MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA PREMIER BOND FUND

An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

Rated AAAmfs by ICRA##

September 2020

Why invest in PGIM India Premier Bond Fund?

Investors with concerns of credit quality on corporate assets and liquidity pressures, can consider investing in PGIM India Premier Bond Fund for it's very high quality portfolio of instruments. PGIM India Premier 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.

Investment Strategy

- PGIM India Premier Bond Fund seeks to generate income through investments in a range of corporate Debt, Central & State government securities and money market instruments.
- The portfolio duration is decided based on the fund manager's assessment of expected movement in interest rates, liquidity conditions and other macroeconomic factors.
- Moderate duration exposure allows the fund to maintain relatively low volatility compared with long-term income/bond funds, while retaining the potential to benefit from softening in yields.

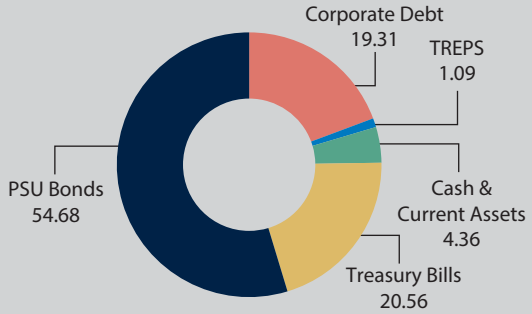
Portfolio Positioning*

- Portfolio predominantly consists of AAA/A1+ rated corporate bonds and PSU/PFI bonds
- Credit Quality as on 30th September, 2020: AAA/A1+/Sovereign securities comprises 100.00% of the portfolio.
- Average maturity of the portfolio as of 30th September, 2020 stood at 1.98 years.

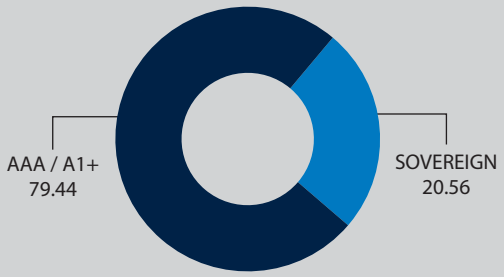
Who should invest?

PGIM India Premier Bond Fund is ideal for investors considering investing in a moderate portfolio of debt securities including bonds and money market instruments.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)



Fund Details

AUM as on September 30, 2020 (₹ in Crore):	72.90
For the Debt Portfolio	
Portfolio Yield (%)	4.66
Modified Duration (years)	1.70
Average Portfolio Maturity (years)	1.98
Macaulay Duration (years)	1.79

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
364 Day Tbill Mat 2020	13.71	SOV
Rural Electrification Corporation Ltd.	8.49	CRISIL AAA
National Bank For Agriculture & Rural Development	7.08	ICRA AAA
Indian Oil Corporation Ltd.	6.91	CRISIL AAA
Housing Development Finance Corporation Ltd.	6.86	CRISIL AAA
91 Days Tbill Mat 2020	6.85	SOV
State Bank Of India	6.75	CRISIL AAA
Reliance Industries Ltd.	6.34	CRISIL AAA
Britannia Industries Limited	6.11	CRISIL AAA
Housing & Urban Development Corporation Ltd	4.89	CRISIL AAA

*All the above data are as on September 30, 2020. * 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

- The Consumer Price Index (CPI) for August remained at 6.69%, almost unchanged over the previous month, which itself saw a downward revision in print to 6.73%. But inflation staying over 6% in each of the months this fiscal remains a cause for worry for the Reserve Bank of India (RBI). Average CPI for the period April to August (5 months) stood at 6.64%.
- The key items driving CPI comprised protein-based food items such as meat & fish, pulses – both of which rose in double digits. Vegetables up by 11.41% and transport & communication by 11.05%, were the other item heads registering high-paced increase.
- Core CPI (ex food and fuel) for August, came in at 5.4%, marginally higher (+10 bps) from 5.3% in July. Core inflation in the first 5 months of this fiscal has also averaged 4.9%, reflecting supply side issues and firming prices in key items such as gold.
- In the October 2020 policy, the MPC noted the return to normalcy as reflected in a few parameters such as multi month high Purchasing Managers Index (PMIs) in manufacturing and services, pick up in sales of auto, electricity, cement sales etc. and improving consumer expectations on jobs and incomes. The policy countered these views with some sobering thoughts on weak private investment and exports which are still subdued.

Liquidity and Rates

- On liquidity, the combination of additional targeted long term repo operations (TLTROs) of up to INR 1 lakh crore at a floating rate should help banks address credit needs as investment activity rebound.
- Banks have also been given the flexibility to reverse earlier LTROS, which will help them in managing their books and retiring higher cost funds with sectors such as housing further incentivized by linking risk weights purely to Loan to Value (LTVs) rather than loan sizes.
- On markets and yields, RBI extended the expanded Mark to Market (MTM) limits (by 2.5%) benefit for another year until March 2022. While they had earlier assured to revisit this by end March 2021, the extension well ahead of time gives banks enough clarity on ways to manage their books and duration and is a strong market positive.
- Open Market Operation (OMOs) have been upsized to INR 20,000 crore per auction.
- Further, to control the widening yields of State Government loans, RBI has decided to undertake OMOs in this category as well, which is a market first. State finances are weak and respective governments are having to issue higher amounts to meet revenue gaps arising from GST shortfalls.
- Liquidity conditions continued to remain in surplus mode in line with RBI's accommodative stance.
- Average daily Liquidity Adjustment Facility (LAF) balances for September stood at INR 3.31 trillion as against INR 3.68 trillion in August and INR 3.59 trillion in July.
- Increase in Currency in Circulation (CIC) has been showing a steady decline consistent with the gradual unlocking. The rise was the highest in the 3 months of March to May, also the peak lock-down months that also witnessed a mass exodus of migrants from cities / urban centres to their hometowns.
- Rise in CIC by an average of almost INR 900 bio per month in this period has since tapered to INR 439 bio in June and a mere INR 25 bio in September.
- In the first 9 months of this calendar year, the absolute increase in CIC stood at INR 4.12 trillion, as against INR 1.6 trillion over the corresponding period of the previous year.
- We expect CIC to moderate as the economy unlocks further, even though we may witness some pick-up again in the festive season.

H2 - FY2021 borrowing calendar

- There were no surprises as far as the borrowing calendar was concerned. There is no change proposed in the borrowing quantum (INR 4.34 trillion) for the second half.
- The borrowing calendar in H2 compares with an issuance volume of INR 2.62 trillion in H2-FY 2020.
- The front end (upto 5 years) with volumes of 20% and the belly (5-14) with volumes of 44%, will benefit from moderate issuance volumes.
- The longer end comprises over 30% of the volumes. Floating rate bonds (FRBs) – short – comprise 6% of the issuance volumes.
- The choice of segments for issuance is weighted in favour of the long end – beyond 14 year tenor, which is likely to exert some pressure on the long end of the curve.
- The issuance calendar will be done by end January, which offers the Govt some time for extra issuances, if needed.
- State govt borrowings (through SDLs – State Development Loans) are pegged at INR 2 trillion for the Oct- Dec quarter. There is some likelihood of a spill-over in Q3 even as Q4 is expected to be well higher than INR 2 trillion (INR 1.63 trillion in the previous year).

Outlook

- Inflation readings on the macro remain a key monitorable for the markets.
- We continue to favour short and mid segment products with a 3-4 year duration post the October 2020 policy, as this segment should witness lower volatility given easy liquidity and monetary conditions.
- Our Long end remains tactical, though it should present better opportunities going forward.

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	
Corporate Debt instruments (AA+ and above rated)	80%	100%	Low to Medium
Other debt (including Government securities) and Money Market Instruments	0%	20%	Low to 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

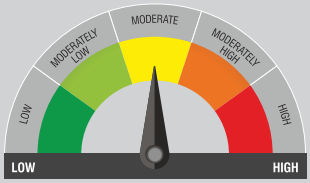
Exit load: Nil. No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Riskometer

This product is suitable for investors who are seeking*:

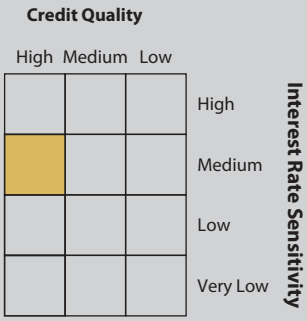
- Income over the medium term
- Investments predominantly in AA+ and above rated corporate bonds including bonds
- Degree of risk – MODERATE

*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



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

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.

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