



PGIM INDIA ARBITRAGE FUND

An open ended scheme investing in arbitrage opportunities

February 2021

Portfolio Positioning*

- We run a concentrated portfolio strategy (~40 stocks). Given our size we can be agile and selective in our approach and invest in companies which have the potential to offer higher arbitrage premiums compared to market average.
- We remain true to our mandate 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.
- As on month end, around 67% of the portfolio was invested in equity arbitrage positions. The arbitrage premiums during the month were primarily in the 30-40 bps range.
- Nifty Futures closed up by more than 7%, during the February series. The positive undertone in the market was primarily due to a growth focused Union Budget although rising COVID cases in India and increasing US bond yields led to some cool-off in sentiments. Further the government's commentary on privatization / divestments led to renewed interest in PSU stocks. The key monitorable for Indian equity markets are GDP growth, inflation trajectory, crude prices and the roll-out and efficacy of the vaccination program.
- Going forward we expect arbitrage premiums to remain supported or gradually improve; led by a positive domestic and global risk on sentiment, sequential improvement in macro-economic data and sufficient liquidity. Although expectations of lower short term interest rates (since F&O is a leverage product) could sometimes keep arbitrage spreads under check.
- February saw roll over of futures in line with recent averages. Nifty rolled 78% v/s 3 month average of 77% and Stock Futures rolled at 92% v/s 3 month average of 92%. Aggregate Open Interest (OI) for Nifty increased to US\$ 2.37bn vs US\$ 1.87bn last month. Stock Futures OI also increased to US\$ 15.9bn vs US\$ 15.1bn last month, indicating sufficient liquidity and interest in derivative markets.
- The Nifty Call Options with strikes of 16000, 16500 and 16800 have the highest open interest build-up and Nifty Put Options with strikes of 13500, 14000 and 14500 and have the highest open interest. Option data indicates Nifty trading range of 14500-16000 for the month. India VIX inched up to 28 vs 25.3 levels during month end indicating higher demand for hedges and downside protection at current market levels.
- Many stock futures at times were trading closer to parity or at a discount to cash price during the month. We used this opportunity to selectively re-balance the portfolio at favourable levels thereby benefiting overall performance. We reduced exposure primarily in HDFC Bank, Cipla, Sun Pharma, Lupin, Hindalco, Bharti Airtel, Grasim, Axis Bank and Siemens. We increased positions mainly in Indusind Bank, SAIL, TCS, Adani Ports, ICICI Bank, United Spirits, Vodafone Idea, Canara bank, BPCL, Aurobindo Pharma, Jindal Steel and M&M.
- Arbitrage Funds offer yields similar to short maturity fixed income products but with added benefits of lower equity taxation, limited impact from market volatility (fully hedged positions) and sufficient liquidity.

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	% of NAV to Derivatives
Aurobindo Pharma Ltd.	4.49	-4.49
ITC Ltd.	3.95	-3.95
IndusInd Bank Ltd.	3.62	-3.62
ICICI Bank Ltd.	3.32	-3.32
Adani Ports & Special Economic Zone Ltd.	3.20	-3.20
Canara Bank	2.89	-2.89
Ultratech Cement Ltd.	2.62	-2.62
Divi's Laboratories Ltd.	2.55	-2.55
State Bank of India	2.51	-2.51
DLF Ltd.	2.39	-2.39
Equity Holdings Total	66.80	-66.80
Margin Mutual Fund Units	26.78	
Cash & Current Assets	6.42	
Total	100.00	

All the above data are as on February 28, 2021

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

*Dividend History

Record Date	Regular Plan		Direct Plan	
	Dividend/unit (₹)#	NAV (₹)	Dividend/unit (₹)#	NAV (₹)
Regular Dividend				
27-Mar-20	0.0505	11.7347	0.1062	12.1660
30-Jun-20	0.1500	11.7898	—	—
31-Dec-20	0.1200	11.6944	—	—
Monthly Dividend				
17-Dec-20	—	—	0.0420	10.5647
18-Jan-21	—	—	0.0420	10.5652
17-Feb-21	0.0360	10.4803	0.0390	10.5549
Quarterly Dividend				
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 Dividend				
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 Dividend per unit NAV will fall to the extent of the payout and applicable tax/surcharges/cess/other statutory levies. Dividend distribution is subject to availability of distributable surplus. Past Performance may or may not be sustained in future.

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.

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.

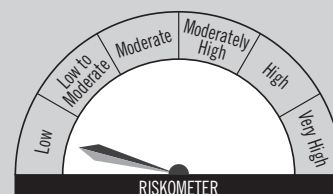
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Riskometer

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.