



PGIM INDIA MONEY MARKET FUND

An open ended debt scheme investing in money market instruments

Rated A+mfs by ICRAA##

August 2021

Money Market Fund – An unconstrained option for the short term

A Money Market (MM) Fund is permitted to invest in money market instruments which are essentially discounted instruments viz. bank certificates of deposits, Commercial papers, T-bills etc. These instruments can be issued for a maximum maturity of 1 year. The fund enjoys investment flexibility since it can invest in instruments with 1 year tenor.

August MPC – Still soft on liquidity but baby steps initiated...

- Even as outcome on rates was in line with the consensus, the much awaited move on draining excess liquidity turned out softer than expected.
- The policy was announced against a backdrop of durable system liquidity breaching INR 9 trillion. The policy proposed an additional INR 2 trillion to be drained in 4 fortnightly tranches of INR 500 bio, starting August 13th. This is unlikely to meaningfully impact the residual system balance, given continued net inflow from t bill maturities vs fresh auctions which will release an almost equivalent sum of INR 1.7 trillion.
- Besides with credit demand still muted and CIC outflows expected to be modest until the festive quarter (Oct-Dec), overall liquidity is expected to remain high in the short term.
- Short term products investing in the front end of the curve should continue to benefit given the tailwind of excess liquidity.
- Expected flattening of the curve will probably be delayed until December or the start of the last quarter as the MPC gauges inflation trajectory over the next few months and initiates steps to return to "normal time liquidity".

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, all instruments with a maximum tenor of an year.

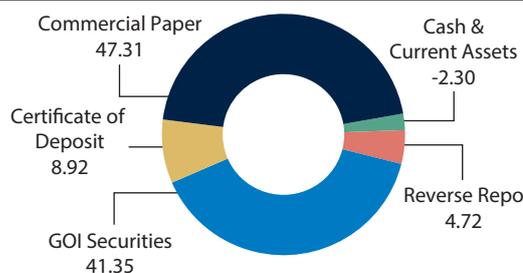
Portfolio Positioning* and Strategy

- 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.
- 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.

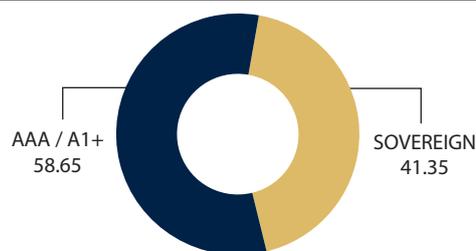
Who should invest?

- PGIM India Money Market Fund is ideal for investors with the investment horizon of 6-12 months.
- Investors looking for investment avenues to park idle surplus funds for short term and with high liquidity and relatively low return volatility should consider this fund.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)



Maturity Profile as on August 2021 (% of AUM)

Maturity	Percentage (%)
0-1M	2.41
1-3M	14.03
3-6M	23.96
6-9M	49.90
9-12M	9.71

Fund Details#

Portfolio Yield (%)	3.76
Average Maturity	6.12 Months
Modified Duration	5.88 Months
Macaulay Duration	5.93 Months
Standard Deviation	0.01

Portfolio Holdings as on August 31, 2021

Issuer	% to Net Assets	Rating
9.15 Kerala SDL Mat 2022	10.43	SOV
Exim Bank	9.94	CRISIL A1+
ICICI Securities Ltd	9.83	CRISIL A1+
LIC Housing Finance Ltd.	9.71	CRISIL A1+
Aditya Birla Money Ltd	8.96	CRISIL A1+
Axis Bank Ltd.	8.92	CRISIL A1+
Network 18 Media & Investments Ltd	8.87	CARE A1+
9.12 Gujarat SDL Mat 2022	5.21	SOV
9.13 Gujrat SDL Mat 2022	5.2	SOV
9.14 Kerala SDL Mat 2022	5.19	SOV

Fund Manager's View

Inflation

- After two consecutive months of over 6% prints, CPI for July (released in August), came in lower at 5.59%. Besides a favorable base, slowing monthly momentum in prices across most categories of food and non-food helped the lower inflation. Fuel prices however continued their firm trend given higher prices of petrol and diesel and no significant easing in crude prices. Core inflation remained sticky, printing at 6.02%, down marginally from 6.25% in the previous month (a 7-month high).
- IIP came in at 5.7% (-8.4% in the previous month) in June, after 2 consecutive months of contraction. High frequency indicators such as auto dispatch, electricity consumption, e-way bills, GST collections were signaling a revival, post the peaking of the second wave in June. For the month, the leading engines of IIP included manufacturing and electricity.

Rates and liquidity

- Liquidity, already in a surplus, continued to rise steadily month-on-month. From over INR 6.85 trillion in July, the durable system liquidity rose further to over INR 9.5 trillion. Steady dollar inflows which continue unabated have been responsible in a big way for the excess liquidity. CIC outflows after the mid-year have slowed down as well, thereby leading to excess liquidity.
- Decision to scale up VRRR (Variable Rate Reverse Repo) at the MPC should help to soak up some of this liquidity, although the residual liquidity will still remain meaningful.
- As a result of this excess liquidity, front-end yields rallied meaningfully. One-year CD yields fell by almost 20 bps with the long end (10-year benchmark) remaining flat. This led to a steepening in the yield curve through the month. The short end covering the 1-3 bonds, also rallied sharply given the limited liquidity bias and limited supply.

August MPC outcome

- As expected, the August MPC was a status -quo with RBI leaving all key rates unchanged. A pro-growth stance will leave surplus liquidity in the

system, as the MPC has been keen to revive growth in a sustainable manner. There was no change in the accommodative stance either.

- However, the RBI initiated baby steps towards normalizing excess liquidity by proposing doubling of the liquidity suction under VRRR from INR 2 trillion to INR 4 trillion.
- Interestingly, the vote for an "accommodative stance" was not unanimous as in the previous meetings, with 1 member in favor of a "neutral stance". The inflation forecast was also raised from 5.1% to 5.7%. The road to normalization of inflation appears some time away, given stubbornly high commodity prices, supply disruptions, higher logistics costs. Besides, severe disruptions faced by the informal sector and small businesses have been highly inflationary, as these firms have competitive cost structures and are highly active in the production of a wide array of goods such as textiles, garments etc.

Outlook

- Minutes of the MPC meeting reveal that both the Governor and Deputy Governor were highly accommodative in their stance articulating the need for handholding of the economy for a longer time as recovery was still nascent and was yet to take root. Given the ongoing support in most of the developed markets, wherein the fiscal support has also been higher, RBI is likely to err on the side of continued support for longer until the growth outlook is more certain and worries around a third wave recede.
- Given this background, we recommend products such as corporate bond funds, PGIM India Premier Bond Fund and PGIM India Banking & PSU Fund for investors with a 1-3 year horizon. The PGIM India Dynamic Bond Fund is an option for investors with an ability to handle some volatility while seeking duration gains. Investors with a shorter time horizon of up to 6 months should look at the PGIM 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 22 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 located in 39 offices across 17 countries and follows a multi-manager model with strong capabilities beyond traditional assets.

Source: *pgim.com* *PGIM is the investment management business of Prudential Financial, Inc. (PFI); PFI is the 10th largest investment manager (out of 477 firms surveyed) in terms of global assets under management based on Pensions & Investments' Top Money Managers list published on May 31, 2021. This ranking represents global assets under management by PFI as of December 31, 2020. ¹All Information as of March 31, 2021.

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

Credit Quality

High Medium Low

			High
			Medium
			Low
			Very Low

Interest Rate Sensitivity

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.

ICRA has assigned the "[ICRA]A1+mfs" (pronounced as ICRA A one plus m f s) rating to the PGIM India Money Market Fund. Schemes with "[ICRA]A1mfs" rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made. Modifier {"+" (plus)} can be used with the rating symbol to reflect the comparative standing within the category. 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.

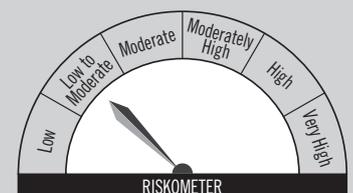
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Riskometer

This product is suitable for investors who are seeking*:

- 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

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.