



PGIM
India Mutual Fund

Gain from experience

Build your portfolio with government securities.

Presenting

PGIM India CRISIL IBX Gilt Index - Apr 2028 Fund

(An open-ended Target Maturity Index Fund investing in constituents of the CRISIL - IBX Gilt Index - April 2028. A relatively high interest rate risk and relatively low credit risk)

NFO Opens: 2nd February 2023

NFO Closes: 16th February 2023

Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
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



Investors understand that their principal will be at moderate risk

Benchmark Riskometer



CRISIL-IBX Gilt Index - April 2028 Benchmark riskometer will be at moderate risk

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

Who should invest in this fund?

- Investors with long-term investment goals, which are in line with the maturity period of the scheme
- Investors looking for high liquidity in their investment portfolio
- Investors seeking tax-efficient reasonable returns
- Investors with a low-risk appetite for credit exposures and are seeking high-quality portfolio

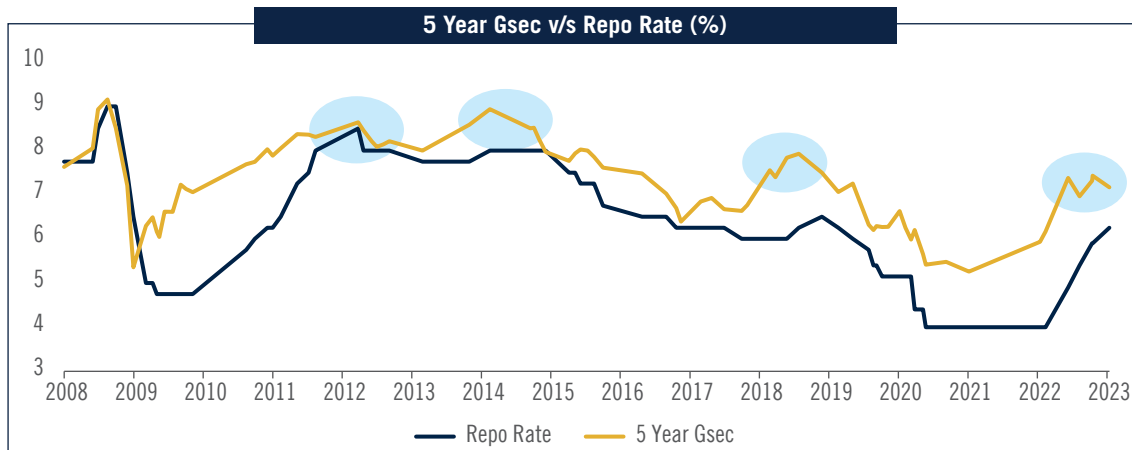
Globally and locally inflation may cool off soon and consequently rates may also peak out

- Given the aggressive and frontloaded rate hikes, major central banks including RBI have slowed the quantum of rate hikes
- The US yield curve has been inverted (2yr -10yr spread) since July 2022 and over the last one month the US 10yr yield is trading below the lower bound of the Fed Funds rate
- The Indian Overnight Swaps curve is also inverted (1yr yield higher than 5yr)
- Last two CPI readings in India have been below market expectations and inflation maybe expected to soften further
- All this indicates that the market is expecting slow down in growth and Inflation to fall over the course of the next one -two years and this bodes well for Fixed Income Investors
- Currently the entire yield curve in India is giving a positive real yield
- This may be a good opportunity to increase allocation to fixed income

Source: Bloomberg, The above is based on fund manager views, which are subject to change

Investors looking to “lock-in” at the current elevated yield levels, for longer term

- Interest rate for retail savers have generally been on a declining trend in India in the last couple of decades, as the economy matures from an emerging market to a developed market
- Thus, it may be prudent to lock-in whenever there is a spike in rates in the economy, for the longer term
- Gsec oriented mutual fund portfolios can generally provide an additional spread over traditional deposits and are tax efficient



Source: Bloomberg, SBI. Data as of 16 Jan 2023

Launching a 100% Gsec Index fund meant to be held till maturity

Why look at a 100% government securities, passive, hold-till-maturity product now?

- The yield curve is flat which means market is expecting Inflation to fall going ahead
- Spreads of SDLs and AAA PSU over Gsec are much below their median, which favors Gsec
- Globally and locally inflation has cooled off soon and, in our view, rates and yields maybe close to peaking out

Who should invest?

- Both seasoned investors and new investors may invest in this product
- Investors looking to **“lock-in”** at the current elevated yield levels, for longer term
- Investors looking for allocation to the **“core”** fixed income portion of their overall portfolio
- Investors looking for a safe option, as they don't prefer taking any risk, atleast for their fixed income allocation

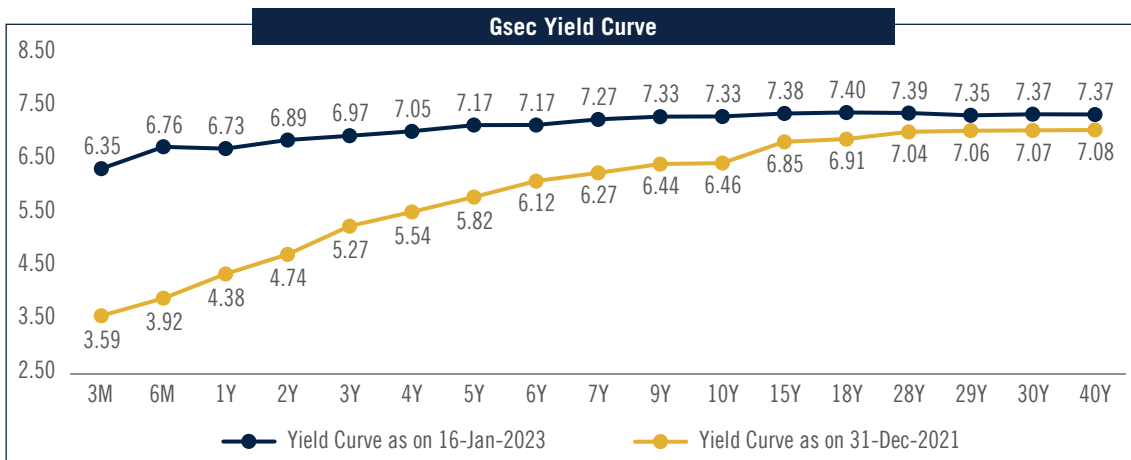
Why prefer it over 5-6 years maturity traditional deposit products?

- Currently traditional deposits of similar maturity are yielding lower
- Taxation efficiency compared to traditional deposit, for investors in the higher tax brackets
- Open ended structure

Relative safety of Gsec > Taxation Efficiency via Indexation benefit > Daily liquidity at NAV based prices > Defined Maturity Date > Passively Managed > Highly liquid portfolio

4-6yr segment of the yield curve is in a sweet spot...providing opportunity for roll-down

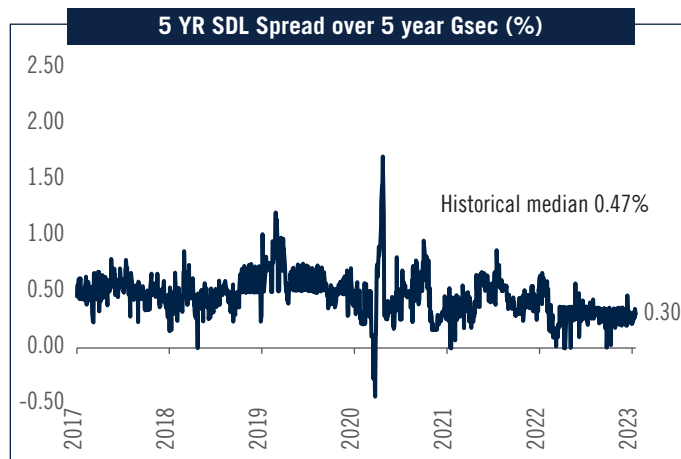
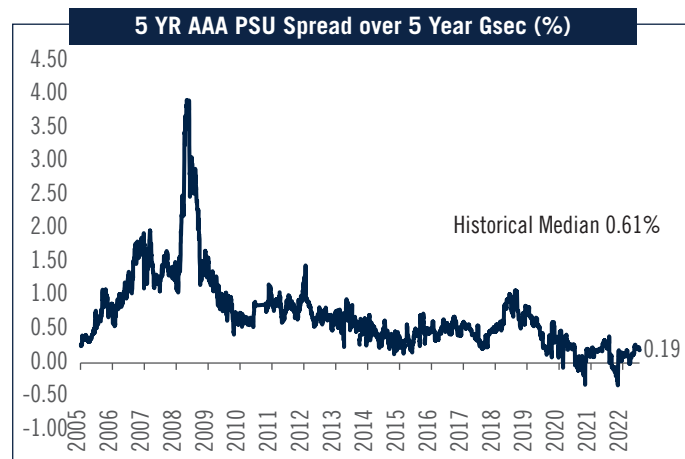
- As the yield curve is flat, 4 to 6 years maturity segment of the yield curve may provide relatively attractive carry, with lower duration risk
- Any signs of a pause in the rate hiking cycle may favour the 3 to 6 years maturity bucket



Source: Bloomberg. Data as of 16-Jan-2023

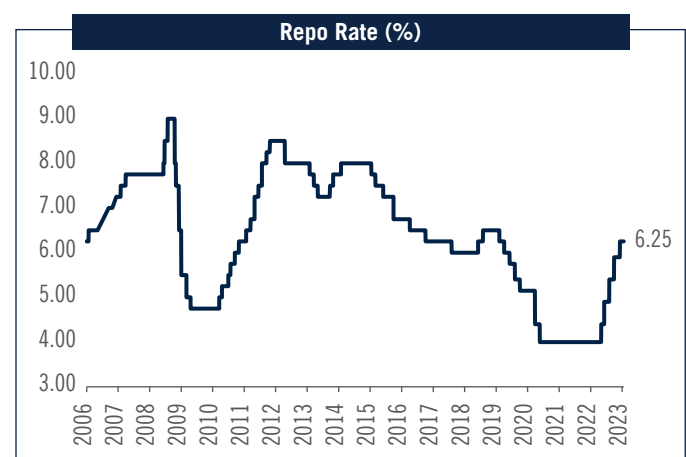
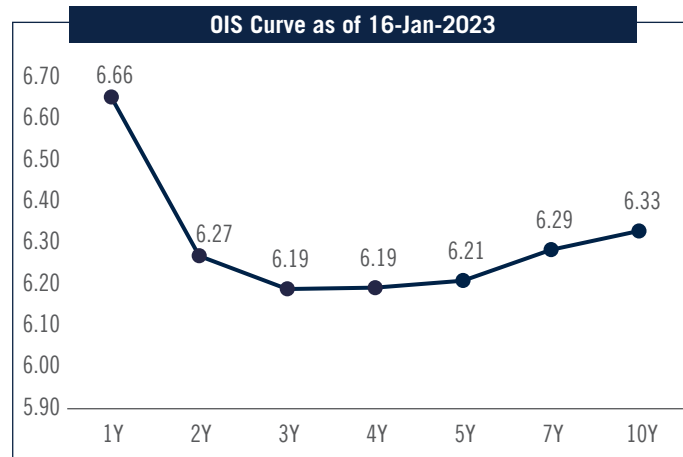
Spreads for SDLs and AAA PSU are at their lowest levels, favouring Gsec

- AAA PSUs and SDLs currently do not offer any significant yield pickup over Gsec of similar maturity
- Spreads can increase going forward, with any liquidity tightening and increased supply of corporate bonds, thus resulting in sub-optimal returns, in comparison to Gsec
- Thus, we believe Gsec currently offer optimal investment opportunity at relatively lower risk



Source: Bloomberg. Data as of 16 Jan 2023

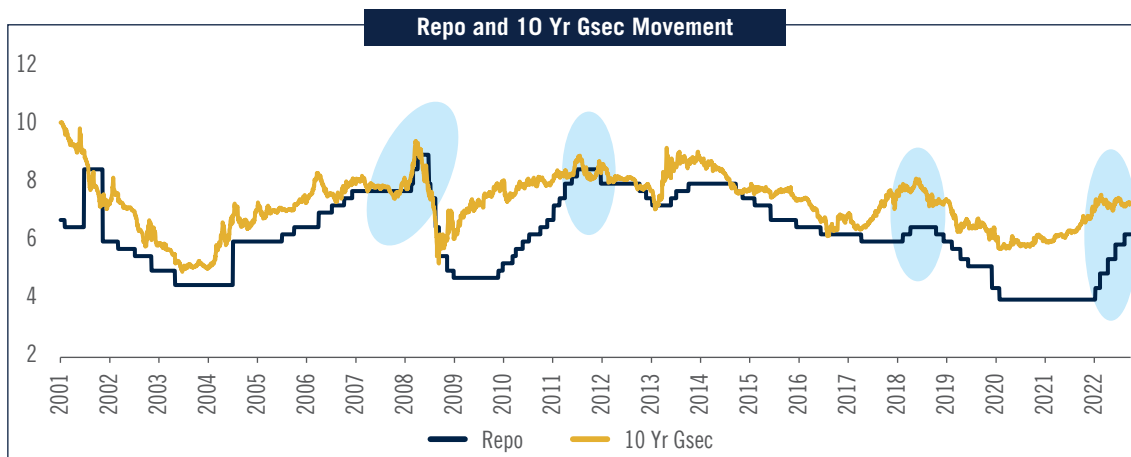
Indian OIS curve is inverted, which shows that market expects lower rates in future



Source: Bloomberg. Data as of 16 Jan 2023

Markets seem to be already pricing in future rate hikes

- Market yields tend to price-in rate hike/cuts, ahead of actual policy announcements
- Current yield levels are factoring in future rate hikes, presenting an attractive risk-reward opportunity
- Past trends suggests that it can be a good entry point for building fixed income portfolio, for any long-term investor, as rate cycle nears its peak



Source: Bloomberg. Data as of 16 Jan 2023



**Why PGIM India
for Fixed Income?**

Twin pillars of PGIM India's Fixed Income philosophy

- **Active at Low Cost**

- **Focus on Safety**

- **Active Basket**

- In our active bucket of funds, we look at predominantly AAA/Sovereign and equivalent rated papers for portfolio construction
- Competitive total expense ratio (TER) across all our funds

- **Passive Basket**

- In our passive offerings, we follow the same philosophy i.e., focus on safety along with lower cost

PGIM India Fixed Income Offerings – 5 Value Proposition for Investors

- **High-Quality Portfolios** – over 98% of our fixed income AuM across all our schemes is invested in high quality Gsec/AAA/A1+ and equivalent rated papers*
- **Focus on net yields** – our overall Total Expense Ratio (TER) is aligned to the prevailing yields for different schemes and also in comparison to the peer group
- **Transparency** – well defined investment philosophy and process-oriented approach. Universe of issuers for portfolio construction goes through a rigorous scrutiny, before inclusion in the portfolios. Fixed Income portfolios are also uploaded on the website on a daily/fortnightly basis.
- **Integrated Research** – Single CIO for both equity and debt. This ensures greater synergy between teams and thus enhanced research capabilities on any specific issuer
 - To supplement external rating, we have developed our internal credit rating research capabilities as well
 - Evaluation of long-term equivalent ratings for short-term issuances as well
 - Lower rated credit universe generally selected from top agencies and exposure generally restricted to conglomerates and select industry houses and groups
 - Instrument-wise filters, wherein we generally don't take exposure to structures which are less transparent, complex or riskier
- **Active Duration Management** – Our chief source of alpha generation is through active duration management of the portfolio, within the regulatory defined mandates of individual schemes

*Source: ICRA MFIE, Internal. Data as of 30-Dec-2022

Genesis of our Fixed Income Approach

Broad factors considered for fixed income approach:

- Fundamental analysis
 - Macro research
 - Credit research
- Sector and individual company research
 - Top Down
 - Bottom up
- Curve based analysis
 - Spread Analysis
 - Issuer/security/instrument
- Market analysis
 - Technicals
 - News
 - Flows

Active Duration Management

- Focus on actively managing the scheme positioning, as per interest rate views and individual scheme mandates

+

Credit Management

- Lower rated credit exposure (AA/AA+) generally restricted to 20% of the portfolio across schemes. Nil exposure below AA-
- Lower of Internal Ratings and External Rating. (Conservative External rating in case of multiple ratings)
- Mapping of short term ratings to long term rating of the same issuer

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Alpha Generation

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Downside Protection



Product Details

CRISIL IBX Gilt Index - April 2028 : Underlying Index Details

- The scheme will look to track CRISIL IBX Gilt Index - April 2028
- CRISIL IBX Gilt Index - April 2028, seeks to measure the performance of portfolio predominantly invested in G-Sec maturing between September 2027 and April 2028

CRISIL IBX Gilt Index – April 2028 Index	Data as on 2-Jan-2023	Asset Class	Instrument Name	Weights
Average Residual Maturity	4.75 years	Gilt	Gsec Sept 2027	42.80%
Modified Duration	3.87 years	Gilt	Gsec Jan 2028	55.20%
Yield to Maturity^^	7.27%	T-Bills	TB - 23/03/23 - 91D	0.70%
Date of maturity of the Index	05-Apr-28	T-Bills	TB - 16/03/23 - 91D	0.70%
Investment Universe	100% in Gsec / T-bills	T-Bills	TB - 09/03/23 - 91D	0.70%

Gsec Selection Methodology by Crisil:

- Weights of the G-sec securities and T-bills Securities in the Index will be 98% and 2% respectively
- All Gsec securities selected will have a maturity date from 06 September 2027 to 05 April 2028
- Minimum Amount Outstanding should be Rs. 25000 crores
- Weights to individual securities will be calculated in the ratio of amount outstanding (30% weightage) and liquidity score (70% weightage)
- Eligible securities will be added on a 6 monthly basis and weights will be redistributed based on ratio of amount outstanding (30% weightage) and liquidity score (70% weightage)
- The index will be reviewed and rebalanced on a 6 monthly basis

* As of 2-Jan-2023, ^^ Gsec yields are annualized. Source: Crisil

Taxation Efficiency - 6 Indexation Benefit over the entire holding period

- Indexation adjusted the cost of acquisition by adjusting it as per the CII index values declared by government of India, for each financial year
- Applicable only for long term capital gains i.e., more than 3 years

	Target Maturity Index Fund	Traditional Debt Investment
Investment Tenure (Years)	5.5	5.5
Indexation (Years)	6.0	NA
Current Yield (Assumed CAGR %)	7.25%	7.25%
Inflation (assumed CAGR %)	4.50%	NA
Amount Invested (Rs)	1000000	1000000
Maturity Value (Rs)	1469553	1469553
Absolute Gains (Rs)	469553	469553
Indexed Cost of Acquisition (Rs)	1302260	NA
Capital Gains (Rs)	167293	469553
Applicable Tax Slab (%)	20.80%	31.20%
Tax Payable	34797	146500
Maturity Value Post-Tax (Rs)	1434756	1323052
Post Tax Yield (%)	6.78%	5.22%

The above table is for Illustration Purpose Only. Please consult your tax advisor before making any investment. Surcharge considered to be Nil in the above illustration. Assumed investor is in the highest tax bracket. Traditional Deposit calculation is for a normal deposit and does not consider any 80C benefit applicable in the year of investment upto Rs 150000.

Scheme Details*

Scheme Name	PGIM India Crisil IBX Gilt Index - Apr 2028 Fund
Type of Scheme	An open-ended Target Maturity Index Fund investing in constituents of the CRISIL IBX Gilt Index - April 2028. A relatively high interest rate risk and relatively low credit risk
Investment Objective	The investment objective of the scheme is to generate returns that corresponds to the total returns of the securities as represented by the CRISIL IBX Gilt Index - April 2028 (before fees and expenses), subject to tracking errors. However, there can be no assurance that the investment objective of the Scheme will be achieved. The Scheme does not guarantee/ indicate any returns.
Benchmark Index	CRISIL IBX Gilt Index - April 2028
Fund Manager	Mr. Puneet Pal and Mr. Bhupesh Kalyani
Exit Load	Nil
Minimum amount of Investment	Initial Purchase/Switch-In – Minimum of Rs. 5,000/- and in multiples of Re.1/- thereafter. Additional Purchase - Minimum of Rs.1,000/- and in multiples of Re.1/- thereafter.
Tenure of the Scheme	The scheme is expected to mature on 05 April 2028 (“Maturity Date”)

* Please read the Scheme Information Document for further details

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Potential Risk Class			
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Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		



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