MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA ULTRA SHORT TERM FUND

An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months

Rated AAAmfs by ICRA##

August 2021

Why invest in PGIM India Ultra Short Term Fund?

PGIM India Ultra Short Term Fund is a low to moderate risk fund for short term investing needs.

Investment Strategy

- The aim of the investment strategy is to generate returns with a low to moderate risk, particularly minimal interest rate risk strategy.
- The Scheme shall be actively managed and the Fund Management team shall formulate an active view of the interest rate movement by monitoring various parameters of the Indian economy, as well as developments in global markets.
- The Macaulay Duration of the portfolio will be maintained between 3 months to 6 months.

Portfolio Characteristics*

- The fund has been maintaining a high quality mix of liquid and short term securities which seeks to deliver steady returns with lower volatility.
- Predominantly invested in money market securities and short term bonds.

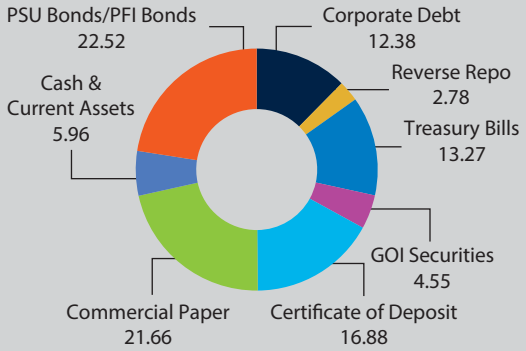
Portfolio Positioning*

- PGIM India Ultra Short Term Fund does not take duration calls and maintains 'mark to market' exposure at nominal levels in order to moderate volatility in returns.
- Strict control on average maturity, limits the return volatility on the fund.
- Investment in AAA/A1+ rated securities and Sovereign bonds is 100.00%.

Who should invest?

PGIM India Ultra Short Term Fund is ideal for investors looking at investing their surplus money for a period of 2-3 months.

Asset Allocation (% AUM)



Credit Quality Profile (% AUM)

Fund Details

AUM as on August 31, 2021 (₹ in Crore):	673.12
For the Debt Portfolio	
Portfolio Yield (%)	3.63
Modified Duration (months)	5.38
Average Portfolio Maturity (months)	5.64
Macaulay Duration (months)	5.70

Maturity Profile As on August 2021 (%)

0-1M	6.34	6-9M	37.87
1-3M	6.75	9-12M	7.42
3-6M	39.32	12M +	2.30

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
HDFC Bank Ltd.	7.24	CARE A1+
Bharat Petroleum Corporation Ltd.	6.82	CRISIL AAA
NTPC Ltd.	6.57	CRISIL AAA
Axis Bank Ltd.	5.99	CRISIL A1+
Exim Bank	5.88	CRISIL A1+
ICICI Securities Ltd	5.56	CRISIL A1+
Power Finance Corporation Ltd.	5.37	CRISIL AAA
Housing Development Finance Corp. Ltd.	5.27	CRISIL AAA
L And T Finance Ltd (Old Name Family Credit Ltd)	4.85	ICRA AAA
Rural Electrification Corporation Ltd.	3.76	CARE AAA

*All the above data are as on August 31, 2021. * These are based on fund manager's current outlook & Subject to change.*

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 Fundand 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 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 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. [1]All Information as of March 31, 2021.

Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile
	Minimum	Maximum	
Debt and Money Market Instruments including Government securities	0%	100%	Low to Medium

The Macaulay Duration of the portfolio will be maintained between 3 months to 6 months. Please refer to the Scheme Information Document for more details on asset allocation.

Key Features

Benchmark index:
CRISIL Ultra Short Term Debt Index#

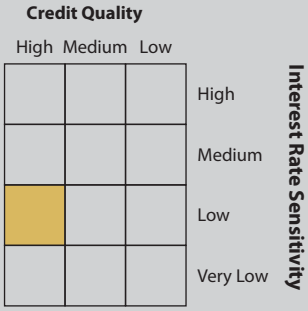
Fund Manager:
Mr. Kumaresh Ramakrishnan and Mr. Kunal Jain

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



w.e.f. November 01, 2019 benchmark of the scheme has been changed from CRISIL Liquid Fund Index to CRISIL Ultra Short Term Debt Index.

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] AAAmfs" (pronounced as ICRA triple A m f s) rating to the PGIM India Ultra Short Term 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.

Riskometer

This product is suitable for investors who are seeking*:

- Income over the short term
- Investment in short term debt and 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.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

C186/21-22