



PGIM INDIA ARBITRAGE FUND

An open ended scheme investing in arbitrage opportunities

June 2021

Portfolio Positioning*

- As on month end, 66% of the portfolio was invested in equity arbitrage positions. The arbitrage premiums during the month were primarily in the 50-60bps range. Premium levels were relatively higher this time mainly due to longer monthly expiry series in July of 34 days.
- Nifty Futures closed up by +2.9% for June series. Markets saw some selling post the hawkish commentary by Federal Reserve mid-month, but then recovered along with global indices. COVID cases in India continued to decline and remained below 50k per day while the vaccination drive has seen a good pick-up. The key monitorable for Indian equity markets in the near term are; number of COVID19 daily cases, efficacy of the vaccination program, global crude prices and inflation.
- We expect arbitrage premiums to remain supported and gradually improve from current levels driven by; positive undertone in domestic equity markets, sufficient liquidity and the bottoming of the interest rate cycle and possible increase in interest rates going forward.
- June series rollovers for both indices and stock futures were ahead than recent averages. Nifty rolled 89% v/s 3 month average of 74%, Bank Nifty rolled 84% v/s 3 month average of 79% and Stock Futures rolled at 93% v/s 3 month average of 86%. Aggregate Open Interest (OI) for Nifty was marginally down to US\$ 2.2bn compared to US\$ 2.4bn last month while stock futures open interest increased to US\$ 22bn from US\$ 20bn last month indicating increasing investor interest and sufficient liquidity.
- In Options, India VIX cooled further to 13-14 levels from 17-18 levels seen last month as 2nd wave of COVID recedes and vaccination pace picks up indicating lower demand for hedges. Option data and positioning indicates a Nifty trading range of 15500-16000 for July series.
- We run a concentrated portfolio strategy (~40-45 stocks). We prefer to be selective in our approach and invest in companies which have the potential to offer higher arbitrage premiums compared to market average. Around 9-10% of the Arbitrage Fund AUM is invested in stocks where we expect dividends during the course of this month.
- We remain true to the label and manage a pure arbitrage portfolio that is fully hedged at all times. Fixed income allocation is primarily to top rated short term CDs/CPs and we refrain from taking any kind of credit and duration risks.
- Arbitrage Funds offer low-risk fixed income type annualized returns, but with added benefits of lower equity taxation, limited impact from market volatility (hedged positions) and ease of withdrawals due to sufficient liquidity in derivative markets.

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	% of NAV to Derivatives
Adani Ports & Special Economic Zone Ltd.	4.45	-4.45
Reliance Industries Ltd.	4.33	-4.33
Aurobindo Pharma Ltd.	4.07	-4.07
Tata Steel Ltd.	3.31	-3.31
Muthoot Finance Ltd.	2.81	-2.81
IndusInd Bank Ltd.	2.78	-2.78
Infosys Ltd.	2.50	-2.50
Hindalco Industries Ltd.	2.35	-2.35
Ultratech Cement Ltd.	2.33	-2.33
Steel Authority of India Ltd.	2.14	-2.14
Equity Holdings Total	67.41	-67.41
Margin Mutual Fund Units	26.48	
Cash & Current Assets	6.10	
Total	100.00	

All the above data are as on June 30, 2021

* These are based on fund manager's current outlook & Subject to change.

IDCW** History

Record Date	Regular Plan		Direct Plan	
	IDCW**/ unit (₹)#	NAV (₹)	IDCW**/ unit (₹)#	NAV (₹)
Regular IDCW**				
30-Jun-20	0.1500	11.7898	—	—
31-Dec-20	0.1200	11.6944	—	—
26-Mar-21	0.4800	11.6495	0.5200	11.7919
Monthly IDCW**				
17-Mar-21	—	—	0.0420	10.5386
19-Apr-21	—	—	0.0420	10.5547
17-May-21	—	—	0.0420	10.5318
Quarterly IDCW**				
30-Jun-20	0.1100	10.8753	0.1450	11.0749
25-Sep-20	0.1200	10.8441	0.1350	11.0262
31-Dec-20	0.1120	10.8159	0.1220	11.0026
Annual IDCW**				
23-Jun-16	1.0000	11.3878	1.0000	11.4996
23-Mar-18	1.0900	11.5175	1.1735	11.7558
27-Mar-20	0.5135	11.6692	0.5844	11.9696

On face value of ₹ 10. Post IDCW** per unit NAV will fall to the extent of the payout and applicable tax/surcharges/cess/other statutory levies. IDCW** distribution is subject to availability of distributable surplus. Past Performance may or may not be sustained in future.

**Income Distribution cum Capital Withdrawal option

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 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 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.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Equity and Equity related instruments including Index and stock derivatives	65%	100%	High
Debt and Money Market instruments	0%	35%	Low to Medium

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

Key Features



Benchmark Index:
Nifty 50 Arbitrage TR Index



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

Additional Purchase: ₹ 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: Nil

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. Utkarsh Katkoria & Mr. Hitash Dang (Equity portion) and Mr. Kumaresh Ramakrishnan (Debt portion)

Disclaimer: The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding investment/ disinvestment in securities market and/or suitability of the fund based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary. The AMC has no obligation to update any or all of such information; nor does the AMC make any express or implied warranties or representations as to its completeness or accuracy. There can be no assurance that any forecast made herein will be actually realized. Except for the historical information contained herein, statements in this publication, which contain words or phrases such as 'will', 'would', 'may', 'will' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. The AMC undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. The above forecasts are based on our current view of the likely course of markets over the period nominated. The above forecasts are made as indications only and not as the basis for investment decisions by readers of this material. Persons wishing to make such decisions should obtain their own professional advice. The AMC, its affiliates/associates, their directors, employees, representatives or agents shall not be liable or responsible, in any manner whatsoever, to any Investor/Recipient or any other person/entity, for the performance/ profitability/ operations of the Products or any investments in the Products including any and all direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

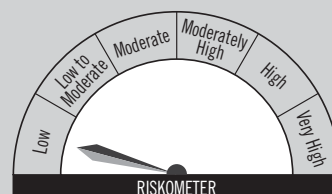
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Riskometer

This product is suitable for investors who are seeking*:

- Income over short term
- Income through arbitrage opportunities between the equity spot and equity derivatives market and arbitrage opportunities within the equity derivatives segment
- 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

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