



**Newsletter**  
July 2015

# Managed Account Services

Dear Investor,

It is now almost two years since we began the Portfolio Management Service (PMS) in Pramerica. As we approach the beginning of our third year, we would like to thank you, and all the distributors, for supporting us in getting this business to a decent size. We are confident that we will have the comfort of your support in future as well.

This is a good time to remind ourselves of the condition under which the PMS industry found itself two years ago:

- ◆ There was a high level of customer dissatisfaction with the PMS, primarily because these products did not deliver the high returns they promised
- ◆ A good many investors complained about the inferior quality of the portfolios
- ◆ PMS was mis-positioned and mis-sold as a "superior investment alternative" where the fund manager was supposed to discern trends that the others could not (a blatantly tall claim)
- ◆ Several PMS managers had subjected the clients to high level of portfolio churn (buying and selling too often), resulting in incidence of short term capital gains taxes, which ate into the overall returns

A business strategy is formulated in response to the environment in which one finds oneself. Our response and our strategy therefore were:

- ◆ Position the PMS as a "complementary product" and not as one that is "superior". A PMS investor is also likely to have a mutual fund investment, and would therefore be seeking to diversify his/her risk by looking out for a different portfolio.
- ◆ Place maximum emphasis on the quality of the company, its track record, its management and its valuation, and not on whether it is likely to "outperform" in the next few days.
- ◆ Focus on the long term; have a low-churn portfolio, thereby reducing transaction costs and the incidence of short-term capital gains taxes.

Dear investor, far too many portfolios have failed because of the anxiety to get the "highest returns". **It is easy to forget that, in the market, the stock that moves up the fastest is often not the one representing the company with the strongest balance sheet, with the brightest prospects, or with the most attractive valuation.**

The great Peter Lynch in his book "One up on Wall Street" lists 12 common fallacies of investors. **The single greatest fallacy, according to Lynch, is the belief of the investors that the stock's gone up, so I must be right, or vice versa.**

In a garden, sometimes the weeds grow faster than the flowers.

We would like to reiterate what exactly Pramerica PMS intends to do with your money.

1. We would like each product of our PMS to be faithful to its mandate. Right now, we have just one product, but when we launch different products, each product will remain faithful to what it states it would do. You can rest assured that what you get will be what you pay for.

2. A proven maxim in the stock market is that a company whose capital is managed efficiently has a greater chance of generating higher returns for its shareholders (provided its share is not bought at an extravagant price). We would like to stick to such companies.
3. **OUR PRIMARY PURPOSE IS TO OFFER PRODUCTS THAT ARE COMPLEMENTARY TO YOUR MUTUAL FUND PORTFOLIO. WE ARE NOT COMPETING WITH ANY MUTUAL FUND PRODUCT.**
4. We will not waste your time in trying to prove how superior we are to the others. We know that we are good, but are also acutely aware that trying to be "the best" at all times can lead one to making unnecessary and costly mistakes.
5. If we are to explain our investment philosophy in one phrase, it would be that we want to **"AVOID THE BIG MISTAKES"**.

An investment product will be successful only if all three participants in the transaction, viz., the investor, the distributor and the asset manager are happy. We want to run a PMS where the happiness and peace of mind of all three participants are far more important than a few basis points of higher return, or a few basis points of extra portfolio management fee.

A few points on how to use Pramerica's PMS:

1. Treat this as a genuine diversification from your other mutual fund investments. The portfolio that you would find in the PMS is likely to be different from what you would find in a mainline mutual fund, and therefore the trajectory of returns of both products would be different. Together, they offer an effective diversification opportunity to the investor.
2. The PMS is neither superior, nor inferior to any other investment product. It is a different product.
3. A PMS is ideally a product for investors with a time horizon of 3-years or longer. A time horizon of 3 years enables the portfolio manager to build a portfolio that would be unaffected by heavy churn, and also saves capital gains taxes to the investor. **In the PMS, please invest only that part of your money that you do not immediately need.**
4. Allow your portfolio to grow. An investment strategy will take time to fructify. The worst thing that you can do is to get fidgety and switch from one product to another just because the price hasn't moved for a few months.
5. **Most importantly, keep periodically checking whether the portfolio manager is doing exactly the same things that he or she promised to do.** The investment strategy for each product should be consistent, and followed whether the market is bullish or bearish.
6. With the help of your financial advisor, ensure that you have a mix of different types of investment products (a set of 5 or 6 products is more than enough for most people) so that your risk is adequately diversified. A PMS (even Pramerica's PMS) should not be 100% of your total portfolio. But we certainly hope it is a good percentage!!!

Once again, many thanks for your support, and we look forward to many more years of fruitful partnership.

Warm regards to you and your family.

# KEY PORTFOLIO PERFORMANCE INDICATORS

## Month on Month Performance

	Jul-13*	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Pramerica Deep Value Strategy	-1.34%	-0.87%	4.66%	5.27%	3.31%	4.08%	-2.43%	4.96%	14.02%	1.84%	12.75%	10.54%
NIFTY	-1.20%	-4.71%	4.82%	9.83%	-1.95%	2.07%	-3.40%	3.08%	6.81%	-0.12%	7.97%	5.28%
Over/(Under) Performance	-0.14%	3.84%	-0.16%	-4.56%	5.26%	2.01%	0.97%	1.88%	7.21%	1.96%	4.78%	5.26%

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Pramerica Deep Value Strategy	-0.46%	3.30%	4.18%	1.47%	2.37%	0.93%	3.76%	-0.63%	-1.38%	-1.92%	4.19%	-1.97%
NIFTY	1.44%	3.02%	0.13%	4.49%	3.20%	-3.56%	6.35%	1.06%	-4.62%	-3.65%	3.08%	-0.77%
Over/(Under) Performance	-1.90%	0.28%	4.05%	-3.02%	-0.83%	4.49%	-2.59%	-1.69%	3.24%	1.73%	1.11%	-1.20%

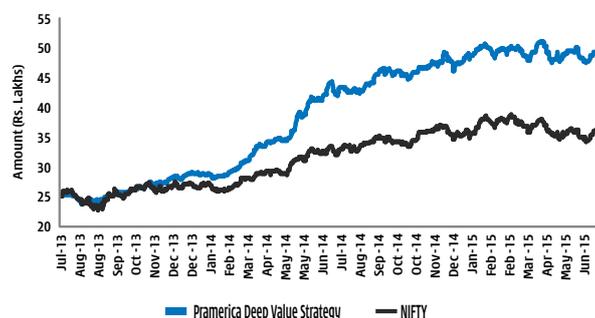
\*Return for the period 8th July 2013 to 31st July 2013.

Returns are Monthly returns for Pramerica Deep Value Strategy - Discretionary Clients Regular Portfolio.

## Pramerica Deep Value Strategy Portfolio Performance as on 30th June 2015

Period	Portfolio	NIFTY	CNX500
1 Month	-1.97 %	-0.77 %	-0.90 %
3 Months	0.16 %	-1.44 %	-1.16 %
6 Months	1.85 %	1.04 %	1.82 %
1 Year	14.50 %	9.95 %	11.71 %
Since inception date 08/07/2013	40.71 %	19.64 %	23.58 %
Portfolio Turnover Ratio (as on June 30, 2015)	24.41%	-	-

## Value of Rs. 25 Lakhs invested at inception



**Important Disclosures regarding the consolidated portfolio performance:** Performance depicted above is based on all the client portfolios under Regular Portfolio of Pramerica Deep Value Strategy existing as on such date, using Time Weighted Rate of Return (TWRR). Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. 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. 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.

**Investment objective of Pramerica Deep Value Strategy:** 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.

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This document is dated July 2, 2015.