



PGIM INDIA OVERNIGHT FUND

An open ended debt scheme investing in overnight securities

Rated A1+mfs by ICRA##

March 2021

Investment Objective

PGIM India Overnight Fund aims to provide reasonable returns commensurate with low risk and providing a high level of liquidity, through investments made primarily in overnight securities having maturity of 1 business day.

Fund Suitability

- Suitable for investors looking for an avenue to park very short-term surplus funds for as low as one day
- For investors with a low risk appetite and seeking daily liquidity

Why Overnight Fund?

- Liquidity and Credit Risk is minimized as the maturity of the underlying investments of the fund is 1 Day and the exposure of the fund is limited to G Secs, T bills, TREPS, CROMS or AAA PSUs and PFI Money Market Instruments.
- Interest rate risk is eliminated as the fund only invests in securities with a tenor of 1 business day
- Positioned to deliver reasonable risk adjusted performance compared to traditional saving instruments
- Access to liquidity on T+1 basis.
- No lock-in
- No entry or exit load.
- Same Day Returns: Purchases take place on previous days NAV, enabling one to earn returns on the day of investment*
(*Subject to compliance of applicable cut off time)

Investing Money in an Overnight Fund

- Investor invests in Overnight scheme
- For instance, if the scheme deploys money in TREPS/CROMS** on a T basis
- The deployed amount earns overnight interest
- On T+1 day Maturity, in case of investment in TREPS/CROMS, CCIL** pays out the principal amount + overnight interest to the scheme
- Money is available to the investor

(** For investments in instruments such as Government Securities, T Bills, PSU and PFI Money Market Instruments the Fund manager may use other portals such as NDS OM, F Trac and NSECL)

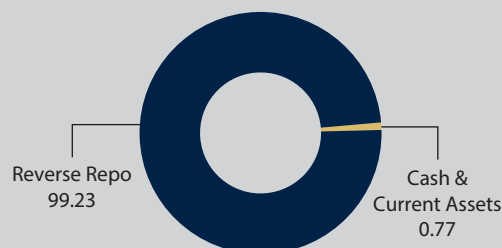
Why PGIM India Overnight Fund?

- Low cost Overnight fund offering#
(#For latest TER, please refer website.)
- Daily Portfolio disclosure

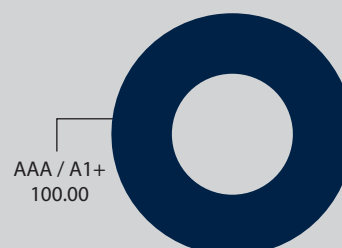
All inflows into the fund follow the above flow chart of investment into a pre-defined set of risk-free or very low risk options. The fund is pre-dominantly invested in zero risk options (CROMS, TREPS) since lending under these windows is fully collateralized through the security of underlying Government Securities.

In general, variation in yields under these liquidity options (such as CROMS and TREPS) may not be very wide on a given day. However, there exists opportunities to generate higher yields through careful and appropriately timed deployment of funds which is guided by monitoring of liquidity trends within the system. The fund management team actively tracks parameters such as rolling 7 day and 15 days MIBOR and Call money rates, System liquidity, near term maturities of Government Bonds, on-going Bond (G secs, SDL) auctions, Government net balances, GST outflows, Government spending etc., which can be useful lead indicators of liquidity trends that in turn is used as a key input for liquidity management and yield forecasting for the Overnight fund.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)



The above data are as on March 31, 2021.

Fund Details

AUM as on March 31, 2021 (₹ in Crore):	113.59
For the Debt Portfolio	
Portfolio Yield (%)	3.43
Modified Duration	1 day
Average Portfolio Maturity	1 day
Macaulay Duration	1 day

The above data are as on March 31, 2021.

What is TREPS

Triparty Repo i.e. TREPS, facilitates borrowing and lending of funds against the collateral of Government Securities in a Triparty Repo arrangement

- A repo contract is one where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction
- Clearing Corporation of India Ltd (CCIL) would be the Central Counterparty to all trades from Tri Party Repo Dealing System (TREPS) and would perform the role and responsibilities of Triparty Repo Agent, in terms of Repurchase Transactions (Repo)
- Types of Entities that are eligible to participate in TREPS include Banks, Financial institutions, Insurance Companies, Mutual Funds, Primary Dealers, NBFCs, Pension Funds, Corporates etc.

What is CROMS

Clearcorp Repo Order Matching System (CROMS) an STP enabled anonymous Order Matching Platform launched by Clearcorp Dealing Systems (India) Ltd on 27th January 2009. This system enables dealing in two kinds of Repos –

1. Basket

- Basket Repos enables dealing in baskets wherein repoable securities have been classified based on instrument type, liquidity and outstanding tenor and clustered together.
- Details of security allocated are known to both counterparties post trade.

2. Special Repos

- It is a conventional repo, where both borrower and lender are aware of the underlying security against which deal is sought to be concluded.

About 70% of all market repo action against Government Securities is concluded on the Platform consistently as CROMS provides better transparency, repo rate discovery and operational efficiency and has thus become the preferred avenue for market repo dealing.

Does the AUM of the Overnight Scheme matter?

The size of the scheme does not have any bearing on the scheme performance, since TREPS and CROMS are extremely large sized windows of liquidity deployment within the money-market system. Daily flows into TREPS for instance is in the range of INR 50,000 -70,000 crores. The price (yield) discovery within this window as a result of the diversified counterparty base is also very efficient.

Further, the size of the fund or the overall AUM of the fund-house has absolutely no bearing either on the performance of the fund or the relative safety of investor's money in the PGIM India Overnight Fund.

The fund can only be invested in securities with a residual maturity of 1 business day and hence, there is usually never an issue with creating liquidity to meet outflows if any. Being a highly liquid portfolio, exit of investors from the fund also has no impact either on liquidity creation or performance.

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 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.*

Key Features



Benchmark index:
NIFTY 1D Rate Index



Fund Manager:
Mr. Kumaresh Ramakrishnan and Mr. Kunal Jain



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

High Medium Low

			High
			Medium
			Low
			Very Low

Interest Rate Sensitivity

ICRA has assigned the "[ICRA]A1+mfs" (pronounced as ICRA A one plus m f s) rating to the PGIM India Overnight Fund. Schemes with "[ICRA]A1mfs" rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made. Modifier {"+" (plus)} can be used with the rating symbol to reflect the comparative standing within the category. 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.

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.

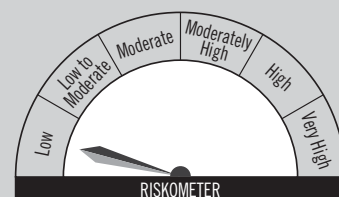
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Riskometer

This product is suitable for investors who are seeking*:

- Income over a short term investment horizon
- Investment in debt and money market instruments having maturity of upto 1 business day
- Degree of risk – 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 low 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.