



# PGIM INDIA LOW DURATION FUND

An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months

June 2020

## Why invest in PGIM India Low Duration Fund?

PGIM India Low Duration Fund is a fund that seeks to generate income by investing primarily in low duration debt and money market instruments.

## Investment Strategy

- The key element of the investment strategy for the fund is the identification of high quality issuers in the short duration space with rating primarily in the AA+ and AA category.
- The scheme is actively managed both for credit and rates.
- A variety of macro parameters that are likely to impact rates are routinely assessed while internal rating models are employed to evaluate and monitor credit risk of the underlying holdings in the fund.
- Strict portfolio discipline and actively managed mark to market holdings help in moderating the return volatility.

## Portfolio Characteristics\*

- The lowest rating in corporate bond holdings in the fund would be AA-
- Macaulay Duration of the fund will range from 6 to 12 months

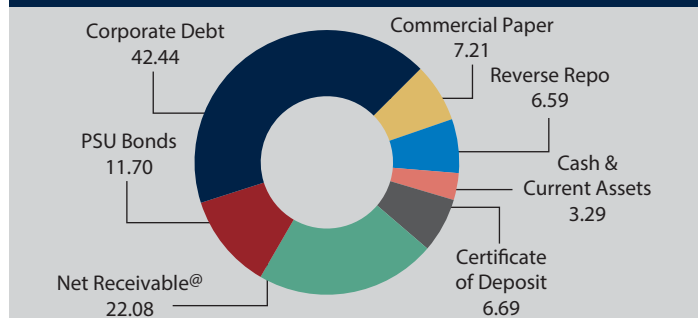
## Portfolio Positioning\*

- To maintain liquidity in the portfolio at all times, the portfolio will comprise of holdings in CDs and CPs. And for the purpose of generating carry for the fund, investments would be made in short tenor corporate bonds in the AAA and AA categories.
- Given the relatively shorter tenor of the product, liquidity and credit safety are primary considerations in the construct of the fund.

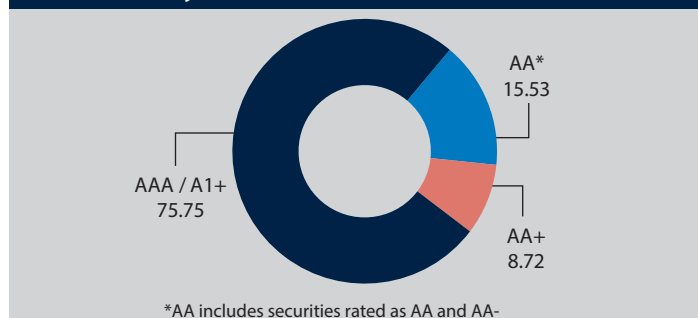
## Who should invest?

PGIM India Low Duration Fund is ideal for investors seeking to invest in a portfolio of debt and money market instruments for an investment horizon of 6 to 12 months.

## Asset Allocation (% AUM)



## Credit Quality Profile (% AUM)



## Fund Details

AUM as on June 30, 2020 (₹ in Crore): 72.12

### For the Debt Portfolio

Portfolio Yield (%)	5.66
Macaulay Duration (months)	4.92
Modified Duration (year)	0.38
Average Portfolio Maturity (year)	0.42

## Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Oriental Nagpur Betul Highway Limited <sup>1</sup>	13.83	CRISIL AAA (SO)
Hansdeep Industries & Trading Company Ltd <sup>2</sup>	12.46	CARE AA-(CE)
Shriram Transport Finance Co. Ltd.	8.72	CRISIL AA+
Rural Electrification Corporation Ltd.	7.07	CRISIL AAA
L&T Infrastructure Finance Company Limited	6.80	ICRA A1+
Bank Of Baroda	6.69	CRISIL A1+
Power Finance Corporation Ltd.	4.63	CRISIL AAA
Tata Capital Housing Finance Ltd.	3.49	CRISIL AAA
JM Financial Products Ltd	3.07	ICRA AA
Aditya Birla Finance	0.87	ICRA AAA

<sup>1</sup> NHAI annuity road project

<sup>2</sup> Corporate Guarantee of J.K. Lakshmi Cement Ltd.

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

Note: @ Net Receivables (#)

Security	Receivable %
9.1% Dewan HSG Fin NCD Maturity 16-08-2019	2.18
9.05% Dewan HSG Fin NCD Maturity 09-09-2019	19.90

# The receivable % shown is post taking into consideration the haircut of 75% on the below face value

Security	Total FV (Rs)	Total Interest (Rs)
9.1% Dewan HSG Fin NCD Maturity 16-08-2019	6,28,05,000.00	57,15,255.00
9.05% Dewan HSG Fin NCD Maturity 09-09-2019	57,40,00,000.00	5,18,04,679.45

## 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 trillion<sup>1</sup> 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. <sup>1</sup>All Information as of March 31, 2020.

### Asset Allocation

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

The Macaulay Duration of the portfolio will be maintained between 6 months to 12 months. Please refer to the Scheme Information Document for more details on asset allocation.

### Key Features



**Benchmark index:**  
CRISIL Low Duration Debt Index



**Fund Manager:**  
Mr. Kumaresh Ramakrishnan



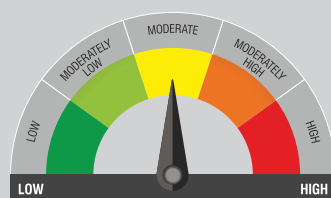
**Exit load:** Nil. No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

### Riskometer

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

- Income over the short term
- Investment in low duration 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

			Interest Rate Sensitivity

High

Medium

Low

Very Low

**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.

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](http://www.pgimindiamf.com) 1800 2667 446