



ICICI Prudential

Dividend Yield Equity Fund

An Open-Ended Equity fund

NFO Period: April 25, 2014 to May 09, 2014

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Why now?



- Election is an important event for the markets
- Past Experience on election results day
- Deployment strategy

2004 - Election and Markets

Index Name	14 th May to 17 th May 2004 (%)	18 th May to 31 st Dec 2004 (%)
CNX Auto	-14.61	38.53
CNX Bank Nifty	-25.16	65.71
CNX Finance	-23.32	60.25
CNX FMCG	-13.52	39.74
CNX Infrastructure	-23.43	64.54
CNX IT	-15.59	67.44
CNX Metal	-24.16	116.97
CNX Pharma	-10.87	34.66
CNX Service	-21.43	66.12

- On 14 May and 17 May (two trading days post results), Sensex dropped by 16.56%
- Past experience shows that stocks that underperformed on the election result day – gave good returns post elections.

2009 - Election and Markets

Index Name	15 th May to 18 th May 2009 (%)	19 th May to 31 st Dec 2009 (%)
CNX Auto	15.03	68.12
CNX Bank Nifty	18.81	33.44
CNX Finance	19.49	31.04
CNX FMCG	8.66	27.55
CNX Infrastructure	19.15	3.24
CNX IT	12.43	73.59
CNX Metal	17.57	78.05
CNX Pharma	11.81	36.63
CNX Service	17.34	20.59

- Between 15- 18 May (two trading days around results), Sensex gained 17.34% and hit upper circuit twice.
- In 2009, the defensives which underperformed initially, outperformed in the ensuing period.

Dividend yield - Explained

Stock Returns – Price appreciation and Dividend

Possible Returns From a Stock

Profits Generated by a Company



Dividend Paid Out

Dividend Yield

Dividend Distributed / Common Stock Price



Reinvested in Business for Future Growth

Capital Appreciation

Characteristics of Dividend paying companies

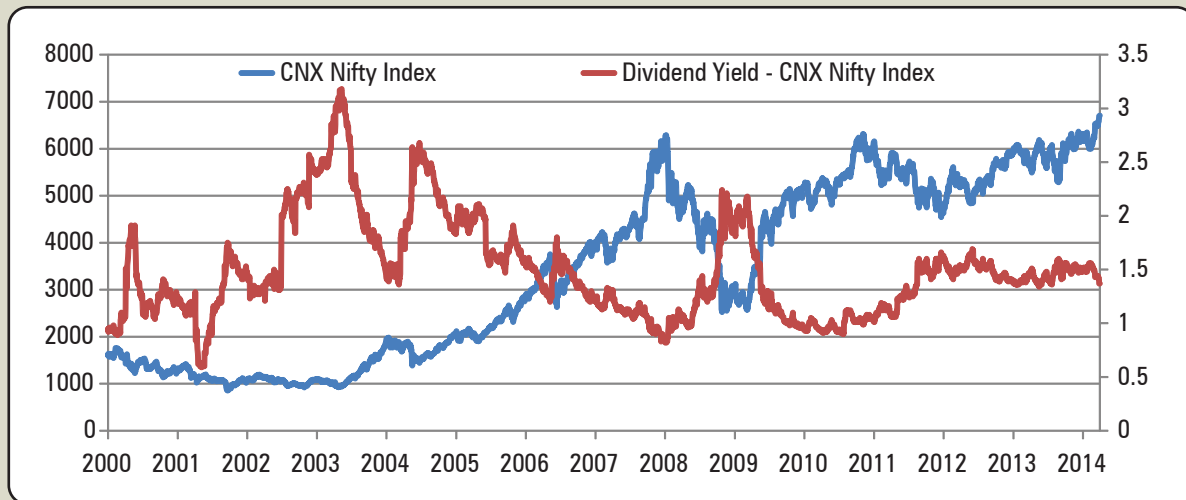


- Relatively more **stable business models** with a history of consistent profitability, and a dividend payment track record
- Companies pay dividends after attaining a **sustainable level of growth**.
- Need to pay dividends tends to make the **management more accountable** to shareholders and less prone to taking unwanted risks.
- The share price of these companies tends to display **low volatility**.

Why Dividend Yield strategy?

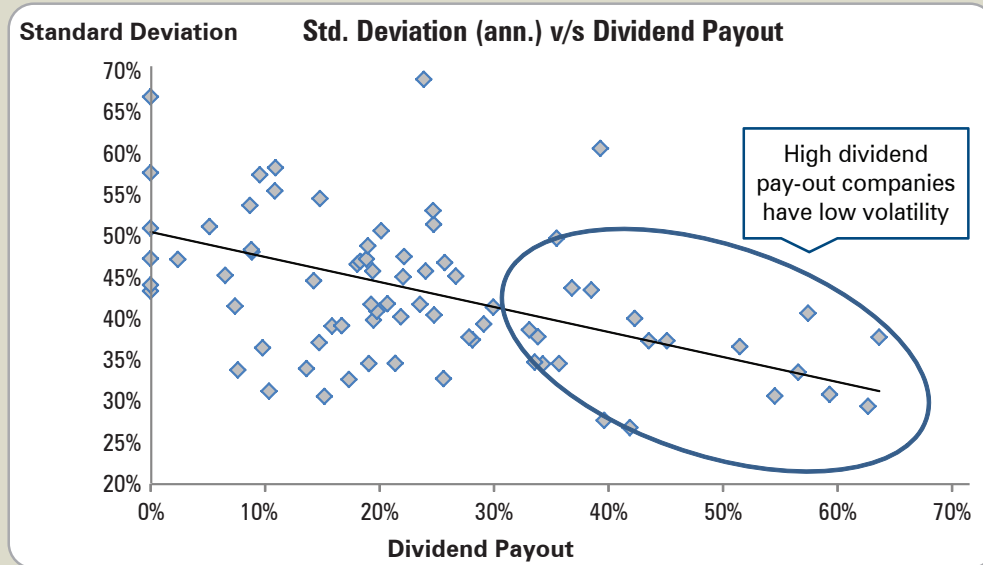
Dividend yield and Nifty

Markets rally after dividend yields peak out



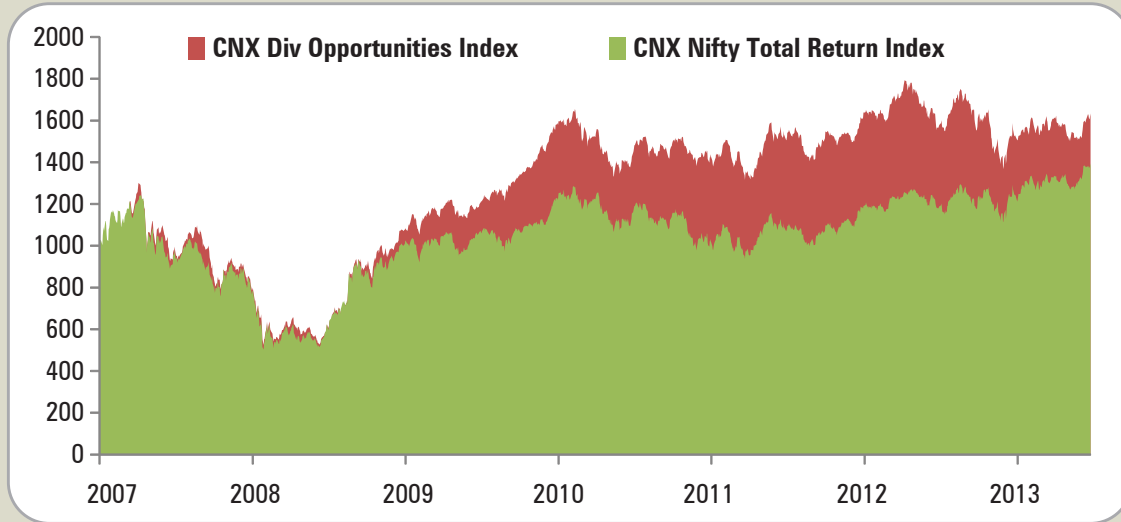
- High Dividend yield can be a sign of undervalued markets.
- Markets rallied post 2003-04, when dividend yield of nifty was at all time high. Similar trend was seen post 2008-09.

Share prices of Dividend paying companies tend to be less volatile



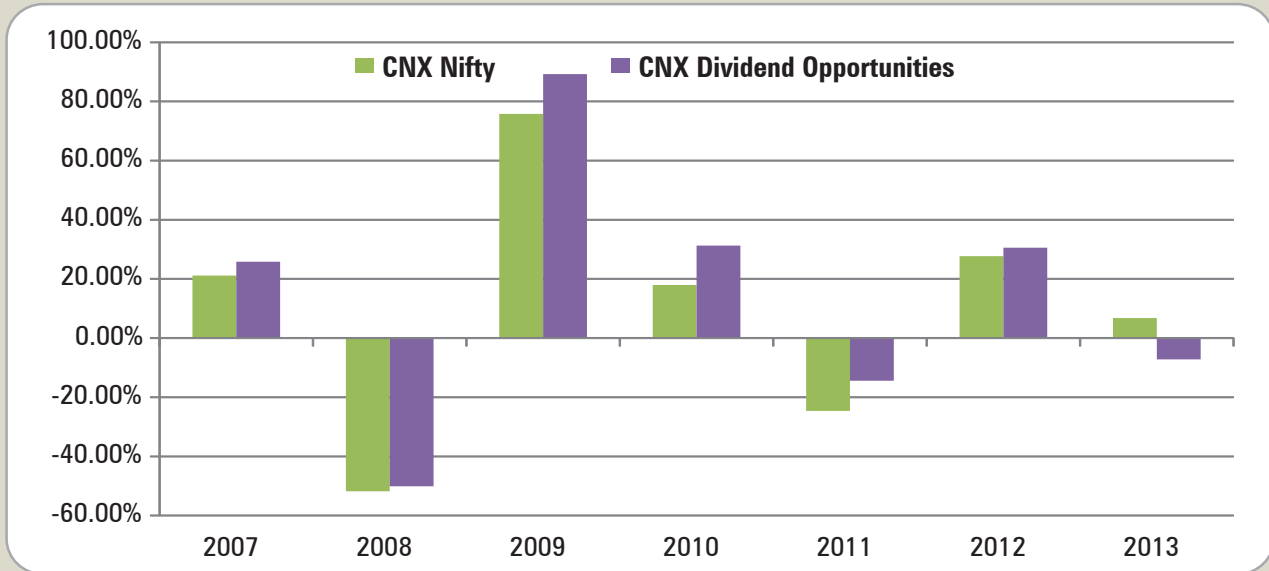
- Volatility measured against annualized standard deviation (of Top 100 companies by market cap of BSE) has been tangibly lower among companies that paid dividends compared to those that did not distribute profits.

Dividends are an Important Source of Total Return



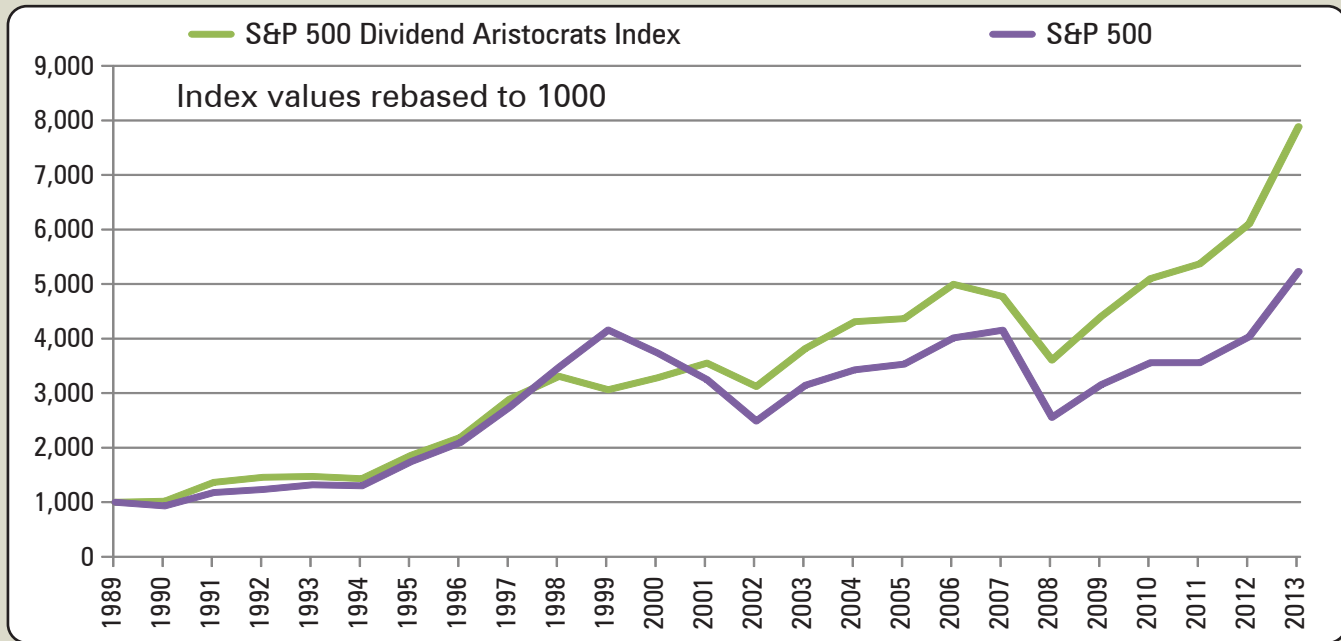
- The compounding effect of dividend income over time has contributed equity total return.

Performance in up and down markets

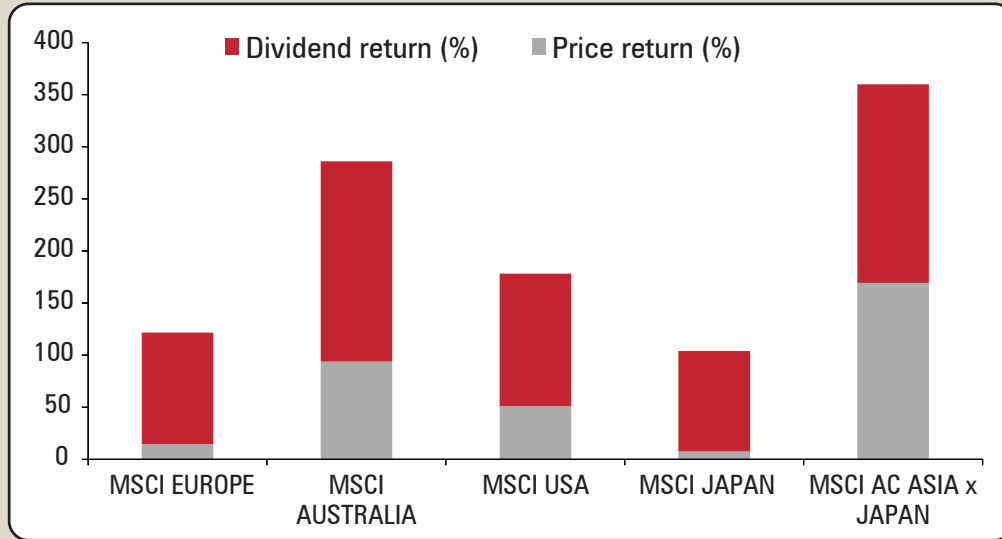


- CNX Dividend Opportunities Index tend to outperform in up-trending and down-trending markets.

Globally dividend yield indices have outperformed.



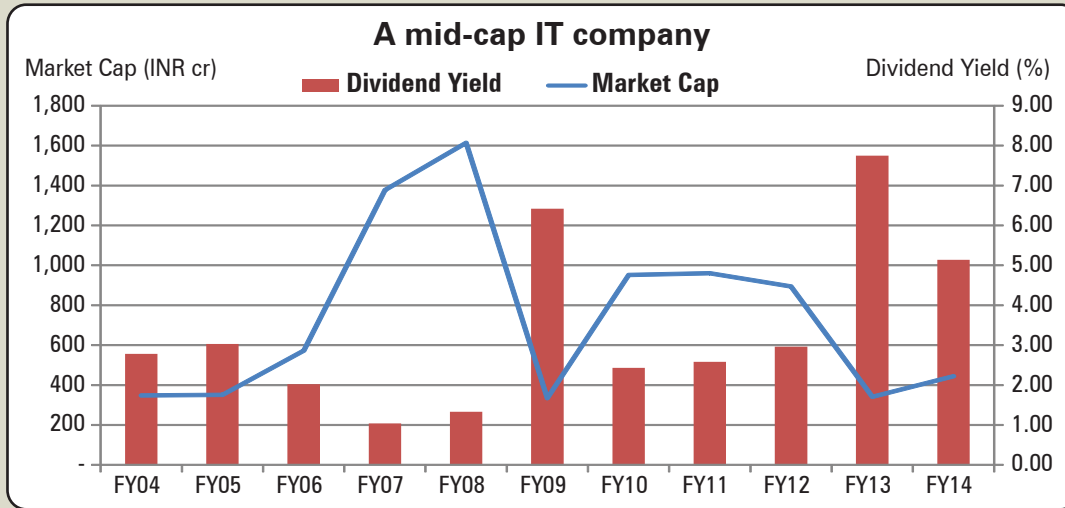
Dividends remain a key driver of total return globally.



Returns since 1998

Some opportunities in the current market

Some opportunities in the current market

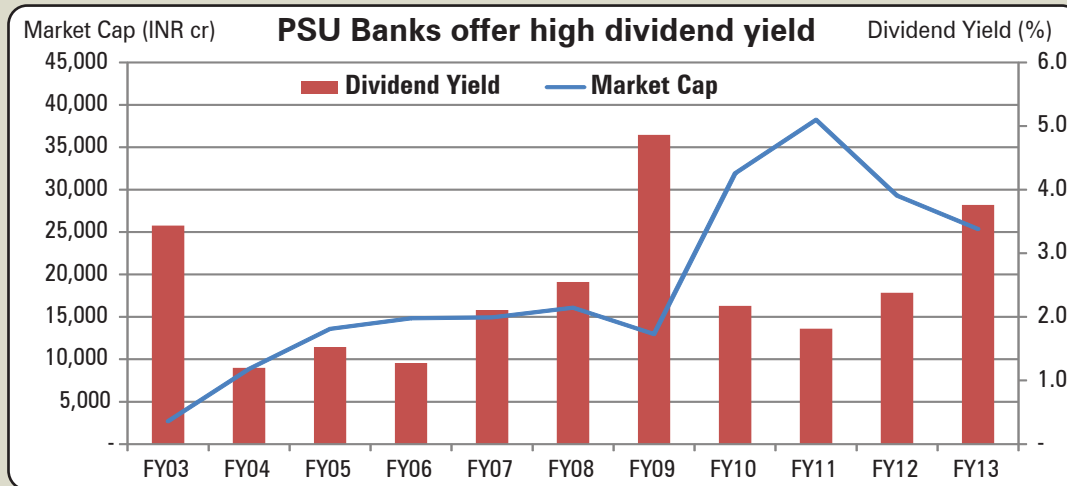


- In FY09, a high dividend yield signalled an ensuing rise in the stock's market cap.
- Current valuations provides good potential opportunity.

Source: Kotak Securities

This illustration is to explain how a dividend yielding company has performed on a long term basis. This is to explain the concept of dividend yielding company as a suitable investment avenue. It is necessary to note that there can be many other factors that can have impact on the performance of the company in the stock market. Past performance may or may not be sustained in future. The stock/sector mentioned above does not constitute any recommendation by ICICI Prudential Mutual Fund/AMC.

Some opportunities in the current market



- In FY 03, dividend yield of a PSU bank was more than 3%, post which the market cap increased from Rs 2,700 cr to Rs 13,500 cr.
- Similar trend can be seen post 2009.
- There are ample stock picking opportunities available in the current market.

Source: Kotak Securities

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ICICI Prudential Dividend Yield Equity Fund

An Open-Ended Equity fund

This product is suitable for investors who are seeking*:

- Long term wealth creation solution
- An open ended equity fund that aims for growth by primarily investing in equity and equity related instruments, which offer attractive dividend yield.

 HIGH RISK
(BROWN)

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

Note: Risk may be represented as:



(BLUE) investors understand that their principal will be at low risk



(YELLOW) investors understand that their principal will be at medium risk



(BROWN) investors understand that their principal will be at high risk

About the fund



- **An open ended equity fund that aims to:**
 - Invest at least 80% of assets in companies that have dividend yield greater than the dividend yield of CNX Nifty Index (last released /published by NSE), at the time of investment.
 - Identify high dividend stocks within the framework of valuations and fundamentals.
 - Invest in high-quality companies with proven records of paying and growing dividends.
 - Invest across market cap

Dividend Yield Strategy can be broken down into:

Quality

- Disciplined companies generating good returns
- Strong market positions
- Stable cash-flows and
- Ability to increase dividends year after year.

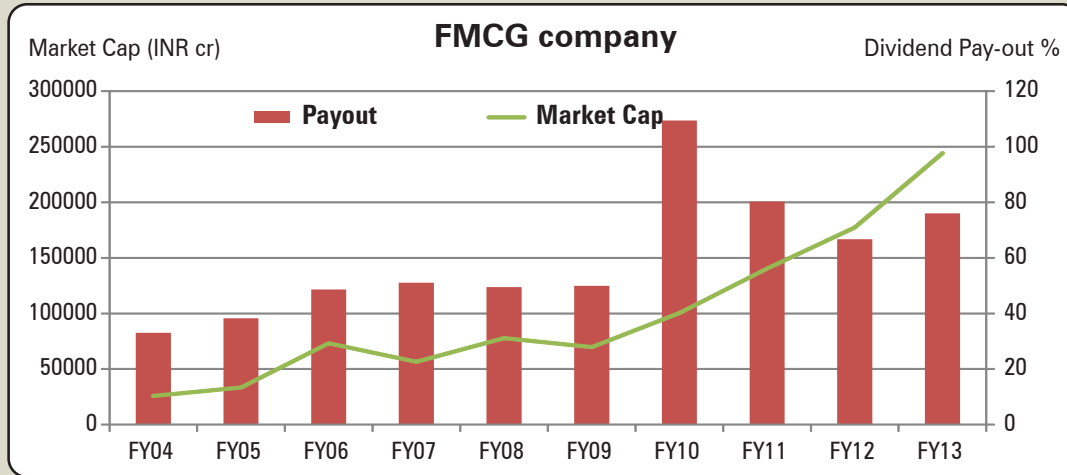
Assets

- Strong physical asset base giving more pricing control.
- Ability to increase dividend across different economic environments

Rapid Growth

- Rapid structural growth by virtue of their geography, industry or product line.
- Good capital discipline

Dividend Yield Strategy - QUALITY

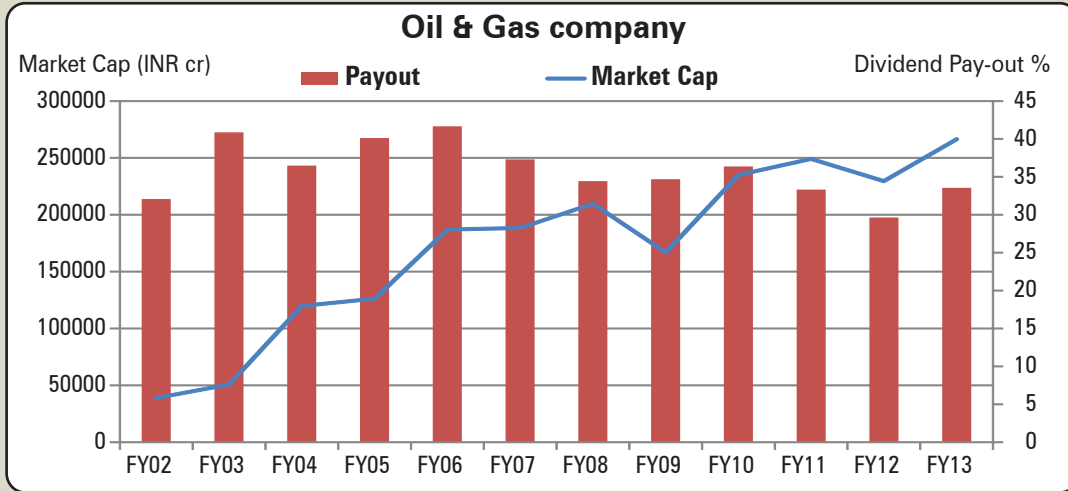


- Companies with good dividend policies tend to perform well in up and down markets.
- The company was consistently increasing its pay-out ratio during 2004-09.
- The increase in dividends was factored in the stock price by the market participants.

Source: Motilal Oswal Securities Ltd

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Dividend Yield Strategy - ASSETS

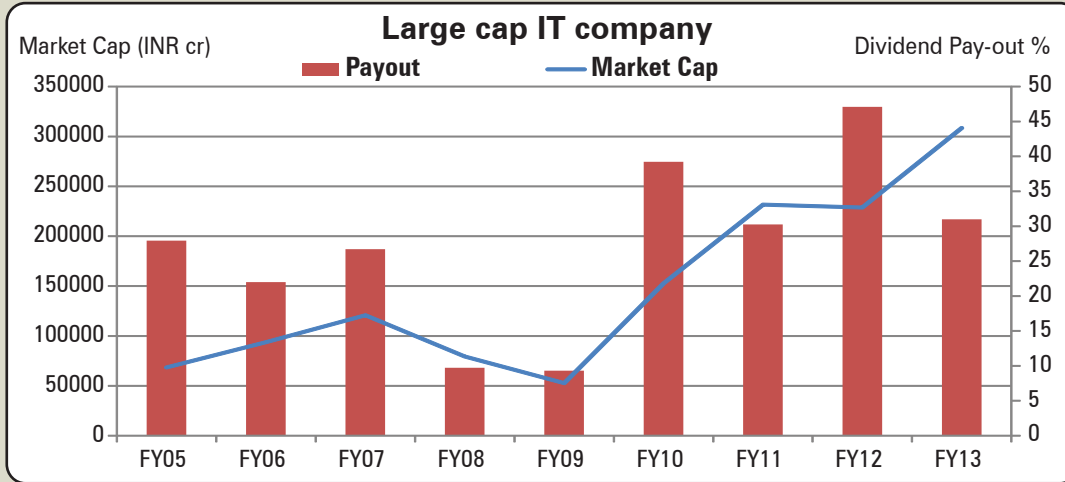


- Companies with strong physical asset base have the ability to pay consistent dividends across different economic environments.

Source: Kotak Securities

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Dividend Yield Strategy - RAPID GROWTH

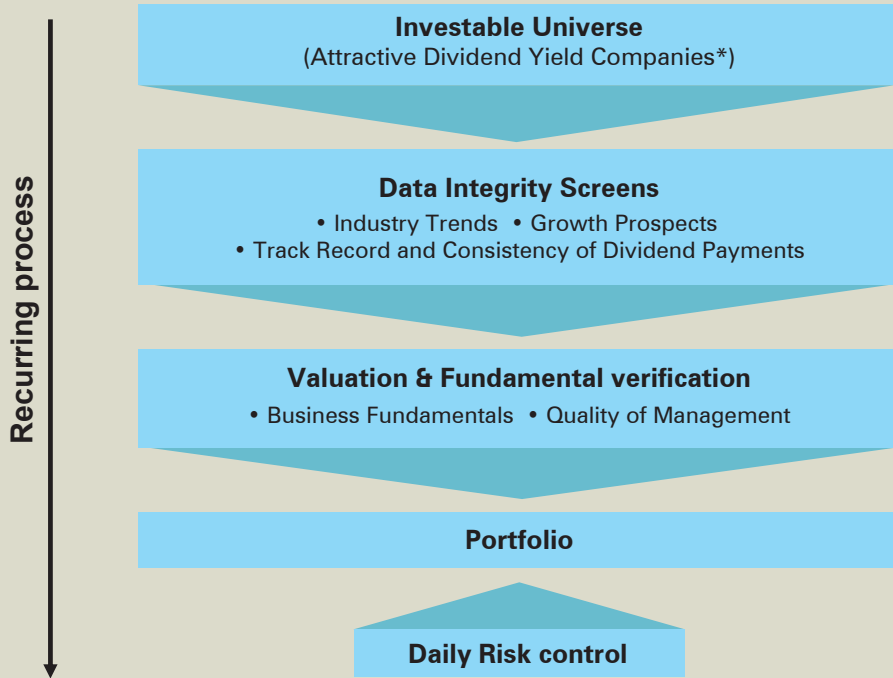


- These companies can benefit from rapid structural growth by virtue of their geography, industry or product line.
- Because of good capital discipline, these companies could generate strong cash flows allowing dividends to increase at a swift rate.

Source: Kotak Securities

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Investment Approach



*Attractive dividend yield means dividend yield greater than the dividend yield of CNX Nifty Index, last released /published by NSE, at the time of investment.

Scheme Features



Type of scheme	An open ended equity scheme
Investment Objective	The investment objective of the Scheme is to provide medium to long term capital gains and/or dividend distribution by investing in a well diversified portfolio of predominantly equity and equity related instruments, which offer attractive dividend yield. However, there can be no assurance that the investment objectives of the scheme will be realized.
Options	Direct Plan – Growth and Dividend (Reinvestment & Payout Option) Regular Plan – Growth and Dividend (Reinvestment & Payout Option)
Minimum Application Amount	Rs 5,000 (plus in multiple of Rs.1)
Min. Add. Application Amount	Rs 1,000 (plus in multiple of Re.1)
Min. Redemption Amount	Rs 500 (plus in multiple of Re.1)
Entry Load	Not Applicable
Exit Load	For investments upto 18 months – 1% of applicable NAV
Benchmark Index	CNX Dividend Opportunities Index
Fund Manager#	Mr. Mrinal Singh and Mr. Vinay Sharma

Disclaimers

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

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