

NOTICE CUM ADDENDUM (No. 44 of 2021-22)

NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENTS (“SIDs”) AND KEY INFORMATION MEMORANDUMS (“KIMs”) OF DEBT SCHEMES OF PGIM INDIA MUTUAL FUND (“THE MUTUAL FUND”)

Investors are requested to note that SEBI vide its Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 has introduced swing pricing framework for open ended debt mutual fund schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) w.e.f March 01, 2022.

SEBI has prescribed swing pricing for scenarios related to net outflows from the schemes. Accordingly, a mandatory full swing during market dislocation times for high-risk open ended debt schemes is being introduced in all open-ended debt schemes of PGIM India Mutual Fund (except PGIM India Overnight Fund and PGIM India Gilt Fund) as per the provisions given below :

Provisions for Swing Pricing during Market Dislocation

- a) **Swing Pricing:** Swing pricing refers to a process for adjusting a scheme’s Net Asset Value (NAV) to effectively pass on transaction costs stemming from significant net capital activity (i.e., flows into or out of the fund) to the investors associated with that activity. Swing pricing is an anti-dilution adjustment that seeks to protect investors in a scheme from performance dilution as a result of significant outflows from the scheme, particularly during market dislocation.
- b) **Market Dislocation Period:** Market dislocation would be declared and notified by SEBI either suo moto or based on recommendations made by Association of Mutual Funds in India (AMFI). Swing pricing will be applicable for a specified period as notified by SEBI.
- c) **Swing Pricing Framework:** Subsequent to the announcement of market dislocation, the swing pricing framework shall be mandated only for the Eligible open ended debt schemes of the Mutual Fund (except PGIM India Overnight Fund and PGIM India Gilt Fund) which fulfill both the following conditions
 - i. have High or Very High risk on the risk-o-meter (as of the most recent period at the time of declaration of market dislocation) ; and
 - ii. classify themselves, on the date of declaration, in the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix in terms of SEBI circular dated June 7, 2021.
- d) **Swing Factor:** The minimum swing factor as given below will be applicable. This shall be made applicable to the schemes mentioned above and the NAV will be adjusted downward for swing factor.

Minimum swing factor for open ended debt schemes			
Maximum Credit Risk of scheme →	Class A (CRV*≥12)	Class B (CRV≥10)	Class C (CRV<10)
Maximum Interest Rate Risk of scheme ↓			
Class I: (MD≤1 year)	NIL	NIL	1.50%
Class II: (MD≤3 years)	NIL	1.25%	1.75%
Class III: Any Macaulay duration	1.00%	1.50%	2.00%
*CRV: Credit Risk Value			

- e) **Applicability of Swing Pricing:**
 - i. Mandatory full swing pricing as stated above, when notified by SEBI, shall be applicable to schemes that fulfil the criterion indicated in points c(i) and c(ii) above as on the date of declaration of the market dislocation.
 - ii. When swing pricing mechanism is triggered and swing factor is made applicable during market dislocation, both the entering and exiting investors shall get NAV adjusted for swing pricing.
 - iii. Swing pricing shall be made applicable to all unitholders at PAN level, with an exemption for redemptions up to Rs. 2 lacs for each mutual fund scheme for market dislocation
 - iv. As mandated by SEBI, to begin with, Swing pricing shall be applicable to scenarios related to net outflows from the schemes.

f) Illustration on the swing pricing effect on the NAV for incoming and outgoing investors.

Consider a scheme having NAV of Rs 100 and Swing Factor of 1%, the NAV shall be adjusted as below on issue of notification of market dislocation by SEBI:

$$\text{Swing NAV} = \text{Unswung NAV} * (1 - \text{Swing Factor})$$

$$= \text{Rs. } 100 * (1-0.01)$$

$$= \text{Rs. } 100 * (0.99)$$

$$= \text{Rs. } 99$$

If there is any exit load applicable as per scheme provisions, the same will be applied on swung NAV.

g) Computation of NAV for purpose of scheme performance: The scheme performance shall be computed based on unswung NAV.

h) Disclosures pertaining to NAV adjusted for swing factor: Disclosures pertaining to NAV adjusted for swing factor along with the performance impact (in the following format as prescribed by SEBI) shall be made in the SIDs of respective Eligible schemes and in scheme wise Annual Reports and Abridged summary and the same shall be disclosed on the website prominently only if swing pricing framework has been made applicable for the said mutual fund scheme.

This Notice cum Addendum forms an integral part of SID(s) and KIM(s) of the Eligible Schemes of the Mutual Fund, as amended from time to time. All the other terms and conditions of the SIDs and KIMs of the above mentioned Schemes of the Mutual Fund except as specifically modified herein above remain unchanged.

**For PGIM India Asset Management Private Limited
(Investment Manager for PGIM India Mutual Fund)**

Place: Mumbai

Date: December 28, 2021

Sd/-
Authorized Signatory

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.