



# PGIM INDIA BANKING AND PSU DEBT FUND

An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds

Rated AAAMfs by ICRA##

February 2021

## Why invest in PGIM India Banking and PSU Debt Fund?

PGIM India Banking and PSU Debt Fund is a moderate risk fund that seeks to generate income and capital appreciation by investing predominantly in debt instruments issued by banks, Public Sector Undertakings#, Public Financial institutions and Municipal Bonds.

#A Public Sector Undertaking is defined as a Company having 51% of its outstanding share capital held by the Central Government and/or State Government, directly or indirectly. (Source: www.nseindia.com - definition for Nifty PSE Index).

## Portfolio Positioning\* and Strategy

- The portfolio is positioned to benefit from any downward movement in rates and will capitalize on the steepening of the yield curve.
- Focus will be on investing predominantly in bonds issued by PSUs and various debt instruments issued by banks.
- The scheme is actively managed by the Fund Management team dynamically tracking interest rates, market movements and keeping a close watch on various parameters of the Indian economy as well as developments in global markets.
- 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 holdings help in moderating the return volatility.

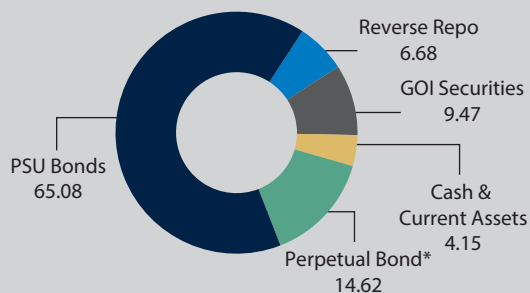
## Portfolio Characteristics\*

- The portfolio predominantly comprises of AAA rated securities issued by PSUs and Sovereign Bonds.
- Modified Duration of the fund will range from 1 to 4 Years

## Who should invest?

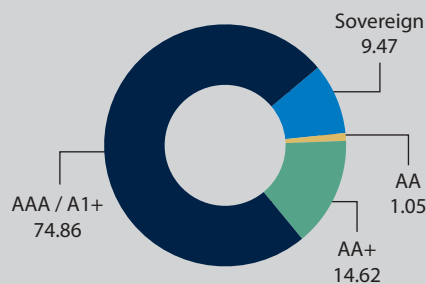
PGIM India Banking and PSU Debt Fund is ideal for investors seeking to invest in a debt portfolio with a horizon of at least 1 year.

### Asset Allocation (% AUM)



\*All the perpetual bonds in PGIM India Balanced Advantage Fund are Basel III bonds.

### Credit Quality Profile (% AUM)



## Maturity Profile As on February 2021 (% of AUM)

0-6 M	11.88
6-12M	9.74
1-3Y	45.41
3-5Y	5.48
5Y+	12.87
Others	14.63

## Fund Details as on February 2021#

Portfolio Yield (%)	4.98
Average Maturity	2.52 Years
Modified Duration	2.09 Years
Macaulay Duration	2.18 Years
Standard Deviation	0.12
Sharpe Ratio	0.15 (R)/0.17 (D)

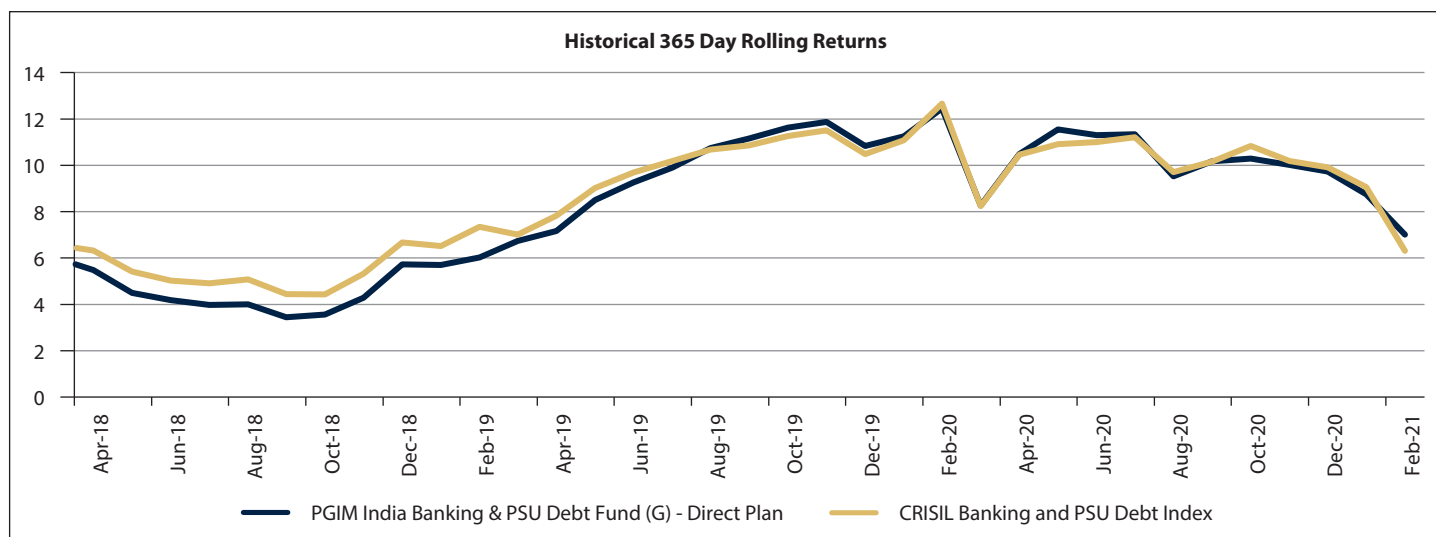
# The above numbers are based on data for period March 01, 2015 to February 28, 2021.

## Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Hindustan Petroleum Corporation Ltd.	9.85	CRISIL AAA
National Highways Authority Of India	9.74	CRISIL AAA
4.29% GOI Floating Rate Mat 2031 (Last Rate 4.51)	8.00	SOV
Rural Electrification Corporation Ltd.	7.19	CRISIL AAA
HDFC Bank Ltd.	6.41	CRISIL AA+
National Bank For Agriculture & Rural Development	5.13	ICRA AAA
Indian Railway Finance Corporation Ltd	5.12	CRISIL AAA
Power Finance Corporation Ltd.	4.98	CRISIL AAA
State Bank Of India	4.87	CRISIL AAA
National Housing Bank	4.53	CRISIL AAA

All the above data are as on February 28, 2021. \* These are based on fund manager's current outlook & Subject to change.

## Historical Rolling Returns



The above historical returns are rolling returns for the Direct Plan - Growth Option and for the period beginning April 30, 2018 to February 28, 2021. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

## Performance

Period	Fund		CRISIL Banking & PSU Debt Index ^		CRISIL 1 Year T-Bill Index#	
	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*
<b>Regular Plan - Growth Option</b>						
Last 1 Year	7.13	10,713.00	6.30	10,630.46	5.44	10,544.13
Last 3 Years	8.45	12,759.71	8.67	12,836.99	6.64	12,129.21
Last 5 Years	8.03	14,714.78	8.54	15,067.27	6.56	13,741.70
Since Inception	8.29	18,870.42	8.73	19,488.96	6.89	17,003.23
<b>Direct Plan - Growth Option</b>						
Last 1 Year	7.63	10,763.01	6.30	10,630.46	5.44	10,544.13
Last 3 Years	8.99	12,948.95	8.67	12,836.99	6.64	12,129.21
Last 5 Years	8.56	15,080.66	8.54	15,067.27	6.56	13,741.70
Since Inception	8.81	19,604.32	8.73	19,488.96	6.89	17,003.23

Date of Inception: Regular Plan: March 11, 2013; Direct Plan: March 11, 2013. CAGR – Compounded Annual Growth Rate.

^ Scheme Benchmark. # Standard Benchmark. \*Based on standard investment of ₹ 10,000 made at the beginning of the relevant period. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Returns for the benchmark have been calculated using TRI values.

w.e.f. November 01, 2019 benchmark of the scheme has been changed from CRISIL Short Term Bond Fund Index to CRISIL Banking & PSU Debt Index.

Puneet Pal is managing this fund since December 2017. Different plans have a different expense structure. The above returns are as on February 26, 2021.

## Performance of other funds managed by Fund Manager Puneet Pal as on February 26, 2021

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
PGIM India Premier Bond Fund	7.16	7.37	7.08	December 2017
CRISIL Composite Bond Fund Index^	6.89	9.22	8.69	
PGIM India Short Maturity Fund*	6.23	3.85	5.57	December 2017
CRISIL Short Term Bond Index^	7.48	8.52	8.15	
PGIM India Gilt Fund	5.07	7.97	7.97	December 2017
CRISIL Dynamic Gilt Index^	6.59	9.46	8.41	
PGIM India Dynamic Bond Fund	4.52	8.50	8.51	December 2017
CRISIL Composite Bond Fund Index^	6.89	9.22	8.69	

^ Benchmark. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The above returns are of Regular Plan - Growth Option of respective schemes. All the above returns are CAGR. CAGR - Compounded Annual Growth Rate.

Performance of other schemes managed by the Fund manager are sorted on the performance of the last 1 year ending on February 26, 2021.

Different plans have a different expense structure. Returns for the benchmark have been calculated using TRI values.

Mr. Puneet Pal is managing 5 schemes of PGIM India Mutual Fund. \*Jointly managed by Kumaresh Ramakrishnan.

On account of difference in scheme features, the performance of these schemes are not strictly comparable.

Please refer [www.pgimindiafm.com](http://www.pgimindiafm.com) for details on performance of all schemes (including Direct Plan).

## Fund Manager's View

### GDP Print

- GDP data for Q3 came in at +0.4% around market consensus of +0.6%.
- GVA growth was higher at 1%, indicating a higher subsidy payout by the government in the period. Internals suggest a pick up in manufacturing, electricity and construction while mining is still in the negative zone. This is largely corroborating IIP prints in the last few months.
- Services still remain affected by the diminished physical movements and discretionary activities such as travel and tourism among others, owing to the delay in vaccine roll-outs that are expected to happen post March. The revival of services, therefore, is expected to take a few more quarters.

### Rates and liquidity

- Rates sold off during the month. Pressures started accentuating post the budget as markets fully grasped the extent of the supply likely to hit the market in FY 22 besides the additional INR 800 bio issuance for FY 21.
- The second fortnight also witnessed a gradual hardening in US yields which added to a further pressure on local yields, as fears mounted of a gradual sell off from emerging markets. US yields rose from 1.29% to 1.61% in a span of a week with expectations of a strong recovery, further stimulus measures of USD 1.9 trillion and rise in commodity prices.
- The other feature that was adding to the market nervousness was the continuous devolvement at the auctions, with a large portion remaining unsold. Notably, RBI moving to a "uniform price auction" for the longer bond did not help matters much as the devolvement kept on continuing.
- Markets seem to demand higher yields despite the Governor's repeated statements that the yield curve would be managed through an array of tools at RBI's behest and that the yield curve was a "public good" that needed more attention.
- Market demand and preference for outright and larger sized OMOs (Open Market Operations) over Operation twists (which are liquidity neutral) has not been heeded by RBI fully, which is also reflecting the rigidity in higher

yields. As a result benchmark 10 year yields move higher by almost 30 bps post the budget day, factoring in all of these worries.

- On liquidity, markets seem to believe that the excess liquidity will be absorbed by RBI faster than indications in the statements in the February policy. Short OIS (2y), reflects this fear expressed in the steepness.
- System liquidity however remained quite comfortable for the month, with LAF tracking upwards at INR 6 trillion on a consistent basis. Barring short term fluctuations, overnight rates such as Treps and Repo have also been under the Reverse Repo levels.

### Outlook

- Rising yields is the focus of bond markets and needs urgent addressing to soothe market nerves.
- Inflation which was rising through 2020, seems to be cooling off a bit. This is reflected in the last 2 prints that came off a peak of 7.60%. Base effects are favourable post March and the recent surge in food inflation should finally see some respite as the winter months end and the transport and logistical hurdles witnessed through most of the pandemic also ease off.
- Forex which was appreciating for most part of the recent months witnessed some reversal in February given the EM sell off in bonds as US yields surged and market fears of a repeat of taper tantrum surfaced. It is unlikely though that the US Fed will tighten any time soon after having clearly communicated the willingness to look at average inflation going forward rather than a pure headline number. Moreover, full employment alone is not sufficient to alter the course of monetary policy.
- RBI has its job cut out for itself as we enter the last month of the financial year and record G Sec issuance volumes are slated for the next fiscal. Given the backdrop of a strong recovery, large issuance volumes, a gradual normalisation of liquidity and stubborn commodity prices, and a rise in US yields, we remain watchful on the longer end of the yield curve. We prefer the shorter end of the curve in the 1-3 year duration, which offers better carry subsequent to the normalization in yields in January.

## 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	
Money market and debt securities issued by Banks, Public Sector Undertakings (PSU), Public Financial institutions (PFI) and Municipal Bonds	80%	100%	Low to Medium
Other Debt and Money Market Securities	0%	20%	Low to Medium

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

## Key Features



**Benchmark index:**  
CRISIL Banking & PSU Debt Index #



**Fund Manager:**  
Mr. Puneet Pal

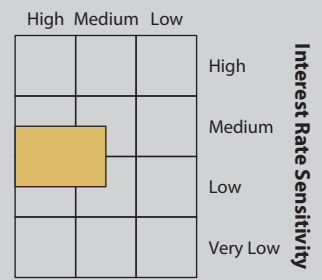


**Exit load:** Nil.  
No exit load will be charged for switches and STP between debt schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.  
No exit load will be charged for switches and STP from debt schemes except PGIM India Insta Cash Fund to Equity, Hybrid, FOF of PGIM India Mutual Fund.

# w.e.f. November 01, 2019 benchmark of the scheme has been changed from CRISIL Short Term Bond Fund Index to CRISIL Banking & PSU Debt Index

## Investment Style Box

### Credit Quality



##ICRA has assigned the "[ICRA] AAAMfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Banking and PSU Debt Fund. Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made. 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](http://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.

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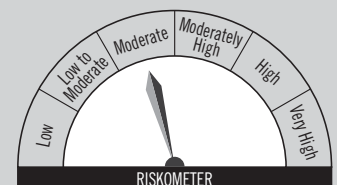
**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

## Riskometer

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

- Income over the short term
- Investment in debt instruments issued by Banks and Public Sector Undertakings, Public Financial institutions and Municipal Bonds
- Degree of risk – 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 moderate risk