MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA INSTA CASH FUND

An Open Ended Liquid Scheme

Rated AAAmfs by ICRA##

January 2021

Why invest in PGIM India Insta Cash Fund?

PGIM India Insta Cash Fund is a low to moderate risk fund that seeks to generate steady returns with high liquidity by investing in a portfolio of short term, high quality money market and debt instruments. The portfolio is rated AAAmfs by ICRA, denoting the highest degree of safety regarding timely receipt of payments from the investments that they have made.

Investment Strategy

- PGIM India Insta Cash Fund seeks to deliver reasonable market related returns with lower risk and higher liquidity through a portfolio of debt and money market instruments.
- Fund managers will manage portfolios based on the outlook on interest rates and liquidity etc. Such outlook will be developed by in-house assessment of various macro factors like economic growth, inflation, credit pick-up, liquidity and other such factors as considered relevant.
- Fund managers will actively monitor and review markets and portfolios so that necessary rebalancing of the portfolios can be done.
- The portfolio comprises of securities with a residual maturity of upto 91 days

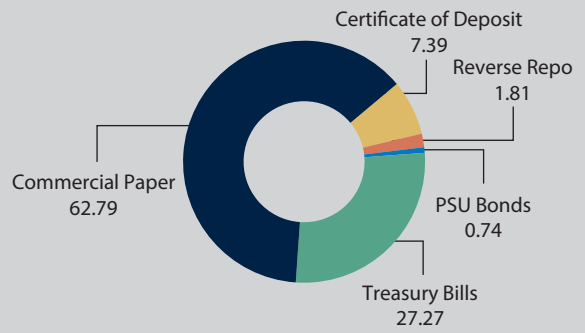
Portfolio Positioning*

- Major portion of the fund is invested in Commercial Papers and Certificate of Deposit.
- 100% of the portfolio is invested in AAA/A1+ rated securities and Sovereign Bonds

Who should invest?

PGIM India Insta Cash Fund is ideal for investors looking at managing their short term liquidity requirements

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)

Fund Details

AUM as on January 31, 2021 (₹ in Crore):	634.20
For the Debt Portfolio	
Portfolio Yield (%)	3.51
Modified Duration (months)	1.08
Average Portfolio Maturity (months)	1.20
Macaulay Duration (months)	1.08

Portfolio Holdings

Issuer	% to Net Assets	Rating
364 Days Tbill May 2021	19.15	SOV
National Bank For Agriculture & Rural Development	7.39	IND A1+
Infina Finance Pvt Ltd	7.39	CRISIL A1+
Larsen & Toubro Ltd.	7.38	CRISIL A1+
Housing Development Finance Corporation Ltd.	7.38	CRISIL A1+
Volkswagen Finance Pvt. Ltd	7.38	IND A1+
Chennai Petroleum Corporation Ltd	7.37	CRISIL A1+
Blue Star Ltd	7.37	CARE A1+
Reliance Industries Ltd.	7.34	CRISIL A1+
L&T Finance Holdings Ltd.	3.69	CARE A1+
182 Days Tbill Mat 2021	3.69	SOV

All the above data are as on January 31, 2021. * These are based on fund manager's current outlook & Subject to change.

Macaulay Duration: The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

Fund Manager's View

Macro Review

- CPI for December 2020 finally receded, printing at sub 5% and showing some signs of easing. Most of the fall was led by food prices dominated by veggies and other perishables. The decline was sequential as well as on a year-on-year basis.
- Fuel inflation picked up by 3.5% given the rise in brent crude prices. Besides, gradual return to normalcy is also reflecting in higher electricity and coal prices. Core inflation as a result almost remained unchanged at 5.51%.
- CPI has stayed over the upper end of the inflation band of 6% for all of the months in the current fiscal underscoring the inflation pressures the economy is facing. Supply side issues are taking longer to sort, causing CPI decline to remain very slow. Besides, the economic rebound is much faster than expected causing an uptick in input prices from metals to electricity and coal.

Liquidity

- In January 2021, RBI started the process of normalizing excess liquidity from the system. The excess liquidity led to overnight rates being fixed to almost 25-30 bps below the reverse repo threshold on an average. RBI commenced the first of its variable rate reverse repo auctions to drain out some of this liquidity for longer periods (14 days). This led to some uptick in short and front end yields. We expect this normalization to continue as we go along but organized in a non-disruptive fashion.
- Liquidity conditions remained steady through the month, with durable liquidity in the band of INR 7.5-8.0 trn, including the amount mopped up through reverse repo.
- The other positive development was the record GST collections in January touching INR 1.2 trn, the highest ever since GST was first introduced in July 2017. Rising GST collections, post the end of the festive season are reflective of a rebound in the economy with further easing and the onset of the vaccine. As inoculation continues through the next few quarters, we expect a faster return to normalcy.

Budget – 2021 (for FY 2022)

- The Union Budget FY 2022, has a clear growth prescription. As the economy limps back to normative levels, post the most stringent lock-down, the Govt decided to unleash the necessary spending to fire the growth engine. The Budget has made spending on capex / infra, health, physical infrastructure its priorities while taking up hard reforms such as bank privatization and divestment of PSU stakes albeit at a faster pace.
- To retain fiscal discipline, the budget also spelt out a glide path although with a relatively long runway. Budget deficit is expected to fall back to under 4.5% only by 2025-26. The Budget thus offers the economy a really long time to reflate, seen as the cure to solve for falling incomes in the wake of the pandemic and to create more jobs in the medium term.
- Besides, the Budget has been more transparent with most off balance sheet items finding direct budgetary allocation (such as funding for FCI from the NSSF that was resorted to earlier), setting the arithmetic straight. Budget deficit for FY 22 is estimated to decline to 6.8%, way higher than the 5-5.5% market estimates.
- Revenue estimates (tax plus non-tax revenues net of capital receipts) appear reasonable, with tax buoyancy assumed at 1.16 x on a nominal GDP growth of 14.4%. Given the recent momentum seen both on direct and indirect taxes and with further opening up of the economy and demand creation likely given the growth impulses, the revenue estimates appear plausible.
- Capex outlay at INR 5.54 trn is the highest ever, rising over 31% from the budgeted estimates (BE) of FY 2021. Revised estimates for FY 2021 are higher than the BE, reflecting the ability to spend / dispense in the right areas. Capex of INR 5.5 trn is also likely to lead to a good growth multiplier.

Outlook

- Consolidation in fiscal deficit in FY 2022 is lower than expected. However, given that India was one of the worst impacted by the pandemic given the stringent lock-downs, a growth revival was of utmost importance to cure the pain.
- Fiscal deficit of 6.8% in FY 2022, is expected to decline along a glide path to under 4.5% by FY 2026. The net dated borrowing of INR 9.3 trn though will certainly place some strain on markets and will need RBI support to go through.
- The growth oriented fiscal policy will now necessitate some counter action from the RBI. We would call an end to the rate cut cycle in the medium term. RBI will now have twin jobs of managing inflation expectations from a higher than expected deficit and a slower return to sub 5% level on fiscal deficit. Besides it will need to manage the large gross borrowing levels in a non-disruptive fashion.
- Fortunately, India's external situation remains robust and RBI's unwavering plan of amassing dollars in good times and building a FX reserve should help to maintain macro stability. Even as India is likely to end FY 2021 with a 2% Current Account surplus, faster pace of import growth is likely to push the Current Account into a deficit.

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 trillion[1] 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. [1]All Information as of June 30, 2020.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Debt and Money Market Instruments	0%	100%	Low to Medium

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

Key Features

Benchmark index:
CRISIL Liquid Fund Index

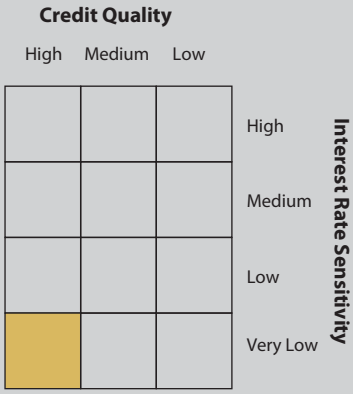
Fund Manager:
Mr. Kumaresh Ramakrishnan and Mr. Kunal Jain

Exit load:

Investor exit upon subscription	Exit load as a % of redemption / switch proceeds
Day 1	0.0070%
Day 2	0.0065%
Day 3	0.0060%
Day 4	0.0055%
Day 5	0.0050%
Day 6	0.0045%
Day 7	0.0000%

No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Investment Style Box



#ICRA has assigned the "[ICRA] AAAmfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Insta Cash 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.

Riskometer

This product is suitable for investors who are seeking*:

- Liquidity and generate income in the short term
- Investment in debt and money market securities with maturity upto 91 days only
- Degree of risk – LOW TO 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 low to moderate risk

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.

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