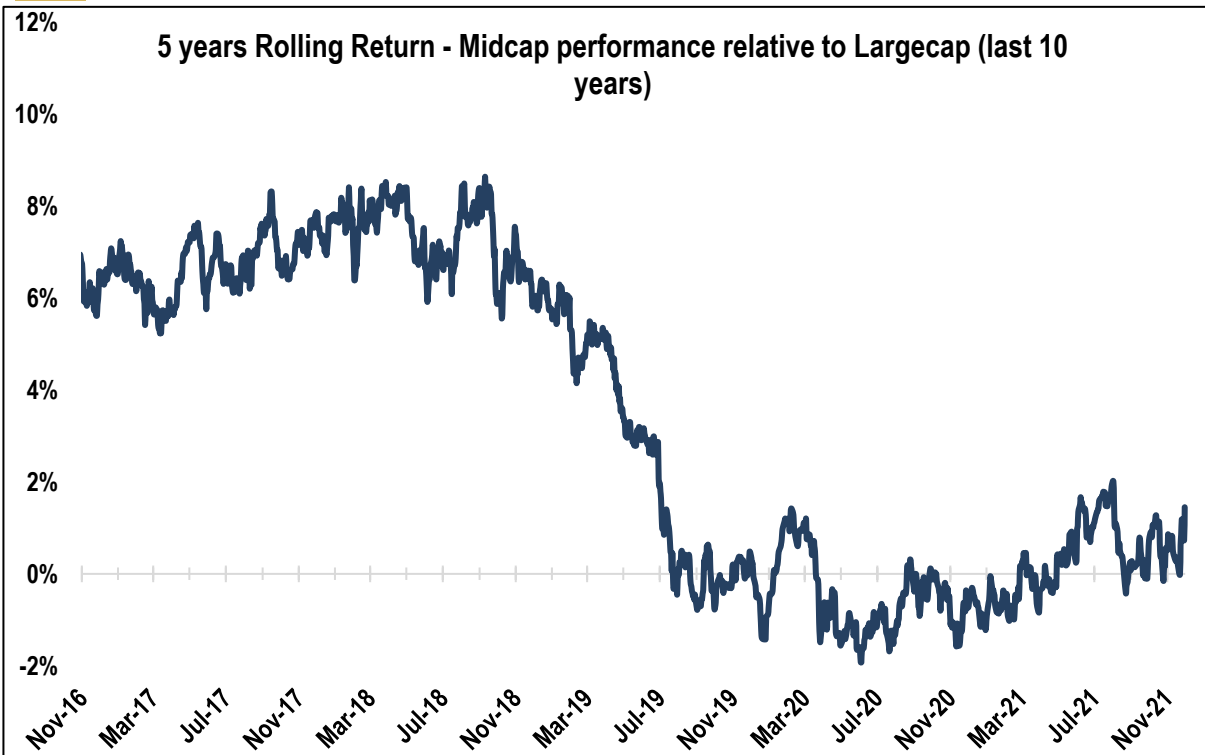
Manpower management is moving from unorganised to organised and the trend to outsource non-core activity will be a big theme, as corporates will focus on core activities and profitability

# Lower interest rate regime augurs well for midcaps



- Historically, midcaps as a segment have been more leveraged than large caps
- In this lower interest rate regime, midcap companies are likely to benefit more than larger companies
- This should reflect in overall P&L and balance sheet strength going forward and quality companies can look to capitalize

# Midcaps tend to outperform Large Caps over long term



| 5 Years Rolling Returns Analysis (last 10 years)           |              |
|--|--------------|
| Total number of observations                               | 1672         |
| % of observations where midcaps have outperformed largecap | 75%          |
| <b>Median outperformance</b>                               | <b>5.6%</b>  |
| <b>Current outperformance (30.11.21)</b>                   | <b>1.45%</b> |
| Maximum outperformance                                     | 8.64%        |
| Maximum underperformance                                   | -1.92%       |

- Nifty Midcap 100 index has outperformed Nifty 50, 75% times on a 5 years rolling basis, in the last 10 years, with median outperformance being 5.6%
- However, since early 2018 midcaps have witnessed a correction. Even after the recent rally, the relative outperformance is well below long term average.
- As economic recovery gains further momentum, midcaps can be expected to revert to mean, as the rally becomes more broad based

**Why PGIM India Midcap Opportunities Fund?**

## PGIM India Midcap Opportunities Fund

- The scheme invests at least 65% of its net asset in Midcap stocks and maximum of 35% each in Equity & Equity Related Instruments of other companies and Cash, Money Market, Debt Securities, Liquid & Debt schemes of Mutual Fund. Midcap stocks are defined as stocks between 101 to 250 ranked as per market capitalization
  - The fund tends to offer you greater growth potential as compared to large cap stocks, and also with less volatility and risk as compared to small cap stocks
  - The fund looks to identify quality midcap stocks which can benefit from a favourable economic environment, based on extensive research and thorough selection process
  - The fund predominantly invests in midcap stocks in accordance with the investment objective and asset allocation. Fund Manager will select equity securities on a top-down and bottom-up, stock-by-stock basis, with consideration given to valuation parameters as well as growth, margins, asset returns, and cash flows, amongst others
  - Stocks are selected on the basis of, amongst others, the historical and current financial condition of the company, potential value creation/unlocking of value and its impact on earnings growth, capital structure, business prospects, policy environment, strength of management, responsiveness to business conditions, product profile, brand equity, market share, competitive edge, research, technological know-how and corporate governance
-

# Investment Approach : PGIM India Midcap Opportunities Fund



The zebra in the centre is the safest, but gets low quality grass which is stamped by the hoof of other horses



The zebra in the outer periphery has the risk of being attacked by lions but has access to the greener grass.

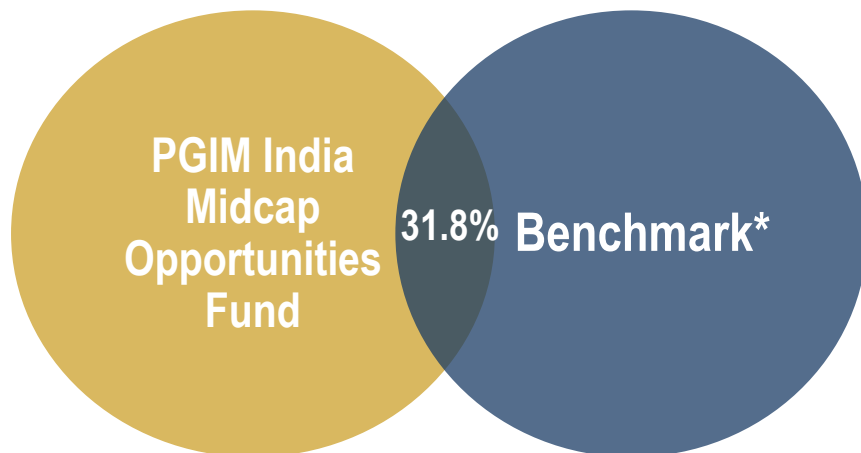


The zebra, which is aware of the risk and stands at the outer periphery gets the best grass and is risk aware

**In the Midcap, we are the risk aware zebra, standing at the periphery**

## Approach leads to High-Conviction portfolio with Low Overlap

**Low Portfolio Overlap of 31.8%, with top ideas beyond benchmark**



### Top 5 ideas beyond the Benchmark

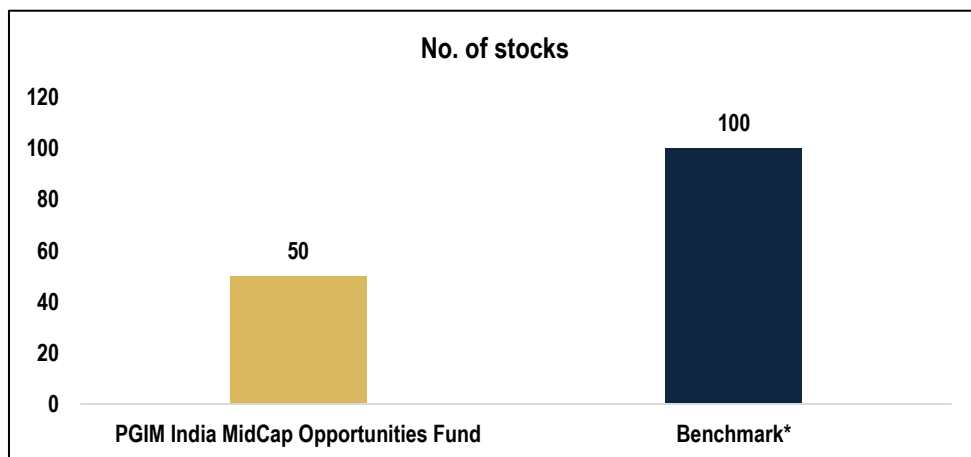
Bharat Rasayan Ltd

Sagar Cement Ltd

Dixon Technologies (India) Ltd

Max Financial Services Ltd

Coforge Ltd



### Top 10 Holdings (% of net assets)

|                 |       |
|-----------------|-------|
| PGIM India MCOF | 26.9% |
| Benchmark*      | 22.5% |

# Portfolio composition

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## Stable Growth

### Top 40%-45%

- Companies with stable earnings and strong earnings visibility (14-16%)

## High Growth

### Middle 40%-45%

- Companies with strong earnings growth (above 20%)

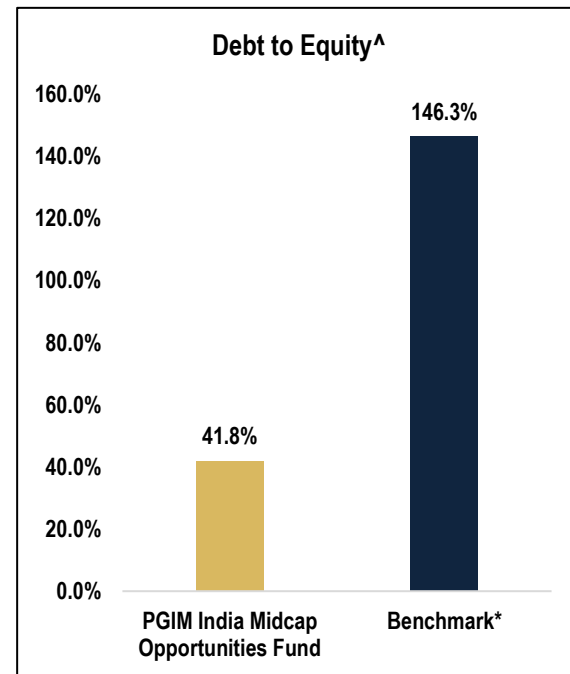
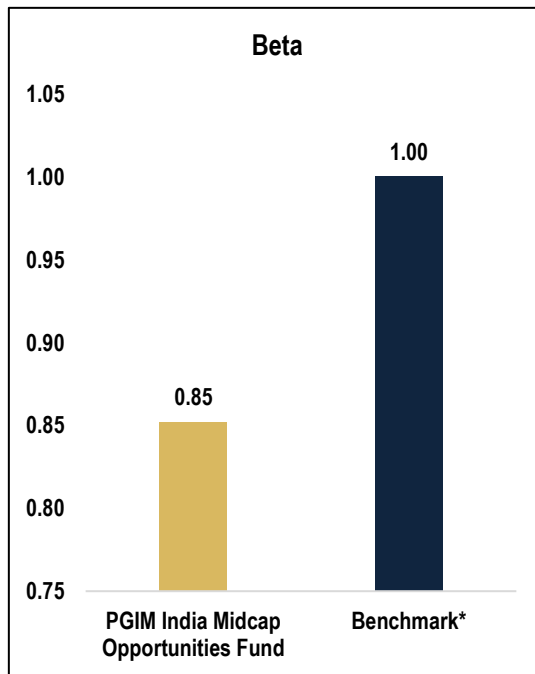
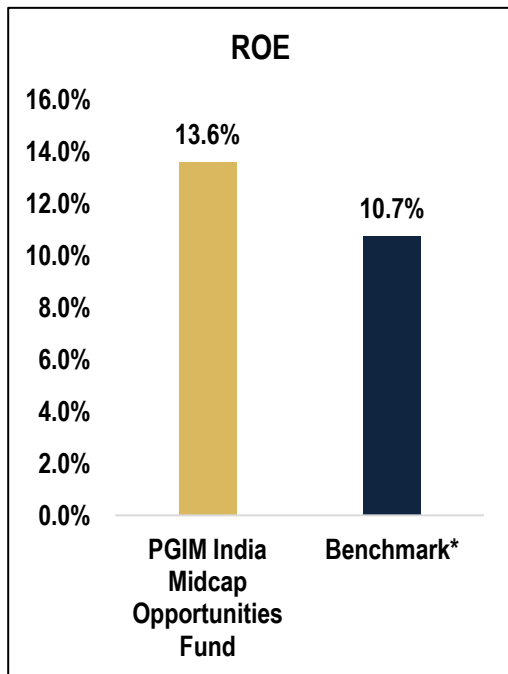
## Turnaround

### Bottom 10%-20%

- Turn around stories/ good companies going through bad times with significant potential for alpha generation



## Portfolio Metrics - Quality portfolio with Higher Growth, Lower Leverage, Lower Risk



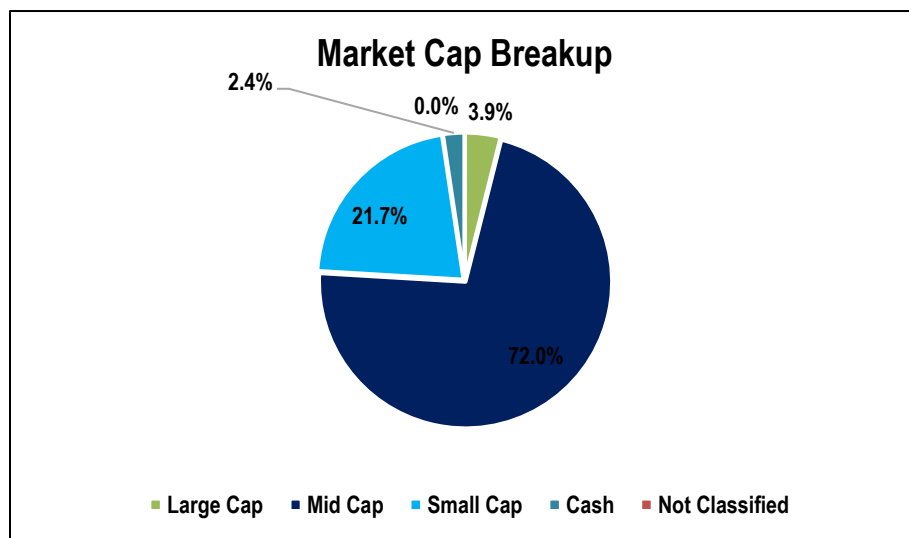
- A quality portfolio with a **higher Growth** (ROE), **lower Leverage** (debt-to-equity ratio) and **lower Risk** (portfolio beta) v/s the benchmark index

# Portfolio Metric – Current Sector and Stock Positioning

| Stock (Top 10)             | % Holding |
|----------------------------|-----------|
| Timken India Ltd.          | 3.46%     |
| Mphasis Ltd.               | 3.29%     |
| Coforge Ltd.               | 3.27%     |
| ABB India Ltd.             | 3.18%     |
| Max Financial Services Ltd | 2.99%     |
| ICICI Bank Ltd.            | 2.94%     |
| Sanofi India Ltd.          | 2.89%     |
| The Federal Bank Ltd.      | 2.86%     |
| Shobha Ltd.                | 2.73%     |
| Ashok Leyland Ltd.         | 2.64%     |

| Top 5 Stocks Overweight #  | % Overweight  |
|----------------------------|---------------|
| Timken India Ltd           | 3.46          |
| ABB India Ltd              | 3.18          |
| ICICI Bank Ltd             | 2.94          |
| Sobha Ltd                  | 2.73          |
| ACC Ltd                    | 2.55          |
| Top 5 Stocks Underweight # | % Underweight |
| Adani Total Gas Ltd        | 3.31          |
| Tata Power Co Ltd          | 2.77          |
| SRF Ltd                    | 2.19          |
| Shriram Transport Finance  | 2.14          |
| AU Small Finance Bank Ltd  | 1.81          |

| Top 3 Sectors Over/Underweight | % Overweight  |
|--------------------------------|---------------|
| Industrials                    | 7.92          |
| Materials                      | 5.21          |
| Information Technology         | 3.23          |
| Top 3 Sectors Underweight      | % Underweight |
| Utilities                      | 8.73          |
| Financials                     | 5.83          |
| Consumer Discretionary         | 2.74          |



## To Summarize

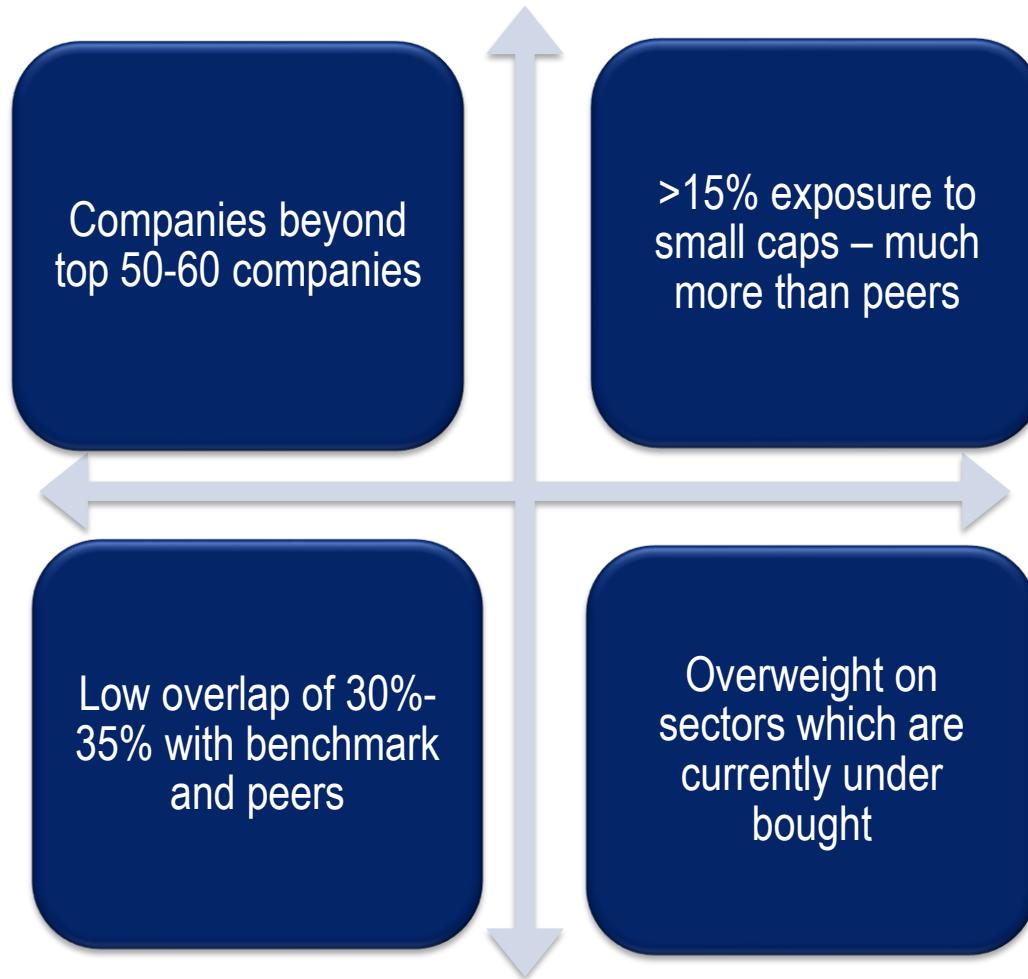
### PGIM India Midcap Opportunities Fund

A quality portfolio with

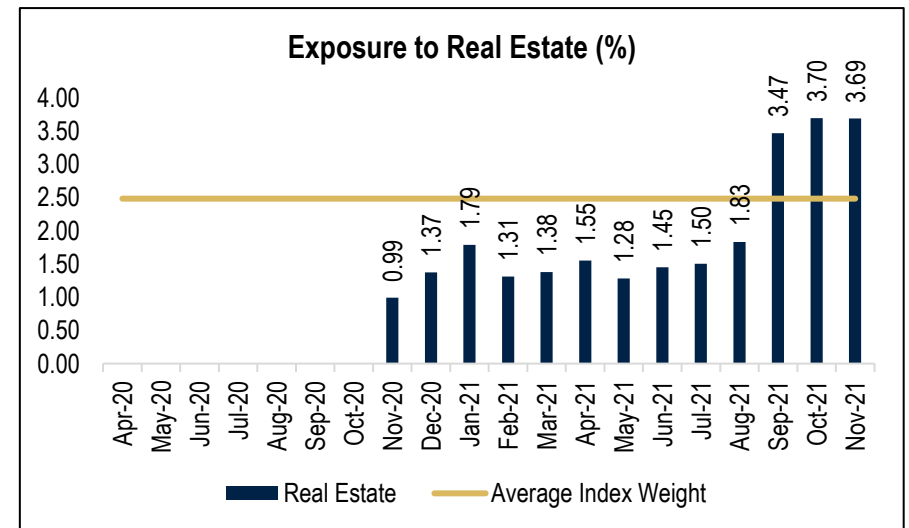
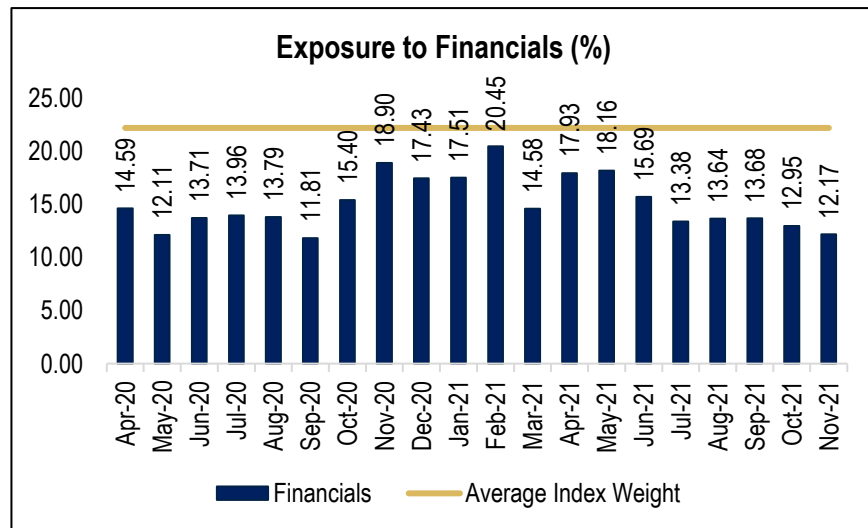
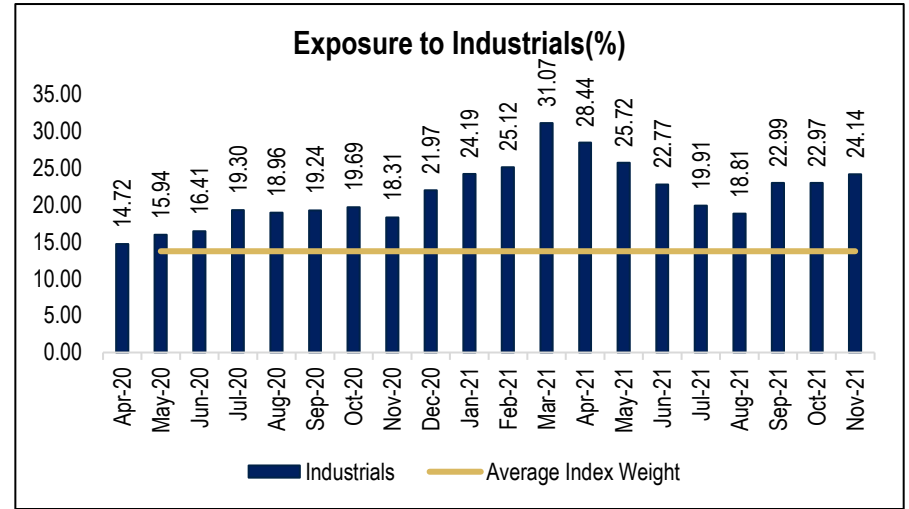
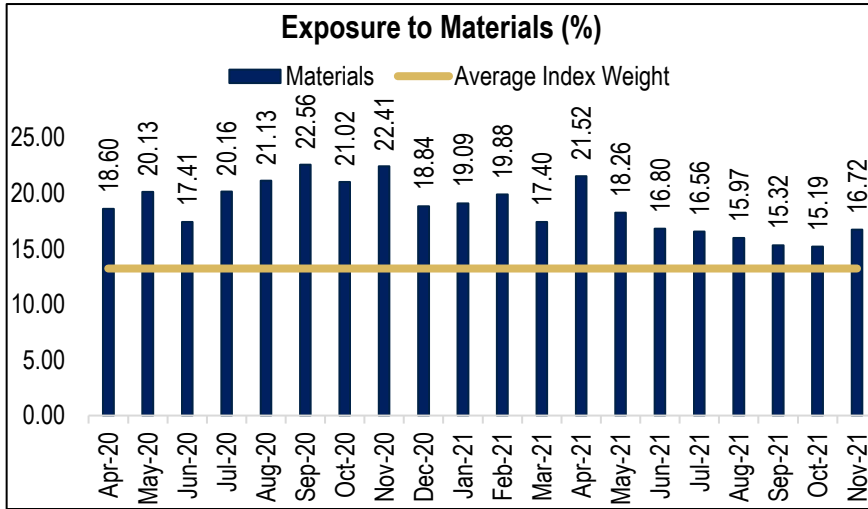
- **Companies with**
    - Respect for capital
    - Sector dominance or able challengers
    - Consolidating industries
    - Solid Financials
  - **Broadly three types of companies**
    - High growth
    - Stable growth
    - Turn around
  - **Characteristics of**
    - Low overlap with the benchmark
    - High ROE
    - Low Debt to Equity Ratio
    - Beta less than 1
-

# **PGIM India Midcap Opportunities Fund – Sources of Alpha**

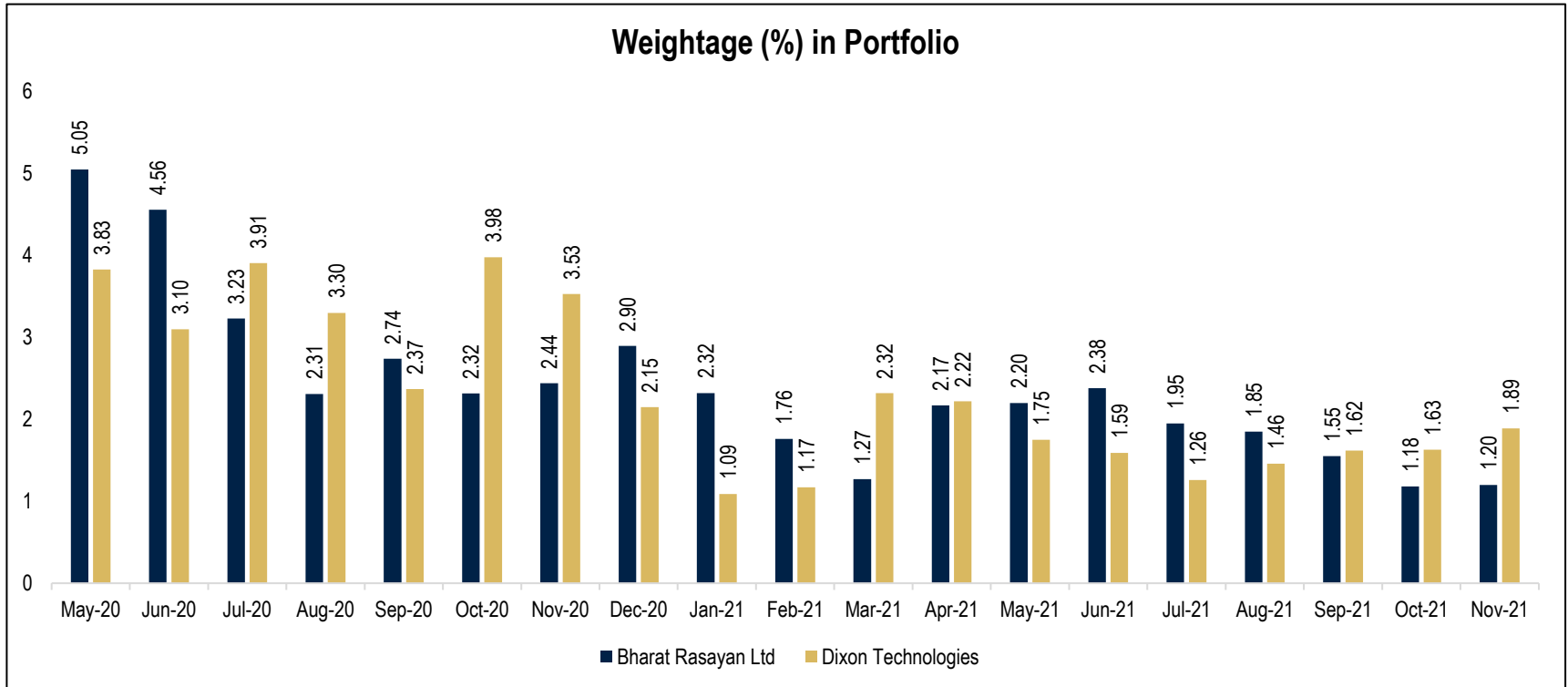
# The story behind our current success – portfolio positioning



# Sources of Alpha – Overweights /Underweights



## Sources of Alpha- Some winners identified early



- Companies have positive Operating Cash Flow (OCF) 70% of the time
- Low Debt/Equity
- No Corporate Governance issues

# Fund Performance

| Performance (CAGR)   | Fund        |               | Nifty Midcap 150 TR Index <sup>^*</sup> |               | Nifty 50 TR Index # |               |
|--|-------------|---------------|---|---------------|---------------------|---------------|
| Period   | Returns (%) | Value (INR) * | Returns (%)                             | Value (INR) * | Returns (%)         | Value (INR) * |
| <b>PGIM India Mid Cap Opportunities Fund(G) – Regular Plan</b> |             |               |   |               |                     |               |
| Last 1 Year  | 65.63       | 16,563.36     | 51.90                                   | 15,189.68     | 32.49               | 13,249.14     |
| Last 3 Years   | 33.89       | 24,021.47     | 20.36                                   | 17,446.51     | 17.40               | 16,188.75     |
| Last 5 Years   | 21.62       | 26,617.92     | 15.95                                   | 20,965.41     | 17.05               | 21,977.77     |
| Since Inception  | 19.73       | 42,220.00     | 19.58                                   | 41,795.02     | 14.78               | 30,123.24     |
| <b>PGIM India Mid Cap Opportunities Fund(G)-Direct Plan</b>    |             |               |   |               |                     |               |
| Last 1 Year  | 68.88       | 16,888.16     | 51.90                                   | 15,189.68     | 32.49               | 13,249.14     |
| Last 3 Years   | 36.20       | 25,284.84     | 20.36                                   | 17,446.51     | 17.40               | 16,188.75     |
| Last 5 Years   | 23.62       | 28,887.04     | 15.95                                   | 20,965.41     | 17.05               | 21,977.77     |
| Since Inception  | 21.18       | 46,510.00     | 19.58                                   | 41,795.02     | 14.78               | 30,123.24     |

Data as on November 30, 2021. **Date of Inception: Regular Plan:** December 02, 2013; **Direct Plan:** December 02, 2013. CAGR – Compounded Annual Growth Rate. <sup>^</sup> Scheme Benchmark. # Standard Benchmark. W.e.f. December 01, 2021, the benchmark of the scheme has been changed from Nifty Midcap 100 TRI Index to NIFTY Midcap 150 TRI. \*Based on standard investment of Rs.10,000 made at the beginning of the relevant period. All the above returns are in CAGR. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Different plans have a different expense structure. Mr. Aniruddha Naha is managing this fund since April 05, 2018 and Mr. Vivek Sharma is co-managing this fund since June 01, 2021 along with Mr. Kunal Jain (Debt Fund manager) since 1<sup>st</sup> December 2021. No other scheme is managed by Vivek Sharma. For fund performance of schemes by other managers, please refer to the next slides.



## Performance of other schemes managed by Aniruddha Naha

| Period                    | Last 1 Year |               | Last 3 Years |               | Last 5 Years |               | Fund Manager Details |                |                              |
|---------------------------|-------------|---------------|--------------|---------------|--------------|---------------|----------------------|----------------|------------------------------|
| Scheme Name               | Scheme (%)  | Benchmark (%) | Scheme (%)   | Benchmark (%) | Scheme (%)   | Benchmark (%) | Benchmark            | Fund Manager   | Managing Since               |
| PGIM India Flexi Cap Fund | 48.60       | 38.09         | 27.34        | 18.46         | 20.42        | 17.01         | Nifty 500            | Aniruddha Naha | April 5 <sup>th</sup> , 2018 |

| Period                             | Last 6 Months |               | Since Inception |               | Fund Manager Details               |                |                                 |
|------------------------------------|---------------|---------------|-----------------|---------------|------------------------------------|----------------|---------------------------------|
| Scheme Name                        | Scheme (%)    | Benchmark (%) | Scheme (%)      | Benchmark (%) | Benchmark                          | Fund Manager   | Managing Since                  |
| PGIM India Balanced Advantage Fund | 6.43          | 6.66          | 12.50           | 10.87         | CRISIL Hybrid 50+50 Moderate Index | Aniruddha Naha | February 4 <sup>th</sup> , 2021 |

Performance as on November 30, 2021. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The above returns are for Regular Plan - Growth Option. All the above returns are in CAGR – Compounded Annual Growth Rate. Different plans have a different expense structure.

Mr. Aniruddha Naha is managing 4 schemes of PGIM India Mutual Fund. PGIM India Flexi cap fund is co-managed with Anandha Padmanabhan Anjeneyan (Equity portion) and Ravi Adukia (Overseas Investment) and Mr. Puneet Pal (Debt portion w.e.f. 01 December 2021). Returns for PGIM India Small Cap Fund are not provided, as the scheme has not completed 6 months of performance. PGIM India Balanced Advantage Fund returns for less than 6 months are Simple Annualised Returns and is co-managed by Mr. Hitash Dang (Equity Portion), Puneet Pal (Debt Portion w.e.f 01 December 2021) and Mr. Ravi Adukia (Overseas Investment).

On account of the difference in the features of the schemes, the performance of these schemes is not strictly comparable. . Please refer to [www.pgimindiamf.com](http://www.pgimindiamf.com) for details on performance of all schemes including direct plans.

## Performance of other schemes managed by Kunal Jain

| Period | Last 1 Year |            | Last 3 Years   |            | Last 5 Years   |            | Fund Manager Details |                |
|--------|-------------|------------|----------------|------------|----------------|------------|----------------------|----------------|
|        | Scheme Name | Scheme (%) | Benchmark* (%) | Scheme (%) | Benchmark* (%) | Scheme (%) |                      | Benchmark* (%) |

### Top 3 performing schemes -

|                                  |       |       |       |       |       |       |  |                  |
|----------------------------------|-------|-------|-------|-------|-------|-------|--|------------------|
| PGIM India Hybrid Equity Fund    | 28.18 | 24.34 | 14.00 | 15.94 | 10.85 | 14.14 | CRISIL Hybrid 35+65 - Aggressive Index | 01 December 2021 |
| PGIM India Low Duration Fund     | 3.31  | 4.18  | -1.30 | 6.91  | 20.42 | 6.94  | CRISIL Low Duration Debt Index         | 01 December 2021 |
| PGIM India Ultra Short Term Fund | 3.27  | 4.13  | 7.75  | 6.20  | 7.74  | 6.61  | CRISIL Ultra Short Term Debt Index     | 01 January 2018  |

## Performance of other schemes managed by Kunal Jain

| Period      | Last 1 Year |                | Last 3 Years |                | Last 5 Years |                |            | Fund Manager Details |
|-------------|-------------|----------------|--------------|----------------|--------------|----------------|------------|----------------------|
| Scheme Name | Scheme (%)  | Benchmark* (%) | Scheme (%)   | Benchmark* (%) | Scheme (%)   | Benchmark* (%) | Benchmark* | Managing Since       |

### **Bottom 3 performing schemes -**

|                              |      |      |      |      |      |      |                                |                 |
|------------------------------|------|------|------|------|------|------|--------------------------------|-----------------|
| PGIM India Insta Cash Fund   | 3.21 | 3.57 | 4.84 | 5.14 | 5.70 | 5.89 | CRISIL Liquid Fund Index       | 01 January 2018 |
| PGIM India Overnight Fund    | 3.15 | 3.25 | N.A. | N.A. | N.A. | N.A. | NIFTY 1D Rate Index            | 01 January 2018 |
| PGIM India Money Market Fund | 2.83 | 4.01 | N.A. | N.A. | N.A. | N.A. | CRISIL Money Market Fund Index | 01 March 2020   |

Mr. Kunal Jain manages 8 schemes of PGIM India Mutual Fund as on 01 December 2021

Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The above mentioned earlier are for Regular Plan - Growth Option. Above returns are in CAGR – Compounded Annual Growth Rate. Different plans have a different expense structure.

Mr. Ankit Shah is managing 5 schemes of PGIM India Mutual Fund as on 01, December 2021.

PGIM India Hybrid Equity Fund is co-managed by Alok Agrawal & Ravi Adukia

PGIM India Low Duration Fund, PGIM India Insta Cash fund, PGIM India Money Market Fund, PGIM India Overnight Fund, PGIM India Ultra Short-term fund is co-managed by Ankit Shah

Above Performances are as on November 30, 2021

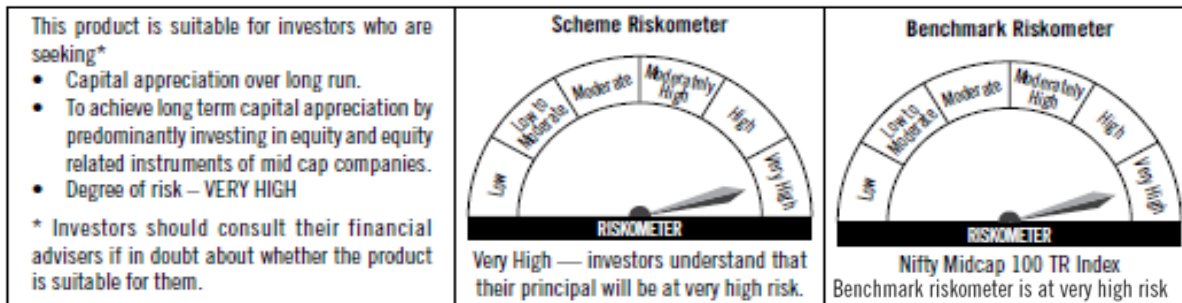
## Fund Facts

| Scheme Name          | PGIM India Midcap Opportunities Fund   |
|----------------------|--|
| Type of scheme       | Mid Cap Fund - An open - ended equity scheme predominantly investing in mid cap stocks   |
| Investment objective | The primary objective of the Scheme is to achieve long-term capital appreciation by predominantly investing in equity & equity related instruments of mid cap companies.   |
| Plan / Options       | IDCW** (Payout of Income Distribution cum Capital Withdrawal option / Reinvestment of Income Distribution cum Capital Withdrawal option) and Growth.   |
| Exit Load            | 10% of the units allotted may be redeemed/switched-out to debt schemes/PGIM India Arbitrage Fund without any exit load within 90 days from the date of allotment of units; Any redemptions/switch-outs in excess of the abovementioned limit would be subject to an exit load of 0.50%, if the units are redeemed/switched-out to debt schemes/PGIM India Arbitrage Fund within 90 days from the date of allotment of units; Nil - If the units are redeemed/switched-out after 90 days from the date of allotment of units. No exit load will be charged for switches and STP between any open-ended equity schemes, hybrid schemes (except PGIM India Arbitrage Fund) and fund of funds schemes. |
| Fund Manager         | Mr. Aniruddha Naha<br>Mr. Vivek Sharma<br>Mr. Kunal Jain (w.e.f. 01 December 2021)   |
| Benchmark Index      | Nifty Midcap 150 TR Index (W.e.f. December 01, 2021, the benchmark of the scheme has been changed from Nifty Midcap 100 TRI Index to NIFTY Midcap 150 TRI).  |

\*\*Income Distribution cum Capital Withdrawal option

# Riskometer and Important Disclosures

## PGIM India Midcap Opportunities Fund (An open-ended equity scheme predominantly investing in mid cap stocks)



W.e.f December 01, 2021, the benchmark of the scheme has been changed from Nifty Midcap 100 TR Index to NIFTY Midcap 150 TRI.

**AUM Breakup:** Asset class wise disclosure of AAUM: AUM as on **June 30, 2021** (Rs in Crores): Income: 1,473.23, Equity Other than ELSS: 3,670.66, Balanced: 0.00, Liquid: 782.42, Gilt: 132.38, Equity ELSS: 359.44, Hybrid: 1,117.35, GOLD ETF: 0.00, Other ETF: 0.00, Fund of Fund Investing Overseas: 1,524.29, Total: 9,059.75; Average AUM for the month: Income: 1,539.34, Equity Other than ELSS: 2,861.28, Balanced: 0.00, Liquid: 1,002.65, Gilt: 125.49, Equity ELSS: 356.52, Hybrid: 951.88, GOLD ETF: 0.00, Other ETF: 0.00, Fund of Fund Investing Overseas: 1,273.05, Total: 8,110.22; Disclosure of percentage of AUM by geography: % of Total AUM as on June 30, 2021: Top 5 cities: 50.15%, Next 10 cities: 16.73%, Next 20 cities: 4.89%, Next 75 cities: 28.24%, Other: 0.00%, Total: 100.00%; Disclosure of AUM by Service Category: AUM as on June 30, 2021 (Rs. in Crores): Mutual Funds: 9,060.00, PMS: 128.00, Advisory: 2,338.00, Total: 11,526.00.

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Dated: December 21, 2021

C254/2021-22