



PGIM INDIA DYNAMIC BOND FUND

An open ended dynamic debt scheme investing across duration
Rated AAAMfs by ICRA##

June 2020

Why invest in PGIM India Dynamic Bond Fund?

- PGIM India Dynamic Bond Fund is rated as [ICRA] AAAMfs denoting the highest level of safety regarding timely receipt of payments from the investments that they have made.
- PGIM India Dynamic Bond Fund is an actively managed duration fund. The Fund seeks to generate Alpha by taking calls based on active duration / interest rates or on spreads between the curves (that is, the AAA and Government securities) or on the shape of the yield curve.

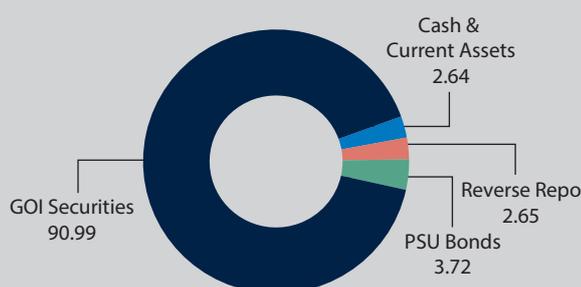
Portfolio Positioning*

- The Fund typically invests predominantly in Government Securities and AAA rated High Quality PSU / Corporate Bonds. The Fund is an actively managed duration fund and will not invest in accrual strategies.

Who should invest?

PGIM India Dynamic Bond Fund is suitable for risk averse investors who are looking to invest with a horizon of 3-5 years.

Asset Allocation (% AUM)



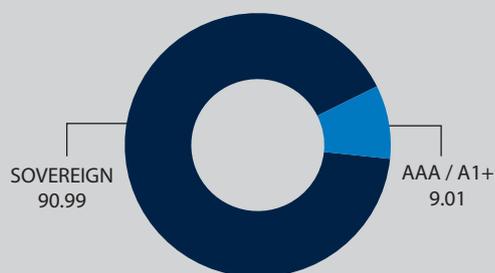
Fund Details

AUM as on June 30, 2020 (₹ in Crore):	82.12
For the Debt Portfolio	
Portfolio Yield (%)	5.86
Modified Duration (years)	5.93
Average Portfolio Maturity (years)	8.36

Portfolio Holdings

Issuer	% to Net Assets	Rating
GOI Securities	90.99	
7.27% Govt Stock Mat 2026	36.41	SOV
7.26% GOI Mat 2029	30.18	SOV
6.19% GOI Mat 2034	24.20	SOV
7.17% Govt. Stock 2028	0.20	SOV
PSU Bonds	3.72	
National Housing Bank	3.72	CRISIL AAA
Reverse Repo	2.65	
Cash & Current Assets	2.64	
Total	100.00	

Credit Quality Profile (% AUM)



All the above data are as on June 30, 2020. * These are based on fund manager's current outlook & Subject to change.

#ICRA has assigned the "[ICRA] AAAMfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Dynamic Bond Fund. Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made. The ratings should, however, not be construed as an indication of the performance of the Mutual Fund scheme or of volatility in its returns. For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications ICRA Credit Quality Rating Methodology for debt mutual fund schemes. ICRA's mutual fund rating methodology is based on evaluating the inherent credit quality of the fund's portfolio. As a measure of the credit quality of a debt fund's assets, ICRA uses the concept of "credit scores". These scores are based on ICRA's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

Fund Manager's View

Macro Review

- Data gathering was hampered by the ongoing lockdown, which led to the CPI combined General Index not being published for May-20. However, some major indices have been published with limited information.
- Consumer food price inflation eased from 10.5% to 9.3% mainly on the basis of vegetable price inflation cooling off to single digits at 5.3% YoY after a long time. Other than vegetables, most other items are showing an uptick. Protein-based items such as Meat and Fish rose significantly (by 16% YoY).
- Housing index showed a decline with activity muted in the month of May, with inflation at 3.7% YoY as compared to 3.94% YoY in Apr-20. Fuel and Light index too showed a decline with inflation at 1.43% YoY as compared to 2.93% YoY in the previous month, as activity remained muted throughout the month.
- The only sub-component published in the miscellaneous group was Health, which showed an uptick in inflation, at 4.3% as compared to 2.8% in Apr-20. Going forward, as the restrictions on transport loosen up further, the prices of essentials should also stabilize. Moreover, with a normal monsoon, expectations of food inflation stabilizing should provide some relief to the consumer.

Liquidity and Rates

- Liquidity conditions continued to remain in surplus mode in line with RBI's accommodative stance and the pledge to improve transmission of past rate cuts. Average daily LAF balances for June stood at INR 3.78 trillion compared to INR 5.09 trillion in May.
- Average LAF Balance declined as WMA borrowing fell to zero compared to 1lac-1.5 lac cr in May, which infused temporary additional liquidity. Currency leakage in the first 3 weeks of June was around INR 44,000 cr compared to INR 81,000 cr in May.
- The Rupee appreciated by 10 paise (0.13%) against the USD in June. Brent Crude oil continued to trade in the range of USD 35/bbl to USD 45/ bbl in

the month of May and continued the bullish bias as the economies reopened economic activity thereby increasing the demand for the commodity.

- Government bonds traded in a narrow range of 10bps for the whole month. Markets ignored most of the negatives from S&P outlook change, spike in oil prices and rise in Covid cases.
- Although 10yr+ segment was largely flat and nonvolatile for the month, one saw nice move down in belly of the curve (4yr to 8yr) where yields closed 15-20bps lower for the month. Towards the end of the month, RBI announced OMO Twist for INR 100bn which further helped bonds. Like in May, we saw primary auctions getting very good demand from local banks, with the RBI continuously exercising green shoe options in each of the auctions despite being large-sized auctions.
- Corporate bonds once again outperformed government bonds but the spread compression was not so stark as the last month. The key reason for corporate bond outperformance was the substantial inflows in MFs Scheme which invest predominantly in corporate bonds.
- The lack of supply in corporate bonds, also led to a downtick in yields with a major fall in yields witnessed in high yield AAA corporate bonds like PFC/REC/HDFC etc.

Outlook

- We expect the bond market to remain positive on the back of softer food inflation, abundant liquidity, lower growth, stable crude oil price and possibility of further OMO twist announcements.
- Front end of the curve could move lower given excess liquidity and rate cut hopes, whereas the longer end will face volatility from weak tax revenues and further OMO purchase announcements.
- Given this backdrop, we find the short end of the curve (up to 5 years) attractive due to attractive term spread over the overnight rate and extremely easy liquidity conditions.

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 1.3 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; based on Prudential Financial, Inc. (PFI) total worldwide assets under management as of March 31, 2020. ¹All Information as of March 31, 2020.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Money market instruments & Debt Securities	0%	100%	Medium

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

Key Features



Benchmark index:
CRISIL Composite Bond Fund Index



Fund Manager:
Mr. Puneet Pal



Exit load: Nil (w.e.f. 23 April, 2020)
No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Riskometer

This product is suitable for investors who are seeking*:

- Regular income for short term
- To generate returns through active management of a portfolio of debt and money market instruments
- Degree of risk – MODERATE

*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 moderate risk

Investment Style Box

Credit Quality

High Medium Low

			High
			Medium
			Low
			Very Low

Interest Rate Sensitivity

The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding suitability of the funds based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary.

Connect with us on: www.pgimindiamf.com 1800 2667 446

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