



PGIM INDIA OVERNIGHT FUND

An open ended debt scheme investing in overnight securities.
A relatively low interest rate risk and relatively low credit risk scheme.

Rated A1+mfs by ICRA##

October 2022

Investment Objective

PGIM India Overnight Fund aims to provide reasonable returns commensurate with low risk and providing a high level of liquidity, through investments made primarily in overnight securities having maturity of 1 business day.

Fund Suitability

- Suitable for investors looking for an avenue to park very short-term surplus funds for as low as one day
- For investors with a low risk appetite and seeking daily liquidity

Why Overnight Fund?

- Liquidity and Credit Risk is minimized as the maturity of the underlying investments of the fund is 1 Day and the exposure of the fund is limited to G Secs, T bills, TREPS, CROMS or AAA PSUs and PFI Money Market Instruments.
- Interest rate risk is eliminated as the fund only invests in securities with a tenor of 1 business day
- Positioned to deliver reasonable risk adjusted performance compared to traditional saving instruments
- No lock-in
- No entry or exit load.
- Same Day Returns: Purchases take place on previous days NAV, enabling one to earn returns on the day of investment*
(*Subject to compliance of applicable cut off time)

Investing Money in an Overnight Fund

- Investor invests in Overnight scheme
- For instance, if the scheme deploys money in TREPS/CROMS** on a T basis, the deployed amount earns overnight interest
- On T+1 day Maturity, in case of investment in TREPS/CROMS, CCIL** pays out the principal amount + overnight interest to the scheme
- Money is available to the investor
(*For investments in instruments such as Government Securities, T Bills, PSU and PFI Money Market Instruments the Fund manager may use other portals such as NDS OM, F Trac and NSECL)

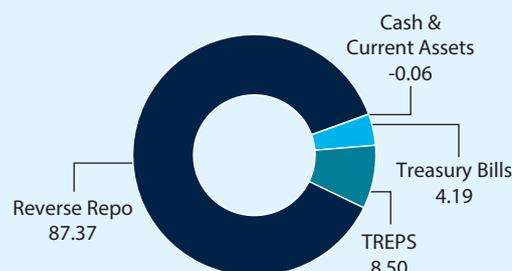
Why PGIM India Overnight Fund?

- Low cost Overnight fund offering#
(#For latest TER, please refer website.)
- Daily Portfolio disclosure

All inflows into the fund follow the above flow chart of investment into a pre-defined set of risk-free or very low risk options. The fund is pre-dominantly invested in zero risk options (CROMS, TREPS) since lending under these windows is fully collateralized through the security of underlying Government Securities.

In general, variation in yields under these liquidity options (such as CROMS and TREPS) may not be very wide on a given day. However, there exists opportunities to generate higher yields through careful and appropriately timed deployment of funds which is guided by monitoring of liquidity trends within the system. The fund management team actively tracks parameters such as rolling 7 day and 15 days MIBOR and Call money rates, System liquidity, near term maturities of Government Bonds, on-going Bond (G secs, SDL) auctions, Government net balances, GST outflows, Government spending etc., which can be useful lead indicators of liquidity trends that in turn is used as a key input for liquidity management and yield forecasting for the Overnight fund.

Asset Allocation (% AUM)



*Cash and current assets comprised -0.06% of AUM as on October 31, 2022

Credit Quality Profile (% AUM)



The above data are as on October 31, 2022

Fund Details

AUM as on October 31, 2022 (₹ in Crore):	95.15
For the Debt Portfolio	
Portfolio Yield (%)	6.15
Modified Duration	1 day
Average Portfolio Maturity	1 day
Macaulay Duration	1 day

The above data are as on October 31, 2022.

What is TREPS

Triparty Repo i.e. TREPS, facilitates borrowing and lending of funds against the collateral of Government Securities in a Triparty Repo arrangement

- A repo contract is one where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction
- Clearing Corporation of India Ltd (CCIL) would be the Central Counterparty to all trades from Tri Party Repo Dealing System (TREPS) and would perform the role and responsibilities of Triparty Repo Agent, in terms of Repurchase Transactions (Repo)
- Types of Entities that are eligible to participate in TREPS include Banks, Financial institutions, Insurance Companies, Mutual Funds, Primary Dealers, NBFCs, Pension Funds, Corporates etc.

What is CROMS

Clearcorp Repo Order Matching System (CROMS) an STP enabled anonymous Order Matching Platform launched by Clearcorp Dealing Systems (India) Ltd on 27th January 2009. This system enables dealing in two kinds of Repos –

1. Basket

- Basket Repos enables dealing in baskets wherein repoable securities have been classified based on instrument type, liquidity and outstanding tenor and clustered together.
- Details of security allocated are known to both counterparties post trade.

2. Special Repos

- It is a conventional repo, where both borrower and lender are aware of the underlying security against which deal is sought to be concluded.

About 70% of all market repo action against Government Securities is concluded on the Platform consistently as CROMS provides better

transparency, repo rate discovery and operational efficiency and has thus become the preferred avenue for market repo dealing.

Does the AUM of the Overnight Scheme matter?

The size of the scheme does not have any bearing on the scheme performance, since TREPS and CROMS are extremely large sized windows of liquidity deployment within the money-market system. Daily flows into TREPS for instance is in the range of INR 50,000 -70,000 crores. The price (yield) discovery within this window as a result of the diversified counterparty base is also very efficient.

Further, the size of the fund or the overall AUM of the fund-house has absolutely no bearing either on the performance of the fund or the relative safety of investor's money in the PGIM India Overnight Fund.

The fund can only be invested in securities with a residual maturity of 1 business day and hence, there is usually never an issue with creating liquidity to meet outflows if any. Being a highly liquid portfolio, exit of investors from the fund also has no impact either on liquidity creation or performance.

Fund Manager's View

- Indian Bonds were rangebound during the month even as global bond yields moved higher. The yield curve remained flat with the shorter end of the curve remaining elevated on expectations of further rate hikes while the long end of the curve was supported by real money investment demand. Currently, the Indian overnight swaps market is pricing in a terminal repo rate of 7.00%.
- The RBI, in our view, seems to be concerned about the external account and financial stability given the strength of the US dollar and consequent pressure on emerging market currencies, including the INR.
- The CPI Inflation for August (released in September) came in higher than expectations at 7.41% though it's expected to moderate towards 6% by April 2023.
- Inflation in the developed economies remained a concern as it exceeded expectations both in US and Europe though the Reserve Bank of Australia and Bank of Canada hiked their policy rates lower than market expectations.

This resulted in some softening in global bond yields as markets anticipated that major Central banks like the US Fed and ECB will also slow down the pace of rate hikes. Bond markets across the world will be looking at any signs of dovishness from the US Fed in their November meeting.

- The INR weakened by 1.75% against the US Dollar in October to 82.78 from 81.35 at the start of the month. Brent also rose by 7.81% during the month as OPEC announced production cuts.
- We expect further rate hikes by the RBI as India will be required to maintain Interest rate differential with the Fed Funds rate in light of our Twin Deficits (Current and Fiscal Deficit). We expect the terminal repo rate to be at 6.50%-6.75% by Feb 2023.
- The Credit / Deposit ratio of the banking system continued to widen with credit growth @17.90% and deposit growth@9.60% on a YOY basis, putting pressure on short-term deposit rates and money market yields.

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 Asset Management is the full service investment manager of PGIM India Mutual Fund, offering 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 16 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 145-year legacy to build on its decade long history in India. Headquartered in Mumbai, PGIM India Mutual Fund has a presence in 27 cities across the country. PGIM India Mutual Fund brings a rich blend of global resources, intellectual acumen and local investment expertise and is committed to designing superior and meaningful, wealth building solutions for our investors. PGIM India provides unique training and educational programs for building exceptional capabilities and best business practices for its business associates.

Key Features



Benchmark index:
NIFTY 1D Rate Index



Fund Manager:
(w.e.f. July 15, 2022) Mr. Puneet Pal and
(w.e.f. September 13, 2022) Mr. Bhupesh Kalyani



Exit load: Nil

Potential Risk Class

Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

ICRA has assigned the "[ICRA]A1+mfs" (pronounced as ICRA A one plus m f s) rating to the PGIM India Overnight 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.

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. **Modified Duration:** Modified duration is the price sensitivity and the percentage change in price for a unit change in yield.

pgim india mutual fund



1800 2667 446

Connect with us on:



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.

©2022 Prudential Financial, Inc. (PFI) and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

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 a short term investment horizon
- Investment in debt and money market instruments having maturity of upto 1 business day
- 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