MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA ULTRA SHORT TERM FUND

An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months

Rated AAAmfs by ICRA##

June 2020

Why invest in PGIM India Ultra Short Term Fund?

PGIM India Ultra Short Term Fund is a moderately low risk fund for short term investing needs.

Investment Strategy

- The aim of the investment strategy is to generate returns in the short term with a moderately low risk, particularly minimal interest rate risk strategy.
- The Scheme shall be actively managed and the Fund Management team shall formulate an active view of the interest rate movement by monitoring various parameters of the Indian economy, as well as developments in global markets.
- The Macaulay Duration of the portfolio will be maintained between 3 months to 6 months.

Portfolio Characteristics*

- The fund has been maintaining a high quality mix of liquid and short term securities which seeks to deliver steady returns with lower volatility.
- Predominantly invested in money market securities and short term bonds.
- The fund seeks to maintain a weighted average portfolio maturity of less than 6 months.

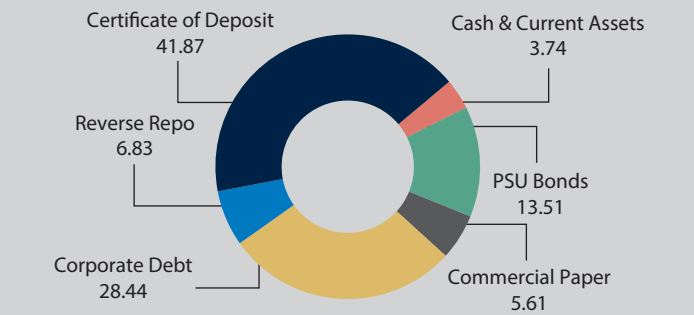
Portfolio Positioning*

- PGIM India Ultra Short Term Fund does not take duration calls and maintains 'mark to market' exposure at nominal levels in order to moderate volatility in returns.
- Strict control on average maturity, limits the return volatility on the fund.
- Investment in AAA/A1+ rated securities is 100.00%.

Who should invest?

PGIM India Ultra Short Term Fund is ideal for investors looking at investing their surplus money for a period of 3-6 months.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)

Fund Details

AUM as on June 30, 2020 (₹ in Crore):	87.42
For the Debt Portfolio	
Portfolio Yield (%)	3.99
Modified Duration (year)	0.45
Average Portfolio Maturity (year)	0.47
Macaulay Duration (months)	5.64

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Axis Bank Ltd.	11.27	CRISIL A1+
National Bank For Agriculture & Rural Development	9.36	IND A1+
ICICI Bank Ltd.	9.00	ICRA A1+
Power Finance Corporation Ltd.	6.86	CRISIL AAA
Small Industries Development Bank Of India	6.72	CARE A1+
Rural Electrification Corporation Ltd.	6.65	CRISIL AAA
HDB Financial Services Limited	5.84	CRISIL AAA
LIC Housing Finance Ltd.	5.83	CRISIL AAA
Reliance Industries Ltd.	5.80	CRISIL AAA
Housing Development Finance Corporation Ltd.	5.79	CRISIL AAA

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

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

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 rage 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[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; based on Prudential Financial, Inc. (PFI) total worldwide assets under management as of March 31, 2020. [1]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 3 months to 6 months. Please refer to the Scheme Information Document for more details on asset allocation.

Key Features

Benchmark index: CRISIL Ultra Short Term Debt Index#

Fund Manager: Mr. Kumaresh Ramakrishnan and Kunal Jain

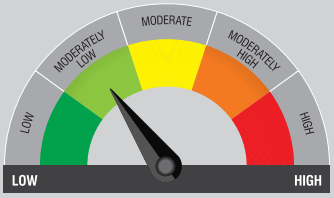
Exit load: Nil. No exit load will be charged for switches and STP between Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Riskometer

This product is suitable for investors who are seeking*:

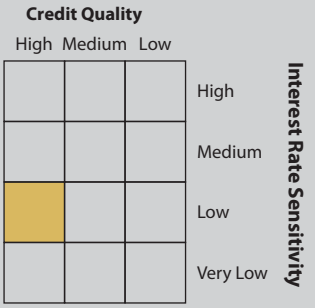
- Income over the short term
- Investment in short term debt and money market instruments
- Degree of risk – MODERATELY LOW

*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 low risk

Investment Style Box



w.e.f. November 01, 2019 benchmark of the scheme has been changed from CRISIL Liquid Fund Index to CRISIL Ultra Short Term Debt Index

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.