

PGIM INDIA SHORT DURATION FUND

(Earlier known as PGIM India Short Maturity Fund)

An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. A moderate interest rate risk and moderate credit risk scheme.

August 2023



PGIM
India Mutual Fund

Why invest in PGIM India Short Duration Fund?

PGIM India Short Duration Fund is a low to moderate risk fund that seeks to generate returns with low volatility by investing in short/medium term debt securities and money market securities.

Portfolio Characteristics*

- The fund portfolio is a combination of short/medium term bonds.
- The fund currently is invested in AAA/A1+ rated papers and Sovereign Bonds to the extent of 100.00%.

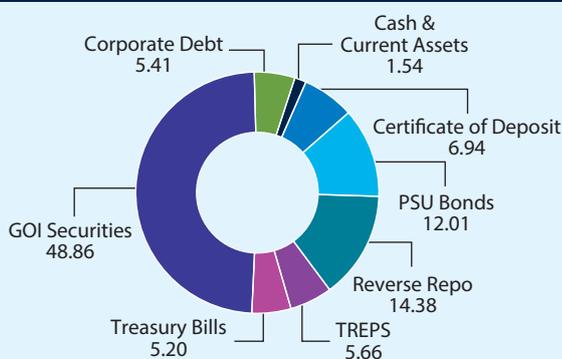
Portfolio Positioning*

- The short duration segment captures twin benefits of relatively lower volatility and 'higher carry'.
- In addition to the 'carry' component, the fund also benefits from ongoing improvement in liquidity conditions, which positively impacts any money market holdings and short term bonds (12-36 months) in the portfolio.

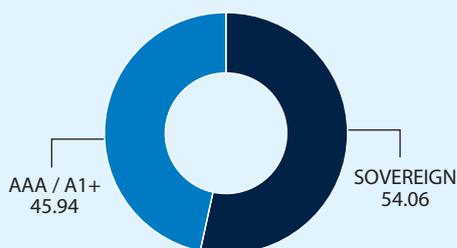
Who should invest?

Investors with more than 12 months time horizon can look at investing in the fund.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)



Fund Details

AUM as on August 31, 2023 (₹ in Crore):	27.76
For the Debt Portfolio	
Portfolio Yield (%)	7.18
Modified Duration (years)	1.66
Average Portfolio Maturity (years)	1.92
Macaulay Duration (years)	1.74

Portfolio Holdings

Issuer	% to Net Assets	Rating
5.74 GOI Mat 2026	31.11	SOV
5.22 GOI Mat 2025	13.96	SOV
Power Finance Corporation Ltd.	7.69	CRISIL AAA
State Bank Of India	6.94	CARE A1+
Bajaj Housing Finance Ltd	5.41	CRISIL AAA
364 Days T Bill Mat 2024	5.20	SOV
Housing & Urban Development Corporation Ltd	4.32	ICRA AAA
5.63 GOI Mat 2026	1.74	SOV
7.38 GOI Mat 2027	1.69	SOV
7.17 Govt. Stock 2028	0.36	SOV

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.

Modified Duration: Modified duration is the price sensitivity and the percentage change in price for a unit change in yield.

All the above data are as on August 31, 2023. * These are based on fund manager's current outlook & Subject to change.

Fund Manager's View

- Despite high volatility witnessed in August 2023, bond yields closed almost flat month over month. Yields were higher across curves, as rising food inflation and hardening global bond yields spoiled sentiments. The 10yr bond yield touched a high of 7.25% before retreating to end the month at 7.18%, flat from last month. The curve flattened further with the longer end outperforming the shorter end. The AAA corporate curve outperformed the sovereign curve on favorable demand supply dynamics.
- The MPC policy was largely on expected lines, but the announcement of Incremental CRR (I-CRR) surprised markets and led to hardening in the shorter end of the money market curve. The Overnight Index Swaps (OIS) curve also moved up. CPI Inflation came in higher than expected at 7.44%, though core inflation moderated. The rise in CPI Inflation was largely driven by food inflation, especially vegetables. Over the last month, vegetable prices have cooled down but concerns over the monsoon linger on as August was not only the driest August in India since 1901 but also the hottest. The government has been managing inflation proactively through fiscal steps and has taken a series of steps to bring down food inflation. Nonetheless, given the monsoon deficit and the irregular pattern of rains because of the El Nino effect, food inflation needs to be watched over the next couple of quarters. In the MPC minutes, RBI Deputy Governor Michael Patra commented that the liquidity overhang can pose a challenge from an inflation perspective. This comment assumes significance, as in all the last three monetary tightening cycle in India, we have seen interbank liquidity getting into the negative zone, and with food inflation remaining a concern, we believe that the next quarter could see liquidity tightness persisting in the banking system.
- Indian GDP growth for Q1FY24 came in line with expectations at 7.80%, with the services sector doing better, along with investments. Rural growth continues to lag urban growth, and GDP growth is likely to slow down sequentially. The government is confident about achieving 6.50% GDP growth in FY24 though the consensus among analysts is around 6%. Total tax collections in this financial year so far continue to be lower than last year. Productivity of capital as denoted by the Incremental Capital Output Ratio (ICOR) seems to be improving though the productivity of other factors of production also need to improve; particularly labor productivity, for India to increase its long-term potential rate of growth. Monsoons and global

growth will be key variables to watch out for going ahead with respect to both growth and inflation trends in the short run.

- Globally, yields hardened led by US treasuries as fiscal concerns topped optimism that the Fed may not hike further. Fiscal concerns in the US led to a steepening in the curve and the dollar index (DXY) went above 104 even as the economic data came in mixed.
- The policy rate differential between US and India has narrowed close to a historically low level. India's strong and stable macroeconomic variables and narrowing of Inflation differentials with US have been the underlying reasons for the narrowing of spread and for the spreads to sustain at lower levels we need to make sure that we remain on a solid macroeconomic footing.
- Brent crude continued its upward momentum, rising by 2% over the month, and closing at USD 87 a barrel. The US crude stocks, including Strategic Petroleum Reserves (SPR) are at multi-year lows and along with the production cuts announced earlier by OPEC+ being carried forward, Brent is seen to continue its upward trajectory. The INR depreciated marginally over the month ending at 82.78 from 82.25 at the start of the month but breached the long-standing resistance level of 83 as it touched a low of 83.15 before retracing back below 83 on probable RBI intervention. Portfolio flows continued to be strong both in debt and equity. Equity flows at USD 1.48bn and debt flows at USD 935mn.
- Indian and global growth looks to be faring much better than anticipated at the start of the year. Given the current growth inflation dynamics we think we are in the last leg of the global monetary tightening cycle which began last year, and Central banks are likely to be on a long pause from next quarter onwards.
- We believe that the RBI will be on a long pause and the rate cutting cycle in India will start only when the developed market Central banks have addressed the challenge of inflation effectively, which in our view will happen from 2024 onwards.
- We expect the 10yr Benchmark bond to trade in a range of 7.10% to 7.30% over the next one month.

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 Asset Management is the full service investment manager of PGIM India Mutual Fund, offering a broad range of equity and fixed income solutions to retail and institutional investors throughout the country. We manage 20 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 145-year legacy to build on its decade long history in India. Headquartered in Mumbai, PGIM India Mutual Fund has a presence in 27 cities across the country. PGIM India Mutual Fund brings a rich blend of global resources, intellectual acumen and local investment expertise and is committed to designing superior and meaningful, wealth building solutions for our investors. PGIM India provides unique training and educational programs for building exceptional capabilities and best business practices for its business associates.

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 1 year to 3 year. Please refer to the Scheme Information Document for more details on asset allocation.

Key Features



Benchmark index:

CRISIL Short Duration Debt B-II Index (w.e.f. April 03, 2023, the benchmark name has been changed from CRISIL Short Duration Fund BII Index to CRISIL Short Duration Debt B-II Index.)



Fund Manager:

Mr. Puneet Pal and (w.e.f. September 13, 2022) Mr. Bhupesh Kalyani



Exit load: Nil.



Minimum application amount: Minimum of Rs. 5000/- and in multiples of Re. 1/- thereafter. **Minimum additional investment amount:** Rs. 1000/- and in multiples of Re. 1/- thereafter. **Minimum repurchase / redemption amount:** Rs. 1000/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.

Potential Risk Class

Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓	Relatively Low (Class I)		
	Moderate (Class II)	B-II	
	Relatively High (Class III)		

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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 short term 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