



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##

June 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.

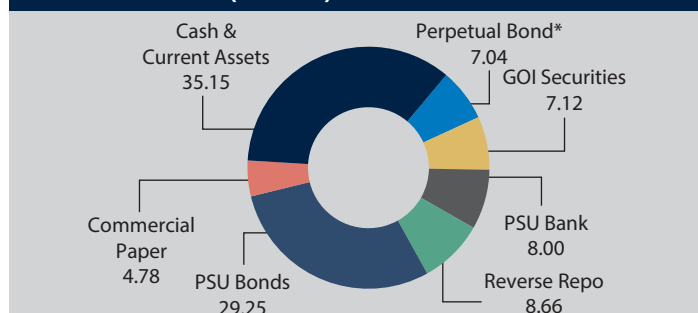
Portfolio Characteristics*

- 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?

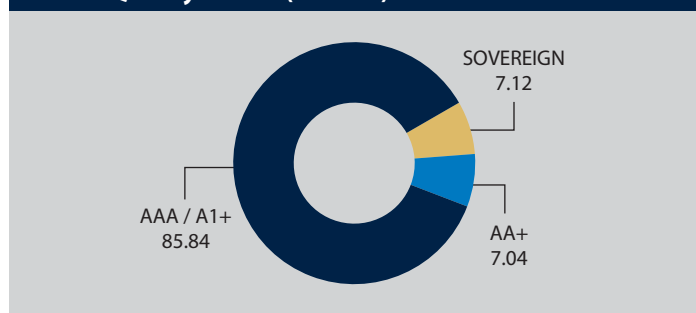
PGIM India Banking and PSU Debt Fund is ideal for investors seeking to invest in a debt portfolio with a horizon of at least 1 year.

Asset Allocation (% AUM)



*All the perpetual bonds in PGIM India Banking and PSU Debt Fund are Basel III bonds.

Credit Quality Profile (% AUM)



Maturity Profile As on June 2021 (% of AUM)

0-6 M	18.55
6-12M	17.48
1-3Y	42.37
3-5Y	26.20
5Y+	10.88
Others	7.04

Fund Details as on June 2021#

Portfolio Yield (%)	4.63
Average Maturity	2.45 Years
Modified Duration	1.88 Years
Macaulay Duration	1.97 Years
Standard Deviation^	0.12
Sharpe Ratio^	0.15 (R)/0.17 (D)

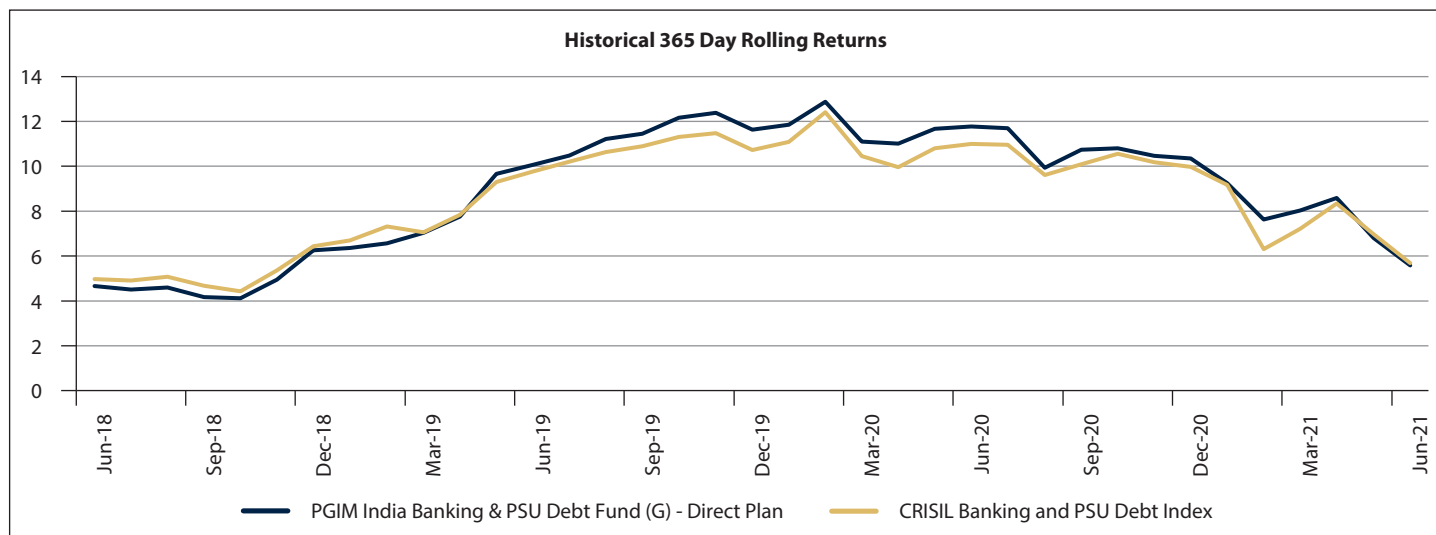
^ The above numbers are based on data for period June 30, 2015 to June 30, 2021.

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Small Industries Development Bank Of India	9.71	CARE AAA
Power Finance Corporation Ltd.	9.13	CRISIL AAA
Indian Railway Finance Corporation Ltd	5.47	CRISIL AAA
5.22 GOI Mat 2025	5.26	SOV
National Housing Bank	4.86	CRISIL AAA
NTPC Ltd.	4.78	CRISIL A1+
Axis Bank Ltd.	4.32	CRISIL AA+
Housing & Urban Development Corporation Ltd	3.31	ICRA AAA
National Bank For Agriculture & Rural Development	3.14	ICRA AAA
State Bank Of India	2.72	CRISIL AA+

All the above data are as on June 30, 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 June 28, 2018 to June 30, 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)*
Regular Plan - Growth Option						
Last 1 Year	5.10	10,509.60	5.69	10,569.41	3.58	10,358.37
Last 3 Years	8.63	12,822.21	8.86	12,904.42	6.40	12,049.05
Last 5 Years	7.68	14,482.26	8.29	14,893.92	6.30	13,577.87
Since Inception	8.19	19,235.86	8.67	19,956.35	6.75	17,214.26
Direct Plan - Growth Option						
Last 1 Year	5.58	10,558.41	5.69	10,569.41	3.58	10,358.37
Last 3 Years	9.16	13,009.41	8.86	12,904.42	6.40	12,049.05
Last 5 Years	8.21	14,842.87	8.29	14,893.92	6.30	13,577.87
Since Inception	8.71	20,016.08	8.67	19,956.35	6.75	17,214.26

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.

Puneet Pal is managing this fund since December 2017. Different plans have a different expense structure. The above returns are as on June 30, 2021.

Performance of other funds managed by Fund Manager Puneet Pal as on June 30, 2021

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
PGIM India Premier Bond Fund	5.83	7.82	6.93	December 2017
CRISIL Composite Bond Fund Index^	4.90	9.84	8.39	
PGIM India Short Maturity Fund*	4.35	3.98	5.23	December 2017
CRISIL Short Term Bond Index^	5.67	8.72	7.92	
PGIM India Dynamic Bond Fund	3.62	8.57	8.01	December 2017
CRISIL Composite Bond Fund Index^	4.90	9.84	8.39	
PGIM India Gilt Fund	3.67	8.57	7.51	December 2017
CRISIL Dynamic Gilt Index^	3.71	9.81	7.99	

^ Scheme 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 June 30, 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 for details on performance of all schemes (including Direct Plan).

Inflation

- After a brief fall in April (4.3%), the CPI for May 2021 overshot market expectations, printing 90 bps higher at 6.3%. There was a secular rise in prices of most items in the month. On a sequential basis, food prices rose by 1.71% following a 0.8% rise in April. The broad-based increase was concerning and partly caused by supply-side issues caused by lock-downs in April / May.
- Core inflation also continued its upward march, rising sequentially by 1.45% in May after a 0.54% rise in April. Again, the rise was broad-based percolating to most items of regular household use, healthcare (linkages to the second wave – there has been a record consumption of medicines in the month of April and May), personal products, clothing, transportation (driven by fuel impact) etc.
- CPI has now printed at over 4%, the mid-point of the CPI band of 2-6% for 20 straight months. The sticky and steady upward bias in CPI remains a matter of concern. Even after stripping out the spike that can be attributed to supply-side and lock-downs, CPI prints remain worrying.
- Headline WPI also came in at a record high of 12.9% for May 2021 up from 10.5% in April. The impact of higher fuel costs was more pronounced in WPI. WPI, which largely represents producer prices, also reflects the rising input pressures being faced by producers. Manufactured product prices rose by 10% YoY. Core WPI at close to 10% should also concern the Central Bank.

Rates and liquidity

- Although liquidity remained easy in May 2021, it tightened a bit, reflected in declining LAF balances through the month. The monthly average was in excess of INR 4.5 trillion, though lower than the close to INR 5.48 trillion in April 2021. Part of the reason for the decline was the reversal in CRR to 4% from 3.5% at the start of the month. Overnight rates remained steady with a slight upward bias, though continued to print below 3.5%.
- T-bill yields have been witnessing some upward pressure, on the back of expectations in an early resumption of liquidity normalization in the wake of high inflation prints and a faster return to normalcy.
- Short-term yields moved up in response as a result. 91-day T-bill yields rose by 4 bps over the month to end at 3.44%, while the 1-year T-bill yields rose by 13 bps to close at 3.85%. The 1-year CD yields also rose by 7 bps to 4.10%, and 3-month CD levels were almost unchanged given the liquidity and modest issuance volumes.
- At the longer end, the 10-year benchmark remained practically unchanged, given the RBI's active intervention in the security as part of its yield control program. As a result, RBI now holds over 2/3rd of the security which has also led to extremely low trading activity in the stock. The 5-year G-Sec yields (2026) on the other hand rose by 12 bps in the month to close at 5.72%, being more reflective of underlying pressures in the market.

Outlook

- Micro-frequency data led by mobility indicators and electricity consumption reflect a normalization, though yet to hit the pre-Covid levels. Recovery trackers are pointing to a rebound in June. Auto dispatch data for June, also indicates improvement in output in response to better demand.
- As the second wave recedes and the pace of vaccination rises, there is certainly more optimism on recovery and a more robust Q2. However, it is

important that there is no third wave and the vaccine pace does not slacken after the recent pick-up witnessed in the last 10 days of June.

- Global recovery meanwhile is doing well, with most large economies/regions such as USA, Europe and China recording good economic numbers for the month and quarter.
- A synchronized pickup in demand and recovery has however raised inflation worries. There has been a sharp pickup in demand for most hard and soft commodities viz. metals, crude, home building material and agri products. While the US Fed continues to believe that the recent CPI print of 4.9% is led by a sudden opening up of the economy and is transient, the large and continuing stimulus programs have a tendency of causing sticky and stubborn inflation prints which tend to become generalized over time. The Fed at its June meeting indicated that rate hikes could happen in the second half of CY 2023.
- Locally, the government granted a further stimulus (just at the end of the first wave) as the second wave has started receding. However, actual cash outgo is much lower at INR 1.6 trillion (0.7% of GDP) with most of the sops being in the nature of credit / loan guarantee schemes for MSMEs and extensions of existing schemes (food subsidy) offered last year. The focus again has been on the vulnerable sections and the most affected. With debt / GDP now running close to 90%, the government will be very watchful of offering additional income support / subsidies / fiscal spending keeping one eye on global rating agencies and their recent views which have been concerning.
- There is a fear that with rising inflation and pickup in activity, the pro-growth stance projected by the MPC thus far may undergo a change.
- We expect the RBI to continue with its GSAP program, offering additional bond buying with a view to anchor benchmark yields. GSAP size at the June policy meeting was raised by 20% to INR 1.2 trillion for Q2.
- Although inflation remains a worry, we expect RBI to look through CPI prints for now, hoping that the favorable base effect starting September will cool off the headline readings. Besides, recovery is still patchy given the fears of a third wave.
- We expect RBI to remain on an extended pause on rates and retain its accommodative stance, keeping liquidity well in surplus mode.
- Liquidity normalization has probably been pushed to Jan to March 2022. RBI has lowered its FY 2022 GDP forecast to 9.5%. If there is no further resurgence or a third wave, it is likely that the pent-up demand, triggers from the stimulus (I and II) and favorable financial market conditions of plentiful liquidity and low rates can trigger both an investment capex and stronger demand.
- However, the road ahead for fiscal consolidation is long and yet uncertain. RBI will have an active role to play and take up the slack. Besides, inflation remains a challenge.
- Given this environment, wherein bond supply is daunting, and inflation is still sticky, we prefer the Short / mid-end products such as the Corporate Bond (PGIM India Premier Bond Fund) and PGIM India Banking & PSU Debt Fund. PGIM India Dynamic Bond Fund is an option for investors seeking duration gains with an ability to handle some volatility.
- Investors with a shorter time horizon of upto 6 months should also look at the PGIM India Ultra Short Term Fund, a high-quality fund that invests predominantly in the 3-12-month segment to maintain duration under 6 months.

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](https://www.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	
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



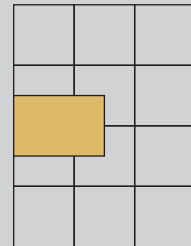
Exit load: Nil.
No exit load will be charged for switches and STP between debt schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.
No exit load will be charged for switches and STP from debt schemes except PGIM India Insta Cash Fund to Equity, Hybrid, FOF of PGIM India Mutual Fund.

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

High Medium Low



Interest Rate Sensitivity

##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 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.

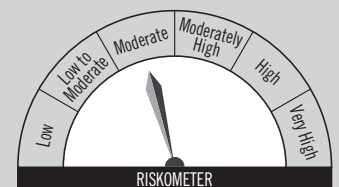
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Riskometer

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

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.