



PGIM INDIA PREMIER BOND FUND

An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

Rated AAAMfs by ICRA##

June 2021

Why invest in PGIM India Premier Bond Fund?

Investors with concerns of credit quality on corporate assets and liquidity pressures, can consider investing in PGIM India Premier Bond Fund for its very high quality portfolio of instruments. PGIM India Premier Bond Fund is rated as [ICRA] AAAMfs denoting the highest level of safety regarding timely receipt of payments from the investments that they have made.

Investment Strategy

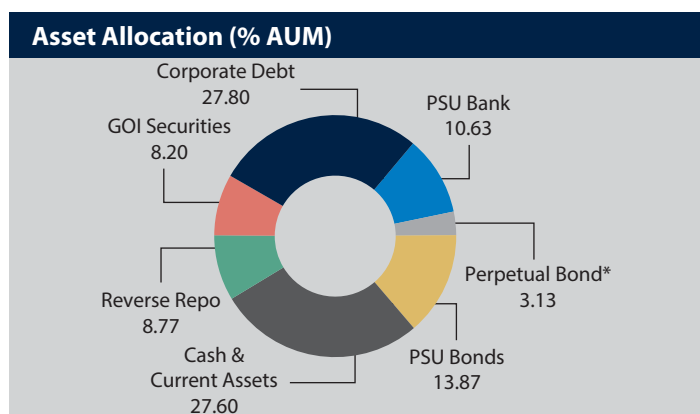
- PGIM India Premier Bond Fund seeks to generate income through investments in a range of corporate Debt, Central & State government securities and money market instruments.
- The portfolio duration is decided based on the fund manager's assessment of expected movement in interest rates, liquidity conditions and other macroeconomic factors.
- Moderate duration exposure allows the fund to maintain relatively low to moderate volatility compared with long-term income/bond funds, while retaining the potential to benefit from softening in yields.

Portfolio Positioning*

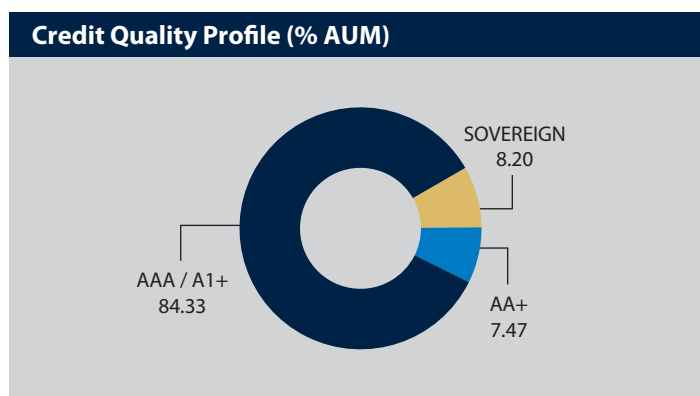
- Portfolio predominantly consists of AAA/A1+ rated corporate bonds and PSU/PFI bonds
- Credit Quality as on 30th June, 2021: AAA/A1+/Sovereign securities comprises 92.53% of the portfolio.
- Average maturity of the portfolio as of 30th June, 2021 stood at 2.32 years.

Who should invest?

PGIM India Premier Bond Fund is ideal for investors considering investing in a low to moderate portfolio of debt securities including bonds and money market instruments.



*All the perpetual bonds in PGIM India Premier Bond Fund are Basel III bonds.



Fund Details

AUM as on June 30, 2021 (₹ in Crore):	81.38
For the Debt Portfolio	
Portfolio Yield (%)	4.84
Modified Duration (years)	1.84
Average Portfolio Maturity (years)	2.32
Macaulay Duration (years)	1.92

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
Bajaj Housing Finance Ltd	7.97	CRISIL AAA
5.22 GOI Mat 2025	6.06	SOV
National Housing Bank	5.81	CRISIL AAA
Britannia Industries Limited	5.36	CRISIL AAA
Fullerton India Credit Company Limited	5.09	CRISIL AAA
Mahindra & Mahindra Financial Services Ltd	5.04	CARE AAA
National Bank For Agriculture & Rural Development	4.82	ICRA AAA
Housing & Urban Development Corporation Ltd	4.38	CRISIL AAA
Muthoot Finance Limited	4.34	CRISIL AA+
Indian Railway Finance Corporation Ltd	3.78	CRISIL AAA

All the above data are as on June 30, 2021. * These are based on fund manager's current outlook & Subject to change.

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.

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	
Corporate Debt instruments (AA+ and above rated)	80%	100%	Low to Medium
Other debt (including Government securities) and Money Market Instruments	0%	20%	Low to Medium

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

Key Features



Benchmark index:

CRISIL Composite Bond Fund 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.

Investment Style Box

Credit Quality

High Medium Low

			High
			Medium
			Low
			Very Low

Interest Rate Sensitivity

ICRA has assigned the "[ICRA] AAAMfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Premier Bond 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 medium term
- Investments predominantly in AA+ and above rated corporate bonds including bonds
- 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.