

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1994-03-18** | Period of Report: **1993-12-31**  
SEC Accession No. [0000890163-94-000022](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

---

**PRUDENTIAL BACHE SPECIAL MONEY MARKET FUND**

CIK: **856715** | IRS No.: **133545153** | State of Incorporation: **MD** | Fiscal Year End: **0630**  
Type: **N-30D** | Act: **40** | File No.: **811-05951** | Film No.: **94516852**

Mailing Address  
*ONE SEAPORT PLZ  
NEW YORK NY 10292*

Business Address  
*199 WATER ST  
NEW YORK NY 10292  
2122141250*

Prudential  
Special Money  
Market Fund  
Money Market Series

-----  
Prudential Mutual Funds  
BUILDING YOUR FUTURE  
(LOGO)  
ON OUR STRENGTH

LETTER TO SHAREHOLDERS

January 17, 1994

Dear Shareholder

During the last six months, money market funds witnessed an economy characterized by slow growth and extremely low money market rates. Current short-term rates, though slightly higher than in the middle of last year, are still some of the lowest money market rates investors have seen in nearly three decades. Despite this, the Prudential Special Money Market Fund continued to maintain competitive yields.

The Fund seeks high current income, consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high-quality money market securities.

Fund Performance

Throughout this low interest rate environment, Prudential Special Money Market Fund-Money Market Series remained a high quality option for those seeking current income, cash liquidity, and relative safety of principal. On December 31, 1993, the Fund's 7-day net current yield was 2.58%. Of course, past performance can be no guarantee of future results. The Fund maintained a net asset value per share of \$1.00 during the six month period ended December 31, 1993.

The Fund invests in U.S. dollar denominated money market securities, including securities issued by the U.S. government, its agencies or instrumentalities as well as obligations issued by major corporations and commercial banks of the U.S. and foreign countries. Maturities can range from one day to 13 months. The Fund invests only in securities rated in the two highest categories by a nationally recognized ratings organization, or which we deem to be of comparable quality.

Please note that an investment in the Fund is neither insured nor guaranteed by the U.S. government and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share.

No Change in the Fed's Policy

During the summer, economic indicators were mixed and often changed directions from one month to the next. But fourth quarter data began to converge in the same direction and point toward more positive economic progress.

Regardless, the two short-term interest rate benchmarks--the Fed funds rate (the inter-bank lending rate) and the discount rate (the cost of funds borrowed from the Federal Reserve)--remained around 3.0%. fearful of hampering the economic recovery the Fed did not move to increase short-term rates until February 1994, despite their low levels. In fact, with over one-and-a-quarter years since their last policy move, the Fed stayed on the sidelines for one of the longest periods in its history. The Fed also made it clear, that it will take further

action if necessary to quell inflation.

-1-

#### Weighted Average Maturity

Interest rates generally moved in response to the economy, declining erratically until early October. Since the recent markets did not offer sufficient yields to compensate for the added risk of longer maturities, we generally stayed neutral to defensive by shortening the Fund's weighted average maturity (WAM). By the end of September, just before short-term rates bottomed out and then started to climb, we shortened the Fund's WAM to 46 days--well below the 68 day mean WAM of other similar funds. This placed us in a strong position to increase the Fund's yield when rates began to rise. At the end of December, the WAM was 46 days.

#### Security Selection Adds Value

We found additional value in different types of money market securities. The availability of newly-issued floating-rate agency instruments during the end of September helped us add to our holdings of variable rate securities. As corporations strengthened their balance sheets, we also added corporate commercial paper. In particular, we identified improving trends in the finance industry and targeted companies like Household Finance and General Motors Acceptance Corporation. As of December 31, 1993, our holdings of commercial paper comprised 71% of the portfolio, up from 48% on June 30, 1993. By the end of 1993, the Fund also held 2% in bank obligations, 10% in certificates of deposit, 15% in variable rate securities and the remaining in other corporate securities.

(CHART)

#### Looking Ahead to Possible Higher Rates

The economy, with little impending inflation growth, low interest rates and on the heels of a 4.0% rate of fourth quarter GDP growth, should continue to strengthen. Signs of inflationary pressures, however, generally follow a period of sustained growth, and given the Fed's interest as the nation's "inflation watch dog," we anticipate that they will raise short-term rates before midyear. We expect to keep your Fund's average maturity neutral to slightly shorter for some time, as we wait for continued evidence of a stronger economy.

There are, however, two areas of caution on the horizon that may hamper a further upswing in the economy: the full impact of the federal tax increases will be felt in 1994 and the proposed health-care program may cause businesses to think twice before hiring new employees. We will be observing their effects with careful attention.

-2-

As always, it is a pleasure to have you as a shareholder of Prudential Special Money Market Fund, and to take this opportunity to report our activities to you.

Sincerely,

Lawrence C. McQuade  
President

Robert N. Felice  
Portfolio Manager

-3-

<TABLE>  
<CAPTION>

Principal Amount (000)	Description	Value (Note 1)	(000)
<C>	<S>	<C>	
	ASSET BACKED SECURITIES--1.7%		
	Capital Auto Receivables		
	Asset Trust		
\$ 292	3.35%, 6/15/94.....	\$ 292,363	
	Case Equipment Loan Trust		
1,037	3.25%, 5/15/94.....	1,037,065	
	Money Market Auto Loan		
	Trust		
2,000	3.535%, 1/18/94.....	2,000,000	
		-----	
		3,329,428	
		-----	
	BANK NOTES--1.6%		
	Bank of New York		
1,000	3.60%, 6/30/94.....	999,202	
	Northern Trust Co.		
1,000	3.625%, 6/9/94.....	999,149	
	Society National Bank of		
	Cleveland		
1,000	3.35%, 3/10/94.....	999,780	
		-----	
		2,998,131	
		-----	
	CERTIFICATES OF DEPOSIT--		
	EURODOLLAR--1.0%		
	Canadian Imperial Bank		
	Commission		
2,000	3.27%, 1/24/94.....	2,000,013	
		-----	
	CERTIFICATES OF DEPOSIT--		
	YANKEE--9.3%		
	ABN Amro N.V.		
2,000	3.24%, 3/31/94.....	1,999,291	
	Banque Francaise Commerce		
3,000	3.37%, 3/1/94.....	3,000,000	
	Banque National de Paris		
1,000	3.33%, 4/27/94.....	999,806	
	Sanwa Bank, Ltd.		
2,000	3.33%, 1/18/94.....	2,000,024	
	Societe Generale Bank		
10,000	3.38%, 3/2/94.....	10,000,000	
		-----	
		17,999,121	
		-----	
	COMMERCIAL PAPER--		
	DOMESTIC--51.2%		
	American Brands, Inc.		
\$1,000	3.35%, 1/12/94.....	\$ 998,976	
	American Express Credit		
	Corp.		
3,000	3.23%, 2/2/94.....	2,991,387	
	Aristar, Inc.		
1,000	3.50%, 1/24/94.....	997,764	
	Asset Securitization		
	Cooperative Corp.		
5,000	3.35%, 2/16/94.....	4,978,597	
	AT&T Co.		
1,239	3.35%, 1/27/94.....	1,236,002	
	Avco Financial Services,		
	Inc.		
2,000	3.37%, 1/25/94.....	1,995,507	
	Beneficial Corp.		
6,000	3.35%, 1/28/94.....	5,984,925	
	CIT Group Holdings, Inc.		
2,000	3.22%, 2/1/94.....	1,994,454	
3,000	3.34%, 2/28/94.....	2,983,857	
3,000	3.50%, 3/28/94.....	2,974,917	
	Commercial Credit Co.		
1,000	3.34%, 2/3/94.....	996,938	
	Corporate Asset Funding		

2,000	Co., Inc. 3.33%, 1/24/94.....	1,995,745
	Cooperative Receivables Corp.	
1,000	3.22%, 1/21/94.....	998,211
	Dresser Industries, Inc.	
1,000	3.45%, 1/11/94.....	999,042
1,000	3.35%, 1/14/94.....	998,790
	Ford Motor Credit Corp.	
10,000	3.33%, 2/15/94.....	9,958,375
	General Electric Capital Corp.	
7,000	3.32%, 2/25/94.....	6,964,494
3,000	3.22%, 4/6/94.....	2,974,508

</TABLE>

-4- See Notes to Financial Statements.

<TABLE>  
<CAPTION>

Principal Amount (000)

Value (Note 1)

<C>	<S>	<C>
	COMMERCIAL PAPER-- DOMESTIC--(cont'd)	
	Heller Financial Services, Inc.	
\$1,000	3.30%, 1/13/94.....	\$ 998,900
	International Lease Finance	
1,400	3.29%, 1/28/94.....	1,396,546
	K mart Corp.	
1,000	3.35%, 2/14/94.....	995,906
2,000	3.23%, 2/15/94.....	1,991,925
	Merrill Lynch & Co., Inc.	
1,000	3.37%, 2/2/94.....	997,004
5,000	3.22%, 3/30/94.....	4,960,644
	Morgan Stanley Group, Inc.	
1,000	3.39%, 1/31/94.....	997,175
	NYNEX Corp.	
6,000	3.37%, 2/14/94.....	5,975,287
	PHH Corp.	
1,575	3.20%, 1/19/94.....	1,572,480
	Philip Morris Capital Corp.	
8,865	3.30%, 1/6/94.....	8,860,936
	Preferred Receivables Funding Corp.	
2,250	3.33%, 1/24/94.....	2,245,213
	Rite-Aid Corp.	
9,000	3.37%, 1/7/94.....	8,994,945
	Smith Barney Shearson, Inc.	
2,000	3.28%, 1/26/94.....	1,995,444
	TransAmerica Financial Corp.	
4,000	3.22%, 2/4/94.....	3,987,836
		-----
		98,992,730
		-----
	COMMERCIAL PAPER--YANKEE--19.4%	
	Abbey National North America Corp.	
5,000	3.22%, 3/18/94.....	4,966,011
1,000	3.40%, 4/26/94.....	989,139
	Bank of Nova Scotia	
\$2,000	3.22%, 2/1/94.....	\$ 1,994,454
2,000	3.22%, 2/2/94.....	1,994,276
	Bradford & Bingley Building	

	Society	
1,000	3.22%, 1/12/94.....	999,016
1,000	3.23%, 1/12/94.....	999,013
	Canadian Imperial	
	Holdings, Inc.	
1,000	3.22%, 2/1/94.....	997,227
	Hanson Finance (U.K.),	
	PLC.	
1,000	3.34%, 2/28/94.....	994,619
1,000	3.35%, 3/1/94.....	994,510
1,000	3.36%, 3/2/94.....	994,400
2,000	3.35%, 3/8/94.....	1,987,717
	Maguire/Thomas Partners,	
	Westlake/Southlake	
	Partnership	
1,145	3.37%, 1/20/94.....	1,142,963
	National Australia Funding	
500	3.40%, 1/21/94.....	499,056
	SRD Finance Inc.	
5,000	3.33%, 1/25/94.....	4,988,900
	Sumitomo Corp. of America	
2,000	3.35%, 2/25/94.....	1,989,764
	Toronto Dominion Hldgs.	
	USA, Inc.	
10,000	3.25%, 4/11/94.....	9,909,722
	WestPac Banking	
1,000	3.39%, 2/14/94.....	995,857
		-----
		37,436,644
		-----
	LOAN PARTICIPATIONS--1.6%	
	Morgan Stanley Group, Inc.	
3,000	3.35%, 1/3/94.....	3,000,000
		-----

</TABLE>

-5- See Notes to Financial Statements.

<TABLE>  
<CAPTION>

Principal Amount (000)	Description	Value (Note 1)
<C>	<S>	<C>
	VARIABLE RATE INSTRUMENTS#--15.0%	
	Avco Financial Services,	
	Inc.	
\$2,000	3.3695%, 1/27/94.....	\$ 2,000,000
	Federal Home Loan Mortgage	
	Corp.	
4,000	3.075%, 3/15/94.....	4,000,000
	Goldman Sachs Group, L.P.	
8,000	3.6875%, 1/27/94.....	8,000,000
	Lehman Brothers Hldgs.,	
	Inc.	
6,000	3.8281%, 1/31/94.....	6,000,000
	Merrill Lynch & Co., Inc.	
4,000	3.325%, 1/20/94.....	3,998,277
	Morgan Stanley Group, Inc.	
1,000	3.405%, 1/18/94.....	1,000,000
1,000	3.57813%, 1/19/94.....	1,000,000
3,000	3.53%, 2/15/94.....	3,000,000
		-----
		28,998,277
		-----
	Total Investments--100.8%	
	(amortized cost	
	\$194,754,344*).....	194,754,344
	Liabilities in excess of	
	other	
	assets--(0.8%).....	(1,567,356)

Net Assets--100%..... \$193,186,988

<FN>  
 \* The federal income tax basis of portfolio securities is the same as for financial reporting purposes.  
 # For purposes of amortized cost valuation, the maturity date of these instruments is considered to be the later of the next date on which the security can be redeemed at par or the next date on which the rate of interest is adjusted.

</TABLE>

The industry classification of portfolio holdings shown as a percentage of net assets as of December 31, 1993 was as follows:

<S>	<C>
Banks.....	27.7%
Security Brokers & Dealers.....	18.1
Business Credit (Finance).....	18.0
Personal Credit Institutions.....	11.4
Asset Backed Securities.....	7.0
Drug & Proprietary Stores.....	4.7
Telephone Communications.....	3.7
Tobacco.....	3.1
Federal Credit Agencies.....	2.1
Variety Stores.....	1.5
Commodity Trading Firms.....	1.0
General Industry Machine.....	1.0
Auto Rental & Leasing.....	0.8
Equipment Rental & Leasing.....	0.7
	-----
	100.8%
Liabilities in excess of other assets.....	(0.8)
	-----
	100.0%
	-----
	-----

</TABLE>

-6- See Notes to Financial Statements.

PRUDENTIAL SPECIAL MONEY MARKET FUND  
 MONEY MARKET SERIES  
 Statement of Assets and Liabilities  
 (Unaudited)

<TABLE>  
 <CAPTION>

Assets	December 31, 1993
<S>	<C>
Investments, at amortized cost which approximates value.....	\$ 194,754,344
Receivable for Fund shares sold.....	1,070,968
Interest receivable.....	271,985
Deferred expenses and other assets.....	40,585
	-----
Total assets.....	196,137,882
	-----
Liabilities	
Payable for Fund shares reacquired.....	2,645,373
Accrued expenses and other liabilities.....	204,313
Due to Manager.....	87,257
Dividends payable.....	13,951
	-----
Total liabilities.....	2,950,894
	-----
Net Assets.....	\$ 193,186,988
	-----
	-----

Net assets were comprised of:

Common stock, \$0.001 par value.....	\$ 193,187
Paid-in capital in excess of par.....	192,993,801

Net assets at December 31, 1993.....	\$ 193,186,988
Net asset value, offering price and redemption price per share (\$193,186,988 (div) 193,186,988 shares of common stock issued and outstanding; two billion shares authorized).....	\$1.00

</TABLE>

See Notes to Financial Statements.

-7-

PRUDENTIAL SPECIAL MONEY MARKET FUND  
MONEY MARKET SERIES  
Statement of Operations  
(Unaudited)

<TABLE>

<CAPTION>

	Six Months Ended December 31, 1993
Net Investment Income	1993
<S>	<C>
Income	
Interest.....	\$3,354,290
Expenses	
Management fee.....	505,645
Transfer agent's fees and expenses....	145,000
Custodian's fees and expenses.....	61,000
Registration fees.....	53,000
Audit fee.....	18,000
Reports to shareholders.....	15,000
Amortization of organization expenses.....	13,000
Directors' fees.....	7,500
Legal fees.....	3,000
Miscellaneous.....	5,057
Total expenses.....	826,202
Net investment income.....	2,528,088
Realized Gain on Investments	
Net realized gain on investment transactions.....	18,720
Net Increase in Net Assets Resulting from Operations.....	\$2,546,808

</TABLE>

PRUDENTIAL SPECIAL MONEY MARKET FUND  
MONEY MARKET SERIES  
Statement of Changes in Net Assets  
(Unaudited)

<TABLE>

<CAPTION>

	Six Months Ended December 31, 1993	Year Ended June 30, 1993
Increase (Decrease) in Net Assets		
<S>	<C>	<C>
Operations		
Net investment income.....	\$ 2,528,088	\$ 5,681,217



Net realized gain from investment transactions.....	18,720	149,500
	-----	-----
Net increase in net assets resulting from operations.....	2,546,808	5,830,717
	-----	-----
Dividends and distributions to shareholders.....	(2,546,808)	(5,830,717)
	-----	-----
Fund share transactions (at \$1 per share)		
Proceeds from shares subscribed.....	696,148,467	1,301,022,263
Net asset value of shares issued to shareholders in reinvestment of dividends and distributions.....	2,019,629	4,625,673
Cost of shares reacquired.....	(681,238,682)	(1,312,483,396)
	-----	-----
Net increase (decrease) in net assets from Fund share transactions.....	16,929,414	(6,835,460)
	-----	-----
Total increase (decrease).....	16,929,414	(6,835,460)
Net Assets		
Beginning of period....	176,257,574	183,093,034
	-----	-----
End of period.....	\$ 193,186,988	\$ 176,257,574
	-----	-----

</TABLE>

See Notes to Financial Statements.

See Notes to Financial Statements.

-8-

PRUDENTIAL SPECIAL MONEY MARKET FUND  
MONEY MARKET SERIES  
Notes to Financial Statements  
(Unaudited)

Prudential-Bache Special Money Market Fund, Inc., doing business as Prudential Special Money Market Fund (the ``Fund''), registered under the Investment Company Act of 1940 as a diversified, open-end management investment company consisting of the Money Market Series (the ``Series'). The Fund was incorporated in Maryland on October 20, 1989 and had no operations until November 30, 1989 when 100,000 shares of the Series' common stock was sold for \$100,000 to Prudential Mutual Fund Management, Inc. (PMF). Investment operations commenced January 22, 1990.

The investment objective of the Series is high current income consistent with the preservation of principal and liquidity. The Series invests in a diversified portfolio of high quality money market securities maturing in 13 months or less. The ability of issuers of securities held by the Series to meet their obligations may be affected by economic developments in a specific industry or region.

Note 1. Accounting  
Policies

The following is a summary of significant  
accounting  
policies followed by the Fund in the preparation

of its financial statements.

Securities Valuation: Portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method of valuation involves valuing a security at its cost on the date of purchase and thereafter assuming a

constant amortization to maturity of the difference between the principal amount due at maturity and cost.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Interest income is recorded on the accrual basis.

Federal Income Taxes: It is the intent of the Fund to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income to its shareholders. Therefore, no federal income tax provision is required.

Dividends and Distributions: The Fund declares daily and pays monthly dividends from net investment income and short-term capital gains. Dividends are recorded on ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

Deferred Organization Expenses: Organization expenses of approximately \$135,000 were incurred in connection with the organization and initial registration of the Fund. The total organization expenses have been deferred and are being amortized over the period of benefit not to exceed 60 months from the date of commencement of investment operations for the Fund. PMF has agreed not to redeem the 100,000 shares purchased until all organization expenses have been amortized.

Note 2. Agreements The Fund has a management agreement with PMF. Pursuant to this agreement, PMF has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PMF has entered into a subadvisory agreement with The Prudential Investment Corporation ('PIC'); PIC furnishes investment advisory services in connection with the management of the Fund. PMF pays for the cost of the subadviser's services, the compensation of officers and employees of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid PMF is computed daily and payable monthly, at an annual rate of .50% of the average daily net assets of the Fund.

The Fund has a distribution agreement with Prudential Mutual Fund Distributors, Inc. ('PMFD'). PMFD serves the Fund without compensation.

PMFD is a wholly-owned subsidiary of PMF; PMF and PIC are (indirect) wholly-owned subsidiaries of The Prudential Insurance Company of North America.

Note 3. Other Prudential Mutual Fund Services, Inc. ('PMFS'), Transactions With a wholly-owned subsidiary of Affiliates PMF, serves as the Fund's transfer agent. During the six months ended December 31, 1993, the Series incurred fees of approximately \$91,000 for the services of PMFS. As of December 31, 1993, approximately \$19,000 of such fees were owed to PMFS. Transfer agent fees and expenses in the Statement of Operations include certain out of pocket expenses paid to non-affiliates.

-9-

PRUDENTIAL SPECIAL MONEY MARKET FUND  
MONEY MARKET SERIES

Financial Highlights  
(Unaudited)

<TABLE>  
<CAPTION>

	Six Months Ended December 31, 1993	Year Ended June 30,			January 22, 1990* Through June 30, 1990*
		1993	1992	1991	
<S>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income and net realized gains.....	0.013	0.027	0.044	0.071#	0.036 #
Dividends and distributions.....	(0.013)	(0.027)	(0.044)	(0.071)	(0.036 )
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

TOTAL RETURN:**.....	1.27%	2.77%	4.49%	7.36%	3.65%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000).....	\$ 193,187	\$176,258	\$183,093	\$284,849	\$181,690
Average net assets (000).....	\$ 200,609	\$213,948	\$249,223	\$328,899	\$177,412
Ratios to average net assets:					
Expenses.....	0.82%(dag)	0.81%	0.83%	0.61%#	0.19%(dag)#
Net investment income.....	2.52%(dag)	2.73%	4.36%	6.98%#	8.12%(dag)#

<FN>

-----

\* Commencement of investment operations.

\*\* Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions. Total returns for periods for less than a full year are not annualized.

(dag) Annualized.

# Net of expense subsidy and/or management fee waiver.

</TABLE>

See Notes to Financial Statements.

-10-

Directors

Edward D. Beach  
 Delayne Dedrick Gold  
 Harry A. Jacobs, Jr.  
 Lawrence C. McQuade  
 Richard A. Redeker  
 Stanley E. Shirk  
 Stephen Stoneburn  
 Nancy H. Teeters

Officers

Lawrence C. McQuade, President  
 Robert F. Gunia, Vice President  
 Susan C. Cote, Treasurer  
 S. Jane Rose, Secretary  
 Domenick Pugliese, Assistant Secretary

Manager

Prudential Mutual Fund Management, Inc.  
 One Seaport Plaza  
 New York, NY 10292  
 Investment Adviser  
 The Prudential Investment Corporation  
 Prudential Plaza  
 Newark, NJ 07101

Distributor

Prudential Mutual Fund Distributors, Inc.  
 One Seaport Plaza  
 New York, NY 10292

Custodian

State Street Bank and Trust Company  
 One Heritage Drive  
 North Quincy, MA 02171

Transfer Agent

Prudential Mutual Fund Services, Inc.  
 P.O. Box 15005  
 New Brunswick, NJ 08906

Independent Accountants

Deloitte & Touche  
 1633 Broadway  
 New York, NY 10019

Legal Counsel

Gardner, Carton & Douglas  
 Quaker Tower  
 321 North Clark Street  
 Chicago, IL 60610

One Seaport Plaza  
 New York, NY 10292  
 Toll free (800) 225-1852  
 Collect (908) 417-7555

The accompanying financial statements as of December 31, 1993, were not audited and, accordingly, no opinion is expressed on them.

This report is not authorized for distribution

to prospective investors unless preceded or  
accompanied by a current prospectus.

74436K104

MF141E2

Cat. #4441337