MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA DIVERSIFIED EQUITY FUND

Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap stocks

December 2020

Why invest in PGIM India Diversified Equity Fund?

PGIM India Diversified Equity Fund is a Go Anywhere Fund. It will scout for Investment opportunities across market capitalizations.

Investment Strategy

- The fund has a diversified portfolio of strong growth companies with sustainable business models spread over a range of industries, sectors and market capitalizations.
- Equity securities are selected on bottom up stock–by–stock basis across market cap spectrum, with consideration given to valuation parameters as well as growth, margins, asset returns, and cash flows, amongst others.

Portfolio Positioning*

- This Fund has a flexibility to increase or decrease exposure to Large, Mid or Small Cap as per Market Cycles and Fund Manager's view of Markets.
- The fund usually has between 50 to 70% in Large Caps and the balance is invested in Mid Cap & Small Cap companies.

Who should invest?

PGIM India Diversified Equity Fund is typically suited for Investors looking at investing in diversified portfolio of equity and equity related instruments including derivatives with a long term view.

Portfolio Positioning

Top 3 Sectors Overweight	% Overweight
Materials	7.93
Health Care	4.98
Industrials	4.28
Top 3 Sectors Underweight	**% Underweight**
Consumer Staples	9.11
Financials	8.28
Energy	6.23
Top 5 Stocks Overweight	**% Overweight**
Larsen & Toubro Infotech Ltd	3.46
Whirlpool Of India Ltd	3.04
Can Fin Homes Ltd	2.93
Bharat Rasayan Ltd	2.88
Alkem Laboratories Ltd	2.77
Top 5 Stocks Underweight	**% Underweight**
Housing Development Finance	5.35
HDFC Bank Limited	4.72
Reliance Industries Ltd	4.34
Tata Consultancy Svcs Ltd	3.51
Kotak Mahindra Bank Ltd	3.41

The above weights are in comparison to the benchmark.

Source: Bloomberg and Internal Research. The above data as on December 31, 2020.

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

Portfolio Metrics

	Portfolio	Nifty 500 TR Index
Return on Equity	16.5%	8.3%
Debt / Equity (ex-financials)	29.2%	111.2%
FY 22E Price / Earning Ratio	20.1	22.4
Beta	0.93	1.00

Source: Bloomberg and Internal Research. The above data as on December 31, 2020.

Portfolio Composition

	Portfolio	Nifty 500 TR Index
Number of stocks	42	500
Portfolio overlap with	—	24.7%
Large caps (1st-100th stock)	51.3%	80.2%
Mid caps (101st-250th stock)	18.3%	13.1%
Small caps (251st stock onwards)	27.7%	5.9%
Cash	2.7%	0.0%
Market Cap yet to be classified by AMFI	0.0%	0.7%
Top 10 holding	35.6%	43.2%
Avg Market Cap - Crore	1,67,292	3,52,313

Source: Bloomberg and Internal Research. The above data as on December 31, 2020.

Portfolio (Top Ten Holdings) as on December 31, 2020

Issuer	% to Net Assets
Infosys Ltd.	6.24
ICICI Bank Ltd.	5.32
Larsen & Toubro Infotech Ltd.	3.64
Bharti Airtel Ltd.	3.29
Reliance Industries Ltd.	3.16
Whirlpool of India Ltd.	3.13
ICICI Lombard General Insurance Co. Ltd.	3.02
Can Fin Homes Ltd.	2.98
Coforge Ltd.	2.96
Alkem Laboratories Ltd.	2.91

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 500 TR Index^		NIFTY 50 TR Index #	
	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*
Regular Plan						
Last 1 Year	35.87	13,598.76	17.89	11,794.54	16.14	11,618.70
Last 3 Years	11.24	13,769.50	7.93	12,575.14	11.31	13,794.41
Last 5 Years	13.33	18,707.18	12.72	18,205.41	13.40	18,766.60
Since Inception	11.53	18,900.00	9.47	16,949.41	9.37	16,865.56
Direct Plan						
Last 1 Year	38.54	13,866.83	17.89	11,794.54	16.14	11,618.70
Last 3 Years	13.45	14,607.32	7.93	12,575.14	11.31	13,794.41
Last 5 Years	15.16	20,271.83	12.72	18,205.41	13.40	18,766.60
Since Inception	13.15	20,560.00	9.47	16,949.41	9.37	16,865.56

Date of Inception: Regular Plan: March 04, 2015; Direct Plan: March 04, 2015. 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 December 31, 2020.

Performance of other funds managed by Fund Manager Aniruddha Naha as on December 31, 2020

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
PGIM India Midcap Opportunities Fund	48.39	8.84	11.74	April 05, 2018
Nifty Midcap 100 TR Index^	23.02	0.50	10.41	

^ 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

The year 2020 ended at close to all-time highs for markets, with Nifty gaining 7.8% in Dec 2020 helped by continued inflows from FIIs on the back of the risk-on sentiment. Interestingly, the month saw the Nifty Index closing in the red only on 3 days – the lowest number since its launch. The broader markets were also strong, with Nifty Midcap 100 Index rising 5.7% and the Nifty Small Cap 100 Index rising 7.9%.

Realty (+20.2%), Metals (+13.5%) and Consumer Durables (+12.4%) were the outperforming sectors, while Auto (+3.4%), Energy (+3.7%) and Power (+3.8%) were underperforming sectors.

While vaccines rollout started in developed economies and central banks continued their accommodative stance, there are some concerns regarding the emergence of a second wave on account of a more infectious and mutated strain of the virus. Even as Europe saw cases rising again, India's cases are on a notable decline (avg daily cases down 50% MoM and total active cases down 75% from September peak). On the political front, protests from the farmers continued over the contentious farm laws, and both sides are in discussions to resolve the impasse.

On the Macro front, RBI upped its FY21 growth projection from -9.5% to -7.5%, indicating a recovery in H2FY21. Inflation also saw some moderation, with CPI print coming in at 6.9% in Nov (from 7.6% in Oct) as supply chains further normalized. As expected (due to the pandemic), India's fiscal deficit touched 135% of the budgeted figures (Nov end) as revenue receipt lagged from the budgeted figures. RBI continued to maintain a dovish stance even as inflation remained above desired levels. Infrastructure output in India dropped by 2.6% percent year-on-year in November 2020 – the sharpest fall in 3 months.

India posted a USD 15.5 billion current account surplus in Q2FY20, or 2.4% of GDP, compared to a USD 7.6 billion deficit in the same period last year. FIIs were net buyers again for the third straight month (Inflows of US$7.3bn in Dec vs. US$ 9.6bn in Nov) and they have pumped in US$23.4bn YTD. DIIs, on the other hand, continued their selling spree with outflows of US$5bn, taking YTD outflows at US$4.9bn.

Fund Manager's View

Stock prices are driven by liquidity in the short term and trend in corporate earnings in the long run. Both favor the market currently, and the same is reflected in the current valuations as well. However, the key question is whether they are fully reflected or not. This is a function of a) liquidity, b) earnings growth c) valuations. Liquidity is clearly in favor of the market as FIIs have been investing almost Rs 3000 cr daily for many weeks. Currently, most of the flows are part of increased allocations to emerging markets from developed markets. Soon we would start seeing country-specific allocations and funds. These flows are more than offsetting outflows from domestic mutual funds. Participation of retail investors in direct equities is also very high, and record oversubscription to recent IPOs clearly highlights excess in the market. Also, FII flows are part of global liquidity, and it doesn't take much for these flows to change course.

On the corporate earnings front, two things are clear 1) from a low base in FY21, one can expect strong growth in FY22 2) there is a clear delink in corporate profits from overall economic growth. In recent times, small firms and companies with weaker balance sheets have taken the brunt of economic slowdown and the current pandemic. In contrast, larger companies and companies with better balance sheets have become stronger as reflected in healthy profit growth in the September quarter results.

On Valuations, though equity valuations appear to be expensive, one needs to consider a) depressed earnings in the current year b) low-interest regime. If interest rates are lower, it is natural for P/E multiple to expand. However, sustained economic growth and earnings growth is a must. FY22 earnings growth may be great, but in six months, the focus would shift to likely growth in FY23. Though things appear to be returning to normalcy, it's not correct to assume that everything is back to normal. Job losses and resultant demand destruction are real. Govt. finances are already stretched, and we are a capital-starved economy. We continue to believe in the long-term structural sustainable growth story of India and equity markets. However, we are cautiously optimistic on the outlook for 2021. Asset allocation and diversification are key to long-term wealth creation. We continue to participate in this rally through quality companies with visible growth and strong balance sheets.

Key Features

Benchmark Index:
Nifty 500 TR Index[$]

Fund Manager:
Mr. Aniruddha Naha

Exit load:

10% of the units allotted may be redeemed/switched-out to debt schemes/PGIM India Arbitrage Fund without any exit load within 90 days from the date of allotment of units; Any redemptions/switch-outs in excess of the abovementioned limit would be subject to an exit load of 0.50%, if the units are redeemed/switched-out to debt schemes/PGIM India Arbitrage Fund within 90 days from the date of allotment of units; Nil - If the units are redeemed/switched-out after 90 days from the date of allotment of units.

No exit load will be charged for switches and STP between any open-ended equity schemes, hybrid schemes (except PGIM India Arbitrage Fund) and fund of funds schemes.

[$] w.e.f. November 01, 2019 benchmark of the scheme has been changed from S&PBSE 200 TR Index to Nifty 500 TR Index

Connect with us on: www.pgimindiamf.com 1800 2667 446

Riskometer

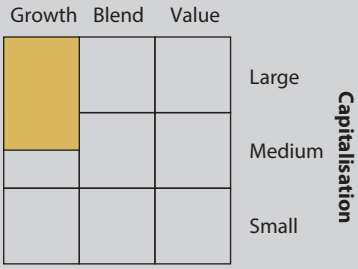
This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- To generate income and capital appreciation by predominantly investing in an actively managed diversified portfolio of equity and equity related instruments including derivatives
- Degree of risk – VERY 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 very 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.

© 2020 Prudential Financial, Inc. (PFI) and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

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

C256/20-21