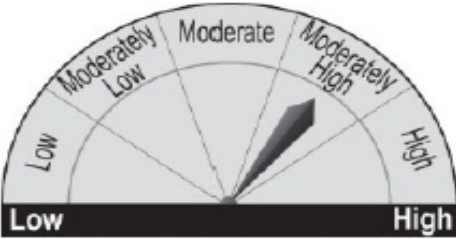


# ICICI Prudential India Recovery Fund - Series 4

NFO Period: 8<sup>th</sup> February to 22<sup>nd</sup> February 2016

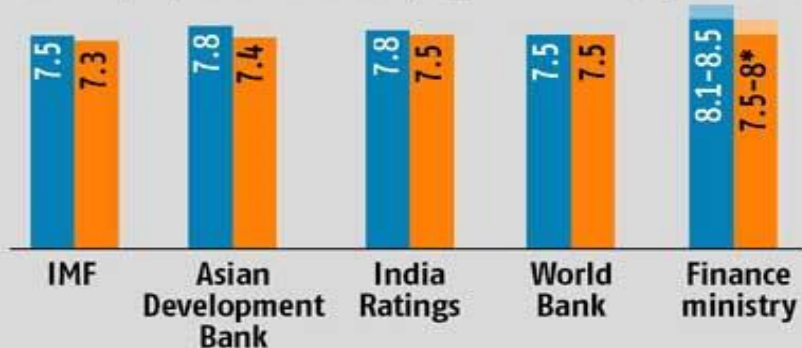
This Product is suitable for investors who are seeking*:	Riskometer
<ul style="list-style-type: none"> <li>• Long term wealth creation solution</li> <li>• A close ended equity fund that aims to provide capital appreciation by investing in equity and equity related securities that are likely to benefit from recovery in the Indian economy.</li> </ul>	 <p>Investors understand that their principal will be at moderately high risk</p>
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	

# External Agencies Project a Strong Indian GDP Growth Outlook



## INDIA'S GROWTH OUTLOOK FOR FY16

■ Earlier projections ■ Latest projections (Figures in%)



\*Finance ministry's official revisions have not come, but these are based on statements of key officials Sources: Respective agencies, finance ministry

## CRYSTAL BALL GAZE

	Projections				Difference from April projections	
	2013	2014	2015	2016	2015	2016
World GDP	3.4	3.4	3.3	3.8	-0.2	0
Advanced economies	1.4	1.8	2.1	2.4	-0.3	0
United States	2.2	2.4	2.5	3	-0.6	-0.1
Emerging market and developing economies	5	4.6	4.2	4.7	-0.1	0
China	7.7	7.4	6.8	6.3	0	0
India	6.9	7.3	7.5	7.5	0	0

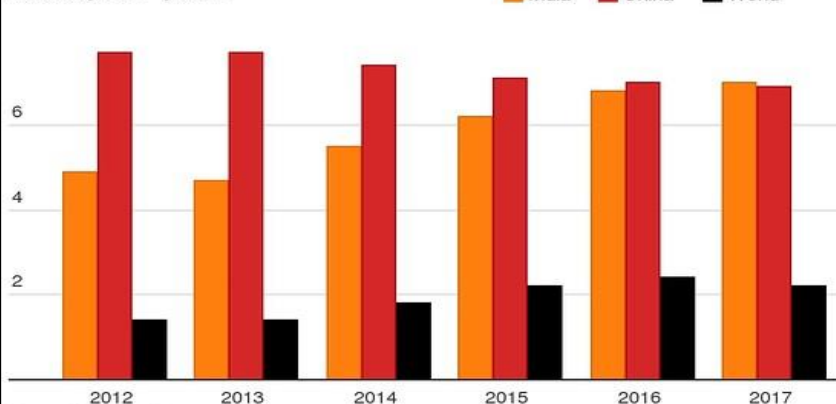
World Economic Outlook projections (%)

Source: IMF World Economic Outlook, July

## India Taking the Lead

Percentage GDP growth.

■ India ■ China ■ World



Source: World Bank

## INDIA STANDS TALL

(%)

### IMF forecasts for 2016

■ Estimated in October 2015  
■ Estimated in January 2016



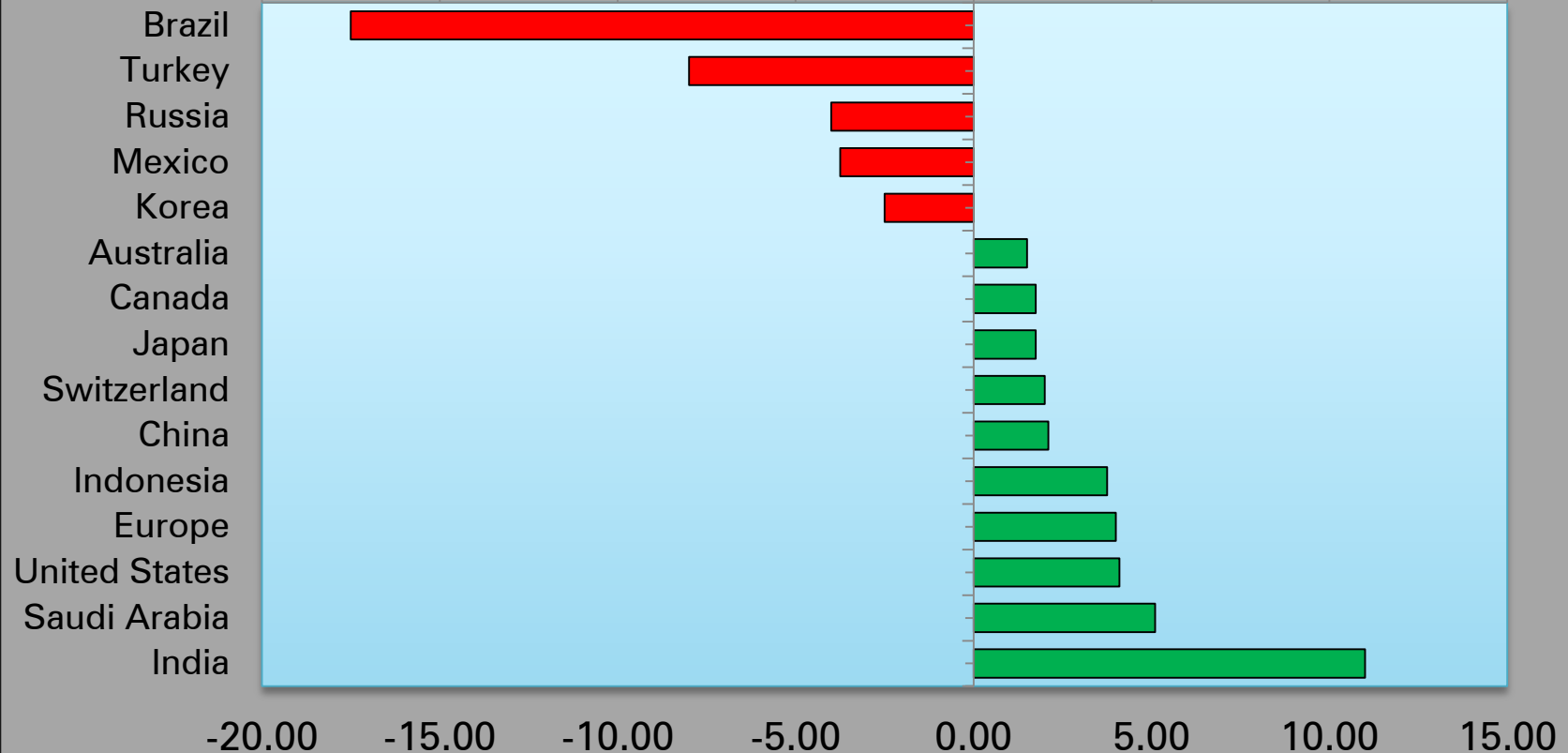
Note: India's estimates are for financial year (April-March). So, 2016 would be FY16-17

Source: IMF's World Economic Outlook Update

GDP: Gross Domestic Product, IMF: International Monetary Fund

# Indian Economy Poised To Grow Faster Than The World

## Nominal GDP growth in US\$



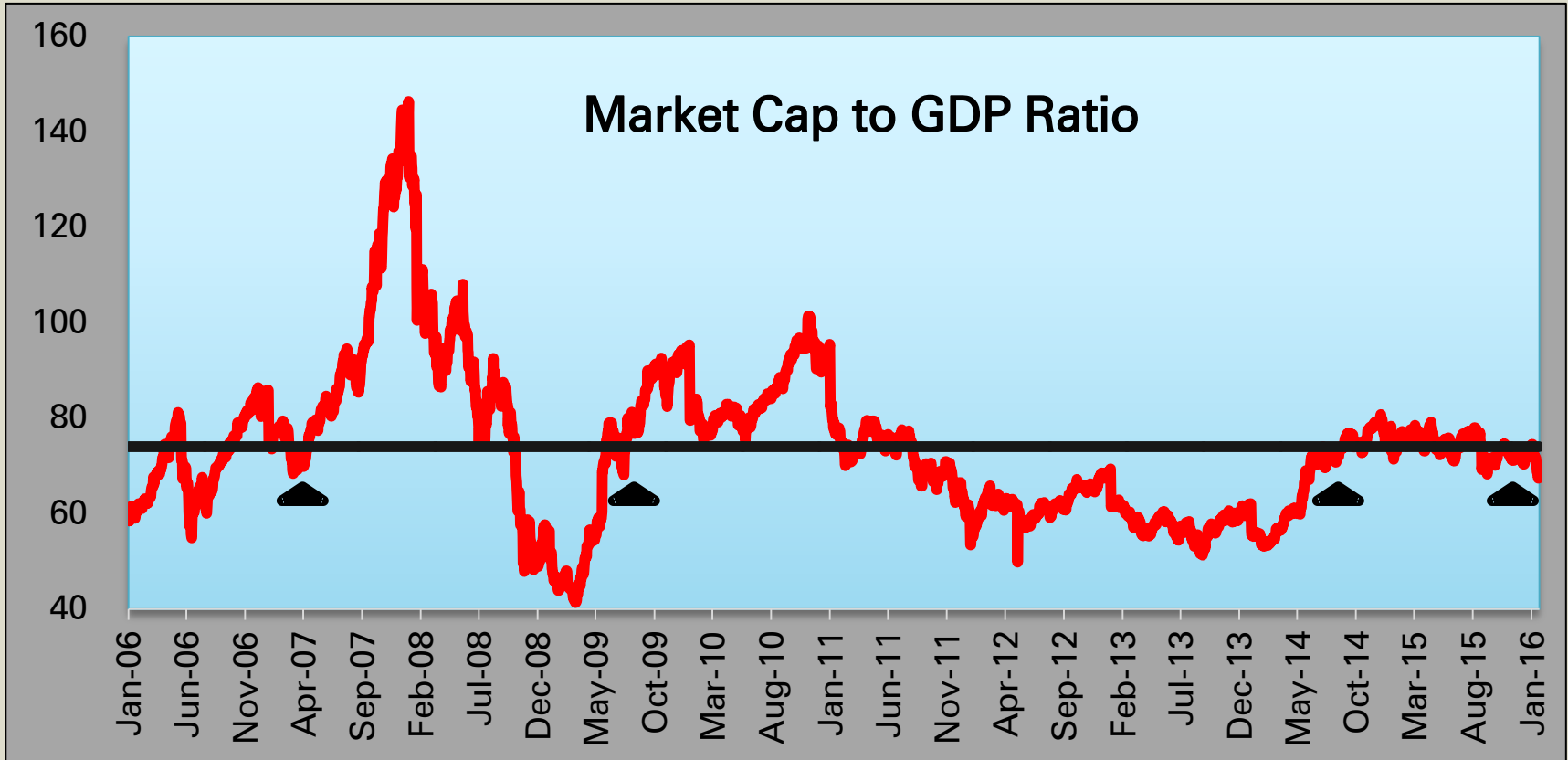
# Macro Adjustment Largely Complete



	FY-13	FY-14	FY-15	Jan-16	
Fiscal Deficit as % of GDP	4.9	4.4	4.1	3.9 (BE)	↓
Current Account Deficit as % of GDP	4.7	1.7	1.3	1.60	↓
CPI Inflation % (March end figures)	10.4	9.5	6.0	5.61	↓
10 Year G-Sec % (March end figures)	7.96	8.80	7.75	7.79	→
USD/INR	54.3	59.9	62.5	68.0	↑
Brent Crude Prices US\$/bbl	109	107	63.4	33.1	↓
RBI Policy Rate % (March end figures)	7.5	8	7.75	6.75	↓

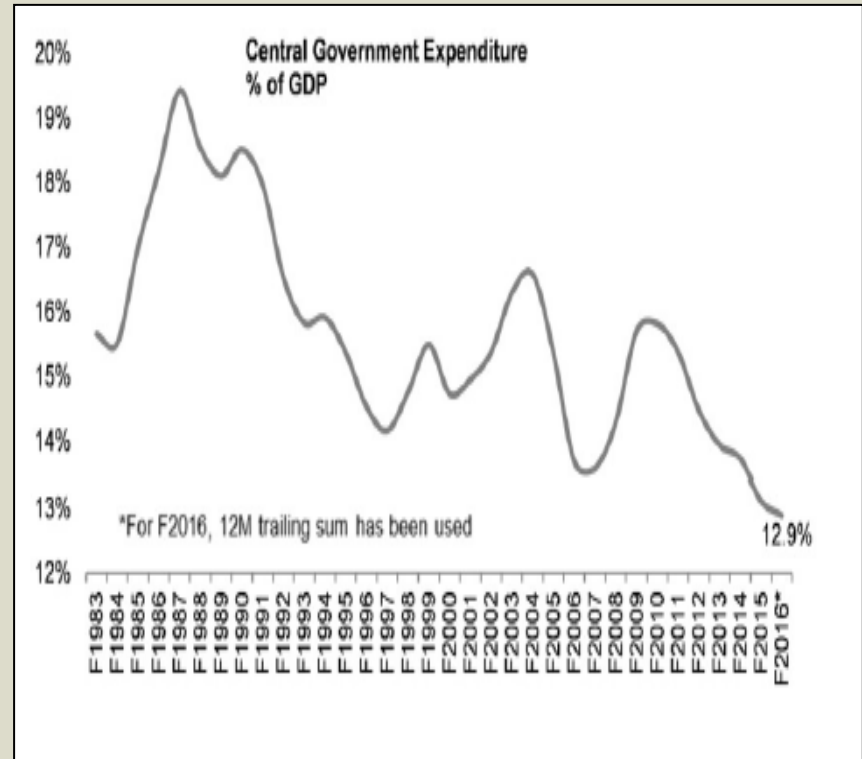
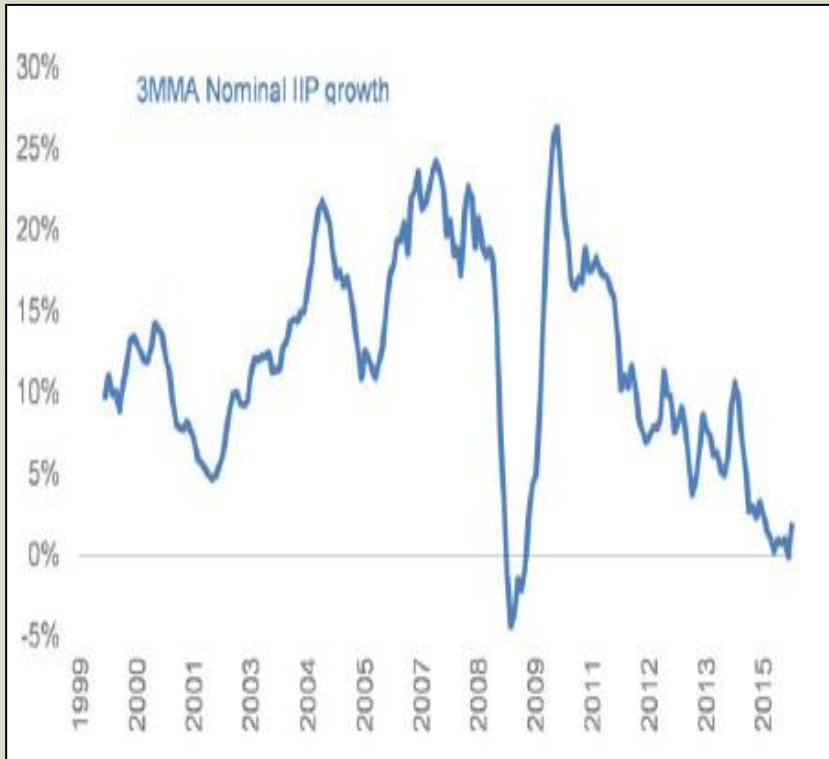
Data Source: Bloomberg. (BE) –Government budgeted Estimates Jan-16 figures as on 27<sup>th</sup> January 2016

# But Equity Markets Lagging Economy.....



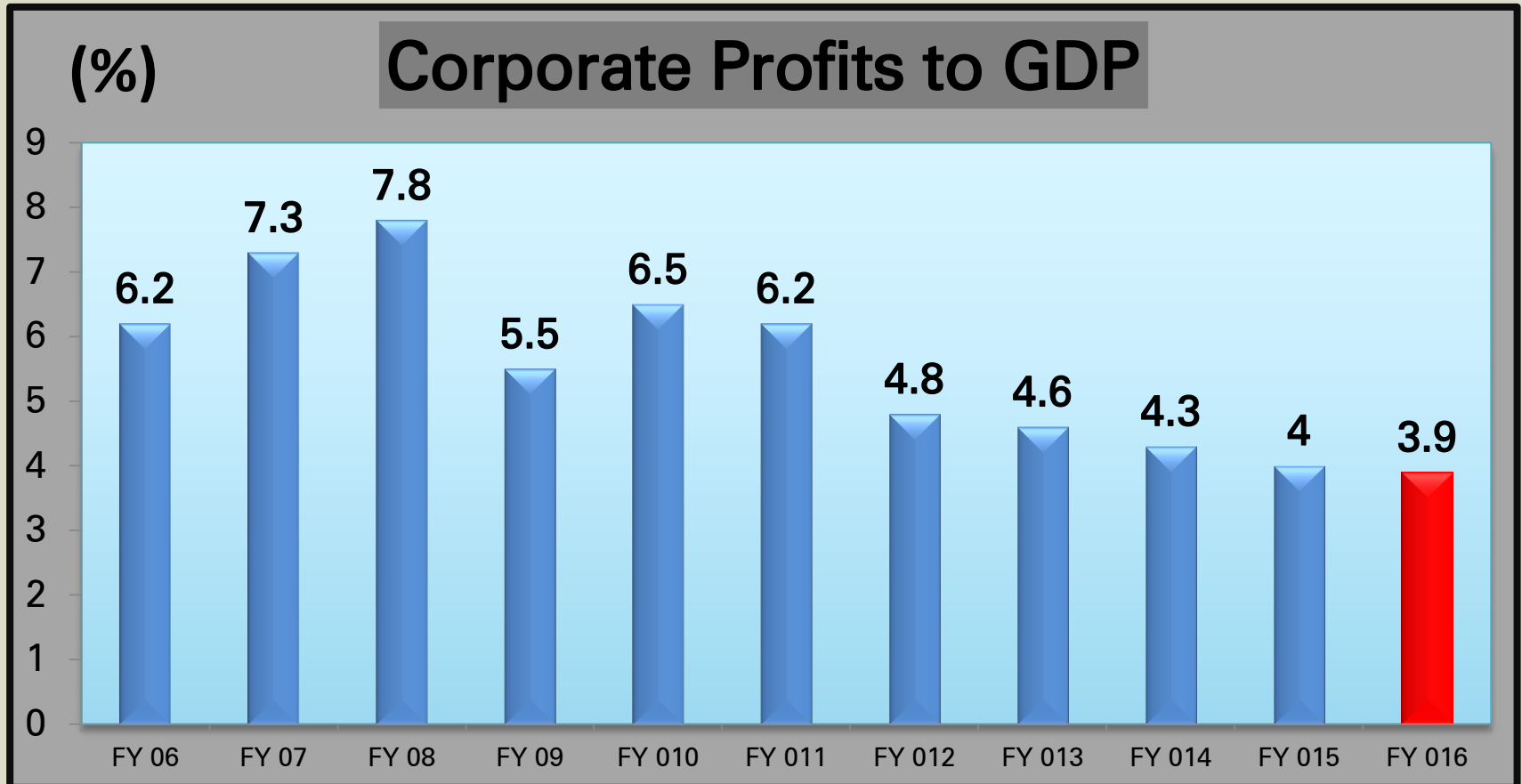
- Currently the market cap to GDP ratio is at levels below its long term average

# Corporate Profitability Yet To Pick Up



- Nominal IIP Growth has shown a declining trend of late.
- Government spending though altered towards investment but is at multi year low to GDP due to falling subsidy bill.

# Corporate Profitability yet to pick up



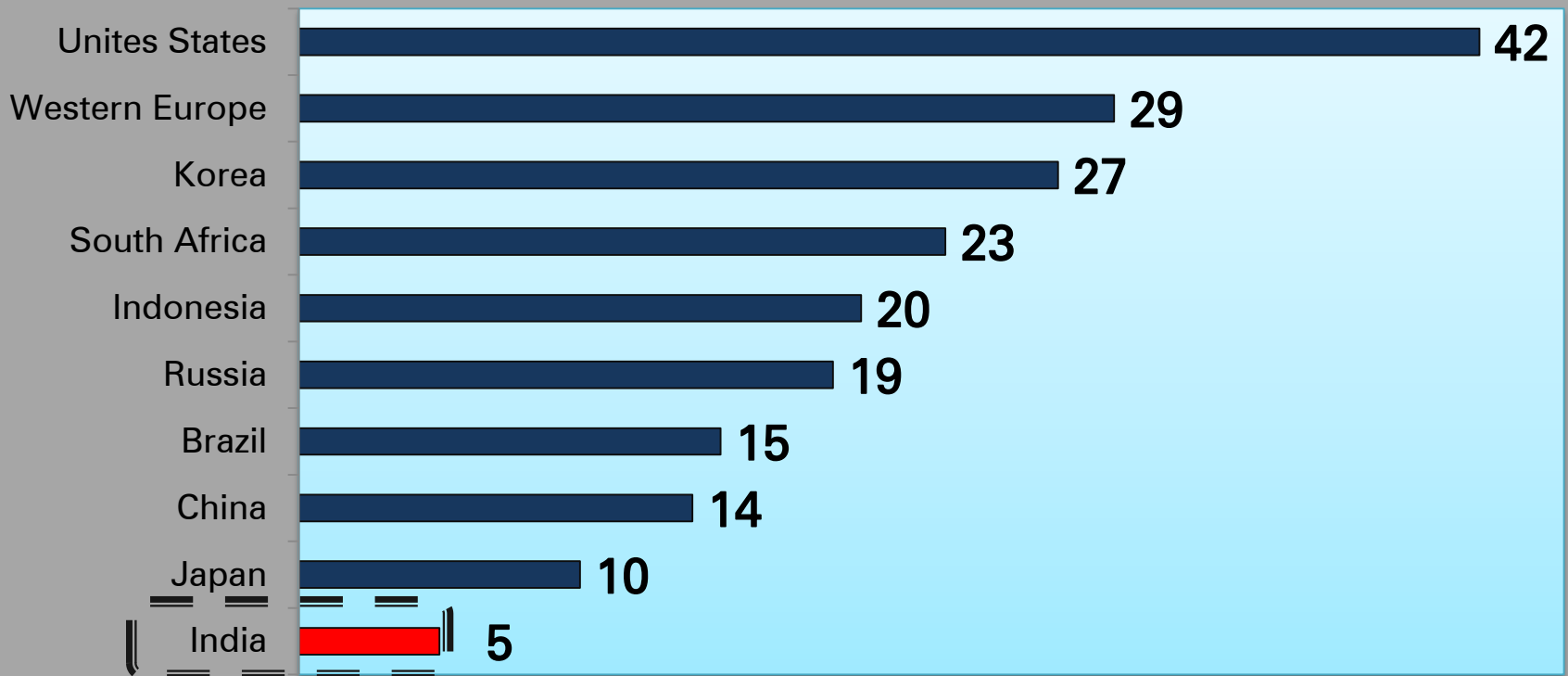
- Corporate Profits to GDP at the lowest level witnessed in the last decade.

Source : Motilal Securities

# Indian Investors Severely Under Invested in Equities



## Equity Saving as a % of Financial Saving



- Financial Savings to move from Physical Assets to Financial Assets .

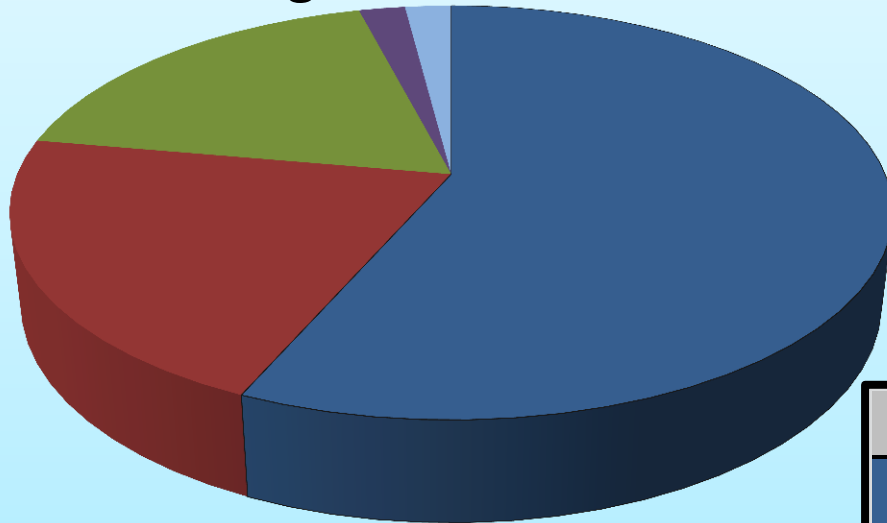
Source: CLSA (Credit Lyonnais Securities Asia)



# Indian Investors Severely Under Invested in Equities



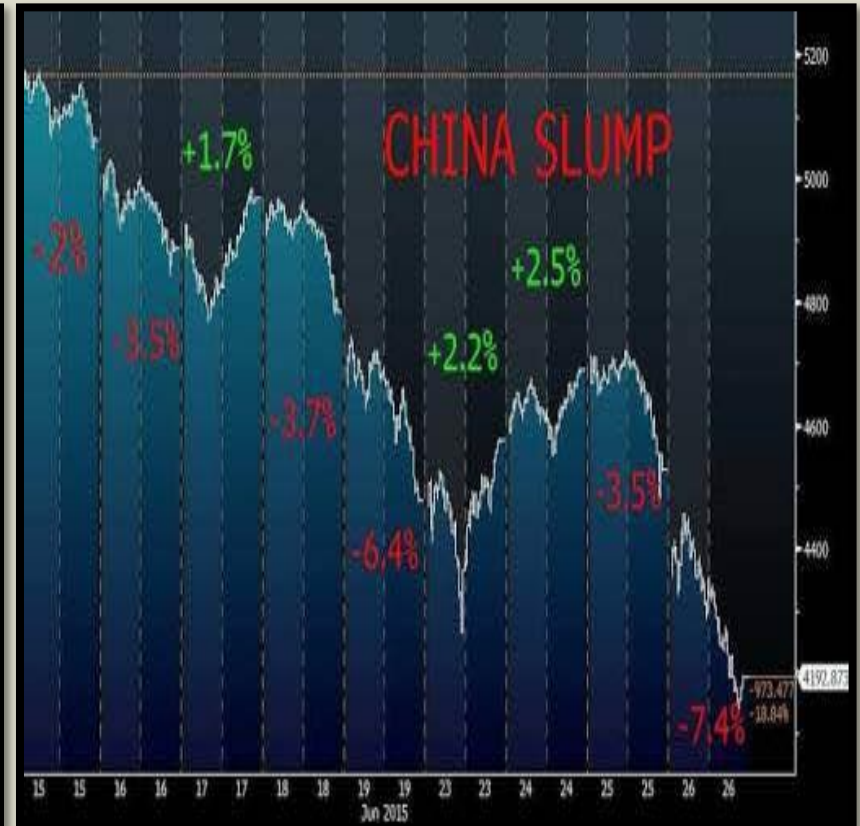
Equities constitute around 2% of overall savings of Indian household



Particulars	Percentage
Physical (Gold & Real Estate)	56%
Currency & Deposits	21%
Pension & Insurance	18%
Equity	2%
Other Financial Assets	2%

Source: CLSA (Credit Lyonnais Securities Asia)

# Current Drivers of Market Sentiments

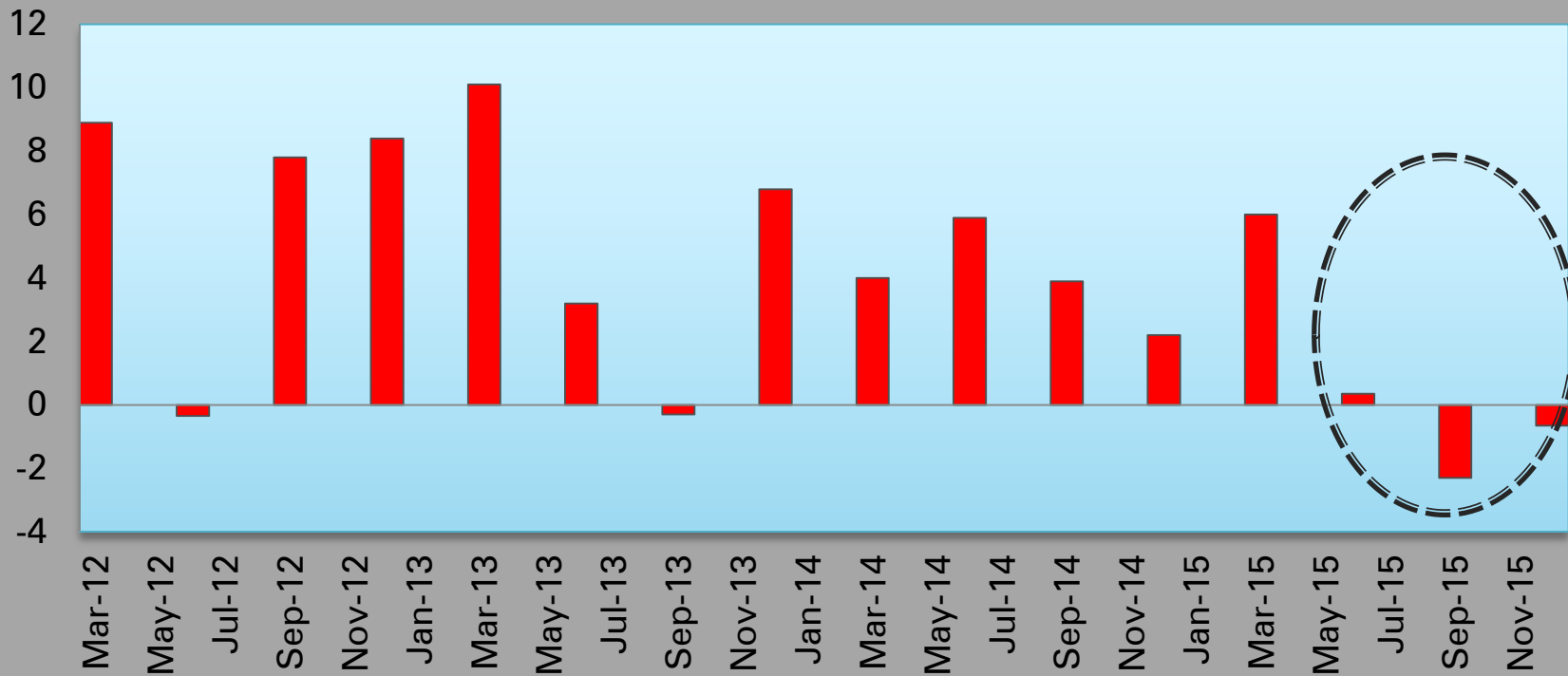


- Market correction due to non fundamental & external reasons is an opportunity to invest.

# FII Flows In India Impacted Off Late



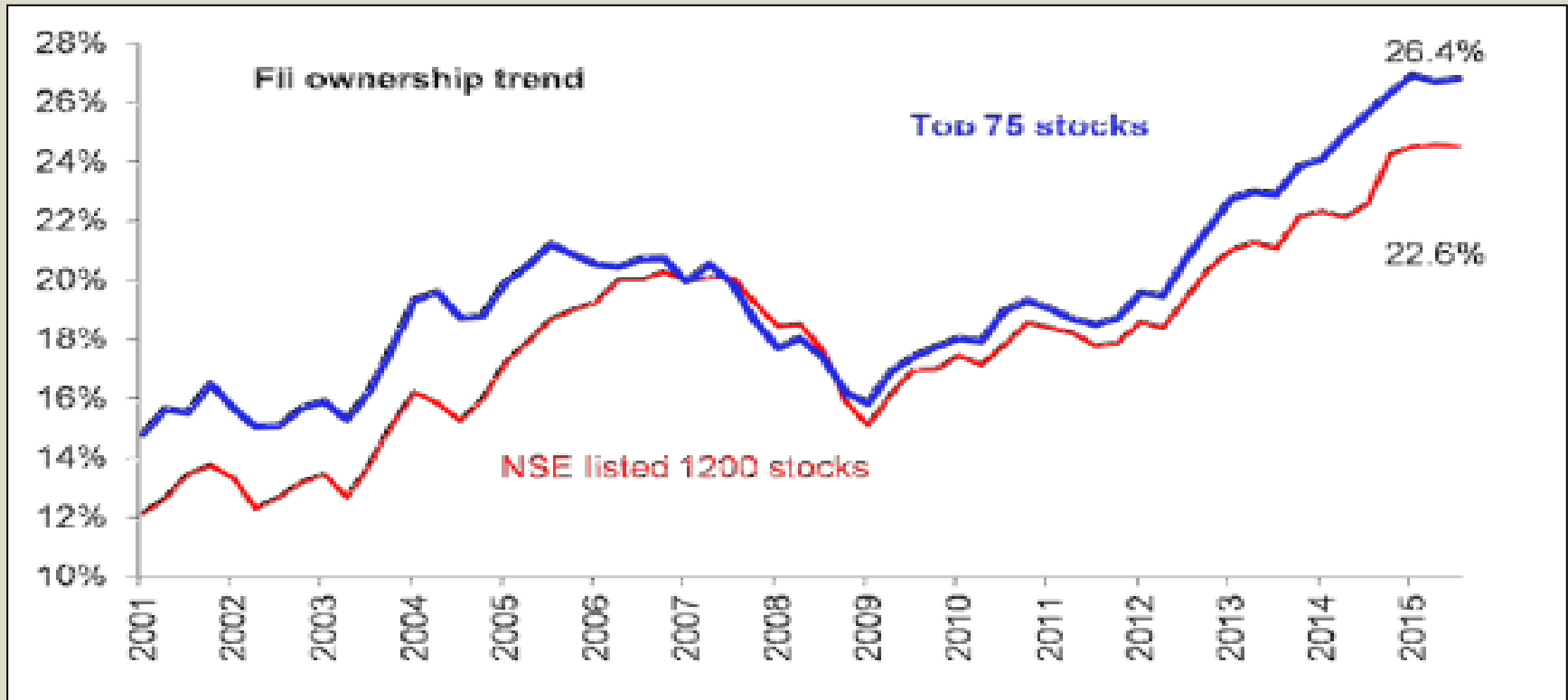
## Quarterly FII Equity Flows



- FII Inflows have been impacted due to Emerging Market Sell-Off .
- Crude Oil Prices Stabilisation can be a trigger for Flows to resume.

Source: CMIE, Bloomberg, Credit Suisse estimates FII:Foreign Institutional Investors

# FII's Ownership of Large Caps



- With FII Ownership of Large Cap Stocks has steadily increased over the years.
- The recent pull out from FII's have impacted Large Caps adversely

Source: Morgan Stanley.FII:Foreign Institutional Investors

# Investment Framework: Start Allocation towards Equity



Valuations-Invest in Equities

Macro-Economics-Adjustment largely complete

Equity Framework

Sentiments-Negative due to Non-Fundamental reasons

Triggers-Oil Stabilising & Reforms.

# Framework of Selecting an Asset Class



## Parameters to Invest



Returns-Low



Valuations-  
Attractive



Fear



Outflow from the  
Category

## Current Situation in Equities



Markets near 52  
Week Low



Attractive Zone



External Factors-  
China & Oil  
creating Panic



Pull-out From  
FII's

# Correction Has Always Been An Opportunity To Invest

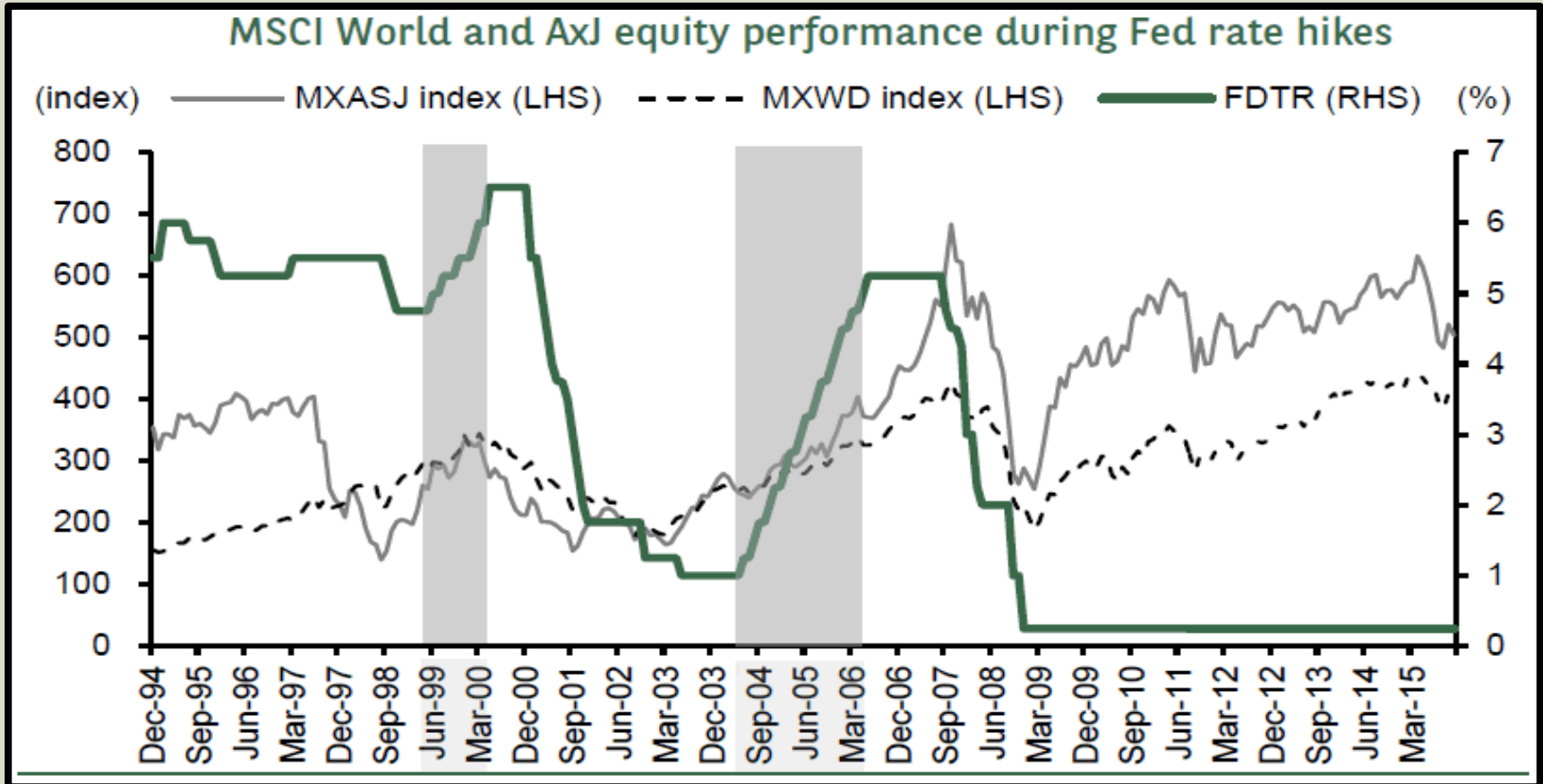


## 3 Year Returns After Every Major Fall in Sensex

Date	Sensex High	Sensex Low	% Fall From High	1 Year Return	3 Year Return
Feb-01	4462				
Apr-01		3096	-30.60%	14.30%	93.10%
Feb-02	3758				
Jul-02		2932	-22.00%	30.80%	162.90%
Jan-03	3416				
Apr-03		2904	-15.00%	105.90%	316.74%
May-04	5772				
May-04		4227	-26.80%	60.20%	244.80%
May-06	12671				
Jun-06		8799	-30.60%	66.90%	77.30%
Jan-08	21206				
Mar-08		14677	-30.80%	31.00%	33.40%
Oct-08	13203				
Oct-08		7697	-41.70%	127.30%	132.70%
Jan-11	20664				
Dec-11		15135	-26.80%	26.90%	90.30%
May-13	20443				
Aug-13		17488	-14.70%	52.90%	????
Mar-15	29593				
Jan-16		24479	<b>-17.28</b>	????	????

Source: Bseindia.com

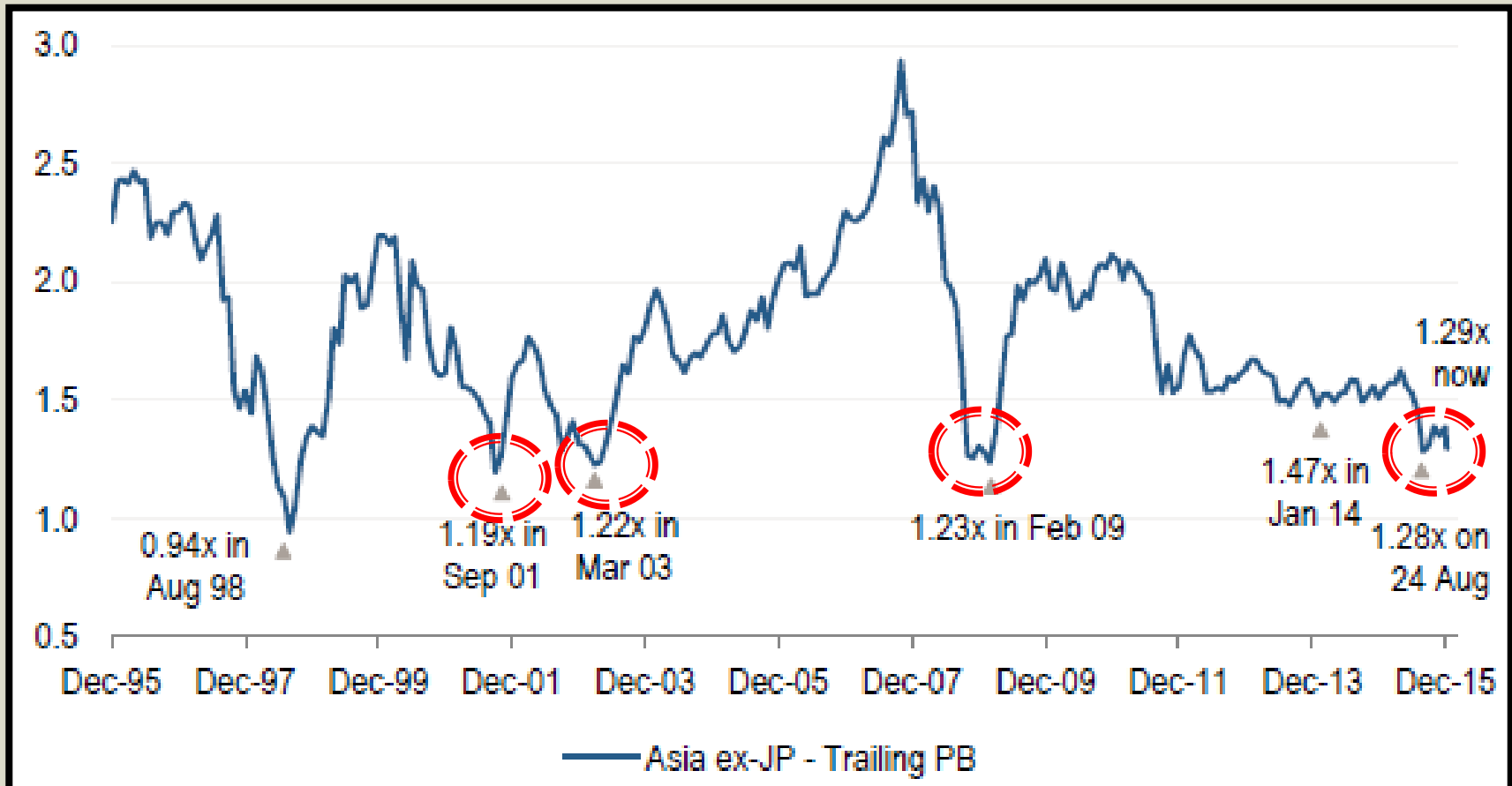
# Fed Rate Hikes – What it means?



- Emerging markets historically has shown a positive correlation with US FED rate Hike.



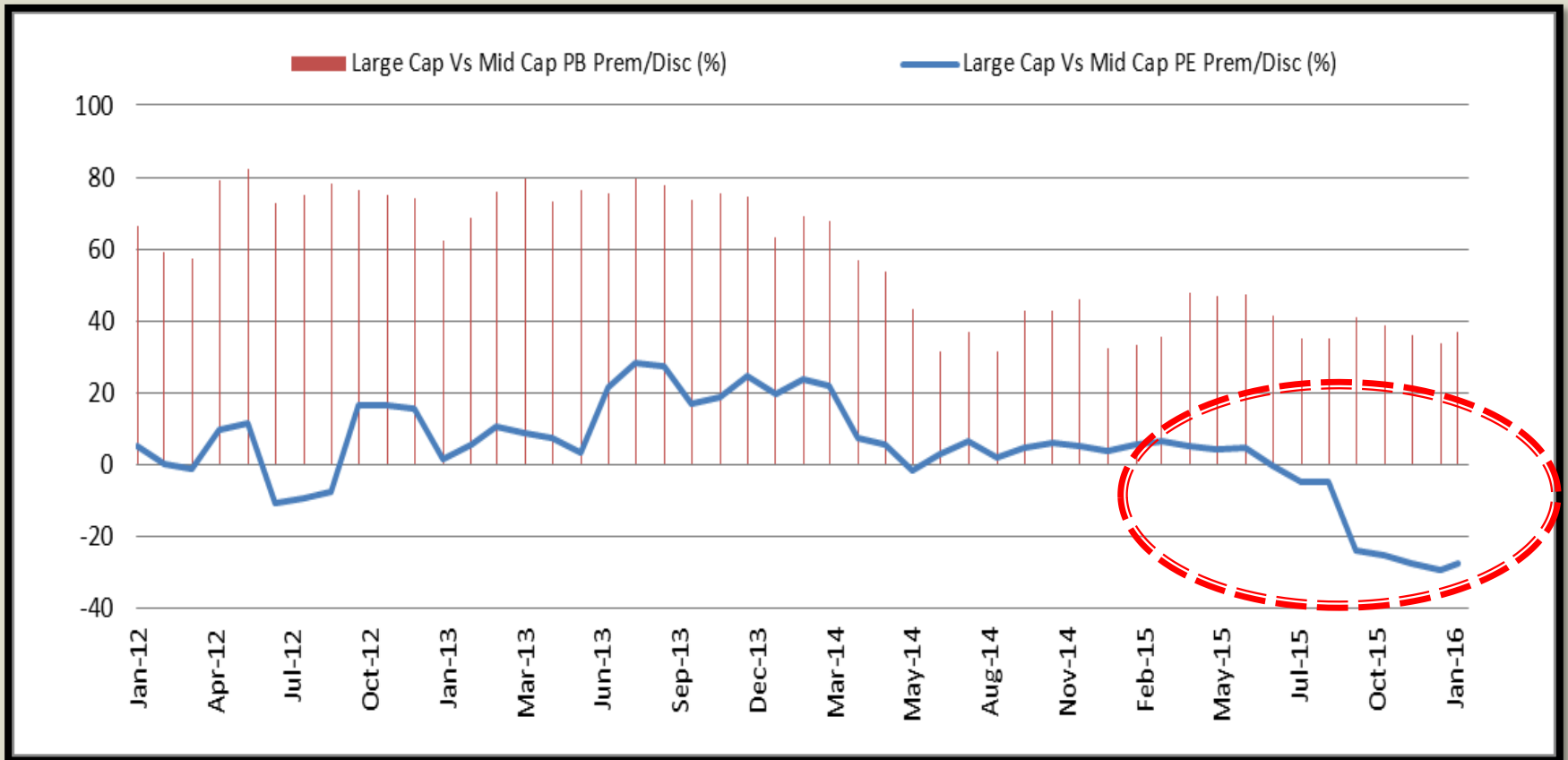
# Emerging Markets Trading at Attractive Valuations



- Emerging markets are trading at valuations very near to what was witnessed during the last three lows in the last 15 years.

Source: MSCI PB:Price to Book

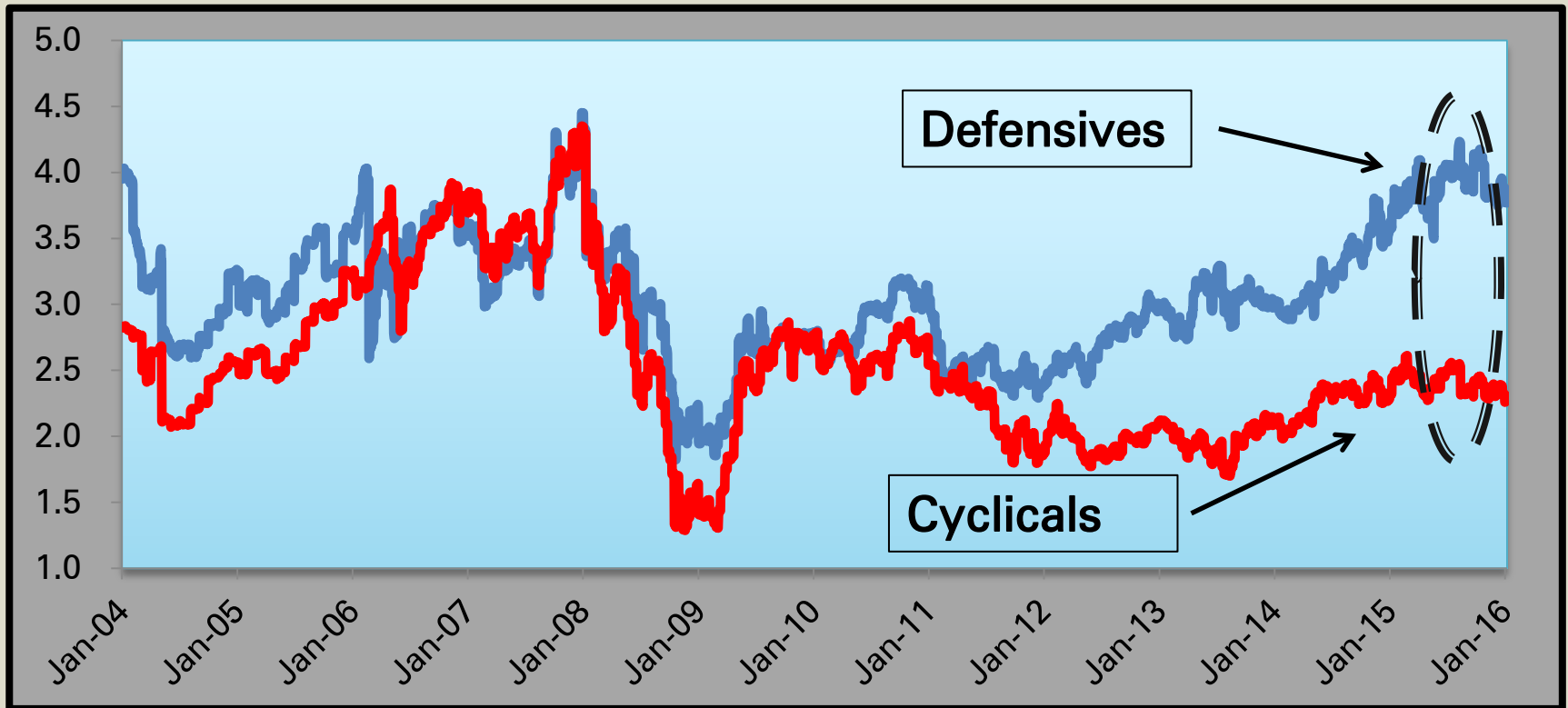
# Large Caps trading at a discount to Mid Caps



- Large Cap are trading at a discount of 28% to Midcaps currently from a premium of 7% seen in Feb-15

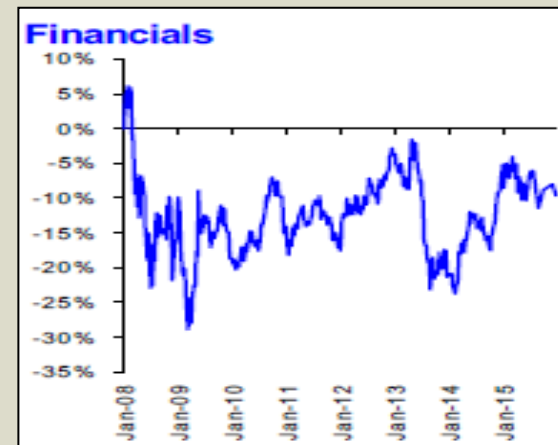
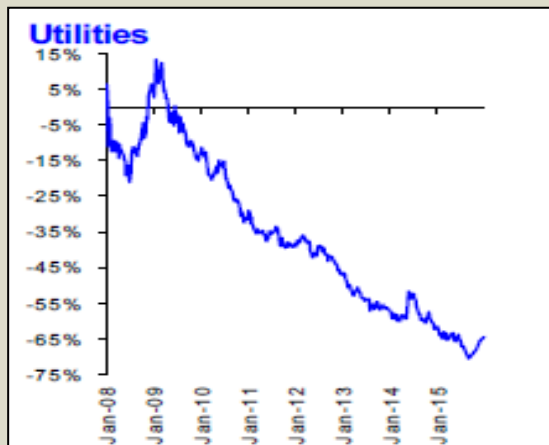
Source: Motilal Oswal Securities Research

# Polarization in Valuations within the Market

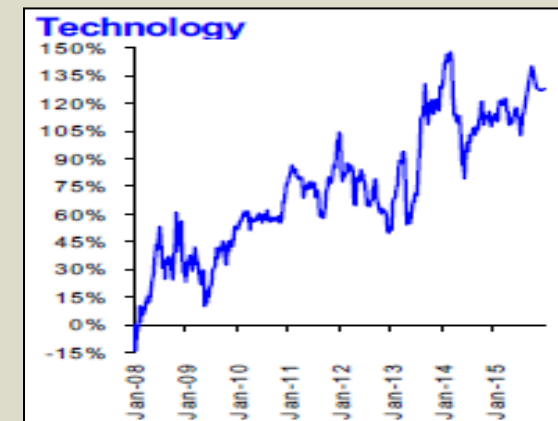
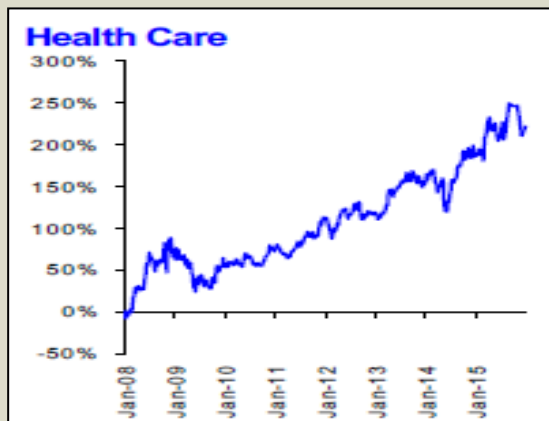


- In the past, valuation gap between cyclical and defensives have converged.
- Currently the gap has widened even more starker than 2013 and defensives are still trading at high valuations.

# Polarization in Valuations within the Market

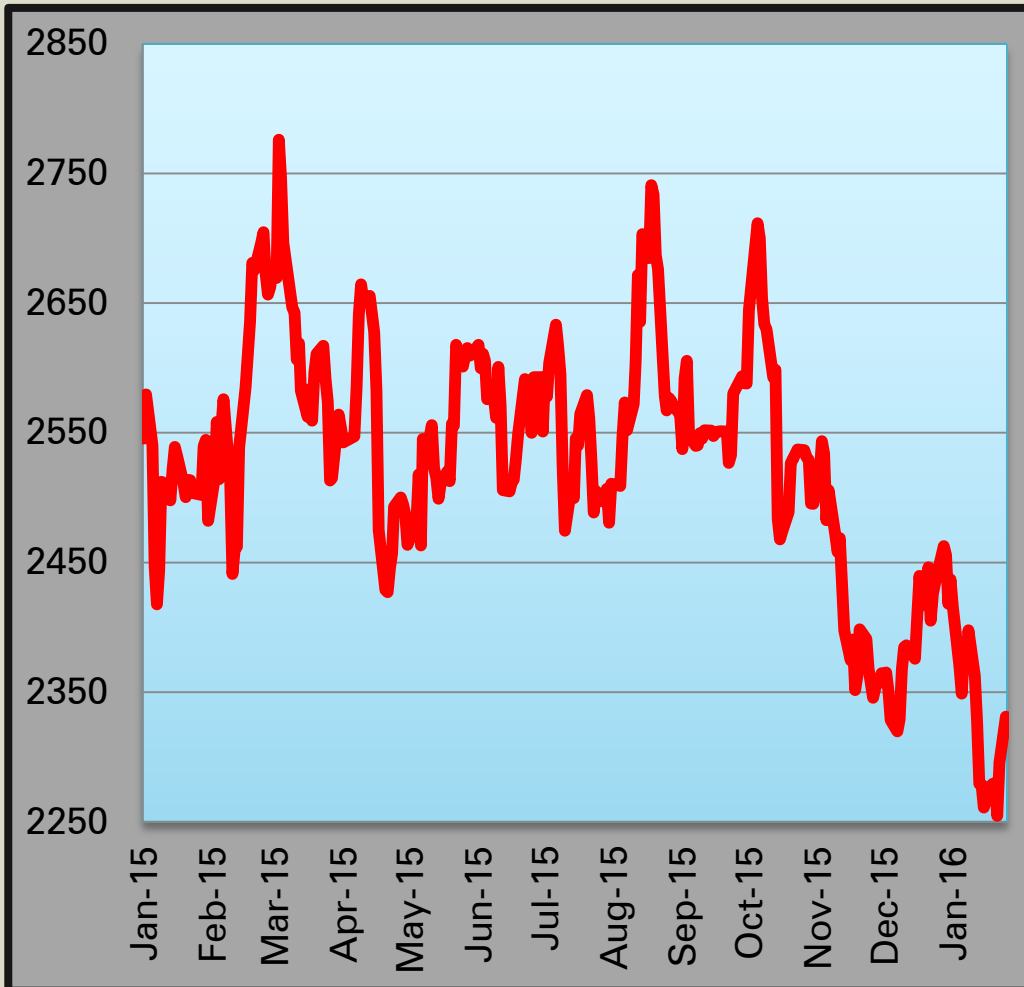


## Relative Sector Performance to MSCI India



Source: Morgan Stanley. MSCI: Morgan Stanley Capital International (MSCI) India Index. This is a simplified illustration to explain the concept of current relative performance/valuations of select sectors. The example given above should not in any manner be construed as recommendation and ICICI Prudential Mutual Fund/AMC may or may not have any future position in these Sectors

# Large Caps Offering A Unique Investment Opportunity



- A Global Leader in IT Services, Digital and Business Solutions.
- Consists of a workforce of over 3 lakhs of the world's best trained IT Professionals
- The Company is Trading currently at levels which is near its 52 Week low.
- Company is trading at P/E multiple which is lower than the 5 year Average

Source: Bloomberg This is a simplified illustration to explain the concept of current attractiveness of Large Caps. The example given above should not in any manner be construed as recommendation and ICICI Prudential Mutual Fund/AMC may or may not have any future position in these stocks.

# Large Caps Offering A Unique Investment Opportunity



- One of the leaders in Exploration & Production (E&P) activities in India.
- The Company has developed in-house capability in all aspects of exploration and production business.
- The Company is Trading currently at levels which is near its 52 Week low.
- Company is trading at P/E multiple which is lower than the 5 year Average

# Large Caps Offering A Unique Investment Opportunity



- One of the Largest Coal Producer in the World India.
- Produces over 500 Million Tonnes of Coal annually.
- The Company is Trading currently at levels which is near its 52 Week low.
- Company is trading at P/E multiple which is lower than the 5 year Average.

# ICICI Prudential India Recovery Fund Series-4



3 years (1099 days) close ended equity fund

15-20 High Conviction Large Cap Stocks#

Aim to capture profits by selling equities or using derivatives

Declaring commensurate dividends\*.

\*Dividends will be declared subject to availability of distributable surplus and approval from Trustees # The No. of Stocks provided is to explain the investment philosophy and the actual No. may go up and down depending on than prevailing market conditions at the time of investment.



# Scheme Features



<b>Type of scheme</b>	A Close ended equity scheme( 1099 Days)
<b>Investment Objective</b>	<p>The investment objective of the Scheme is to provide capital appreciation by investing in equity and equity related securities that are likely to benefit from recovery in the Indian economy.</p> <p>However, there can be no assurance that the investment objectives of the Scheme will be realized.</p>
<b>Options</b>	Direct Plan & Other than Direct Plan– Cumulative Option Direct Plan & Other than Direct Plan – Dividend payout Option
<b>Minimum Application Amt.</b>	Rs.5,000 (plus in multiples of Rs.10 thereafter)
<b>Entry &amp; Exit Load</b>	Not Applicable
<b>Benchmark Index</b>	S&P BSE 500 Index
<b>Fund Manager*</b>	Manish Gunwani & Rajat Chandak

\*Mr. Shalya Shah for investment in ADR/GDR/ Foreign securities

# Statutory Details & Risk Factors



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

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