MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA MIDCAP OPPORTUNITIES FUND

Mid Cap Fund- An open ended equity scheme predominantly investing in mid cap stocks

September 2020

Why invest in PGIM India Midcap Opportunities Fund?

PGIM India Midcap Opportunities Fund identifies quality midcap stocks which can benefit from a favorable economic environment.

Investment Strategy

- The fund predominantly invests in midcap stocks in accordance with the investment objective and asset allocation. Fund Manager will select equity securities on a top-down and bottom–up, stock–by–stock basis, with consideration given to valuation parameters as well as growth, margins, asset returns, and cash flows, amongst others.
- Stocks are selected on the basis of, amongst others, the historical and current financial condition of the company, potential value creation/unlocking of value and its impact on earnings growth, capital structure, business prospects, policy environment, strength of management, responsiveness to business conditions, product profile, brand equity, market share, competitive edge, research, technological know–how and corporate governance.

Portfolio Positioning*

- The fund has a diversified Portfolio of mid cap companies.
- The fund has the ability to invest in a stock and enjoy its' full potential by staying invested as it grows from a Mid Cap to Large Cap stock.

Who should invest?

PGIM India Midcap Opportunities Fund is typically suited for investors seeking long term capital appreciation through an investment in the equity of mid cap companies.

Portfolio Positioning

Top 3 Sectors Overweight	% Overweight
Materials	9.78
Information Technology	6.94
Industrials	6.70
Top 3 Sectors Underweight	**% Underweight**
Financials	10.47
Consumer Discretionary	9.51
Communication Services	4.32
Top 5 Stocks Overweight	**% Overweight**
Natco Pharma Ltd	3.81
ACC Ltd	3.16
Mindtree Ltd	2.89
Quess Corp Ltd	2.81
Bharat Rasayan Ltd	2.74
Top 5 Stocks Underweight	**% Underweight**
Apollo Hospitals Enterprise	2.84
Zee Entertainment Enterprise	2.63
Jubilant Foodworks Ltd	2.47
Trent Ltd	2.07
Ipca Laboratories Ltd	2.05

The above weights are in comparison to the benchmark.

Source: Bloomberg and Internal Research. The above data as on September 30, 2020.

*These are based on the fund manager's current outlook and are subject to change.

Portfolio Metrics

	Portfolio	Nifty Midcap 100 TR Index
Return on Equity	16.7%	-2.5%
Debt / Equity (ex-financials)	22.8%	192.7%
FY 22E Price / Earning Ratio	19.2	18.8
Beta	0.88	1.00

Source: Bloomberg and Internal Research. The above data as on September 30, 2020.

Portfolio Composition

	Portfolio	Nifty Midcap 100 TR Index
Number of stocks	41	100
Portfolio overlap with	—	24.9%
Large caps (1st-100th stock)	0.8%	1.7%
Mid caps (101st-250th stock)	69.5%	95.6%
Small caps (251st stock onwards)	24.1%	2.3%
Cash	5.7%	0.0%
Market Cap yet to be classified by AMFI	0.0%	0.43%
Top 10 holding	37.3%	21.7%
Avg Market Cap - Crore	15,752	19,018

Source: Bloomberg and Internal Research. The above data as on September 30, 2020.

Portfolio (Top Ten Holdings) as on September 30, 2020

Issuer	% to Net Assets
Natco Pharma Ltd.	5.03
Coforge Ltd.	4.22
Max Financial Services Ltd.	4.17
Voltas Ltd.	3.71
Mindtree Ltd.	3.64
Syngene International Ltd.	3.39
Alembic Pharmaceuticals Ltd.	3.30
Whirlpool Of India Ltd.	3.29
ACC Ltd.	3.16
P I Industries Limited	2.98

Return on Equity: Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Debt/Equity (ex-financials): Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity. The D/E ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. (Ex-Financials means excluding Banks and NBFCs).

Price/Earnings: The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Beta: Beta is a measure of an investment's volatility vis-à-vis the market. Beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 implies that the security's price will be more volatile than the market.

Performance

Period	Fund		Nifty Midcap 100 TR Index^		NIFTY 50 TR Index #	
	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*
Regular Plan						
Last 1 Year	31.14	13,123.45	6.93	10,695.06	-0.97	9,902.81
Last 3 Years	6.53	12,093.50	-1.16	9,654.34	6.03	11,922.77
Last 5 Years	7.94	14,657.60	6.65	13,800.23	8.54	15,070.44
Since Inception	12.59	22,490.00	13.44	23,676.36	10.41	19,675.51
Direct Plan						
Last 1 Year	33.37	13,347.53	6.93	10,695.06	-0.97	9,902.81
Last 3 Years	8.29	12,703.35	-1.16	9,654.34	6.03	11,922.77
Last 5 Years	9.37	15,653.67	6.65	13,800.23	8.54	15,070.44
Since Inception	13.82	24,220.00	13.44	23,676.36	10.41	19,675.51

Date of Inception: Regular Plan: December 02, 2013; Direct Plan: December 02, 2013. All the above returns are of Growth Option and CAGR. CAGR – Compounded Annual Growth Rate. ^ Scheme Benchmark. # Standard Benchmark. *Based on standard investment of ₹ 10,000 made at the beginning of the relevant period. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Different plans have a different expense structure. Aniruddha Naha is managing this fund since April 05, 2018. The above returns are as on September 30, 2020.

Performance of other funds managed by Fund Manager Aniruddha Naha as on September 30, 2020

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
PGIM India Diversified Equity Fund	15.18	6.61	8.94	April 05, 2018
Nifty 500 TR Index^	1.02	3.98	8.32	

^ Benchmark. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The above returns are of Regular Plan - Growth Option of respective schemes. All the above returns are CAGR. CAGR - Compounded Annual Growth Rate. Different plans have a different expense structure. Mr. Aniruddha Naha is managing 2 schemes of PGIM India Mutual Fund. On account of difference in scheme features, the performance of these schemes are not strictly comparable. Please refer www.pgimindiamf.com for details on performance of all schemes (including Direct Plan).

Fund Manager's View

The market that was

After 3 straight months of gains, Indian markets faced bouts of volatility in September, with Nifty declining by 1.2%. Broader markets fared better, with Nifty Midcap Index gaining 1.8% and Nifty Small Cap Index gaining 4.2%. IT and Healthcare were the top performing sectors, while Financials and Telecom dragged the markets down.

Even as the high-frequency activity indicators improved, some cities like Pune, Bengaluru and Mumbai saw a "second wave" of infections. However, on the whole, daily new cases in India fell steadily from a high of +93k, suggesting that the country has crossed the peak phase of infection spread. Meanwhile, media reports suggested that the government was weeks away from announcing another fiscal stimulus package ahead of the festive season, which may include an urban jobs scheme and a massive infra thrust.

SEBI's new circular for multi-cap schemes led to short-lived optimism for small and mid-caps, as further clarification revealed options to merge, convert or switch with other schemes and avoid shifting weight to small or mid-caps. September also saw Nifty rebalance, whereby Divi's Labs and SBI Life replaced Zee and Bharti Infratel in the Nifty 50.

After 4 months of consecutive net buying, FIIs turned net sellers in September to the tune of ~$0.8bn, lowering their YTD inflows to +$4bn. DIIs were marginal buyers (+$12mn), taking their YTD inflows to ~$9bn. Domestic MFs were net sellers of ~$0.6bn (YTD +$2.4bn), likely driven by redemptions, while Insurance companies were buyers of ~$0.6bn (YTD +$6.6bn).

After a Q1 GDP print of -23.9%, the IMF said that there is need for another stimulus, especially in health, food and income support. India's industrial output contracted for the fifth consecutive month in July, led by a fall in the production of consumer durables and capital goods. The Index of Industrial Production (IIP) is lower by 10.4% compared to a last year; the index had fallen by 15.7% in June. CPI inflation was unchanged at 6.7% y-o-y in August, falling below expectations of 6.9%, with the July reading revised to be lower. Food & beverage price inflation abated slightly with the ex-vegetable basket gradually correcting in August. Core inflation rose to 5.7% y-o-y in August, increasing from 5.5% in July, which mainly reflects supply-side factors such as the higher retail prices of gold, silver and petroleum products.

The April-August fiscal deficit hit 109% of the full-year budget target. Contrary to expectations of an upward revision, the government's 2H borrowing calendar remains unchanged, casting a shadow on further stimulus. The government's delay in nominating 3 new external members to the MPC led to the RBI rescheduling the October MPC meet.

The Rajya Sabha (Upper House of Parliament) passed two farm bills aimed at liberating farmers from the control of middle men and improving farmers' income. This move, however, irked opposition MPs and led to protests by farmers who were suspicious of the government's claim of continuing Minimum Support Prices (MSPs) along with the new mechanism. As protests continued, the government announced MSP hikes for 6 rabi crops, a month ahead of schedule. However, this is the lowest increase in the last 10 years.

The Lok Sabha (Lower House of Parliament) passed three labour bills that allowed businesses flexibility in hiring and retrenchment, and made industrial strikes difficult. The bills also facilitate ease of doing business and expanding the social security net. These bills too were met with criticism as they overlooked smaller firms, potentially leaving their workers vulnerable.

The government was reportedly planning incentives worth ~$23bn to attract companies to set up manufacturing units in the country. After mobile phones and pharma, the PLI (production linked incentives) scheme could be extended to autos, solar panels and consumer appliances in a bid to entice supply chains moving away from China

Fund Manager's View

The economy has been steadily moving towards recovery. With initial signs that point to a reduction in active Covid cases, a faster return to normalcy and growth is quite possible. The Ministry of Home Affairs has issued the new unlock guidelines, wherein they allowed cinemas and multiplexes to open at 50% capacity, removed limits on outdoor gatherings and considered the re-opening of schools from October 15. Pent up demand in the system, along with the forthcoming festive season, are promising for economic growth.

Hoping for normalization in FY21, Indian equities continue to rally because of the push led by the global liquidity surplus. As the Indian economy undergoes unlocking/neo-normalisation, economic activity will continue to increase, but a fair chunk of this is being discounted in the equity markets. Despite the rally, India's Market Cap to GDP ratio stands at a significant low compared to the long-term average. India became the second country to cross 6 million Covid cases, but recovery rates have picked up pace. With the longer term growth story intact for India, we will stick to quality franchises with strong moats, cash flows, balance sheets and higher earnings visibility in terms of our investment exposure.

Key Features

Benchmark Index:
Nifty Midcap 100 TR Index

Fund Manager:
Mr. Aniruddha Naha

Exit load:

(w.e.f. July 20, 2020) 1% - If the units are redeemed on or before completion of 1 month from the date of allotment of units; Nil - If the units are redeemed after completion of 1 month from the date of allotment of units; Nil - If the units are switched / STP into any schemes of PGIM India Mutual Fund.

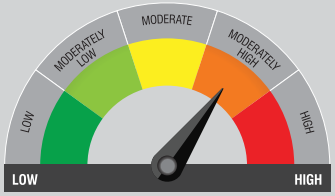
No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Riskometer

This product is suitable for investors who are seeking*:

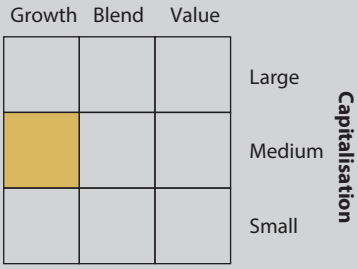
- Capital appreciation over long run.
- To achieve long term capital appreciation by predominantly investing in equity and equity related instruments of mid cap companies.
- Degree of risk – MODERATELY HIGH

*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 high risk

Investment Style Box



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.