MUTUAL FUNDS Sahi Hai

PGIM India Mutual Fund

PGIM INDIA MONEY MARKET FUND

An open ended debt scheme investing in money market instruments

September 2020

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 moderately low 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.

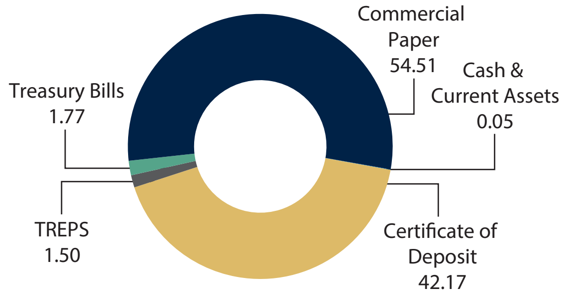
Portfolio Positioning* and Strategy

- 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.

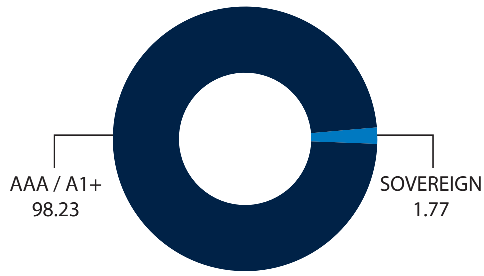
Who should invest?

- 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 September 2020 (% of AUM)

0-6M	80.27
6-12M	19.73
12M+	0.00

Fund Details#

Portfolio Yield (%)	3.73
Average Maturity	4.44 Months
Modified Duration	4.32 Months
Macaulay Duration	4.44 Months
Standard Deviation	0.07
Sharpe Ratio	0.09 (R)/0.13 (D)

Portfolio (Top Ten Holdings) as on September 30, 2020

Issuer	% to Net Assets	Rating
L&T Infrastructure Finance Company Limited	10.65	ICRA A1+
Small Industries Development Bank Of India	10.60	CRISIL A1+
Axis Bank Ltd.	10.59	CRISIL A1+
Network 18 Media & Investments Ltd	10.56	CARE A1+
Union Bank Of India	10.55	CARE A1+
Bank Of Baroda	10.43	IND A1+
National Bank For Agriculture & Rural Development	9.87	ICRA A1+
Tata Capital Financial Services Ltd	9.30	CRISIL A1+
Larsen & Toubro Ltd.	7.09	ICRA A1+
Housing Development Finance Corporation Ltd.	7.04	CRISIL A1+

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 September 30, 2020
All the above data are as on September 30, 2020. * These are based on fund manager's current outlook & Subject to change.

Fund Manager's View

Macro Review

- The Consumer Price Index (CPI) for August remained at 6.69%, almost unchanged over the previous month, which itself saw a downward revision in print to 6.73%. But inflation staying over 6% in each of the months this fiscal remains a cause for worry for the Reserve Bank of India (RBI). Average CPI for the period April to August (5 months) stood at 6.64%.
- The key items driving CPI comprised protein-based food items such as meat & fish, pulses – both of which rose in double digits. Vegetables up by 11.41% and transport & communication by 11.05%, were the other item heads registering high-paced increase.
- Core CPI (ex food and fuel) for August, came in at 5.4%, marginally higher (+10 bps) from 5.3% in July. Core inflation in the first 5 months of this fiscal has also averaged 4.9%, reflecting supply side issues and firming prices in key items such as gold.
- In the October 2020 policy, the MPC noted the return to normalcy as reflected in a few parameters such as multi month high Purchasing Managers Index (PMIs) in manufacturing and services, pick up in sales of auto, electricity, cement sales etc. and improving consumer expectations on jobs and incomes. The policy countered these views with some sobering thoughts on weak private investment and exports which are still subdued.

Liquidity and Rates

- On liquidity, the combination of additional targeted long term repo operations (TLTROs) of up to INR 1 lakh crore at a floating rate should help banks address credit needs as investment activity rebound.
- Banks have also been given the flexibility to reverse earlier LTROS, which will help them in managing their books and retiring higher cost funds with sectors such as housing further incentivized by linking risk weights purely to Loan to Value (LTVs) rather than loan sizes.
- On markets and yields, RBI extended the expanded Mark to Market (MTM) limits (by 2.5%) benefit for another year until March 2022. While they had earlier assured to revisit this by end March 2021, the extension well ahead of time gives banks enough clarity on ways to manage their books and duration and is a strong market positive.
- Open Market Operation (OMOs) have been upsized to INR 20,000 crore per auction.
- Further, to control the widening yields of State Government loans, RBI has decided to undertake OMOs in this category as well, which is a market first. State finances are weak and respective governments are having to issue higher amounts to meet revenue gaps arising from GST shortfalls.
- Liquidity conditions continued to remain in surplus mode in line with RBI's accommodative stance.
- Average daily Liquidity Adjustment Facility (LAF) balances for September stood at INR 3.31 trillion as against INR 3.68 trillion in August and INR 3.59 trillion in July.
- Increase in Currency in Circulation (CIC) has been showing a steady decline consistent with the gradual unlocking. The rise was the highest in the 3 months of March to May, also the peak lock-down months that also witnessed a mass exodus of migrants from cities / urban centres to their hometowns.
- Rise in CIC by an average of almost INR 900 bio per month in this period has since tapered to INR 439 bio in June and a mere INR 25 bio in September.
- In the first 9 months of this calendar year, the absolute increase in CIC stood at INR 4.12 trillion, as against INR 1.6 trillion over the corresponding period of the previous year.
- We expect CIC to moderate as the economy unlocks further, even though we may witness some pick-up again in the festive season.

H2 - FY2021 borrowing calendar

- There were no surprises as far as the borrowing calendar was concerned. There is no change proposed in the borrowing quantum (INR 4.34 trillion) for the second half.
- The borrowing calendar in H2 compares with an issuance volume of INR 2.62 trillion in H2-FY 2020.
- The front end (upto 5 years) with volumes of 20% and the belly (5-14) with volumes of 44%, will benefit from moderate issuance volumes.
- The longer end comprises over 30% of the volumes. Floating rate bonds (FRBs) – short – comprise 6% of the issuance volumes.
- The choice of segments for issuance is weighted in favour of the long end – beyond 14 year tenor, which is likely to exert some pressure on the long end of the curve.
- The issuance calendar will be done by end January, which offers the Govt some time for extra issuances, if needed.
- State govt borrowings (through SDLs – State Development Loans) are pegged at INR 2 trillion for the Oct- Dec quarter. There is some likelihood of a spill-over in Q3 even as Q4 is expected to be well higher than INR 2 trillion (INR 1.63 trillion in the previous year).

Outlook

- Inflation readings on the macro remain a key monitorable for the markets.
- We continue to favour short and mid segment products with a 3-4 year duration post the October 2020 policy, as this segment should witness lower volatility given easy liquidity and monetary conditions.
- Our Long end remains tactical, though it should present better opportunities going forward.

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 20 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 1.4 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 June 30, 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.

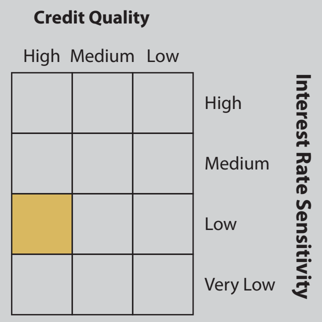
Key Features

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 Schemes of PGIM India Mutual Fund except from PGIM India Insta Cash Fund.

Investment Style Box

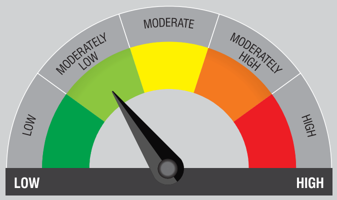


Riskometer

This product is suitable for investors who are seeking*:

- Regular income for short term
- Investments in Money Market instruments
- Degree of risk – MODERATELY 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 moderately low risk

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.

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.