



PGIM INDIA BANKING AND PSU DEBT FUND

An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds

Rated AAAMfs by ICRA##

July 2021

Why invest in PGIM India Banking and PSU Debt Fund?

PGIM India Banking and PSU Debt Fund is a moderate risk fund that seeks to generate income and capital appreciation by investing predominantly in debt instruments issued by banks, Public Sector Undertakings#, Public Financial institutions and Municipal Bonds.

#A Public Sector Undertaking is defined as a Company having 51% of its outstanding share capital held by the Central Government and/or State Government, directly or indirectly. (Source: www.nseindia.com - definition for Nifty PSE Index).

Portfolio Positioning* and Strategy

- The portfolio is positioned to benefit from any downward movement in rates and will capitalize on the steepening of the yield curve.
- Focus will be on investing predominantly in bonds issued by PSUs and various debt instruments issued by banks.
- The scheme is actively managed by the Fund Management team dynamically tracking interest rates, market movements and keeping a close watch on various parameters of the Indian economy as well as developments in global markets.
- 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 holdings help in moderating the return volatility.

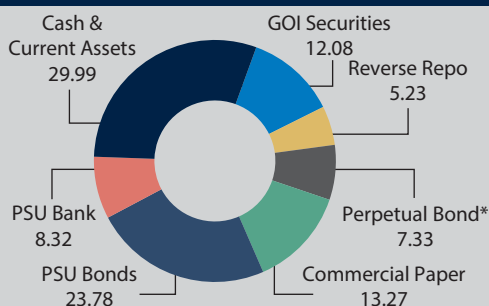
Portfolio Characteristics*

- The portfolio predominantly comprises of AAA rated securities issued by PSUs and Sovereign Bonds.
- Modified Duration of the fund will range from 1 to 4 Years

Who should invest?

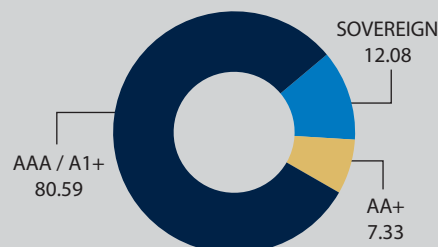
PGIM India Banking and PSU Debt Fund is ideal for investors seeking to invest in a debt portfolio with a horizon of at least 1 year.

Asset Allocation (% AUM)



*All the perpetual bonds in PGIM India Banking and PSU Debt Fund are Basel III bonds.

Credit Quality Profile (% AUM)



Maturity Profile As on July2021 (% of AUM)

0-6 M	35.36
6-12M	0.00
1-3Y	37.49
3-5Y	8.78
5Y+	18.38
Others	0.00

Fund Details as on July 2021#

Portfolio Yield (%)	4.34
Average Maturity	3.04 Years
Modified Duration	2.29 Years
Macaulay Duration	2.39 Years
Standard Deviation^	0.12
Sharpe Ratio^	0.15 (R)/0.17 (D)

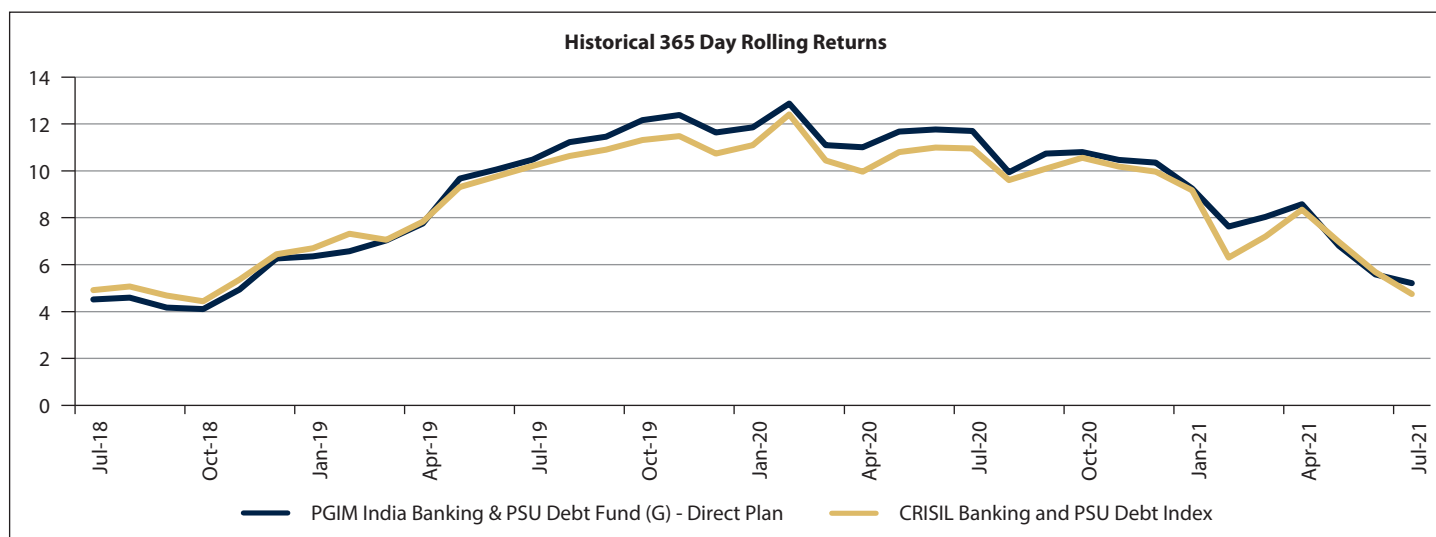
The above numbers are based on data for period July 31, 2015 to July 31, 2021.

All the above data are as on July 31, 2021. * These are based on fund manager's current outlook & Subject to change.

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Power Finance Corporation Ltd.	9.54	CRISIL AAA
Indian Oil Corporation Ltd.	8.30	ICRA A1+
4.70 GOI Floating Rate Mat 2033	7.77	SOV
Indian Railway Finance Corporation Ltd	5.69	CRISIL AAA
National Housing Bank	5.07	CRISIL AAA
NTPC Ltd.	4.97	CRISIL A1+
Axis Bank Ltd.	4.48	CRISIL AA+
Housing & Urban Development Corporation Ltd	3.43	ICRA AAA
Small Industries Development Bank Of India	3.42	CARE AAA
National Bank For Agriculture & Rural Development	3.25	ICRA AAA

Historical Rolling Returns



The above historical returns are rolling returns for the Direct Plan - Growth Option and for the period beginning July 28, 2018 to July 31, 2021. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Performance

Period	Fund		CRISIL Banking & PSU Debt Index ^		CRISIL 1 Year T-Bill Index#	
	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*
Regular Plan - Growth Option						
Last 1 Year	4.63	10,462.67	4.75	10,474.90	3.77	10,377.30
Last 3 Years	8.56	12,797.24	8.76	12,868.63	6.41	12,050.16
Last 5 Years	7.53	14,379.71	8.08	14,752.58	6.27	13,557.34
Since Inception	8.19	19,355.61	8.67	20,094.05	6.75	17,297.56
Direct Plan - Growth Option						
Last 1 Year	5.09	10,508.71	4.75	10,474.90	3.77	10,377.30
Last 3 Years	9.07	12,979.66	8.76	12,868.63	6.41	12,050.16
Last 5 Years	8.06	14,736.51	8.08	14,752.58	6.27	13,557.34
Since Inception	8.70	20,143.61	8.67	20,094.05	6.75	17,297.56

Date of Inception: Regular Plan: March 11, 2013; Direct Plan: March 11, 2013. 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.

Returns for the benchmark have been calculated using TRI values.

Puneet Pal is managing this fund since December 2017. Different plans have a different expense structure. The above returns are as on July 30, 2021.

Performance of other funds managed by Fund Manager Puneet Pal as on July 30, 2021

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
PGIM India Premier Bond Fund	5.29	7.74	6.71	December 2017
CRISIL Composite Bond Fund Index^	3.80	9.54	7.96	
PGIM India Short Maturity Fund*	4.01	3.85	5.06	December 2017
CRISIL Short Term Bond Index^	5.30	8.66	7.81	
PGIM India Dynamic Bond Fund	3.07	8.39	7.63	December 2017
CRISIL Composite Bond Fund Index^	3.80	9.54	7.96	
PGIM India Gilt Fund	3.09	8.43	7.08	December 2017
CRISIL Dynamic Gilt Index^	3.20	9.53	7.51	

^ Scheme 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.

Performance of other schemes managed by the Fund manager are sorted on the performance of the last 1 year ending on July 30, 2021.

Different plans have a different expense structure. Returns for the benchmark have been calculated using TRI values.

Mr. Puneet Pal is managing 5 schemes of PGIM India Mutual Fund. *Jointly managed by Ankur Murarka. No other schemes are managed by Ankur Murarka.

On account of difference in scheme features, the performance of these schemes are not strictly comparable.

Please refer www.pgimindiafm.com for details on performance of all schemes (including Direct Plan).

Fund Manager's View

Inflation

- After printing at a record high of 6.3% in May 2021, CPI for June 2021 (released in July) came in marginally lower at 6.26%. Notably, this was the second successive month with an over 6% print, being the upper end of RBI's tolerance band for CPI.
- Food inflation, while remaining high, moderated with the sequential month-on-month print at 1.17% as against 1.71% in May 21 (over April 21). Some categories of food softened in the month helping the reduction. Delayed monsoon in some parts has played a part in food inflation taking time to cool-off.
- Core inflation rose to a 7-year high of 6.30% in June (6.17% in May), even as the monthly sequential pace moderated. Crude, metals, commodities also caused the rise; however, some elements such as housing, clothing and miscellaneous products, declined.

Rates and liquidity

- Liquidity, already in a surplus, increased even further in July with daily average LAF balances in excess of INR 5.7 trillion (INR 4.8 trillion in June). Govt cash balances continued to build further from levels at the start of the fiscal. In a bid to ease the distortion in the forward premiums, the RBI opting to take delivery (USD) in spot rather than roll-over as in the past, also added to money market liquidity. Durable liquidity as a result, was closer to INR 9 trillion, pushing money market yields down sharply.
- T-bill yields moved down by 15-20 bps in the last fortnight of July, helped by excess liquidity. At the longer end, yields on the 10-year benchmark moved higher, both on the latest issuance (6.10% coupon) and the outgoing benchmark (5.85% benchmark). With the 6 % level no longer being defended by RBI, yields moved up sharply once it breached the 6% level.

Outlook

- Micro-frequency data, led by mobility indicators such as electricity consumption, IIP prints, infra orders, crude demand etc., are now either nearing pre-covid levels or have crossed over in a few cases. Auto dispatches in July, for instance, have recorded a good jump not only over July last year (when the lockdown was still in force), but also sequentially over June 2021. Barring the acute chip shortages which are severely hampering sales of certain models, dispatches are likely to have been even higher. Electricity consumption – all India at 125 billion units per unit is also higher than the all-time high of 116 billion units / month recorded in the pre-covid era.
- As the second wave recedes gradually, and the pace of vaccination rises, there is certainly more optimism on recovery and a more robust Q2. However, it is important that there is no third wave or it is a muted one if there is one.
- There is a fear that with rising inflation, excess liquidity and pick-up in activity, the pro-growth stance projected by the MPC may have to undergo a change. The upcoming policy in August will be closely monitored for the action, stance and commentary. We expect RBI to remain on an extended pause on rates and retain its accommodative stance, keeping liquidity well in surplus mode, though initializing liquidity normalization soon.
- Given the mixed environment wherein bond supply remains high, inflation is still over 6% but the revenue collections are showing strength in April – July period, we prefer the Short / mid end products such as the Corporate bond (PGIM India Premier Bond Fund) and PGIM India Banking & PSU fund. PGIM India Dynamic bond fund is an option for investors with an ability to handle some volatility seeking duration gains.
- Investors with a shorter time horizon of up to 6 months should also look at the PGIM Ultra Short term Fund, a high quality fund that invests in predominantly in the 3-12 month segment to maintain duration under 6 months.

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 21 open-ended funds operated by 15 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 1.5 trillion¹ 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. ¹All Information as of December 31, 2020.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Money market and debt securities issued by Banks, Public Sector Undertakings (PSU), Public Financial institutions (PFI) and Municipal Bonds	80%	100%	Low to Medium
Other Debt and Money Market Securities	0%	20%	Low to Medium

Please refer to the Scheme Information Document for more details on asset allocation.

Key Features



Benchmark index:
CRISIL Banking & PSU Debt Index #



Fund Manager:
Mr. Puneet Pal

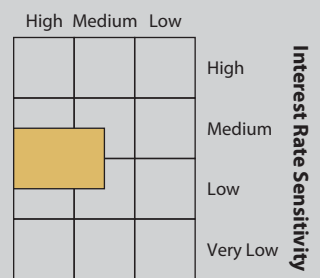


Exit load: Nil.
No exit load will be charged for switches and STP between debt schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.
No exit load will be charged for switches and STP from debt schemes except PGIM India Insta Cash Fund to Equity, Hybrid, FOF of PGIM India Mutual Fund.

w.e.f. November 01, 2019 benchmark of the scheme has been changed from CRISIL Short Term Bond Fund Index to CRISIL Banking & PSU Debt Index

Investment Style Box

Credit Quality



##ICRA has assigned the "[ICRA] AAAMfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Banking and PSU Debt 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.

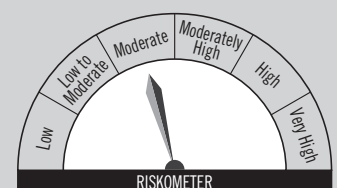
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Riskometer

This product is suitable for investors who are seeking*:

- Income over the short term
- Investment in debt instruments issued by Banks and Public Sector Undertakings, Public Financial institutions and Municipal 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

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.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.