MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA MONEY MARKET FUND

An open ended debt scheme investing in money market instruments

February 2021

Money Market Fund – An unconstrained option

A Money Market Fund can invest in Money Market instruments having a maturity of up to 1 year making it an unconstrained investment option. The fund manager can alter the maturity of the fund for any maturity up to 1 year in order to capture the opportunities in the market irrespective of the shape of the curve for such maturities.

Opportunity due to excess liquidity and stability in yields

- The recent steps by the RBI to raise Held To Maturity (HTM) limits, conduct special Open Market Operations (OMO's) and Term Repo operations pave way for medium term stability in the bond markets
- Reiteration of stance by RBI at the latest policy as also an assurance to ensure smooth functioning of the market are key positives for the yield curve.
- Therefore, excess liquidity with a stability in yields is an opportunity for investors to look at funds with a moderately shorter time frame of 3-4 months.

Why invest in PGIM India Money Market Fund?

The PGIM India Money Market fund is a low to moderate volatility fund that seeks to deliver reasonable market related returns through investments in Money Market instruments such as Commercial Papers, Bank Certificate of Deposits and T bills.

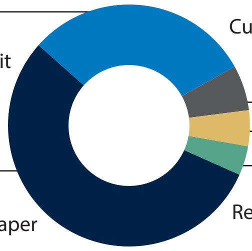
Portfolio Positioning* and Strategy

- The fund will invest across a range of money market instruments including Commercial Papers (CPs), Certificates of Deposits (CDs), Treasury Bills, Cash Management Bills (CMBs) and other discounted instruments with tenors not exceeding 1 year. CP investments are restricted to high grade CPs (with long term ratings of AA+/AAA)
- Positioning along the money market curve, depends on steepness and the potential roll-down opportunities that may arise from time to time.
- The Fund will be positioned based on an analysis of liquidity conditions, the shape of the yield curve and other macro-economic indicators.
- Average maturity of the fund will mostly range in a band of 4-8 months.
- Currently, the mid segment of the money market curve looks more attractive and given the existing steepness in this portion, the fund is invested in the 4-9 month segment, . Hence, the average maturity of the fund is closer to the lower end of the band.
- Currently, the portfolio only comprises of AAA/A1+ rated securities and Sovereign Bonds.

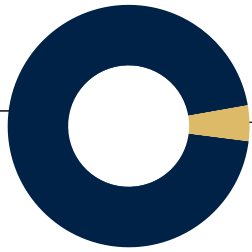
Who should invest?

- PGIM India Money Market Fund is ideal for investors with the investment horizon of 3-4 Months.
- Investors looking for alternate investment avenues to park idle surplus funds for short term and higher liquidity options with relatively low return volatility

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)



Maturity Profile as on February 2021 (% of AUM)

0-1M	14.75
1-3M	28.62
3-6M	39.72
6-9M	16.91
9-12M	0.00
12M +	0.00

Fund Details#

Portfolio Yield (%)	3.60
Average Maturity	3.60 Months
Modified Duration	3.48 Months
Macaulay Duration	3.60 Months
Standard Deviation	0.06
Sharpe Ratio	0.05 (R)/0.11(D)

Portfolio Holdings as on February 28, 2021

Issuer	% to Net Assets	Rating
Exim Bank	11.43	CRISIL A1+
Network 18 Media & Investments Ltd	9.55	CARE A1+
Bank Of Baroda	9.54	IND A1+
Axis Securities Ltd	9.53	ICRA A1+
L And T Finance Ltd (Old Name Family Credit Ltd)	9.50	CARE A1+
National Bank For Agriculture & Rural Development	9.47	ICRA A1+
Axis Bank Ltd.	9.38	CRISIL A1+
Reliance Industries Ltd.	9.33	CRISIL A1+
Housing Development Finance Corporation Ltd.	7.52	CRISIL A1+
364 Dayes Tbill May 2021	4.80	SOV

Standard Returns are not provided as the scheme has not completed one year of performance.

The above numbers are based on data from since inception of the fund to February 28, 2021
All the above data are as on February 28, 2021. * These are based on fund manager's current outlook & Subject to change.

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[1] 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. [1]All Information as of December 31, 2020.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Money Market instruments	0%	100%	Low

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

Key Features

Benchmark index:
CRISIL Money Market Fund Index

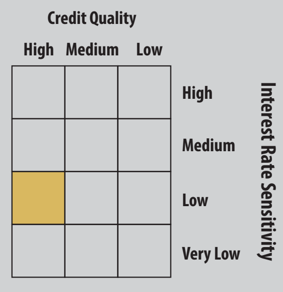
Fund Manager:
Mr. Kumaresh Ramakrishnan and Kunal Jain

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.

Investment Style Box



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.

Riskometer

This product is suitable for investors who are seeking*:

- Regular income for short term
- Investments in 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