PGIM
India Mutual Fund

FAQs on

PGIM India Global Select Real Estate Securities Fund of Fund

An open-ended equity fund of fund scheme investing in PGIM Global Select Real Estate Securities Fund

NFO Opens: 15th November 2021

NFO Closes: 29th November 2021

1. What is a Global Real Estate Fund of Fund(FoF) and what are REITs?

- Global Real Estate Fund of Fund are mutual fund schemes, which invest in a portfolio of real estate assets, including listed REITs and other securities
- REITs are Real Estate Investment Trust. REITs either own, operate, lease or finance real estate properties
- REITs pool money from various investors to invest in different properties
- By leasing space and collecting rent on its real estate assets, REITs generates income which is then paid out to shareholders in the form of dividends
- Globally most REITs are listed and thus publicly traded like stocks

2. What are the characteristics of a Global Real Estate FoF as an asset class?

A Global Real Estate FoF invests into an underlying fund, which typically invests in REITs and other instruments, which can provide the following characteristics:

- Has potential to generate higher income opportunities in form of rentals and higher dividend yield
- Scope of capital appreciation opportunities over a full cycle
- Traded like a stock. Provides instant liquidity but this also makes it volatile

3. Why one should look at both home-ownership and also investing in Global Real Estate FoFs that provide easy exposure to Global real estate securities?

For a retail investor, a residential house for personal consumption is not necessarily an investment, particularly when financed with a sizable mortgage. It does not produce current income, but rather requires regular mortgage interest, real estate tax, insurance payments and maintenance costs. However it does provide a sense of ownership and fulfils an emotional need for security. In contrast, investing in REITs via a Global Real Estate Feeder Fund, represents investment in varied real estate opportunities, which has the potential to generate continuing income flow from rents and capital appreciation over longer term.

Additionally, Global real estate FoF which invests in an underlying fund, provides liquidity at the fund level and the underlying portfolio is diversified across a range of real estate properties in a variety of geographic locations. By comparison, a house is a comparatively illiquid asset whose investment risk is not diversified, but rather highly concentrated.

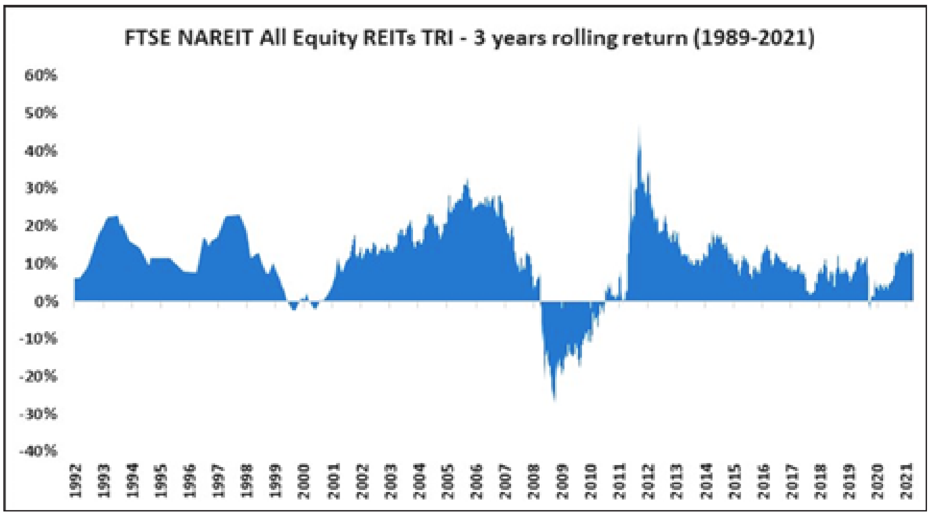
4. What are the benefits of investing in Global Real Estate FoF v/s physical property for a retail investor?

Buying physical property	Investing in Global Real Estate FoF
Huge capital outlay	Alternative way for retail investor to take exposure to Real Estate as an asset class in an affordable manner
Can invest in residential property mostly	Can invest in Residential, Office space, Retailers, Hospitality, Warehouses, Data centres, Healthcare among others
Liquidity is a big challenge	Highly liquid. Underlying REITs mostly listed on stock exchanges.
Research on your own	Mutual fund with professionals who invest in a portfolio of REITs and real estate securities
Complexity in transaction	Simplicity in transactions

5. What has been the rolling returns profile historically for Real Estate as a sector?

We looked at REITs return profile from June 1989 to September 2021, on a 3 years rolling basis. To enable a fair comparison, we have looked at U.S equities represented by S&P 500 TRI Index and U.S REITs represented by FTSE NAREIT All Equity REITs TRI Index.

3 years rolling returns summary (in USD) (1989-2021)		
	U.S Equities	U.S REITs
Min	-17.2%	-28.3%
Max	32.8%	48.1%
Average	7.5%	11.2%
Median	10.9%	11.8%
% of Observations		
Returns less than <0%	25%	12%
Returns between 0%-6%	9%	12%
Returns greater than >6%	66%	76%
Returns greater than >8%	64%	70%
Returns greater than >12%	41%	49%
Returns greater than >15%	21%	33%
Total no. of Observations	2859	2859



(Source: Bloomberg. Data from June 1989 to Sept 2021). This is for illustration purpose only. Past performance is not indicative of future returns)

In the last 3 decades, listed REITs have generated 3 years returns of 11.1% on a rolling basis. Between June1989-Sept2021, there has been 2859 observations and returns of 6% and above, has been observed 76% of the times. Apart from the income component which drives REITs return, due to its listed nature, capital appreciation during favourable times can also be strong contributor to overall returns. For e.g. U.S REITs have seen almost 33% of the observations where the returns have been in excess of 15% on a 3 year basis.

Drawdowns	Dotcom era crisis (as of 9-10-2002)	Sub-Prime era crisis (as of 9-3-2009)	Covid-19 crisis (as of 23-2-2020)
U.S Equities	-47.4%	-55.3%	-33.8%
U.S REITs	-18.3%	-72.6%	-41.9%

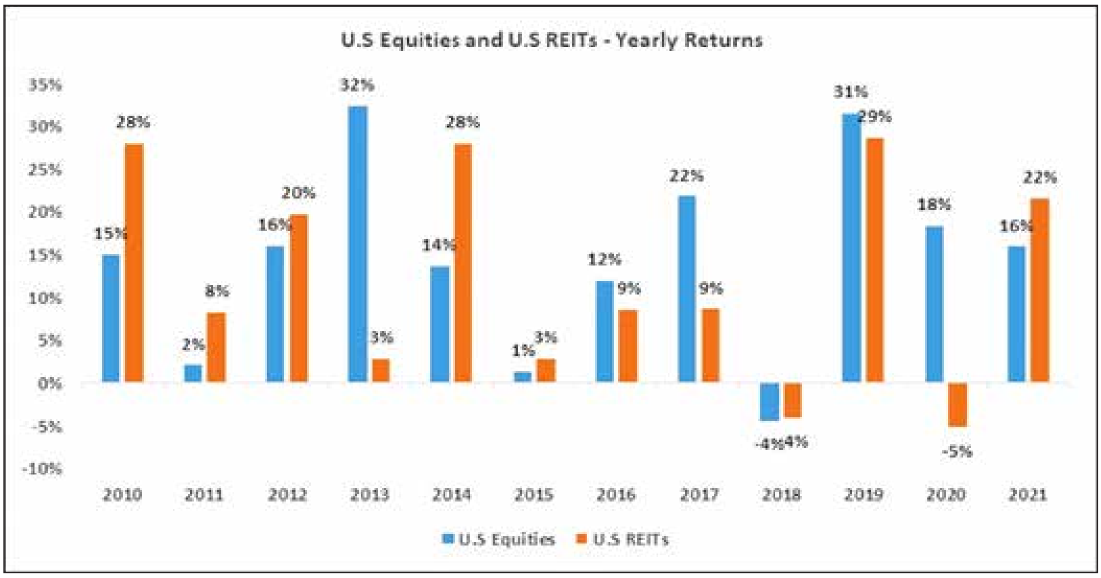
(Source: Bloomberg. U.S equities represented by S&P 500 TRI Index and U.S REITs represented by FTSE NAREIT All Equity REITs TRI Index. This is for illustration purpose only. Past performance is not indicative of future returns)

As expected, being listed and traded like a stock, REITs display volatility which is driven by overall sentiments and flows. We looked at last three major drawdowns which are the Dotcom selloff in 2000s, Sub-prime crisis selloff in 2008 and more recently Covid crisis related selloff in 2020.

REITs relatively outperformed stocks during the dotcom boom and bust, whereas they relatively underperformed stocks during subprime and Covid crisis. Both the subprime and Covid crisis has affected real estate sector more than any other sector and thus this is understandable.

6. What has been the trailing returns in the recent past?

Calendar year-wise returns:



(Source: Bloomberg. 2021 performance is till 30-Sep-2021. This is for illustration purpose only. Past performance is not indicative of future returns.)

U.S REITs have relatively underperformed U.S equities in the last 5-6 years, and in 2021 we have seen a reversal of trend with REITs looking to outperform equities YTD. The trend can be sustainable as inflation and consequently interest rates are expected to rise further in the near to medium term, as commodities, energy prices etc have risen significantly and will slowly reflect in input cost and other variable cost going forward. This is in general negative for equities and bonds but considered positive for hard assets like Real Estate.

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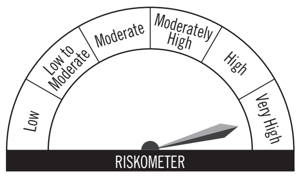
This product is suitable for investors who are seeking*:

- Capital appreciation over a longer term
- Investment in units of overseas mutual funds that invest in equity and equity related securities of real estate companies located throughout the world
- Degree of risk – VERY HIGH



Investors understand that their principal will be at very high risk

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

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.

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Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

C216/2021-22