



PGIM
India Mutual Fund

PGIM India Asset Management Private Limited

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NOTICE CUM ADDENDUM [No. 41 of 2021-22]

NOTICE CUM ADDENDUM FOR THE MERGER OF PGIM INDIA CREDIT RISK FUND (MAIN PORTFOLIO) INTO PGIM INDIA LOW DURATION FUND

Unitholders are requested to note that, the Board of Directors of PGIM India Asset Management Private Limited and PGIM India Trustees Private Limited, the asset management company and trustee company of PGIM India Mutual Fund (hereinafter referred to as "PGIM India MF") have decided to merge PGIM India Credit Risk Fund (Main Portfolio), an open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds), a relatively high interest rate risk and relatively high credit risk scheme (hereinafter referred to as "Transferor Scheme") into PGIM India Low Duration Fund, an open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months to 12 months, a relatively low interest rate risk and moderate credit risk scheme (hereinafter referred to as "Transferee Scheme").

Rationale of the merger of PGIM India Credit Risk Fund (Main Portfolio) into PGIM India Low Duration Fund:

Credit risk funds have full flexibility to go down the credit curve and invest in lower rated papers in order to generate a higher yield. As per SEBI classification, credit risk funds should have a minimum of 65% in AA rated securities and below.

Given the dislocations in the credit space over the past few years and the uneven recovery in the economy, any opportunity to take advantage of the credit spreads as per the mandate of the scheme requires a much larger size to a credit fund and also a very careful curation of the issuers in this specific space.

PGIM India Credit Risk Fund is currently a ₹ 43 crore fund. Our internal process for selecting issuers has also been evolving to become stronger considering the risks. This stronger approach to credit assessment has meant that we currently have 165 issuers that meet our internal criteria compared to 240 issuers a few years ago.

Another operational but very important factor to consider is the minimum size of available opportunities in the credit space. For even issuers that form part of our investible universe, the lot sizes that we can buy in the secondary market has drifted upwards to a ₹ 25 crore minimum. That poses a high challenge for holding a reasonably diversified portfolio in a fund that itself is ₹ 43 crores in size.

At the current size of ₹ 43 crore and with the current trend of negligible to negative flows for the category, maintaining a minimum of 65% to AA and below as per the regulated mandate for the fund is extremely challenging.

Considering the low AUM which poses a challenge to construct a meaningful portfolio as per the required mandate, any further reduction in size of the fund due to outflows can lead to outcomes which may not be in the best interest of the investors. Given challenges in complying to the stipulated asset allocation limit, it is proposed to merge the scheme into PGIM India Low Duration Fund.

PGIM India Low Duration Fund is a fund that seeks to generate income by investing primarily in low duration debt and money market instruments and is ideal for investors seeking to invest in a portfolio of debt and money market instruments with an investment horizon of 6 to 12 months. The AUM of the Scheme as on November 30, 2021 is around ₹ 84 crores.

The merger will take the combined AUM closer to the ₹ 127 crores mark for PGIM India Low Duration Fund which is better from the investment management perspective.

Please refer to Exhibit 1 of the letter sent to the unitholders ("Letter") for details pertaining to the Transferor Scheme and the Transferee Scheme to be provided to you as per the SEBI (Mutual Fund) Regulations, 1996 ("MF Regulations").

Please note that post the proposed merger of Transferor Scheme with the Transferee Scheme, on and from the Effective Date, the Transferee Scheme will be the surviving scheme and the investment objective, investment pattern, annual recurring expense structure and all the other provisions of the Transferee Scheme as contained in the Scheme Information Document and Key Information Memorandum on completion of merger will be effective for the unit holders of the Transferor Scheme. It may be noted that there are no other changes in the schemes. Effective Date means the date on which the units of "Transferee Scheme" will be allotted to investors of the "Transferor Scheme".

As a result of the above merger, no new Scheme will come into effect. On the date of completion of merger, the Transferor Scheme will cease to exist and the unit holders of Transferor Scheme as on the Effective Date will be allotted units under the corresponding available option of Transferee Scheme at the last available applicable Net Asset Value ("NAV") or at the Face Value, in case there are no units in the corresponding option of Transferee Scheme. In case any pledge / lien / other encumbrance marked on any units in Transferor Scheme, the same shall be marked on the corresponding number of units allotted in Transferee Scheme.

The expenses related to the proposed merger as outlined above will not be charged to the unit holders of the Transferor / Transferee scheme.

As regards unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information and Scheme Information Document of the Transferor / Transferee Scheme would apply. You are requested to consult your financial/tax advisors to understand the tax implications (if any) on your investment in the Transferor / Transferee Scheme pursuant to the redemption.

It has been notified in the Finance Act, 2015 that consolidation of units on account of scheme merger will not be considered as a sale of units in the Transferor scheme and hence the same will not be subject to any capital gain tax, provided that the consolidation is of two or more schemes of equity oriented funds or of two or more schemes of fund other than equity oriented fund, as defined under the Income Tax Act, 1961. Please refer to Exhibit 3 of the Letter for details on tax treatment on consolidation of plans/schemes of Mutual Funds. Investors are also advised to consult their tax adviser to understand the tax implications of the proposed merger based on individual circumstances.

NOTICE AND EXIT OPTION TO UNIT HOLDERS

The Board of Directors of PGIM India Asset Management Private Limited and PGIM India Trustees Private Limited on September 9, 2021 have approved the above proposal for merger of PGIM India Credit Risk Fund (Main Portfolio) into PGIM India Low Duration Fund. Further, SEBI, vide its communication dated November 18, 2021 has provided it's no objection to the aforesaid proposal.

As per MF Regulations and the relevant circulars, the merger of PGIM India Credit Risk Fund (Main Portfolio) into PGIM India Low Duration Fund amounts to change in the fundamental attributes of Transferor Scheme. Such fundamental attributes changes can be carried out only after the unit holders of the Transferor scheme have been sent written communication to provide them with an option of exiting the scheme within a period of 30 days at the prevailing net asset value ("NAV") without being charged an exit load ("Exit Option"). Accordingly, this letter serves as a communication to the unit holders of Transferor Scheme about the fundamental attributes changes. The proposed merger will not be treated as change in fundamental attributes of Transferee Scheme in terms of SEBI Circular No. Cir/IMD/DF/15/2010 dated October 22, 2010. Thus, no new scheme will come into existence as a result of the aforesaid merge.

PGIM India Credit Risk Fund currently has a segregated portfolio post the rating downgrade in Yes Bank securities (AT1 bonds) by ICRA to "D". It may be noted that only the main portfolio of PGIM India Credit Risk Fund will be merged into PGIM India Low Duration Fund. The Segregated portfolio of PGIM India Credit Risk Fund will continue to be managed as a standalone portfolio and will be disclosed separately as a part of the PGIM India Low Duration Fund.

The exit option will be available to all the unit holders of both, PGIM India Credit Risk Fund (Main Portfolio) and PGIM India Low Duration Fund, as per the records of KFin Technologies Pvt Ltd. (the "Registrar"), as at the close of business hours on December 20, 2021. It may be noted that there will be no exit option for the unitholders of the segregated portfolio of PGIM India Credit Risk Fund. The option to exit without exit load can be exercised from December 23, 2021 to January 21, 2022 (both days inclusive) ("Exit Option Period") within the respective scheme cut-off timelines. All transaction requests received after January 21, 2022, will be subject to load, as may be prevailing at that time in the respective Schemes.

Redemption / Switch requests may be lodged at any of the Official Points of Acceptance of PGIM India MF by filling out the redemption / switch request slip provided in Exhibit 2 of the Letter or by filling the transaction slips and submitting the same duly signed as per the mode of holding or through depository participant (in case of units held in electronic (demat) mode, or through our website as well as the mobile application. For list of Official Points of Acceptance, please visit our website www.pgimindiaamf.com. The redemption payment will be made within 10 business days of receipt of valid redemption request to those unit holders who choose to exercise their Exit Option. Unit holders who have pledged / encumbered their units will not have the option to exit unless they procure a release of their pledges / encumbrances and appropriately communicate the same to PGIM India MF / Registrar prior to submitting their redemption / switch requests during the exit option period. In case a lien is marked on units held by a unit holder or units have been frozen / locked pursuant to an order of a governmental authority or a court, redemption / switch out can be executed only after the lien / order is vacated / revoked within the Exit Option Period specified above.

Investors who have registered for Systematic Investment Plan (SIP) and other facilities in the Transferor Scheme and who do not wish to continue their future investments in Transferee Scheme must apply for cancellation of such facilities.

Investors who have registered for SIP and other facilities in the Transferee Scheme decide to continue to remain invested then such registration for SIP / other facilities will be continue under Transferee Scheme and no fresh registration will be required. If you have no objection to the proposed merger, no action needs to be taken by you. This offer to exit is merely an option and is not compulsory.

Please note that unit holders who do not opt for redemption on or before January 21, 2022 shall be deemed to have consented to merger of PGIM India Credit Risk Fund (Main Portfolio) into PGIM India Low Duration Fund as specified in this notice.

CONTACT INFORMATION

In case you require any further information / assistance please contact:

PGIM India Asset Management Private Limited

4th Floor, C Wing, Laxmi Towers, Bandra Kurla Complex, Bandra East, Mumbai - 400 051

Telephone No. 1800 266 2667 | E-mail: care@pgimindia.co.in

Or,

Registrar, KFin Technologies Private Limited

Unit - PGIM India Mutual Fund

9th Floor, Capital Towers,

180, Kodambakkam High Road,

Nungambakkam, Chennai - 600 034.

This Notice-cum-Addendum forms an integral part of Scheme Information Document (SIDs) and Key Information Memorandum (KIMs) of the relevant Schemes of PGIM India MF, as amended from time to time. All the other terms and conditions of SIDs and KIMs of the above-mentioned Schemes of the Mutual Fund will remain unchanged.

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

Sd/-

Ajit Menon

Chief Executive Officer

Place : Mumbai

Date : December 17, 2021

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