MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA EQUITY SAVINGS FUND

An Open Ended Scheme investing in equity, arbitrage and debt

March 2021

Why invest in PGIM India Equity Savings Fund?

PGIM India Equity Savings Fund seeks to provide capital appreciation and income distribution to the investors by using equity, equity derivatives, arbitrage opportunities and investments in debt.

Investment Strategy

- The scheme seeks to achieve its investment objective primarily by employing various strategies which seek to exploit available arbitrage opportunities in equity markets combined with investments in unhedged equity positions as well as debt and money market instruments.
- A top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in selected sectors based on the Investment team's analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors.
- The debt allocation is actively managed and the Fund Management team may endeavor to generate returns whilst moderating credit and interest rate risk.

Portfolio Highlights

- The portfolio provides investors potential upside from both, Debt and Equity markets
- The Portfolio allocation enables the investor
  - — To benefit from the a likely fall in interest rates
  - — To benefit from the anticipated growth in equity markets
  - — Taxation of an equity scheme

Portfolio Positioning*

- 15% to 40% of the portfolio is invested in unhedged equity to benefit from the upside in the equity markets
- Both equity and bond markets experience volatility
  - — About 25% to 40% of the portfolio would be invested in equity arbitrage positions to cushion the volatility in returns

Who should invest?

PGIM India Equity Savings Fund is ideal for investors seeking to generate income from a tax efficient portfolio of equity and debt securities.

Portfolio (Top Ten Holdings) as on March 31, 2021

Issuer	% to Net Assets	% of NAV to Derivatives
IndusInd Bank Ltd.	8.71	-8.71
Vedanta Ltd.	7.81	-7.24
HDFC Bank Ltd.	5.68	
Bharti Airtel Ltd.	4.61	-4.61
State Bank of India	4.43	-4.43
Tata Consultancy Services Ltd.	4.03	-2.45
Reliance Industries Ltd.	2.49	
Glenmark Pharmaceuticals Ltd.	2.17	-2.17
City Union Bank Ltd.	1.70	
Kotak Mahindra Bank Ltd.	1.69	
Equity Holdings	**68.63**	**-32.12**
Corporate Debt	**0.95**	
Margin Mutual Fund Units	**10.25**	
Cash & Current Assets	**20.17**	
Total	**100.00**	

Fund Manager's View

The market that was

Amidst rising volatility, Nifty closed 1.2% higher in March 2021. It came off its highs as possibility of a second wave of coronavirus and rising bond yields played spoilsport. However, for the fiscal year, Nifty was up 71% which was its best performance in last ten years. Among sectors, Cement was the top gainer and IT, Basic Materials, Staples and Utilities also outperformed the benchmarks, while Banks, Auto, Energy, and Capital Goods underperformed.

On the macro front, Fitch Ratings raised India's growth projection for FY22 to +12.8% vs its earlier estimate of +11%. The CPI for February came at ~5% YoY (broadly in line) because of various factors such as a low base, higher food prices and higher fuel prices. Core CPI too came in higher at ~5.9% YoY and was again propelled by the Transport component of CPI.

Infrastructure output in India declined 4.6% YoY in February, which is the first decline in three months and the biggest since August. In January 2021, India's industrial production dropped 1.6% from the earlier year , reversing an upwardly revised 1.6% growth in the previous month and missing market expectations of a 0.9% increase. India Services PMI increased to 55.3 in February of 2021 from 52.8 in the previous month, which was the fifth consecutive month of expansion in the services sector, and the fastest expansion since February last year. India Manufacturing PMI edged down to 57.5 in February of 2021 from a three-month high of 57.7 in the previous month amid the restriction measures to contain the spread of coronavirus.

Centre's fiscal deficit for Apr'20-Feb'21 period came in at 76% of the revised estimate of ₹18.5 trillion. Brent crude was down 1.6% in the month of March. India recorded a current account deficit of USD 1.7 billion after three consecutive quarters of surplus in the last three months of 2020, which was equivalent to 0.2% of the GDP. While the current account balance turned back into deficit owing to a wider trade deficit, improvement in capital account balance led to a higher BOP surplus in 3QFY21.

FTSE Russell placed Indian government bonds on the watchlist for possible inclusion in its debt index, a move that may bring India closer to its aim of joining a global bond gauge after several false starts.

Capital markets saw action in the primary segment as well, with 27 deals worth ~$4.9bn (vs 11 deals worth ~$1.7bn in February on the back of stake sales and a slew of IPOs). FII buying dipped slightly to ~$2.5bn in March (YTD +$7.5bn) vs net inflows of ~$3bn witnessed in February. DIIs turning net buyers for the first time in 2021 with net inflows of ~$0.7bn (YTD -$3.2bn) was a change in near term trend.

Fund Manager's View

Covid cases are again a near term monitorable as daily cases crossed 50k in last week of March from a mere 22k in mid-March. Active cases in India are ~40% below the numbers seen in September 2020, but 4.6x of lows seen in February 2021. However, the positive aspect is that a section of population has started getting vaccinated and with time as coverage increases the cases may not be as severe as seen in FY21. Further, given the economic impact of lockdowns, a repeat of the stringent conditions seems unlikely, though some restrictions may be put in place to curb the spread.

There is a serious push by the government to increase domestic manufacturing and reduce import dependence in many areas. Government has announced PLI schemes for quite a few sectors to kickstart corporate focus on local manufacturing.

The Nifty 100 components have seen consensus in upgrade of earnings. Margins played a major role in upgrades, but further upgrades will likely be revenue or operating leverage driven as cost pressures are set to rise.

After a stupendous FY21 for the markets, it's difficult to expect a repeat of such performance again in the near term. However, some trends such as digitalization, cost outs, manufacturing push are here to stay and set the stage for a longer-term growth story. While commodity price increase is a bit of a worry in general, the cyclical nature thereof tends to even out impact over the longer term as well. Excesses in IPO market is a major worry. Overall, the outlook on the markets remains constructive from a medium to long term perspective and continues to resort to quality to fend off any near-term volatility.

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

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
A. Equity and Equity related instruments	65	90	High
A1. Of which Net Long Equity	5	40	High
A2. Of which Equity and Equity derivatives (Only Arbitrage opportunities)	25	85	High
B. Debt Securities and Money Market Instruments (including investments in securitized debt)	10	35	Low to Medium
C. Units issued by InVITs and REITs	0	10	Medium to High

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

Key Features

Benchmark Index:
70% of the NIFTY 50 Arbitrage TR Index and 30% of the NIFTY 50 TR Index

Application Amount: Minimum of ₹ 5000/- and in multiples of ₹ 1/- thereafter.

Additional Purchase: Minimum of ₹ 1000/- and in multiples of ₹ 1/- thereafter.

Repurchase / Redemption Amount: Minimum of ₹ 1000/- and in multiples of ₹ 1/- thereafter or account balance whichever is lower.

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.

Fund Manager:
Mr. Alok Agarwal (Equity Portion) and Mr. Kumaresh Ramakrishnan (Debt Portion)

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 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 1.5 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 December 31, 2020.

Riskometer

This product is suitable for investors who are seeking*:

- Capital appreciation and Income distribution over the medium term
- Investment primarily in equity and equity related securities and a small allocation to debt securities
- Degree of risk – MODERATELY 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 moderately high 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.

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