



PGIM INDIA ARBITRAGE FUND

An open ended scheme investing in arbitrage opportunities

November 2020

Portfolio Positioning*

- Nifty Futures witnessed a sharp rally and gained +11.7% during November expiry. The move higher was supported by global risk-on rally post the conclusion of the US Presidential elections, positive news flow around COVID19 vaccinations, Q2 earnings which were better than expectations and large FII net inflows. The key risks to Indian markets are from; second wave of COVID19 cases, high fiscal deficit levels and high sticky inflation.
- As on month end, 67% of the portfolio was invested in equity arbitrage positions. The arbitrage premiums during the month were primarily in the 30-40 bps range and have improved from the lows seen in March and April 2020.
- Going forward we expect arbitrage premiums to remain supported and gradually improve; led by a positive undertone in equity markets, sequential improvement in macro-economic data and sufficient liquidity. Although expectations of lower short term interest rates (since F&O is a leverage product) could sometimes keep arbitrage spreads under check.
- Many stock futures at times were trading closer to parity or at a discount to cash price during the month. We used this opportunity to continuously re-balance the portfolio at favourable levels thereby benefiting overall performance. We reduced positions primarily in ICICI Bank, Tata Chemicals, Axis Bank, Titan, HDFC Life, Reliance Industries, Nestle, Adani Enterprises and Godrej Consumer. We increased exposure to Tata Power, ICICI Prudential Life, Infosys, Tata Motors, Maruti Suzuki, Adani Ports, Max Financial and LIC Housing.
- November saw above average rollovers. Stock Futures rolled at 93% v/s 3 month average of 90%. Nifty rolled 79% v/s 3 month average of 76% and Bank Nifty rolled 79% v/s 3 month average of 74%. Aggregate Open Interest (OI) for Nifty remained flat at US\$ 2.2bn vs US\$ 2.1bn last month, while for Bank Nifty it was down to US\$ 600mn vs US\$ 730mn last month. Stock Futures OI inched up to US\$ 15.6bn vs US\$ 13.8bn last month.
- The Nifty Call Options with strikes of 13000, 13500 and 14000 have the highest open interest build-up and Nifty Put Options with strikes of 12000, 12600 and 12800 and have the highest open interest. Option data indicates Nifty trading range of 12600-13500 for the month. India VIX closed at 19.8-20 as demand for Hedges remained strong given rising equity markets.
- We remain true to our mandate and manage a pure arbitrage portfolio that is fully hedged at all times. We run a concentrated portfolio strategy (30-40 stocks). Given our size we can be agile and selective in our approach and invest in companies which have the potential to provide higher arbitrage premiums compared to market average. Fixed income allocation is primarily to top rated short term CDs / CPs and we refrain from taking any kind of credit and duration risks.
- Arbitrage Funds offer yields similar to short maturity fixed income products but with added benefits of lower equity taxation, limited impact from market volatility (fully hedged positions) and sufficient liquidity.

Portfolio (Top Ten Holdings)

| Issuer | % to Net Assets | % of NAV to Derivatives |
|--|-----------------|-------------------------|
| Cipla Ltd. | 4.47 | -4.47 |
| Bharti Airtel Ltd. | 3.95 | -3.95 |
| Maruti Suzuki India Ltd. | 3.65 | -3.65 |
| ITC Ltd. | 3.57 | -3.57 |
| Jindal Steel & Power Ltd. | 3.52 | -3.52 |
| Adani Enterprises Ltd. | 3.49 | -3.49 |
| Adani Ports & Special Economic Zone Ltd. | 3.08 | -3.08 |
| Reliance Industries Ltd. | 3.03 | -3.03 |
| State Bank of India | 2.96 | -2.96 |
| Infosys Ltd. | 2.51 | -2.51 |
| Equity Holdings Total | 67.55 | -67.55 |
| Margin Fixed Deposit | 6.05 | |
| Margin Mutual Fund | 18.53 | |
| Cash & Current Assets | 7.88 | |
| Total | 100.00 | |

All the above data are as on November 30, 2020

* These are based on fund manager's current outlook & Subject to change.

*Dividend History

| Record Date | Regular Plan | | Direct Plan | |
|---------------------------|------------------------|---------|------------------------|---------|
| | Dividend/ unit (₹)# | NAV (₹) | Dividend/ unit (₹)# | NAV (₹) |
| Regular Dividend | | | | |
| 26-Dec-19 | 0.1328 | 11.7387 | 0.1505 | 12.1676 |
| 27-Mar-20 | 0.0505 | 11.7347 | 0.1062 | 12.1660 |
| 30-Jun-20 | 0.1500 | 11.7898 | — | — |
| Monthly Dividend | | | | |
| 17-Sep-20 | 0.0450 | 10.4443 | 0.0510 | 10.5916 |
| 19-Oct-20 | 0.0360 | 10.4362 | 0.0420 | 10.5837 |
| 17-Nov-20 | 0.0360 | 10.4244 | 0.0420 | 10.5714 |
| Quarterly Dividend | | | | |
| 27-Mar-20 | 0.0735 | 10.8549 | 0.1062 | 11.0725 |
| 30-Jun-20 | 0.1100 | 10.8753 | 0.1450 | 11.0749 |
| 25-Sep-20 | 0.1200 | 10.8441 | 0.1350 | 11.0262 |
| Annual Dividend | | | | |
| 23-Jun-16 | 1.0000 | 11.3878 | 1.0000 | 11.4996 |
| 23-Mar-18 | 1.0900 | 11.5175 | 1.1735 | 11.7558 |
| 27-Mar-20 | 0.5135 | 11.6692 | 0.5844 | 11.9696 |

On face value of ₹ 10. Post Dividend per unit NAV will fall to the extent of the payout and applicable tax/surcharges/cess/other statutory levies. Dividend distribution is subject to availability of distributable surplus. Past Performance may or may not be sustained in future.

About Us

PGIM India Mutual Fund is a wholly owned business of PGIM, the global investment management business of the US based Prudential Financial, Inc. (PFI). PGIM India Mutual Fund offers a broad range of equity and fixed income solutions to retail and institutional investors throughout the country. We manage 20 open-ended funds operated by 14 investment professionals. In addition to managing our investors assets through domestic Mutual Funds, we also offer Offshore Funds and Portfolio Management Services. The fund house leverages the strength and stability of PGIM's 140-year legacy to build on its decade long history in India.

PGIM is the global investment management business of PFI, one of the top 10 investment managers* with over USD 1.4 trillion¹ in asset under management. PGIM offers a wide range of actively managed asset classes and investment styles including Equities, Fixed Income and Real Estate. PGIM employs over 1300+ investment professionals serving investors in 52 countries and follows a multi-manager model with strong capabilities beyond traditional assets.

Source: *pgim.com *Pensions & Investments Top Money Managers list, June 1, 2020; ranking reflects largest money managers by assets under management as of March 31, 2020; based on PFI total worldwide assets under management as of March 31, 2020. ¹All Information as of June 30, 2020.*

Asset Allocation

| Instruments | Indicative allocations (% of total Assets) | | Risk Profile |
|---|--|---------|---------------|
| | Minimum | Maximum | |
| Equity and Equity related instruments including Index and stock derivatives | 65% | 100% | High |
| Debt and Money Market instruments | 0% | 35% | Low to Medium |

Please refer to the Scheme Information Document for more details on asset allocation.

Key Features



Benchmark Index:
Nifty 50 Arbitrage TR Index



Application Amount: ₹ 5000/- and in multiples of ₹ 1/- thereafter.
Additional Purchase: ₹ 1000/- and in multiples of ₹ 1/- thereafter or 100 units.
Repurchase / Redemption Amount: Minimum of ₹ 100/- and in multiples of ₹ 1/- thereafter or 0.1 unit or account balance whichever is lower.



Exit load:
Nil (w.e.f. July 20, 2020)



Fund Manager:
Mr. Utkarsh Katkoria & Mr. Hitash Dang (Equity portion) and Mr. Kumaresh Ramakrishnan (Debt portion)

Disclaimer: The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding investment/ disinvestment in securities market and/or suitability of the fund based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary. The AMC has no obligation to update any or all of such information; nor does the AMC make any express or implied warranties or representations as to its completeness or accuracy. There can be no assurance that any forecast made herein will be actually realized. Except for the historical information contained herein, statements in this publication, which contain words or phrases such as 'will', 'would', 'may', 'will' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. The AMC undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. The above forecasts are based on our current view of the likely course of markets over the period nominated. The above forecasts are made as indications only and not as the basis for investment decisions by readers of this material. Persons wishing to make such decisions should obtain their own professional advice. The AMC, its affiliates/associates, their directors, employees, representatives or agents shall not be liable or responsible, in any manner whatsoever, to any Investor/Recipient or any other person/entity, for the performance/ profitability/ operations of the Products or any investments in the Products including any and all direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

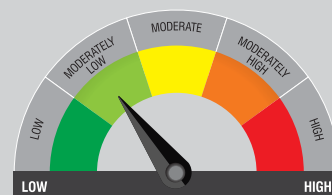
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Riskometer

This product is suitable for investors who are seeking*:

- Income over short term
- Income through arbitrage opportunities between the equity spot and equity derivatives market and arbitrage opportunities within the equity derivatives segment
- Degree of risk – MODERATELY LOW

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



Investors understand that their principal will be at moderately low risk

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

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