



# PGIM

India Mutual Fund

## Where stability leads and growth follows

Introducing

**PGIM INDIA**

**LARGE AND MID CAP FUND**

(Large and Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks.)

NFO Opens: 24<sup>th</sup> January, 2024

NFO Closes: 7<sup>th</sup> February, 2024



“

“The single greatest edge an investor can have is a long-term orientation”

- Seth Klarman

”

“

“Be fearful when others are greedy and to be greedy only when others are fearful.”

- Warren Buffet

”



## Large & Mid Cap: Worthwhile addition to your core portfolio



**PGIM**  
India Mutual Fund



**Risk-Adjusted Returns:** Large & Mid Cap have provided above average risk-adjusted returns historically as compared to Large Caps.

**Addition to the Core Portfolio:** Large & Mid Caps provide the combination of stability through Large Caps and growth through Mid Caps.



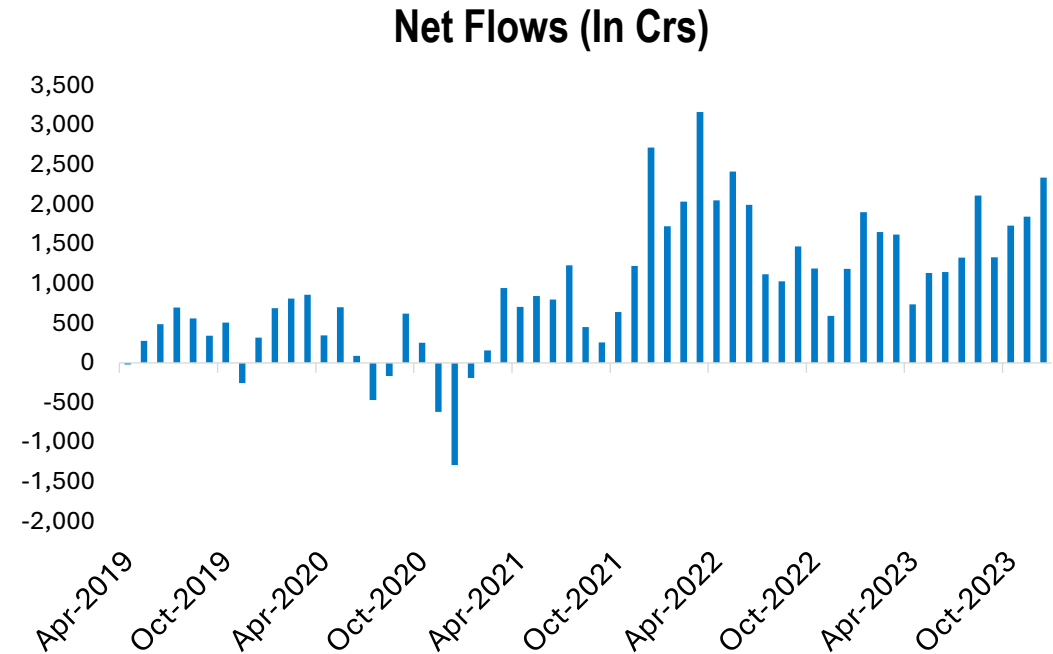
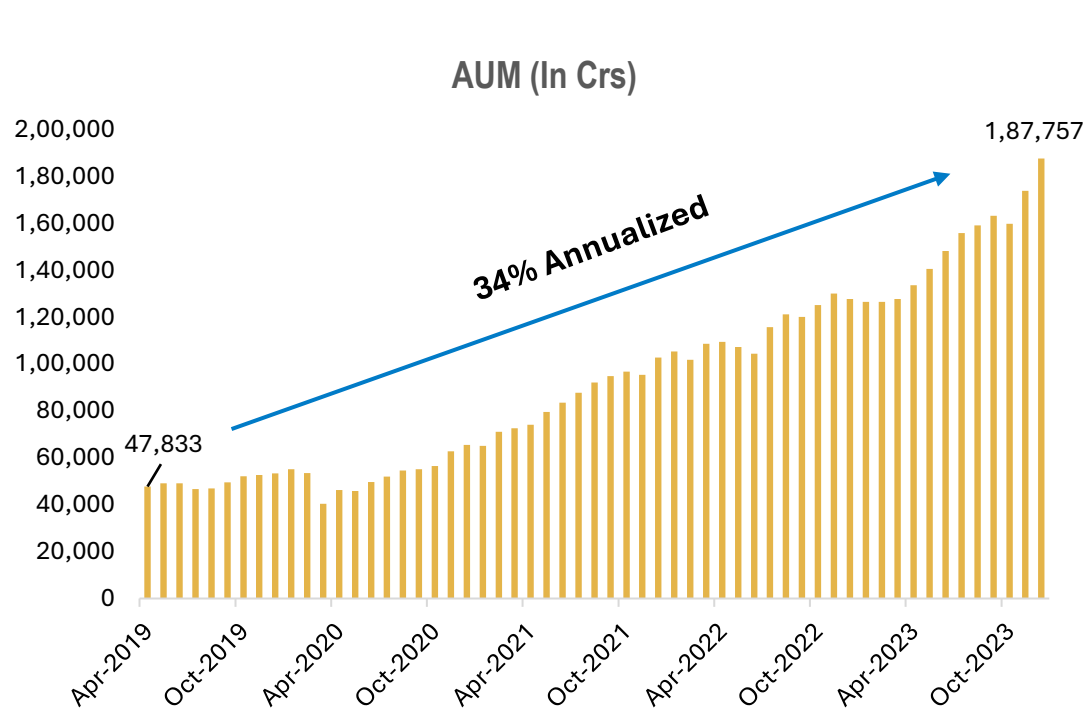
**Sector Coverage:** Achieves balance between established and new age faster growing segments of the market.

**Active Management:** Fund manager can overweight/underweight Large, and Mid Caps based on his views.



**Efficient way to participate in Large & Mid Caps:** Investors may face tax & added cost implications by rebalancing the portfolio themselves.

# Remarkable growth in AUM & steady net flows: Large & Mid Cap Category



- There are in total 26 actively managed schemes in the Large & Mid Cap category.
- The AUM in the category has grown almost ~4x since April 2019
- Investors have been attracted to the Large and Mid Cap category as it provides exposure to mid-caps without the risk of pure mid-caps.

# What is a Large and Mid Cap Fund ?

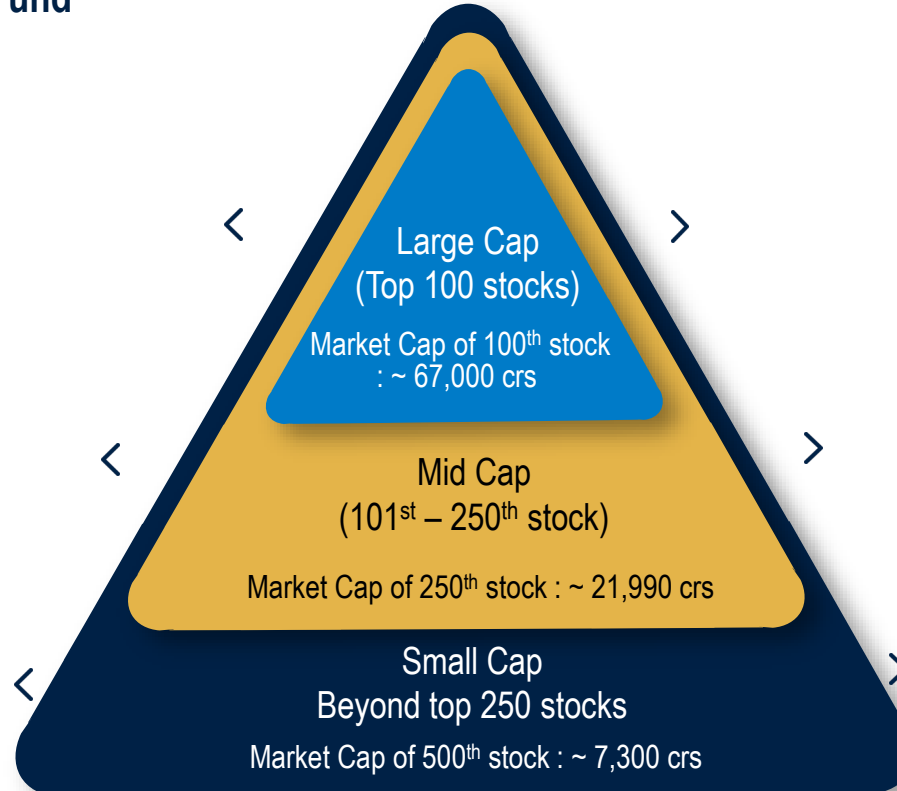
Combination of Large Caps & Mid Caps to provide a portfolio of established as well as emerging companies

## SEBI Categorization of Large & Mid Cap Fund

Large Cap  $\geq 35\%$  and  $\leq 65\%$

Mid Cap  $\geq 35\%$  and  $\leq 65\%$

Small Cap/Debt/Cash :  $\geq 0\%$  and  $\leq 30\%$



## Characteristics

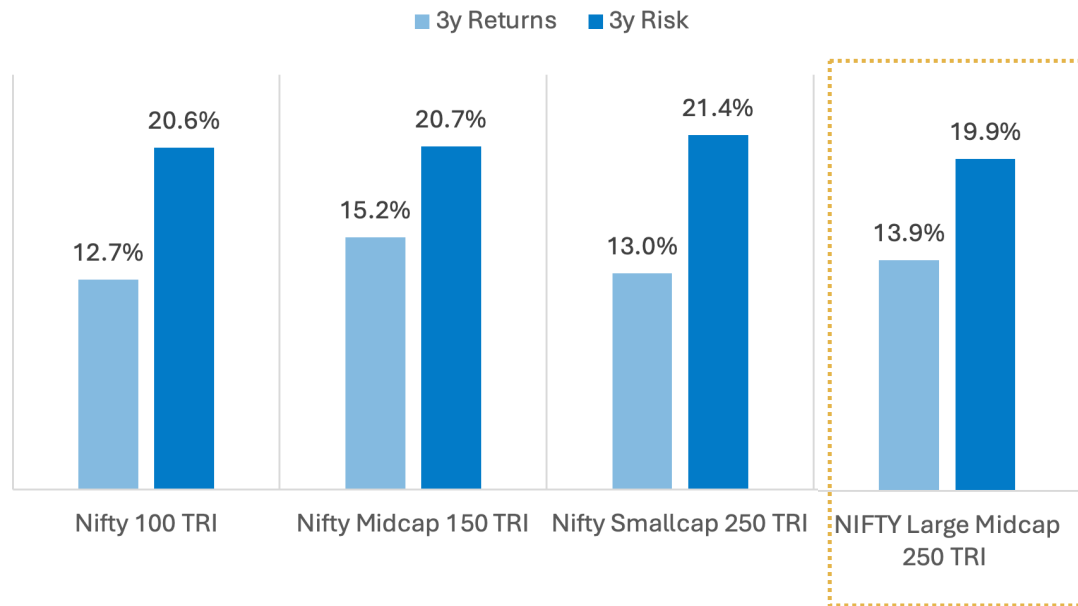
- Well researched companies
- Relatively matured businesses, expectation of stable performance over long term
- Trend of big getting bigger

- Scope to choose leaders of tomorrow
- Provides blend of both scalability and matured business opportunity
- Leaders in certain sub-segments, where no Large Cap is present e.g. auto ancillaries

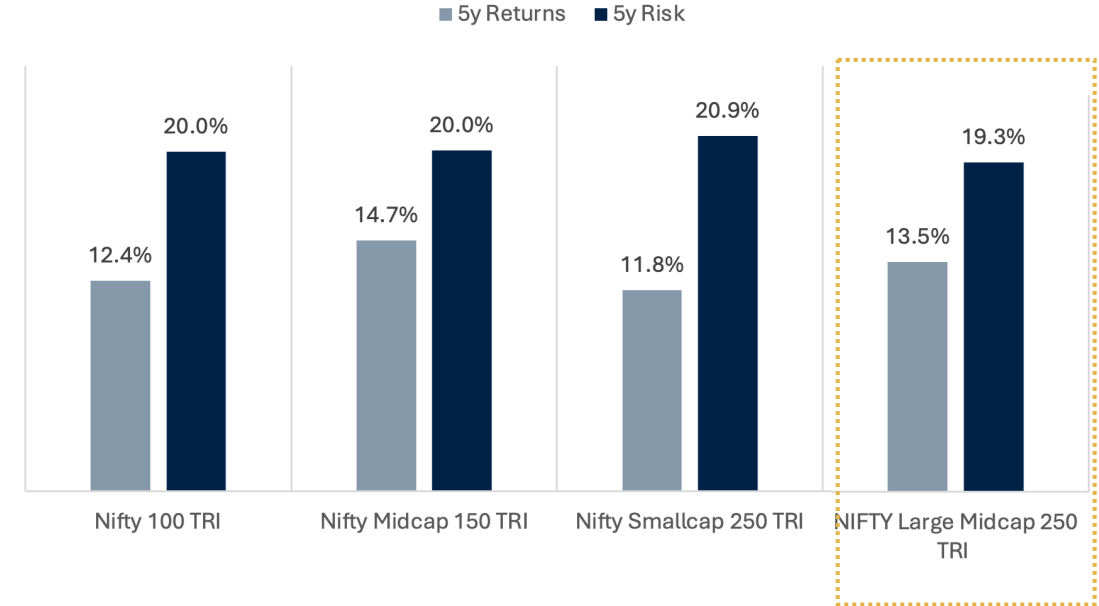
- Growth delta can be higher comparatively
- Niche areas or sunrise opportunities in certain sectors
- Higher volatility can be expected

# Why a Large and Mid Cap Fund?

## 3y Rolling Returns & Risk



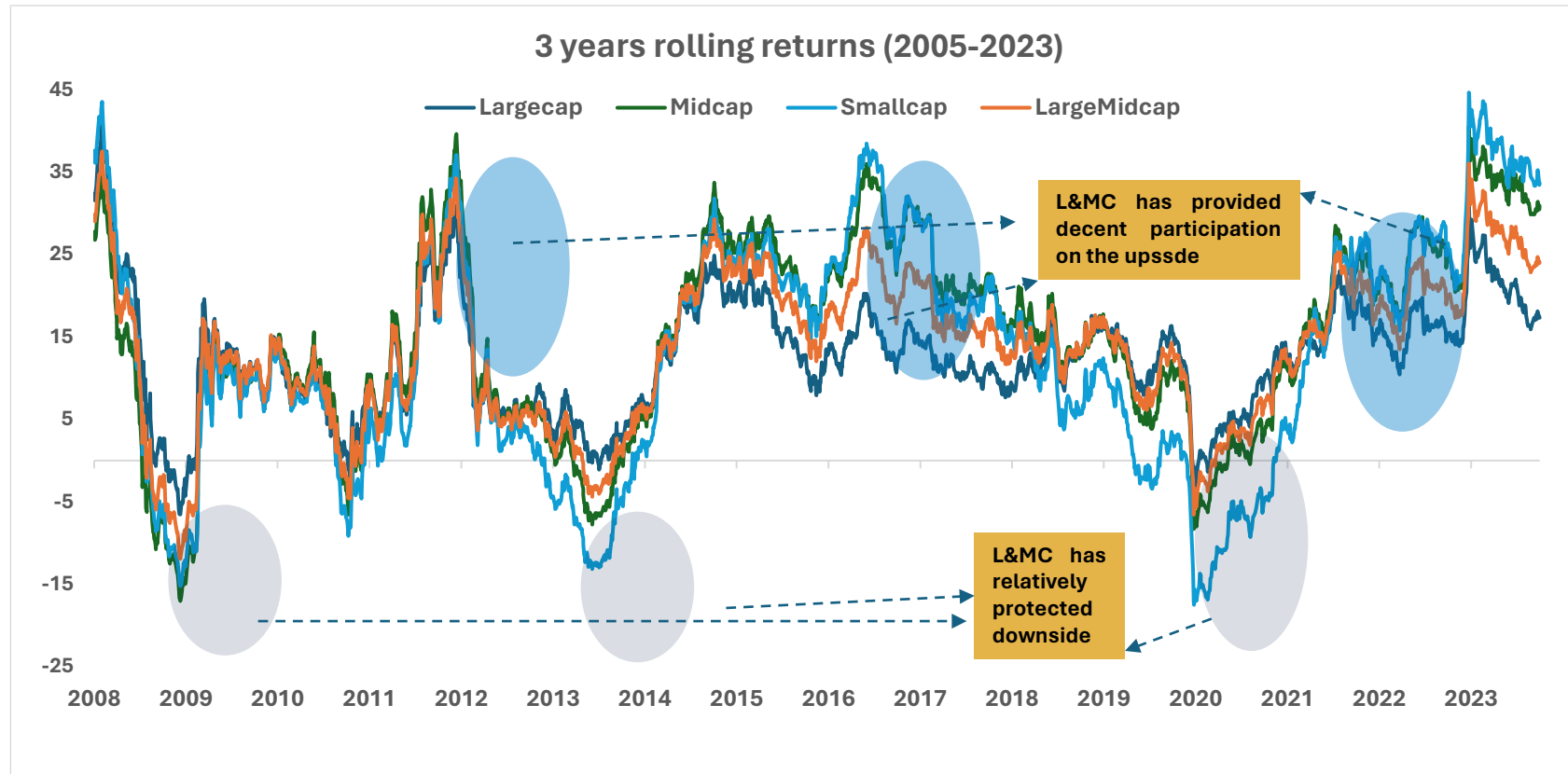
## 5y Rolling Returns & Risk



- Large & Mid Caps have generated decent returns, at relatively lesser volatility than Large Caps.
- On a risk-adjusted basis, Large & Mid Caps can be viable option for long-term investors.

# Largemidcaps can be a 'Core Holding' in the investor's portfolio

The combination of Large and Mid Caps present a blend of both the worlds, making them suitable as a core holding in investors' portfolio



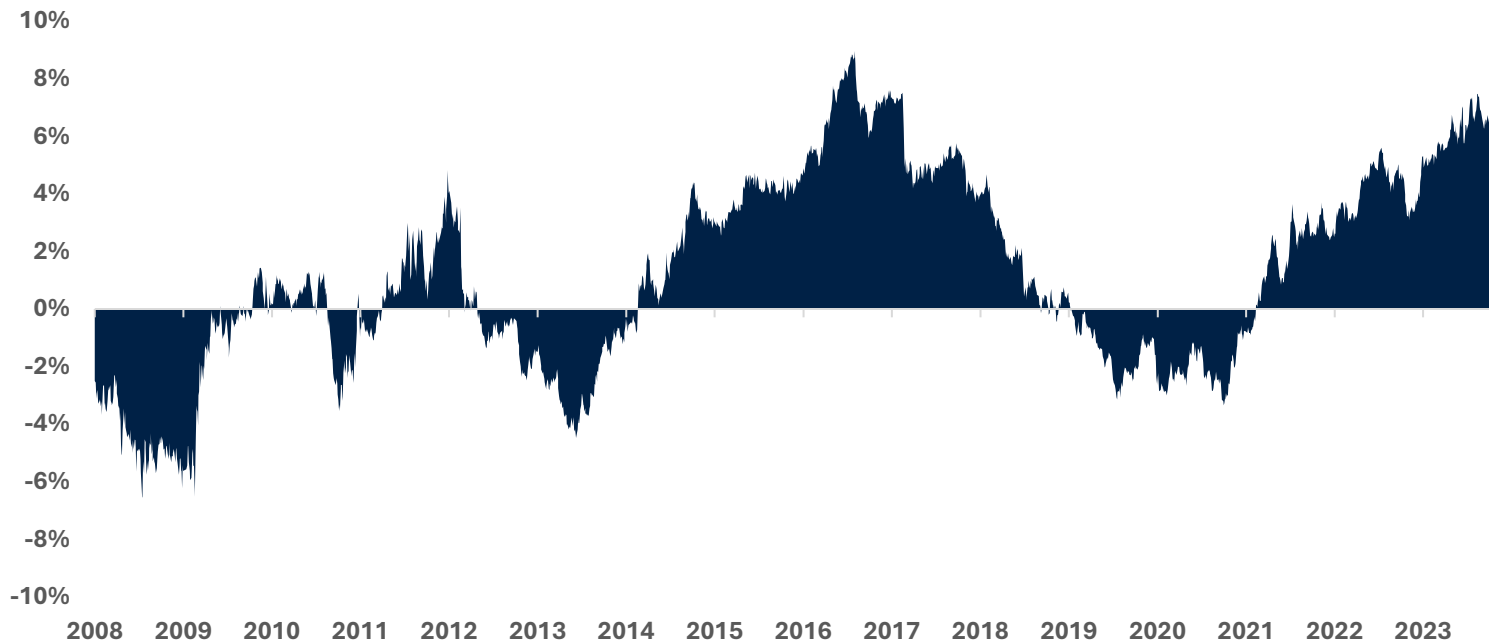
- Large and mid Caps have provided relative downside protection of Large Caps and upside participation of Mid and Small Caps over the long term in the past.

# Large & Mid Caps can be a viable option for 1st time equity investor



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Relative Performance of Large & Mid Caps Over Large Cap (3 years rolling returns 2005-2023)



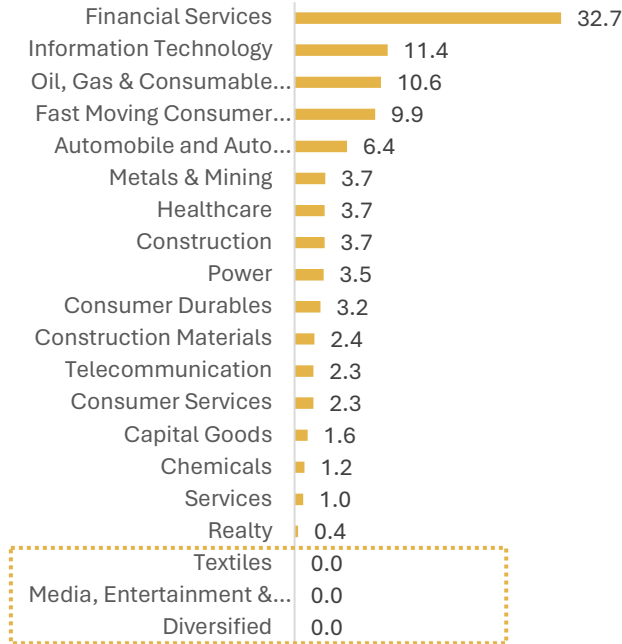
Large & Mid Caps have relatively outperformed Large Caps around 60% of the time, on a 3 years rolling basis since 2005

- Large and mid Caps can be a viable option for first-time equity investors
- The average outperformance has been +3.4% and the average underperformance has been -2.1%.
- Large & Mid Caps have provided participation on the upside in general, while at that same time, not added significantly to drawdowns.

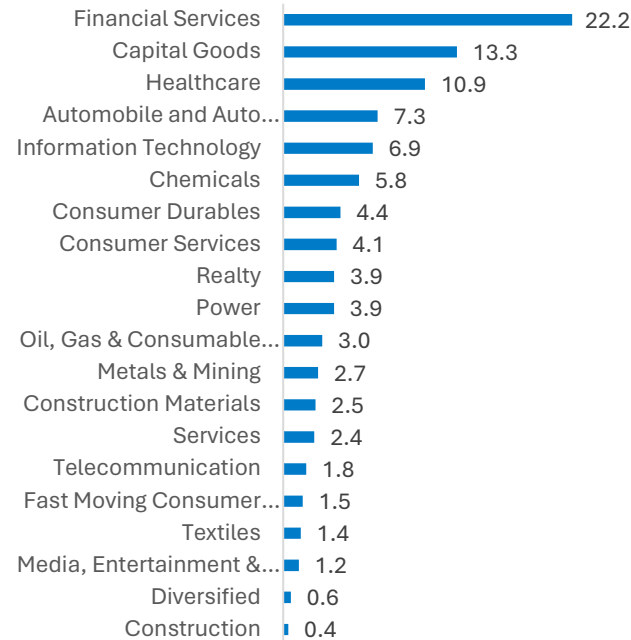


# Large and Mid Cap can provide ideal levels of diversification at sectoral level

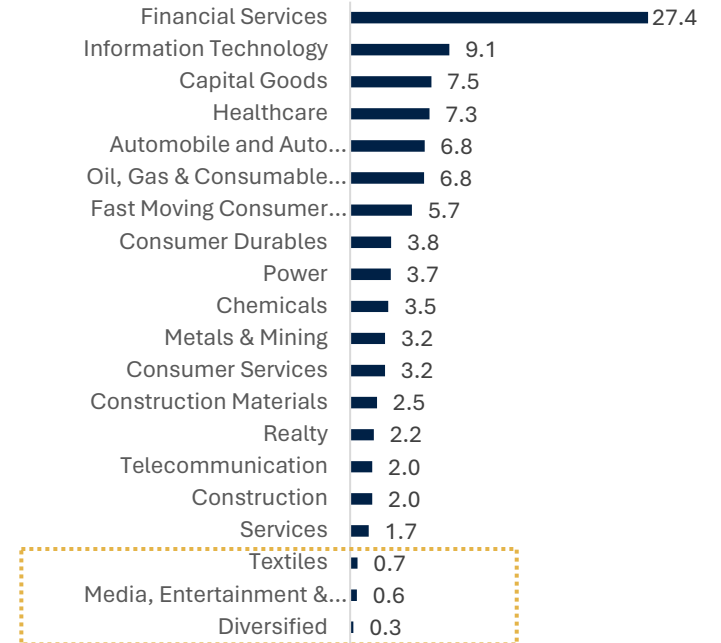
### NIFTY 100



### NIFTY Mid Cap 150

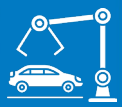


### NIFTY Large & Mid Cap 250

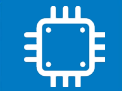


- LargeMid Caps have fair exposure to both established sectors as well as balanced exposure to promising or new-age sectors.
- Large and Mid Caps combined offers sector and stock diversification as compared to only Large Caps.
- Sectors like FMCG exhibit notable variations in weight between large cap (10%), and midcap (1.3%) whereas large & midcaps have balanced exposure of 5.6% similar observations can be made for healthcare and capital goods
- Large and mid Cap combined have a good stock universe to select from in sectors like Automobile & Auto Ancillaries, Financial services, Capital goods, etc.

## Beyond Large Caps: Themes/Sectors with significant presence in Mid Caps



**Auto Ancillaries:** The auto ancillary market is a critical and integral segment of the Indian automotive industry. The sector is poised for growth due to increasing content per vehicle, import substitution, adoption of new regulatory measures and advancements in technology and rising export opportunities.



**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: Footwear, Clothing brands, Food & Retail chain.



**New Age Fintech Companies:** With increasing credit growth, flourishing Capital markets & rising per Capita income, new age non lending companies are poised for substantial growth.



**Industrial & Capital Goods:** India is witnessing a sharp surge of public and private sector Capex after years of limited investment. The varied niche themes benefiting from this Capex cycle can be played through diverse set of companies in this sector.



**Affordable Housing:** Housing & Real estate lending 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.



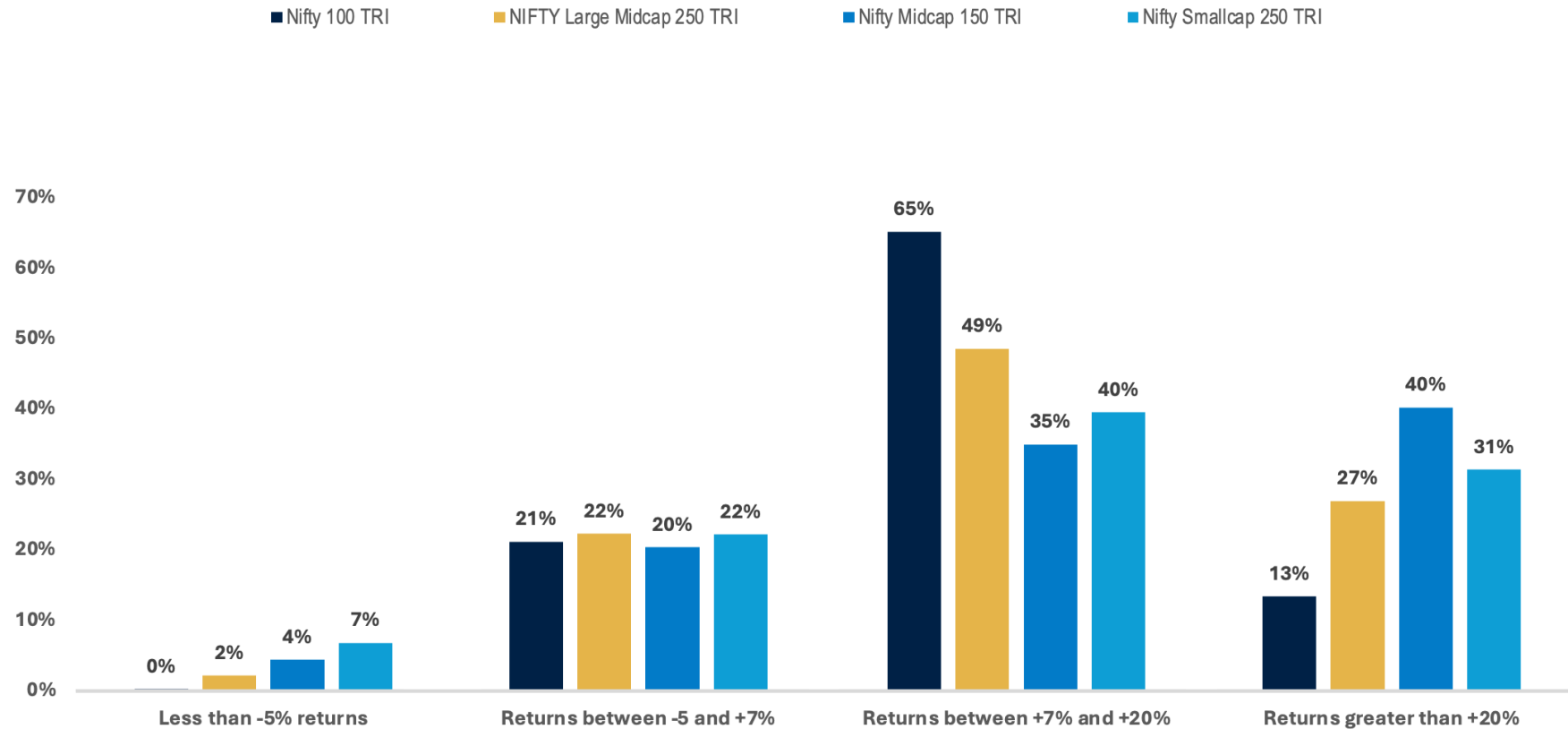
**Chemicals:** The sector is seeing a lot of vibrancy in terms of growth and profitability as China clamps down on pollution. Lots of business is flowing to India.



**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.

# Rolling Returns Comparison across market caps

### Dispersion of Returns (3 years Rolling CAGR, 2005-2023)



Source : MFIE ICRA ; Data for period 01-Apr-2005 to 31-Dec-2023. 250 trading days are considered in one year. Past performance may or may not be sustained in the future

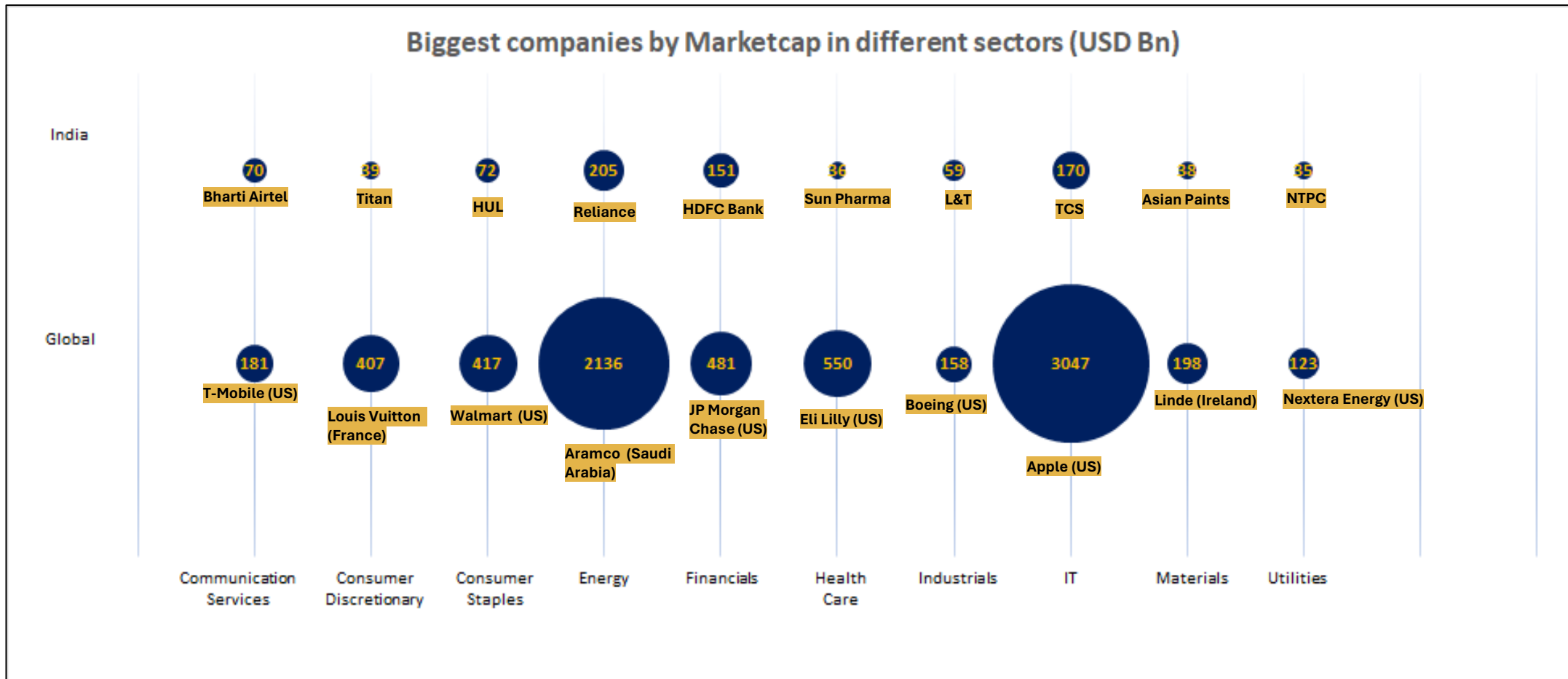
# Large Caps: Big has become bigger – Transition in market capitalization

Top Company	2010 Market Cap (In Crs)	Top Company	2023 Market Cap (In Crs)
<b>Financials</b>			
State Bank	1,90,004	HDFC Bank Ltd	12,97,405
<b>Energy</b>			
Reliance Industries	3,22,525	Reliance Industries	17,48,896
<b>Industrials</b>			
Larsen & Toubro	1,18,525	Larsen & Toubro	4,84,666
<b>Materials</b>			
NMDC Ltd	96,719	Asian Paints Ltd	3,26,357
<b>Information Technology</b>			
Tata Consultancy	2,10,596	Tata Consultancy	13,72,485
<b>Utilities</b>			
NTPC Ltd	1,51,716	NTPC Ltd	3,01,712
<b>Consumer Discretionary</b>			
Tata Motors Ltd	72,239	Maruti Suzuki	3,23,909
<b>Consumer Staples</b>			
ITC Ltd	1,32,344	Hindustan Unilever	6,25,919

- Almost all sectors have seen market cap expansion on the back of growth in the Indian economy in the last decade
- The top companies within a sector a decade back may change
- Most of the top sectors are expected to contribute to the growth of the Indian economy
- A diversified pick among these top sectors provides a good probability of market cap expansion over the longer term

# Top Companies in India & Globally – Scope for Growth

Even the Largest companies in India are relatively smaller than the companies at global scale, indicating room for expansion and growth, as Indian economy expands



Source: Bloomberg; Data as of November 30, 2023. Bubble size represents market cap. The stocks/sectors mentioned may or may not be part of this portfolio. This should not be construed as an investment advice.

## Global Ranking of Indian Large Caps

*Indian Large Cap companies are relatively small on a global scale.*

Ranking	Company Name
56	Reliance Industries
73	TCS
85	HDFC Bank
206	HUL
207	Bharti Airtel
211	L&T
217	Titan
218	Asian Paints
220	Sun Pharma
221	NTPC

- Reliance, TCS & HDFC Bank are ranked below 100 showcasing India's prowess on the international stage.
- Beyond these frontrunners, there is a diverse representation of Indian Large Caps beyond the 200<sup>th</sup> rank.
- Approximately 21 Indian companies are among the top 500 companies across the globe.

# Winners Keep Changing Across Different Capitalizations

CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
LC 40.2%	SC 97.4%	LC -53.1%	SC 117.4%	MC 20.1%	LC -24.9%	MC 46.7%	LC 7.9%	SC 71.7%	SC 11.3%	MC 6.5%	SC 58.5%	LC 2.6%	LC 11.8%	SC 26.5%	SC 63.3%	LC 4.9%	SC 49.1%
LMC 33.2%	MC 78.2%	LMC -59.9%	MC 113.9%	LC 19.3%	LMC -28.0%	SC 40.4%	LMC 3.4%	MC 62.7%	MC 9.7%	LMC 6.0%	MC 55.7%	LMC -5.2%	LMC 6.0%	MC 25.6%	MC 48.2%	LMC 4.5%	MC 44.6%
SC 32.9%	LMC 71.5%	MC -64.9%	LMC 100.1%	SC 17.6%	SC -31.0%	LMC 39.1%	MC -1.3%	LMC 48.4%	LMC 4.1%	LC 5.0%	LMC 44.1%	MC -12.6%	MC 0.6%	LMC 20.9%	LMC 37.0%	MC 3.9%	LMC 32.7%
MC 28.5%	LC 59.5%	SC -68.6%	LC 84.9%	LMC 17.2%	MC -35.1%	LC 32.5%	SC -6.4%	LC 34.9%	LC -1.3%	SC 1.4%	LC 32.9%	SC -26.1%	SC -7.3%	LC 16.1%	LC 26.4%	SC -2.6%	LC 21.2%

## Particulars

## Returns (Dec'05 to Dec'23)

## SI Risk (Dec'05 to Dec'23)

Large Cap	14.4%	21.5%
Mid Cap	17.3%	21.3%
Small Cap	15.3%	21.7%
Large & Mid Cap	15.8%	20.7%

- As per calendar-year returns above, Large & Mid Cap has never been in the 1<sup>st</sup> rank. Conversely barring 2010, it has never been in the 4<sup>th</sup> rank either.
- An active Large & Mid Cap fund may switch between different Caps within regulatory limits.
- Thus, stock selection can have a role to play over the long term and scope for active management remains.
- Investor can do the rebalancing themselves or through their advisors, however there may be taxation and cost impact, which needs to be considered over the longer term
- Since the year 2006, Large and mid-cap has generated better returns with relatively less amount of risk of Large Caps



# Presenting, PGIM India Large & Mid Cap Fund





# How is the Portfolio positioned ?

## PGIM India Large & MidCap Fund

Domestic Large Cap Companies

More stable & mature investments

$\geq 35\%$  and  $\leq 65\%$

Domestic Mid Cap Companies

Opportunity to pick growing companies

$\geq 35\%$  and  $\leq 65\%$

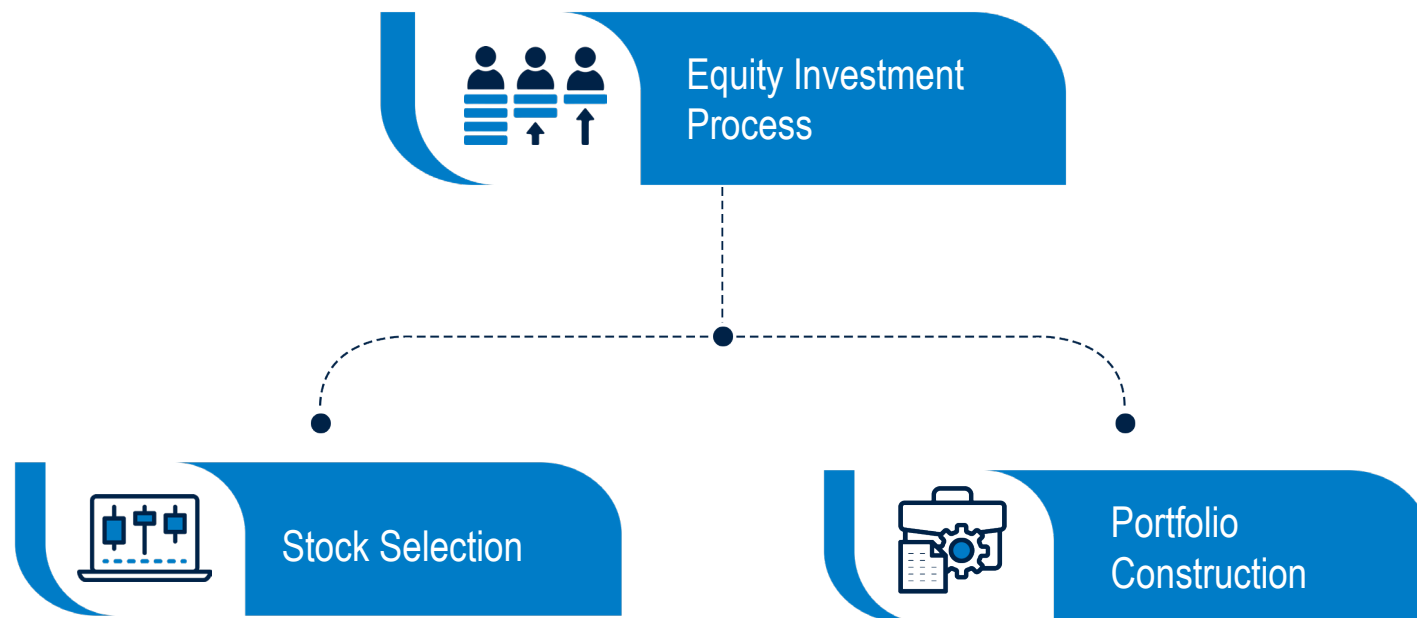
Domestic Equity & Equity related / Debt related securities

A mix of both, approach to potential market opportunities

$>0\%$  and  $\leq 30\%$

Investment Process & Framework

Our investment process is based on the following pillars:



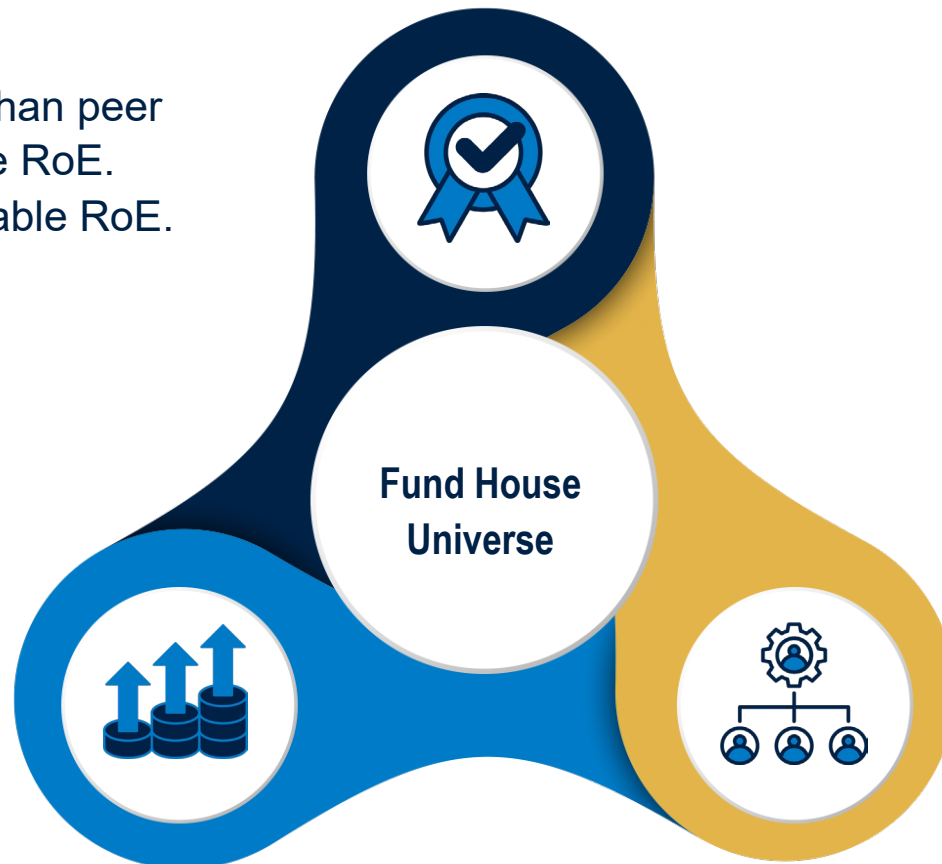
- The starting point for our fund house universe will be all companies with market Cap greater than Rs.1,000 crores (including any IPOs).
- There are more than 1,000 companies with market Capitalization greater than Rs 1000 crores\*.

### Quality:

- Higher than peer average RoE.
- Sustainable RoE.

### Growth:

- Higher than peer group growth in earnings.
- Sustainable earnings growth.

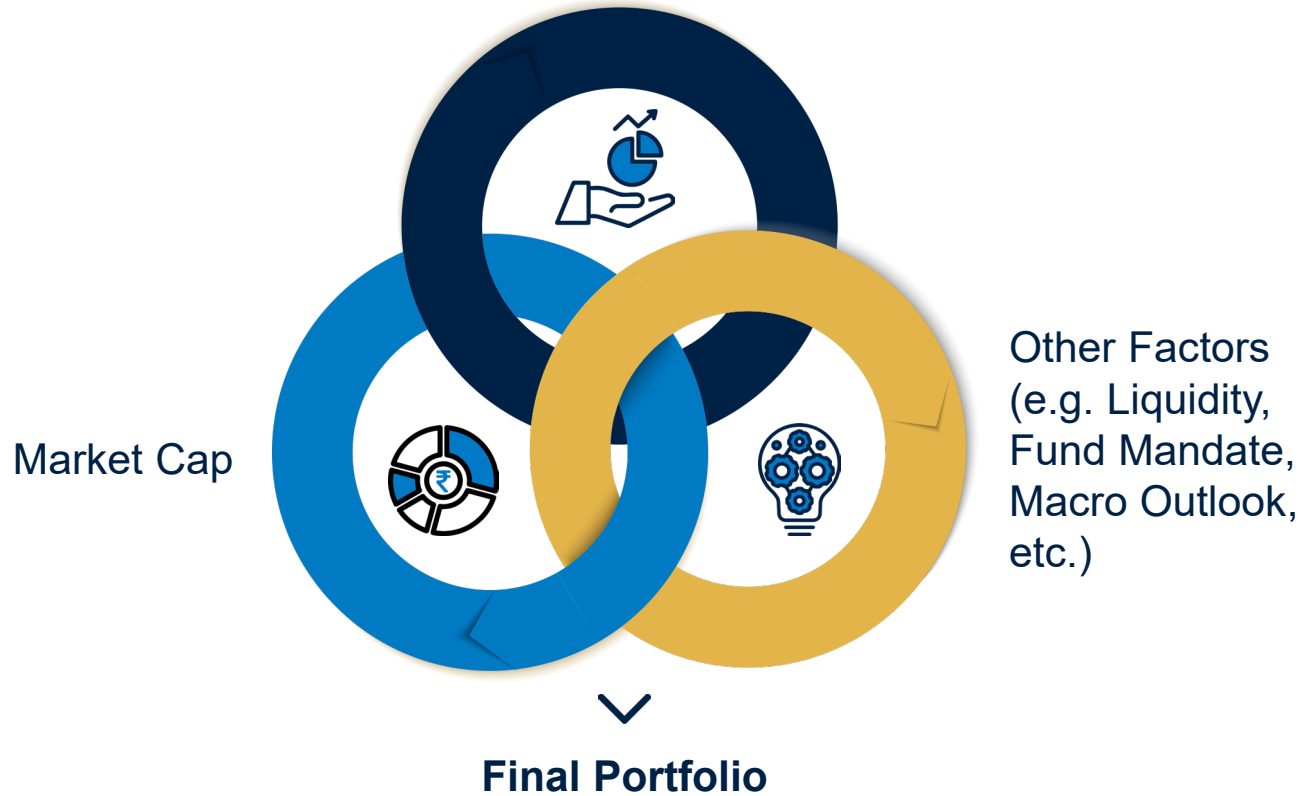


### Management:

- Good quality management.
- Good Capital allocation track record.
- Operating cash flow positive in  
7 out of 10 years  
(ex financials) (In companies with less than 10 years of data available, at least 70% of the years should have generated positive operating cash flows).

Fund House Universe  
(Around 160-200 Stocks)

Valuation



## Portfolio Construction Principles

Diversification



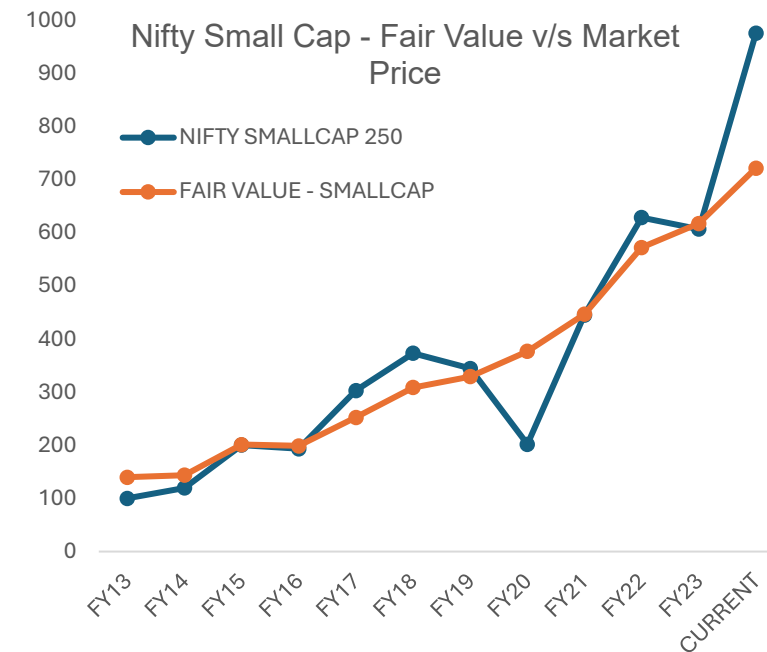
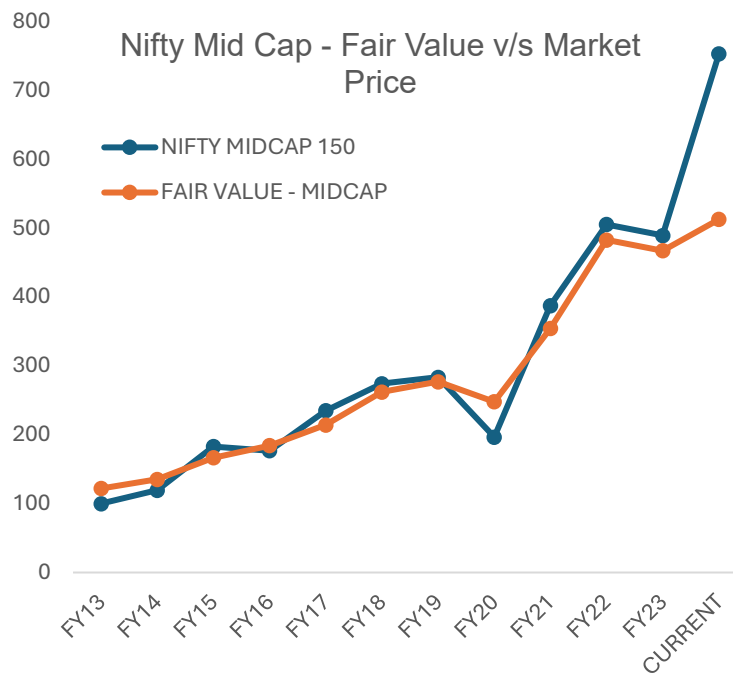
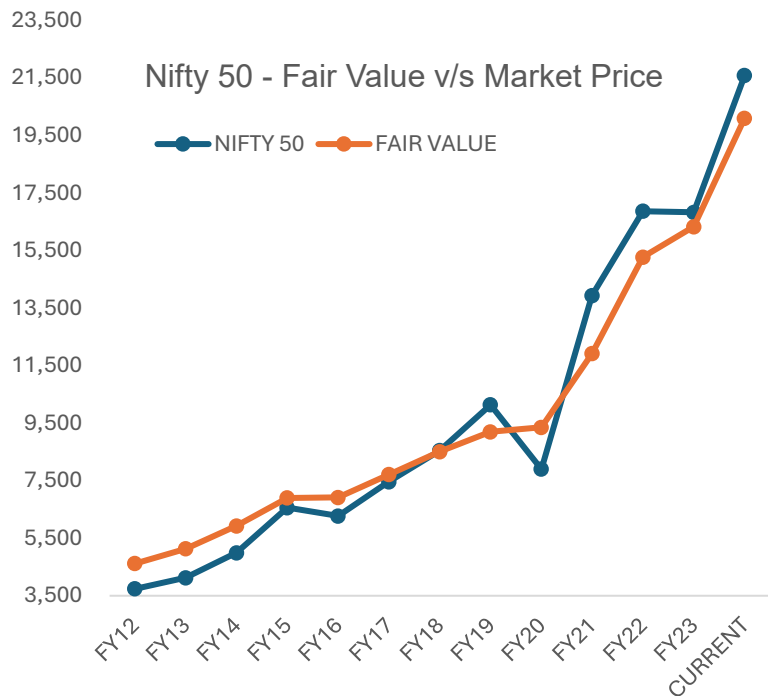
High Active Share



True to mandate



# Valuations: Large Cap (Fair) Small & Mid Caps (Expensive)



- Large Cap companies are trading at a reasonable valuation.
- Mid and Small Cap companies are trading at significantly higher than their Fair Values.

Source: Bloomberg, PGIM AMC Internal Analysis, as on 3<sup>rd</sup> January 2024. Large Cap – Nifty 50, Mid Cap – Nifty MidCap 150, Small Cap – Nifty Small Cap 250 Fair Value is a proprietary approach to ascertain the value or worthiness of a company. This is based on drivers like core book value and EPS and is assigned a multiple based on factors like ROE, growth prevailing interest rates and assessment of the riskiness of the business. This is compared with the prevailing valuation based on market prices to arrive at premium/discount views internally.

## Sector-wise decomposition of Returns

Sector	Share price growth	EPS growth	Change in P/E*
Auto Ancillaries	57%	16%	42%
Auto OEM	65%	41%	25%
Chemicals	31%	-10%	42%
Speciality Chemicals	7%	-6%	13%
Cement	22%	12%	12%
PVT Capital Goods	105%	63%	36%
PSU Capital Goods	121%	13%	108%
Consumer Discretionary	22%	10%	12%
FMCG	25%	11%	14%
Real Estate	83%	103%	-19%
Building Material	48%	19%	22%
Healthcare services	47%	17%	31%
Pharma	45%	20%	23%

Source: ACE Equity, PGIM AMC Internal Analysis. Data as of 30-Sep-23. Auto OEM represents Auto original equipment manufacturer. Trailing 12-month period is considered in the calculation. The industry classification is based on PGIM India's internal classification. Top 500 companies are considered in the analysis excluding companies with less than 1 year of listing history

## Sector-wise decomposition of Returns

Sector	Share price growth	EPS growth	Change in P/E*
IT Software	66%	12%	54%
Private Banks	25%	20%	4%
PSU Banks	39%	14%	26%
NBFC	36%	37%	-2%
PSU NBFCs	183%	14%	170%
NON-LENDING	64%	16%	48%
TELECOM	63%	-9%	72%
Logistics	15%	10%	5%
Metals	90%	14%	76%
Oil & Gas	69%	21%	51%
Utilities	41%	33%	8%
Others	43%	21%	21%

Source: ACE Equity, PGIM AMC Internal Analysis. \*Book value growth and price to book are used for PSU & Pvt banks. Data as of 30-Sep-23. Trailing 12-month period is considered in the calculation. The industry classification is based on PGIM India's internal classification. Top 500 companies are considered in the analysis excluding companies with less than 1 year of listing history

# Winners Keep Changing Across Different Styles Globally

CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Growth 15.5%	Value -6.7%	Growth 17.2%	Growth 23.6%	Growth 5.8%	Growth 1.9%	Value 13.4%	Growth 30.5%	Growth -7.8%	Growth 33.2%	Growth 33.9%	Value 20.4%	Value -6.9%	Growth 33.5%
Value 10.9%	Growth -7.0%	Value 16.4%	Value 23.3%	Value 3.6%	Value -5.6%	Growth 3.7%	Value 19.1%	Value -10.1%	Value 21.5%	Value 0.4%	Growth 17.3%	Growth -28.4%	Value 12.7%

**As per the calendar-year returns above, 10 out of 14 times, Growth style has outperformed value in the last 14 years globally.**

- Value stocks tend to do well in rising interest rate scenarios, whereas growth & quality do well during periods of falling interest rates.
- Throughout the entire duration of the recent rate hike cycle, spanning from March '22 to October '22, Value stocks continued to outperform growth as the 10-year US treasury yield ascended to nearly 4%.

- In 2023, the decrease in the Value-Growth spread highlighted Growth stock outperformance in the US as market participants started pricing softening in interest rates.
- Our Internal study on Indian markets also proves that High growth & High-quality stocks outperforms low quality and low growth stocks.



# Some Avoids For The Scheme

Poor earning power (Low ROE)

Low growth potential

Business subject to disruption



Highly leveraged companies

Weak governance track record

## Who should invest in Large & Mid Cap Fund ?



Investors looking to diversify their investments since the fund invests in both Large & Mid Cap companies in a single fund.



Investors who wish to benefit from the growth of the Mid Caps

5+

Investors with an Investment horizon of 5 years or more.



# Annexure



## Performance During Crisis & Recovery

- Large Caps have relatively outperformed small and Mid Caps during phases of big drawdowns.

Bearish Phases	LC	LMC	MC	SC
Global Financial Crisis	-47%	-52%	-58%	-62%
Eurozone Debt Crisis	-17%	-21%	-26%	-29%
Covid-19 Pandemic	-37%	-38%	-38%	-43%

- Small and Mid Caps have relatively outperformed Large Caps during bullish phases.

Bullish Phases	LC	LMC	MC	SC
Post GFC Crisis Recovery	80%	93%	113%	115%
Oil Price Correction	36%	48%	60%	70%
Post Covid Recovery	52%	58%	64%	78%

- Large Caps relatively outperform Small & Mid Caps during bearish phases & underperform during bullish phases in general

## Fund Facts

Scheme Name	PGIM India Large and Mid cap Fund
Type of scheme	Large and Mid Cap Fund - An open-ended equity scheme investing in both large cap and mid cap stocks.
Investment objective	The investment objective of the Scheme is to seek long term capital growth through investments in equity and equity related securities of predominantly large cap and mid cap stocks. However, there can be no assurance that the investment objective of the Scheme will be achieved. The Scheme does not guarantee/ indicate any returns..
Plan / Options	IDCW** (Payout of Income Distribution cum Capital Withdrawal option / Reinvestment of Income Distribution cum Capital Withdrawal option) and Growth.
Minimum Application Amount	<b>Initial Purchase/Switch-in</b> - Minimum of Rs. 5,000/- and in multiples of Re. 1/-thereafter. <b>Additional Purchase</b> - Minimum of Rs. 1,000/- and in multiples of Re. 1/-thereafter. <b>For SIPs</b> - Minimum no. of 5 installments and Minimum amount per installment - Rs. 1,000/- each and in multiples of Rs.1/- thereafter.
Exit Load	For Exits within 90 days from date of allotment of units : 0.50%. For Exits beyond 90 days from date of allotment of units : NIL
Fund Manager	Mr. Vinay Paharia (Equity Portion) Mr. Anandha Padmanabhan Anjeneya (Equity Portion) Mr. Utsav Mehta (Equity Portion) Mr. Puneet Pal (Debt Portion) Mr. Ojasvi Khicha (for Overseas Investments)
Benchmark Index	Nifty LargeMidcap 250 TRI

\*\*Income Distribution cum Capital Withdrawal option

## PGIM India Large and Mid Cap Fund

(Large and Mid Cap Fund - An open-ended equity scheme investing in both Large Cap and Mid Cap stocks.)

### Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

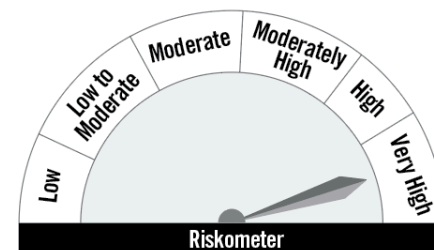
The Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when actual investments are made. ©2024 Prudential Financial, Inc. (PFI) and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

### This product is suitable for investors who are seeking\*

- Long term capital growth
- Investing in equity and equity related securities of predominantly large cap and mid cap stocks.
- Degree of risk – VERY HIGH

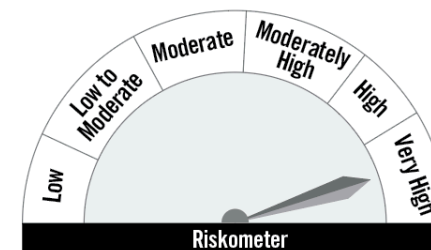
\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

### Scheme Riskometer



Very High – Investors understand that their principal will be at very high risk

### Benchmark Riskometer



Benchmark riskometer is at very high risk

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**Thank You**

