



# PGIM INDIA LOW DURATION FUND

An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months

March 2021

## Why invest in PGIM India Low Duration Fund?

PGIM India Low Duration Fund is a fund that seeks to generate income by investing primarily in low duration debt and money market instruments.

## Investment Strategy

- The key element of the investment strategy for the fund is the identification of high quality issuers in the short duration space with rating primarily in the AA+ and AA category.
- The scheme is actively managed both for credit and rates.
- 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 mark to market holdings help in moderating the return volatility.

## Portfolio Characteristics\*

- The lowest rating in corporate bond holdings in the fund would be AA-
- Macaulay Duration of the fund will range from 6 to 12 months

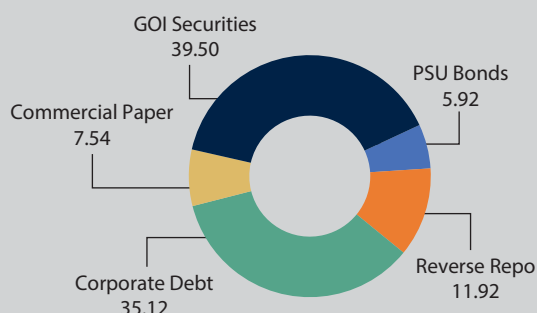
## Portfolio Positioning\*

- To maintain liquidity in the portfolio at all times, the portfolio will comprise of holdings in CDs and CPs. And for the purpose of generating carry for the fund, investments would be made in short tenor corporate bonds in the AAA and AA categories.
- Given the relatively shorter tenor of the product, liquidity and credit safety are primary considerations in the construct of the fund.

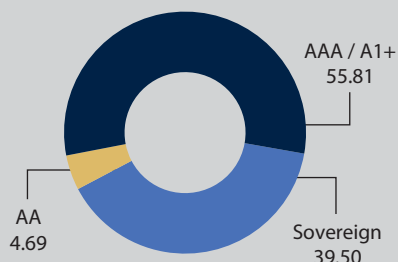
## Who should invest?

PGIM India Low Duration Fund is ideal for investors seeking to invest in a portfolio of debt and money market instruments for an investment horizon of 6 to 12 months.

### Asset Allocation (% AUM)



### Credit Quality Profile (% AUM)



## Fund Details

AUM as on March 31, 2021 (₹ in Crore):	52.00
<b>For the Debt Portfolio</b>	
Portfolio Yield (%)	4.45
Macaulay Duration (year)	0.81
Modified Duration (year)	0.78
Average Portfolio Maturity (year)	0.85

## Portfolio Holdings

Issuer	% to Net Assets	Rating
Government Of India - Gilts - 6.84% - 2022	20.04	SOV
Oriental Nagpur Betul Highway Limited <sup>1</sup>	19.48	CRISIL AAA
5.09 GOI Mat -2022	19.46	SOV
L And T Finance Ltd (Old Name Family Credit Ltd)	8.99	ICRA AAA
Housing Development Finance Corporation Ltd.	7.54	CRISIL A1+
Rural Electrification Corporation Ltd.	5.33	CRISIL AAA
JM Financial Products Ltd	4.69	ICRA AA
Aditya Birla Finance	1.96	ICRA AAA
Power Finance Corporation Ltd.	0.59	CRISIL AAA

<sup>1</sup> NHAI annuity road project

## Fund Manager's View

### Inflation

- After the CPI softened in January 2021 (at 4.06%), it moved higher again at 5.03% in February. The uptick was broad-based with rise in prices across the board.
- Surprisingly, food prices declined on a sequential basis (by 0.44%), although they rose annually (up 4.25%). Furthermore we expect the winter harvest to keep food inflation in check until the start of the summer months.
- Fuel inflation on the other hand rose both sequentially and annually as the fuel basket witnessed an upward pressure on the back of rising global crude prices.

### Rates and liquidity

- After a weak February, yields stabilised in March on the back of continued RBI action. Towards the latter part of the month, RBI also cancelled its last bond auction. This was well received by the market, which led to a strong rally, with benchmark yields coming off by 8-10 bps.
- The auction cancellation was made possible by robust Government cash balances owing to surprisingly high direct and indirect tax collections, for the March quarter. Moreover, GST collections in March hit a record INR 1.24 trillion, the highest since the start of the GST regime.

- System liquidity continued to remain quite comfortable through the month. Core liquidity remained in surplus mode with LAF tracking upwards of INR 6 trillion on a consistent basis.

### Outlook

- Bond yields have been anchored for now by RBI's continued intervention in the secondary markets. Borrowing calendar for the first half of FY22 does not have any major surprises, with RBI looking to mop up 60% of the aggregate requirement (of INR 12.05 trillion) in H1. There is also a higher mop up planned at the longer end of the curve. Tenors up to 3 years have the least amount of planned borrowing.
- The nature of planned market borrowing should in general lead to a natural steepening in the curve. However, much of the manner in which the yield curve reacts in FY22 will depend on RBI's intervention in the markets. The surprise element could happen from tax revenues that have been showing some buoyancy and could generate higher flows.
- Given RBI's continued reiteration of keeping yields under control, we expect pre-emptive action if yields were to rise unusually at some point. For most part however, we expect the yields to remain range bound.
- Recent reversal in global yields and a rebound in the economy and rising inflation in our view leads to an upward shift in the lower end of the band. We expect the 10-year yields to range between 6.00 – 6.50%.

## 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<sup>1</sup> 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. <sup>1</sup>All Information as of December 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 6 months to 12 months. Please refer to the Scheme Information Document for more details on asset allocation.

## Key Features

**Benchmark index:**  
CRISIL Low Duration Debt Index

**Fund Manager:**  
Mr. Kumaresh Ramakrishnan

**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.

## Investment Style Box

Credit Quality			Interest Rate Sensitivity
High	Medium	Low	
			High
			Medium
			Low
			Very Low

**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.

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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.**

## Riskometer

This product is suitable for investors who are seeking\*:

- Income over the short term
- Investment in low duration debt and money market instruments
- Degree of risk – LOW TO 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 low to moderate risk