

Parag Parikh Liquid Fund

An Open-ended Liquid scheme. A Relatively Low Interest Rate Risk and Relatively low Credit Risk

Monthly Debt Market Insights, June 2024

Global economy

Federal Open Market Committee (FOMC) held key rates steady at 5.25-5.50% in its June 2024 meeting at the two decade high mark for the seven consecutive policy meetings since July 2023. Fed officials project a slightly higher end of year inflation rate of 2.6% versus the 2.4% anticipated in March 2024, while projections for Gross Domestic product (GDP) growth rate for FY 2024 remain unchanged at 2.1%. Inflation in the US, as measured by the change in the Personal Consumption Expenditures (PCE) Price Index, edged lower to 2.6% on a yearly basis in May 2024 from 2.7% in April 2024.

In May 2024, the US economy added 272,000 jobs, which surpassed economist expectations of 190,000 new jobs. Year-over-year, US wages increased by 4.1%. Despite the robust job growth, the unemployment rate in the US ticked higher to 4.0% in May 2024.

The Bank of England decided to keep interest rates at 5.25% for the seventh consecutive time at its June 2024 monetary policy meeting. Seven out of nine members voted to maintain the current interest rate level, while two members advocated for a 25 basis points rate cut. The twelve-month Consumer Price Index inflation rate dropped to 2.0% in May 2024 from 3.2% in March 2024, marking the lowest level in three years. Despite this overall decline, services inflation exceeded expectations, rising to 5.7%. The Bank of England's primary objective remains ensuring that inflation returns to the target of 2% and remains stable over the medium to long term.

The European Central Bank (ECB) has lowered its key interest rate by 25 basis points to 3.75%. This is the first rate cut in almost five years, as the rate had been at a record high of 4% since September 2023. Euro zone inflation increased to 2.6% in May 2024 from 2.4% in April 2024. Despite this increase, the ECB projects average inflation rates of 2.5% in 2024, 2.2% in 2025, and 1.9% in 2026. The increase in inflation in May 2024 is attributed to base effects from the energy market and the winding down of government fiscal support across the bloc.

The Reserve Bank of Australia (RBA) decided to maintain its current interest rates at 4.35% during its June 2024 policy meeting. Australia's Monthly CPI increased to a 6-month high in May 2024, reaching an annual pace of 4.0%. This is up from 3.6% in April 2024. The RBA's vigilance suggests that it is prepared to take action if inflationary pressures continue to rise beyond acceptable levels.

As widely expected, the Bank of Japan kept its short-term policy rate target in a range of 0-0.1% by a unanimous vote. The bank also maintained the pace of its monthly bond buying program at roughly 6 trillion yen. However, it signaled its intention to announce a detailed plan for trimming these large bond purchases in the coming month. The core consumer price index (CPI) in Tokyo rose 2.1% in June 2024 from a year earlier, accelerating from the previous month's 1.9%.

Domestic Economy

As expected, RBI kept the repo rate unchanged at 6.5% in its June 2024 Policy Meeting. Expected Inflation for FY2025 remains unchanged at 4.5%, while GDP growth projection for FY 25 is improved to 7.2%.

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At the beginning of June 2024, the banking system in India experienced a liquidity surplus. However, by mid-June, the liquidity situation turned into a deficit. On June 16, 2024, the deficit was Rs 64,500 crore, and it further increased to Rs 98,612 crore by June 17, 2024. The deficit intensified to Rs 1.5 trillion by June 19, 2024. The temporary shortage in liquidity was exacerbated by reduced government spending following the general elections. Changes in deposit flows, credit demand, and other economic factors can also contribute to shifts in liquidity within the banking system.

India's retail inflation eased to 4.75% in May 2024 on an annual basis, down from 4.83% in April 2024. Corresponding inflation rates for rural and urban areas are 5.28% and 4.15%, respectively. Inflation in the food basket remained sticky at 8.69% in May 2024, marginally down from 8.70% in April 2024.

Index of Industrial Production (IIP) growth remained steady at 5% YoY in April 2024 vs. 5.4% in March 2024. The core sector accounts for 40.27% of the IIP, making it a lead indicator of industrial activity.

The HSBC final India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 58.3 in June 2024 up from 57.5 in May 2024 due to improvement in business conditions and increased hiring while services PMI rose to 60.4 this month to 60.2 in May 2024.

Gross Goods and Services Tax (GST) collections rose 7.7% Year over Year (YOY) to Rs 1.74 lakh crore in June 2024.

India's fiscal deficit for the first two months of FY25 amounted to Rs 0.51 trillion which is equivalent to 3% of the budgeted annual estimate for FY25, which is Rs 16.85 trillion. This is possible partly due to lower government spending, higher revenue receipts and also support from a higher dividend of Rs 2.11 trillion by the Reserve Bank of India (RBI).

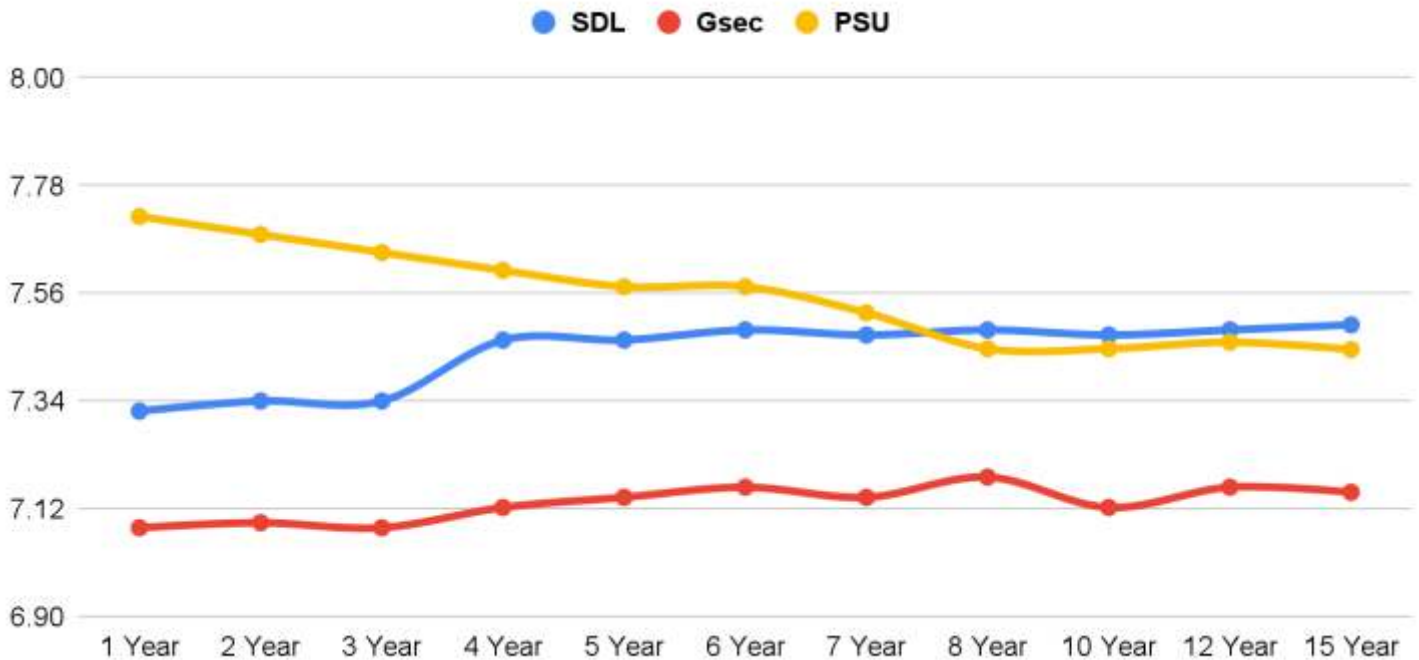
Money Market Rate	30th Apr'24	31st May'24	28th June '24
3 Month T-Bill	6.99	6.88	6.78
6 Month T-Bill	7.02	7.01	6.9
1 Year T-Bill	7.06	7.02	6.94
3 Months CD	7.25	7.15	7.20
3 Months CP	7.35	7.25	7.30
1 Year CD	7.65	7.70	7.65
1 Year CP	7.75	7.80	7.80

Source: Internal Sources CCIL, F-Trac

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Source: Internal Sources, CCIL Data as on June 28,2024 (Yield curve is calculated base on annualized yield of all securities)

Debt Market Outlook

RBI's strategy of adopting a wait-and-watch approach, supported by improved growth projections, indicates a balanced approach to managing economic growth and inflation. While overall CPI inflation has softened, food inflation continues to be sticky. The potential impact of a deficit monsoon highlights ongoing challenges in managing inflation and sustaining economic stability, particularly in the agricultural sector.

Liquidity conditions are likely to be in deficit mode as large government balances remain the dominant driver of system liquidity. Movement of money market spreads reflects changes in system liquidity and mutual fund investment patterns.

The sovereign yield curve has bull flattened supported by positive developments in fiscal policy, stable or declining inflation expectations and inclusion of Indian government securities in global bond indices.

Disclaimer: Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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Parag Parikh Liquid Fund

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Name of the Fund	Parag Parikh Liquid Fund (PPLF)
Investment Objective	To deliver reasonable market related returns with lower risk and high liquidity through judicious investments in money market and debt instruments. However, there is no assurance that the investment objective of the scheme will be realized and the scheme does not assure or guarantee any returns.
Type of the Scheme	An Open-ended Liquid scheme. A Relatively Low Interest Rate Risk and Relatively low Credit Risk
Date of Allotment	May 11, 2018
Name of the Fund Manager	Mr. Raj Mehta - Debt Fund Manager (Since Inception) Ms. Mansi Kariya - Co - Fund Manager - Debt (Since December 22, 2023)
Assets Under Management (AUM) as on June 30, 2024	₹ 2,168.43 Crores
Average AUM for the Month	₹ 2,133.66 Crores
Month End Expense Ratio	Regular Plan: 0.26%* Direct Plan: 0.16%* *Including additional expenses and GST on management fees. Total Expense ratio is as on last business day of the month
Tier 1 Benchmark Index	CRISIL Liquid Debt A-I Index
Additional Benchmark	CRISIL 1 Year T-Bill index
Minimum Application / Additional Purchase Amount	New Purchase: ₹ 5,000 Additional Purchase: ₹ 1,000
Minimum SIP Investment Amount	Monthly SIP: ₹ 1,000 Quarterly SIP: ₹ 3,000/-

Quantitative Indicators*

Avg maturity of the fund (days)	40.11
Modified duration (Years) [#]	0.1003
Yield to Maturity [#]	6.94%
Macaulay Duration (Years) [#]	0.1072

* Computed on the invested amount

All the above ratios are computed excluding investment in CDMDF units

Load Structure

Entry Load	Not Applicable	
Exit Load	Investor Exit upon subscription	Exit load as a % of redemption / switch proceeds
	Day 1	0.0070%
	Day 2	0.0065%
	Day 3	0.0060%
	Day 4	0.0055%
	Day 5	0.0050%
	Day 6	0.0045%
	Day 7 onwards	0.0000%

* For purpose of levying exit load, if subscription (application & funds) is received within cut-off time on a day, Day 1 shall be considered to be the same day, else the day after the date of allotment of units shall be considered as Day 1.

Any exit load charged (net off GST, if any) shall be credited back to the Scheme.

NAV Details

Plan	Direct	Regular
Growth	1364.9876	1356.5192
Daily Reinvestment of Income Distribution cum capital withdrawal option	1000.5405	1000.5404
Weekly Reinvestment of Income Distribution cum capital withdrawal option	1002.1185	1002.1026
Monthly Income Distribution cum capital withdrawal option	1004.1216	1004.1047

Portfolio Disclosure

Treasury Bills

Name	Rating	% of Net Assets
91 Days Tbill (MD 02/08/2024)	Sovereign	5.73%
91 Days Tbill (MD 04/07/2024)	Sovereign	3.46%
91 Days Tbill (MD 19/07/2024)	Sovereign	3.45%
182 Days Tbill (MD 08/08/2024)	Sovereign	3.43%
182 Days Tbill (MD 05/09/2024)	Sovereign	3.42%
182 Days Tbill (MD 12/09/2024)	Sovereign	3.41%
91 Days Tbill (MD 26/09/2024)	Sovereign	3.40%
91 Days Tbill (MD 25/07/2024)	Sovereign	2.48%
182 Days Tbill (MD 18/07/2024)	Sovereign	2.30%
364 Days Tbill (MD 22/08/2024)	Sovereign	2.28%
182 Days Tbill (MD 19/09/2024)	Sovereign	2.27%
182 Days Tbill (MD 26/09/2024)	Sovereign	2.27%
182 Days Tbill (MD 22/08/2024)	Sovereign	1.14%
Sub Total		39.04%

Government Securities

8.97% Karnataka State Government Securities (23/07/2024)	Sovereign	3.00%
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Non Convertible Debentures

8.60% Power Finance Corporation Limited (07/08/2024)	CRISIL AAA	1.15%
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Commercial Paper

NTPC Limited (29/07/2024)	CRISIL A1+	4.59%
National Housing Bank (28/08/2024)	ICRA A1+	4.56%
Indian Oil Corporation Limited (13/09/2024)	CRISIL A1+	4.55%
National Bank For Agriculture and Rural Development (31/07/2024)	ICRA A1+	2.29%
National Bank For Agriculture and Rural Development (14/08/2024)	CRISIL A1+	2.29%
Sub Total		18.28%

Certificate of Deposit

Punjab National Bank (01/07/2024)	ICRA A1+	4.61%
Canara Bank (12/07/2024)	CRISIL A1+	4.60%
Axis Bank Limited (22/07/2024)	CRISIL A1+	4.59%
Indian Bank (24/07/2024)	CRISIL A1+	4.59%
Union Bank of India (27/08/2024)	IND A1+	4.56%
HDFC Bank Limited (04/09/2024)	ICRA A1+	4.55%
Bank of Baroda (16/08/2024)	IND A1+	3.43%
Kotak Mahindra Bank Limited (26/07/2024)	CRISIL A1+	2.29%
Bank of Baroda (20/08/2024)	IND A1+	1.14%
Sub Total		34.36%

Corporate Debt Market Development Fund A2

Corporate Debt Market Development Fund	0.24%
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TREPS and Other Receivables and Payables

TREPS Including Cash & Cash Equivalent and Net Current Asset	3.93%
Net Assets	100.00%

All data/information mentioned above are as on June 30, 2024.



Lumpsum Investment Performance (Compounded annual returns)

Date	Scheme		Tier I Benchmark	Additional Benchmark	Value of Investment of Rs. 10,000/-			
	PPLF (Regular)	PPLF (Direct)	CRISIL Liquid Debt A-I Index	CRISIL 1 year T-bill Index	PPLF (Regular)	PPLF (Direct)	CRISIL Liquid Debt A-I Index	CRISIL 1 year T-bill Index
Since Inception (May 11, 2018)*	5.09%	5.20%	5.65%	5.90%	13,565	13,650	14,012	14,224
June 23, 2024 to June 30, 2024 (Last 7 Days)	6.64%	6.74%	6.85%	7.94%	10,664	10,674	10,685	10,794
June 15, 2024 to June 30, 2024 (Last 15 Days)	6.63%	6.73%	6.84%	7.93%	10,663	10,673	10,684	10,793
May 31, 2024 to June 30, 2024 (Last 1 Month)	6.71%	6.81%	6.95%	7.62%	10,671	10,681	10,695	10,762
June 30, 2023 to June 30, 2024 (Last 1 Year)	6.87%	6.97%	7.29%	7.13%	10,689	10,699	10,731	10,715
June 30, 2021 to June 30, 2024 (Last 3 Years)	5.40%	5.50%	5.85%	5.50%	11,711	11,746	11,862	11,745
June 30, 2019 to June 30, 2024 (Last 5 Years)	4.81%	4.91%	5.29%	5.55%	12,651	12,714	12,945	13,105

*Since inception returns are calculated on Rs. 1000 (allotment price)

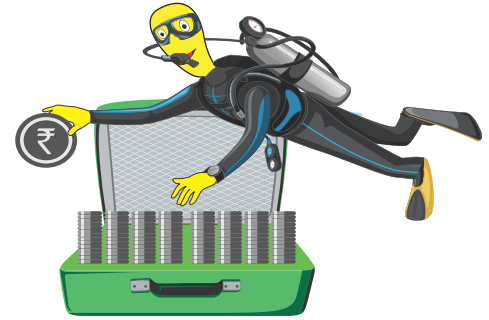
Please click on link for performance of other schemes managed by Fund Manager: <https://amc.ppfas.com/schemes/fund-manager-performance/>

Mr. Raj Mehta - Debt Fund Manager (Since Inception)

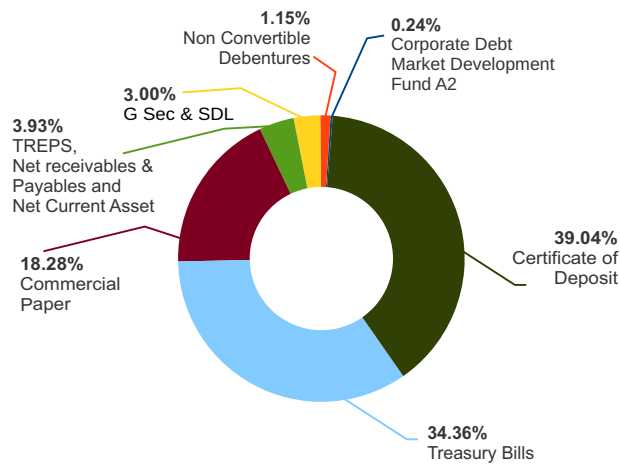
Ms. Mansi Kariya - Co - Fund Manager - Debt (Since December 22, 2023)

Note:

- Different plans shall have different expense structures.
- Scheme returns shown are for direct and regular plan
- Past performance may or may not be sustained in future and is not a guarantee of any future returns
- Greater than 1 year returns are CAGR returns.
- Data presented here is upto the last calendar month.
- Less than 1 year returns are simple annualised returns.

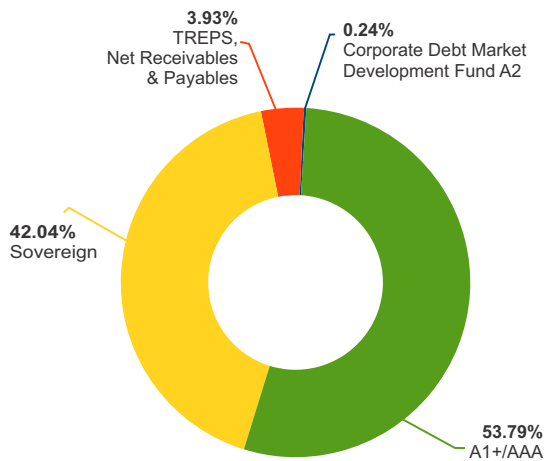


Asset Allocation by Asset Class



Source: Internal sources

Asset Allocation by Rating



Source: Internal sources

This Product is suitable for investors who are seeking*	Scheme's Riskometer	Tier 1 Benchmark's Riskometer (CRISIL Liquid Debt A-I Index)
<ul style="list-style-type: none"> • Income over the short term • Investments in Debt/money market instruments 	<p>Investors understand that their principal will be at low to moderate risk.</p>	

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

Note: Please visit the website address for latest Riskometer updates:

[Click here for Product Label of the Schemes](#)

Potential Risk Class of the debt scheme of PPFAS Mutual Fund :

	Potential Risk Class			
	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Parag Parikh Liquid Fund	Interest Rate Risk ↓			
	Relatively Low (Class I)	A-I		
	Moderate (Class II)			
	Relatively High (Class III)			
A-I - A Scheme with Relatively Low Interest Rate Risk and Relatively Low Credit Risk				

All data/information mentioned above are as on June 30, 2024.

PPFAS Asset Management Private Limited

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PPFAS

MUTUAL FUND

There's only one right way®