PGIM India Mutual Fund

WHY TARGET MATURITY FUNDS ARE IDEAL FOR INVESTORS AT THIS JUNCTURE

Central Banks across the world have increased interest rates to contain spiraling inflation fueled by monetary and fiscal stimulus undertaken in the aftermath of Covid crisis. The unwinding of this stimulus since last year, especially the monetary tightening is beginning to have an impact on inflation.

Bond yields have stabilised and given the expectations of an end of the rate hiking cycle both domestically and internationally, returns from fixed income may stabilise. The yield curve in India is flat and in US it is significantly inverted. This means that the market is expecting inflation to fall and rate cuts by central banks going ahead. A falling interest rate cycle may benefit fixed income investors by way of capital gains, in addition to accrual income.

Debt Fund investors have not had a smooth ride over the last two years as rising yields dented the returns of bond funds. As we march towards a pause in rate hike followed eventually by rate cuts, debt fund investors may expect to have a better experience. The current levels of bond yields may offer a good opportunity for investing in fixed income funds.

As the spreads of AAA Corporate Bonds and SDL over government securities are currently tight, we would recommend investors to look at funds having duration of 3-5yrs with predominant sovereign holdings as they may offer a better risk-reward currently. Target Maturity Funds with predominant allocation to G-secs are ideal for investors who are looking for a relatively safer and liquid avenue to take advantage of the current prevailing yields.

Why consider Target Maturity Funds at this juncture? These funds have a defined maturity date. The asset allocation is pre-defined and they can invest in G-securities, PSU Bonds, Corporate Bonds and State Development Loans.

These funds are either designed as Exchange Traded Funds or Index Funds. They are passively managed with a roll down strategy in which bonds are held till maturity. As a result, the duration reduces with each passing year, mitigating the interest rate risk to some extent. So investors in this category may experience lower volatility. The coupons are reinvested in the existing underlying bonds or bonds of similar maturity and credit ratings. If the fund for instance has a maturity of 2028, it will invest in bonds which will mature in line with the maturity date of the scheme.

If the investment is held for over three years, investors get the benefit of indexation on long term capital gains. Lastly, since they are open-ended, investors can redeem before maturity to meet any exigency. Thus, TMFs have all the ingredients which may make them an ideal investment opportunity at this juncture. Investors need to choose a TMF which matches their risk-appetite and investment horizon.

February, 2023

The product labeling assigned during the NFO is based on internal assessment of the scheme characteristic or model portfolio and the same may vary post NFO when actual investments are made.

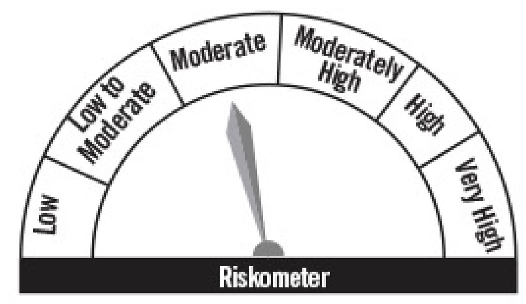
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		

This product is suitable for investors who are seeking*

- Income over the target maturity period.
- An open-ended Target Maturity Index Fund investing in constituents of the CRISIL - IBX Gilt Index - April 2028.
- Degree of risk – MODERATE

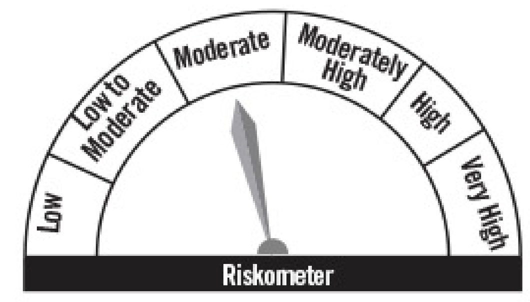
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Scheme Riskometer



Moderate — investors understand that their principal will be at moderate risk.

Benchmark Riskometer



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