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##

November 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.

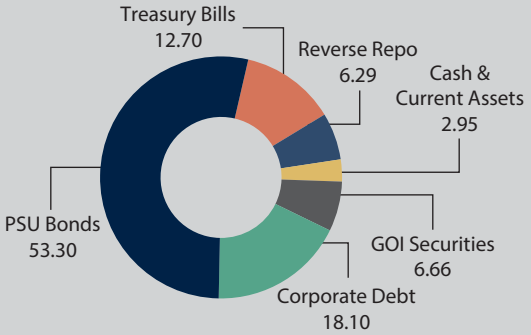
Portfolio Positioning*

- Portfolio predominantly consists of AAA/A1+ rated corporate bonds and PSU/PFI bonds
- Credit Quality as on 30th November, 2020: AAA/A1+/Sovereign securities comprises 100.00% of the portfolio.
- Average maturity of the portfolio as of 30th November, 2020 stood at 2.61 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 November 30, 2020 (₹ in Crore):	78.74
For the Debt Portfolio	
Portfolio Yield (%)	4.35
Modified Duration (years)	2.15
Average Portfolio Maturity (years)	2.61
Macaulay Duration (years)	2.25

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
182 Days Tbill Mat 2020	12.70	SOV
Power Finance Corporation Ltd.	8.55	CRISIL AAA
Rural Electrification Corporation Ltd.	7.92	CRISIL AAA
6.18 Govt Stock Mat 2024	6.66	SOV
National Bank For Agriculture & Rural Development	6.64	ICRA AAA
Housing Development Finance Corporation Ltd.	6.54	CRISIL AAA
Indian Oil Corporation Ltd.	6.44	CRISIL AAA
Reliance Industries Ltd.	5.88	CRISIL AAA
Britannia Industries Limited	5.68	CRISIL AAA
Housing & Urban Development Corporation Ltd	4.60	CRISIL AAA

*All the above data are as on November 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

- CPI for October 2020 continued to remain stubbornly high, printing at 7.6% (up from 7.3% in September).
- While food continues to remain the culprit as in the previous months, core inflation in excess of 5% also remains a source of worry.
- As the economy gradually emerges from the lockdown and activity levels rebound to pre-covid levels, we expect upward impulses to the core.
- So, even as the headline may benefit from falling food inflation, core may pose problems as recovery gathers pace.
- Already crude oil is in the mid 40s and is showing signs of stabilising around these levels. While most of the developed markets continue to battle the second / third wave as winter sets in, the roll-out of the vaccine (expected in the US as early as December itself) globally in the first quarter may accelerate recovery as we go through 2021.
- As such, while CPI is likely to soften, we expect the average for FY 2021 to be closer to 6% and to range in the 5.5% to 6% band for H1-FY 2022.

Liquidity and Rates

- Liquidity conditions continued to remain ultra-benign with daily system average liquidity now crossing the INR 5 trillion comfortably.
- The woes of RBI are now being compounded as FDI flows are being supplemented by strong FII inflows as well. November was one of the strongest flows for equity ever, registering inflows of INR 69,476 cr
- For the calendar year 2020, equity has witnessed inflows of INR 1.19 trillion, completely erasing outflows in debt which stood at INR 1.07 trillion in the same period.
- For context, average daily LAF balances in September, for instance, stood at INR 3.31 trillion and at INR 3.68 trillion in August.

GDP data – Q2/FY 2020

- India's second quarter GDP for the period from July to September 2020, rebounded strongly. For the 3-month period, the GDP contracted by 7.5% (over the previous year), much lower than the -23.9% (year / year) contraction of the first quarter and also lower than the consensus estimates ranging from -7 to -9%. GVA (Gross value added = GDP plus taxes minus subsidies) contracted by a lower amount of 7% in Q2.
- Among the highlights, drivers of the rebound included a pick-up in agriculture (+3.4% y/y – flat vs Q1) and industry (much lower contraction of -2.1% as against -38.1% in Q1 FY 21). Industry constituents that did well include electricity, home goods, power sales, cement dispatches, consumer durables, auto etc.
- Part of the pick-up was led by pent-up demand and buying for the festive season. High frequency indicators have been signaling a pick-up in economic activity towards the end of Q2 which is also reflected in the numbers.
- Alternatively, viewed on the expenditure side, the main drivers to a better performance in Q2 was private consumption (aided by the stimulus and gradual unlocking of the economy, pent-up demand and the festive season), net exports and gross fixed capital formation.

Outlook

- While the second quarter performance has been promising, the outlook for the second half of FY 2021 will depend on continuation of demand post the festive season. While Q2 accounted for a lot of pent-up demand from Q1, spillover into Q3 and Q4 could be minimal. However, ground level activity as reflected in the high frequency data reflects that demand in tier 2, 3, 4 cities and towns is re-emerging.
- The combination of manufacturing incentives for various sectors under the PLI (Production Linked Incentive schemes) and the impact of lower interest rates should also play a role in enabling demand pick-up. Financial conditions in India in the last three years from 2017-March 2020 have been particularly tough, stifling demand and investment. Impact of stimulus (putting more money in the hands of rural population, agri sops), higher forex flows (both FDI and FII) plus RBI's buying activity in Government bonds (both G Secs and SDL) is also aiding liquidity.
- With CPI likely to stay well over 4%, monetary space for RBI is limited. Coupled with the rebound, prospects of a rate cut appear low. However, RBI is likely to maintain the accommodative monetary stance for the foreseeable future as was reiterated in the previous policy, given the need for effective rate transmission which is still an unfinished agenda.

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.

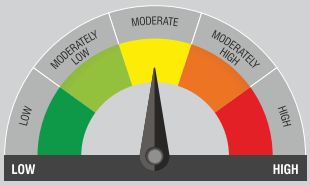
##ICRA has assigned the "[ICRA] AAAmfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Premier Bond Fund. Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made. The ratings should, however, 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.

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

Credit Quality

Interest Rate Sensitivity	High	Medium	Low
High			
Medium			
Low			
Very Low			

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.