




ICICI Prudential India Recovery Fund - Series 5

NFO Period: 25th April 2016 to 9th May 2016

This Product is suitable for investors who are seeking*:	Riskometer
<ul style="list-style-type: none">• Long term wealth creation solution• 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.	 <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>	



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.

Buy When FIIs Are Selling Because...



Whenever FIIs Sell



Traders loose money

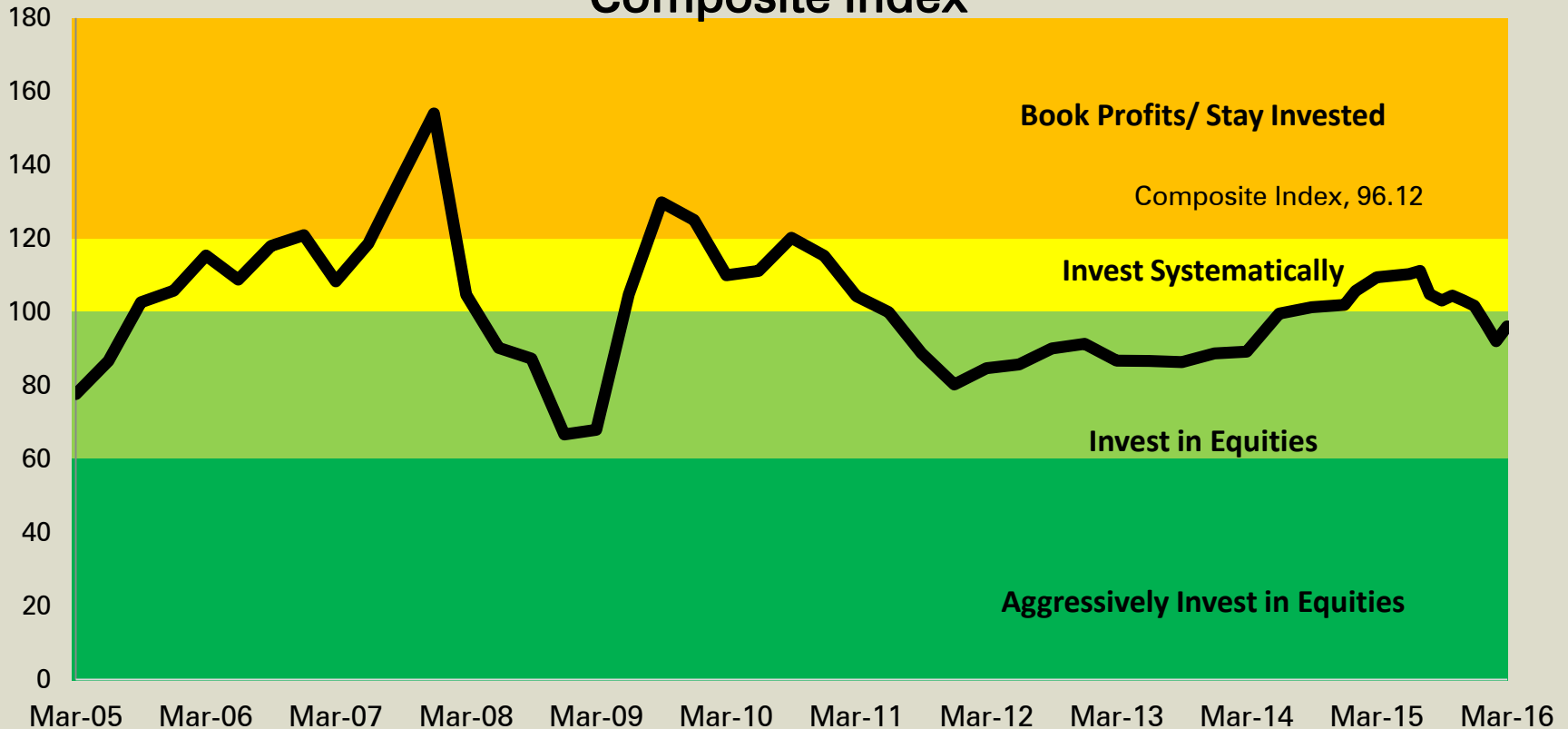
Investors have made money by investing in such time

Years when FII selling was high	S&P BSE SENSEX Returns %	S&P BSE SENSEX Returns% in the next 1 year
1998	-17	60.9
2002	3	72.9
2008	-52	81.0
2011	-24	25.7
2015	-5	?

Equity Valuation Index



Composite Index



Our equity valuation index indicates an opportunity, invest lump-sum in equities.

Equity Valuation index is calculated by assigning equal weights to Price-to-Earnings (PE), Price-to-Book (PB), G-Sec*PE and Market Cap to GDP ratio. G-Sec – Government Securities. GDP – Gross Domestic Product

India moving from Vicious to Virtuous Economic Cycle



Past

Higher Inflation

Higher Interest Rates

Depressed Demand

Lower Capacity Utilization

No Incremental Investment

Supply Constraints

Present

Lower Inflation

Falling Interest Rates

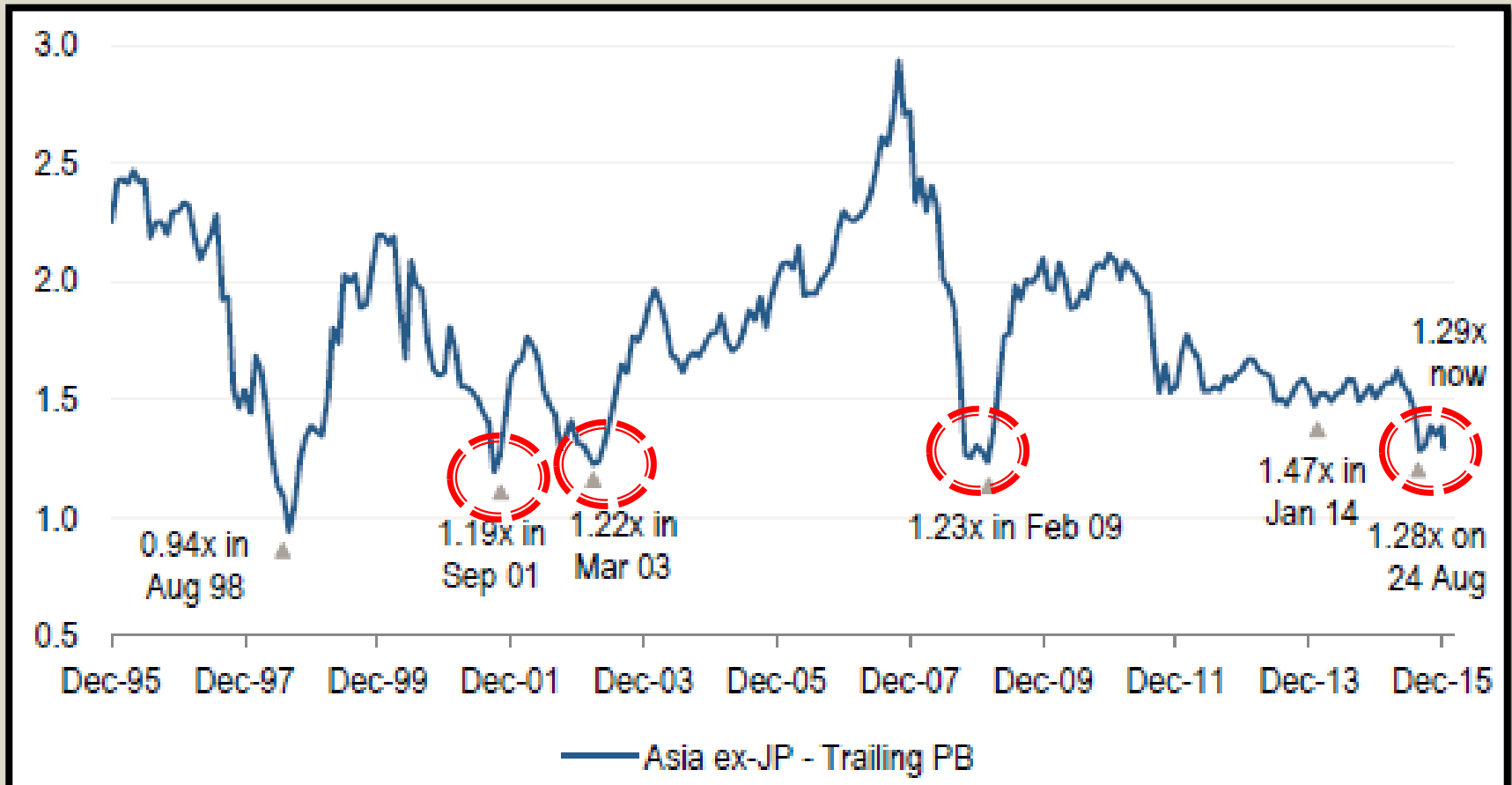
Pick up in Demand

Better Capacity Utilization

Higher Investment

Better Supply Response

Emerging Markets Trading at Attractive Valuations



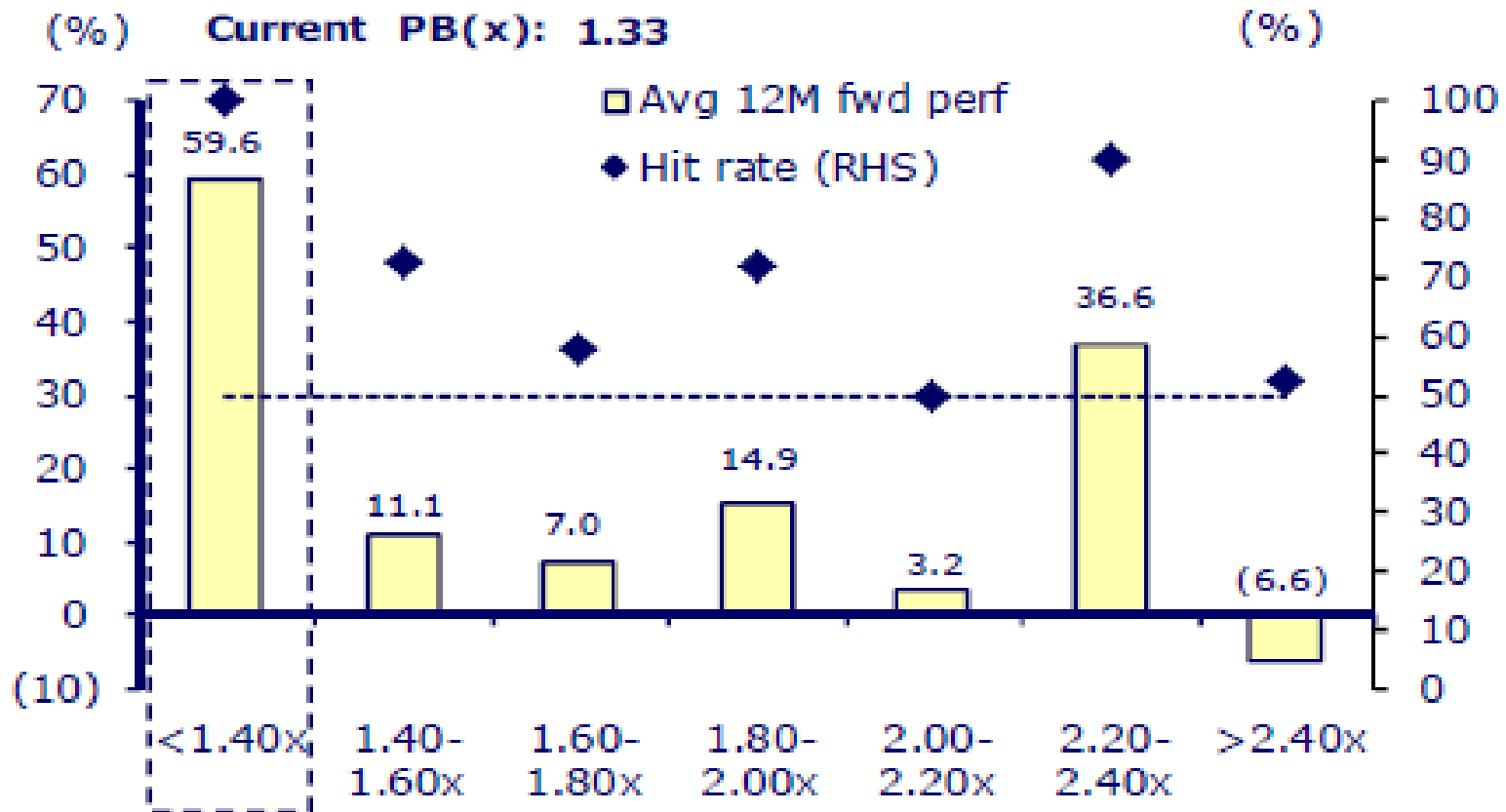
- Emerging markets are trading at valuations very near to what was witnessed during the last three lows in the last 15 years.

Source: MSCI PB:Price to Book; JP - Japan

Emerging Markets have higher upside



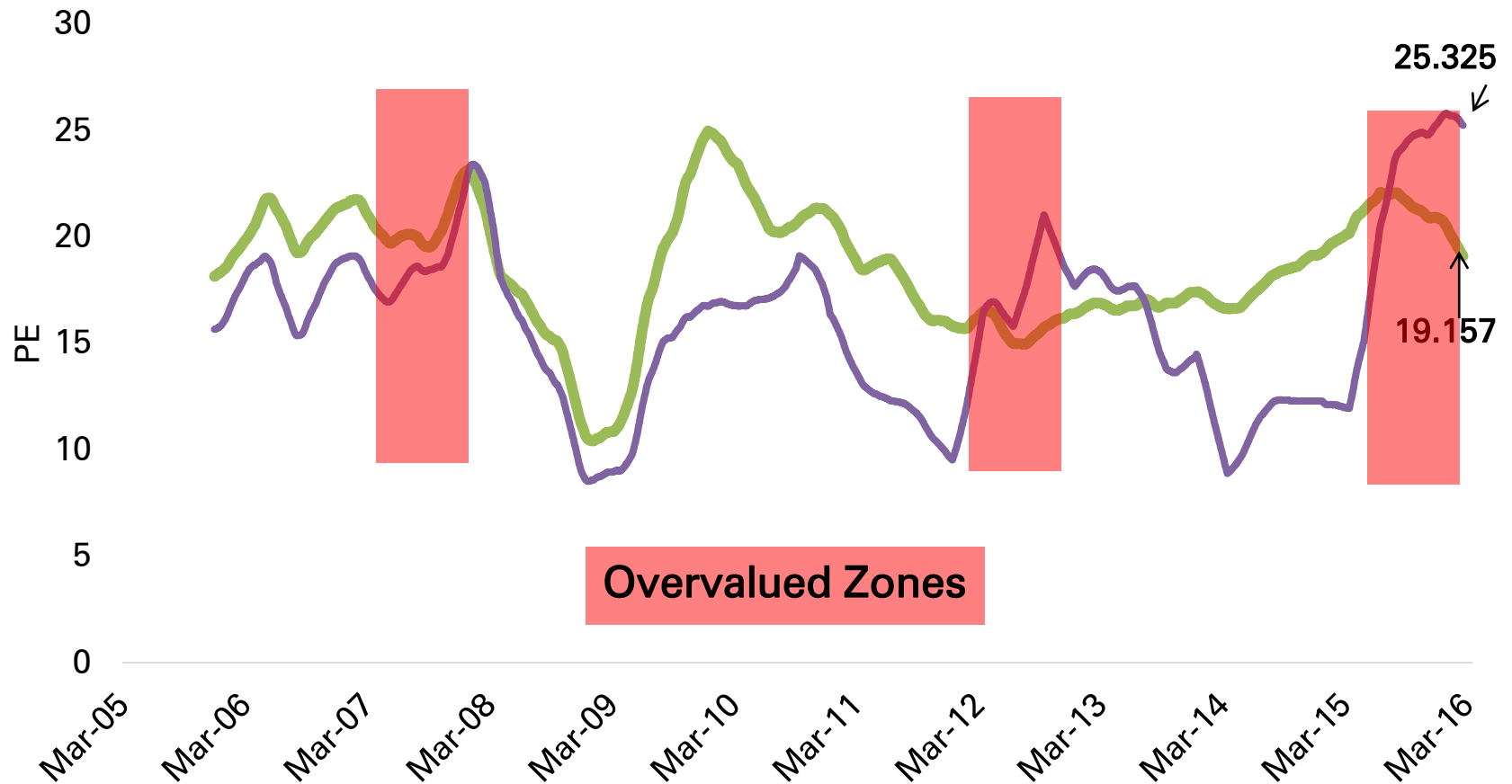
MSCI EM: Next 12M upside based on current trl PB



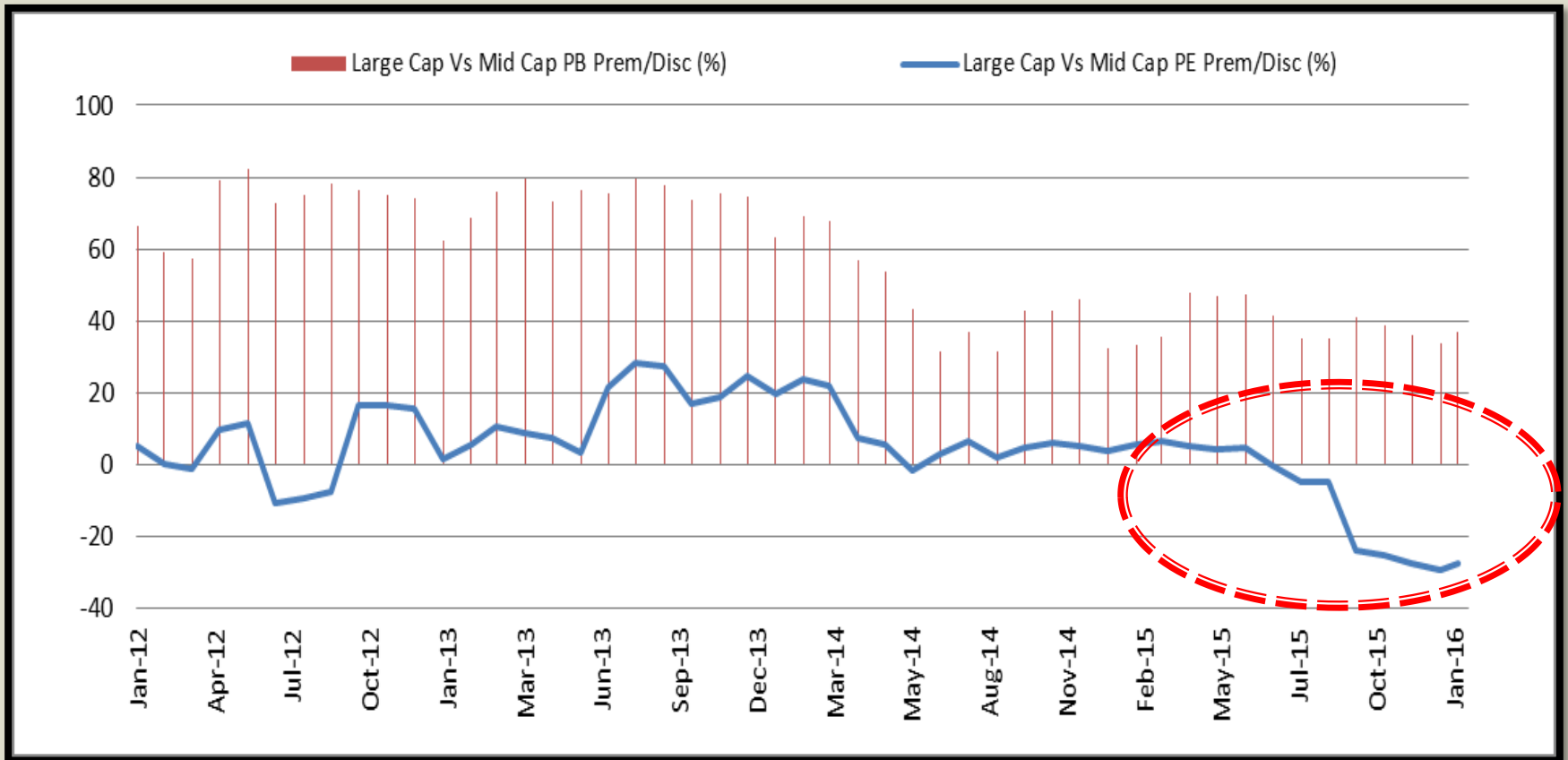
Large caps are available at discount to Mid caps



Sensex & BSE Midcap PE – 90 Days Moving Average



Large Caps trading at a discount to Mid Caps



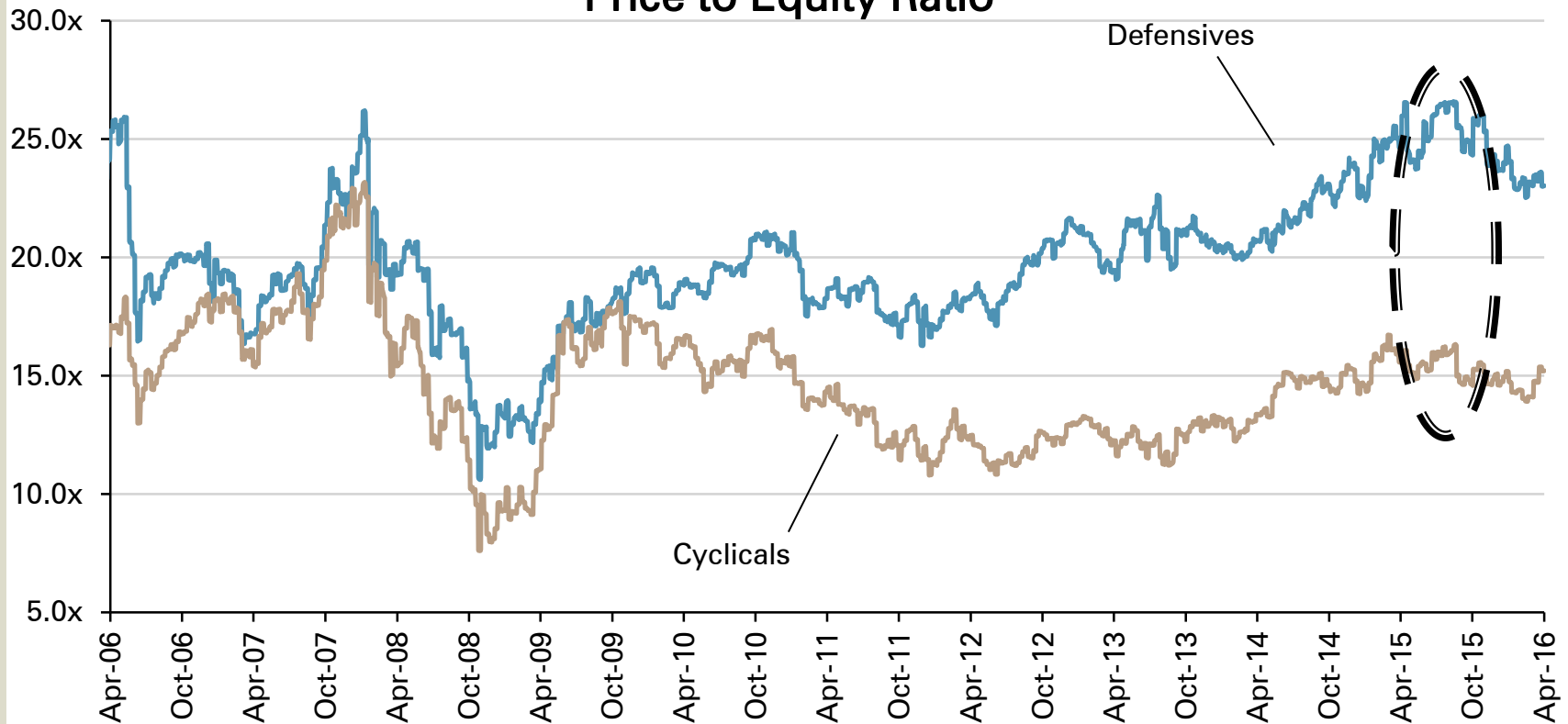
- Large Caps are trading at a discount of 28% to Mid Caps currently from a premium of 7% seen in Feb-15

Source: Motilal Oswal Securities Research

Domestic Cyclical Stocks Are At A Discount To Defensive Stocks



Defensive vs. Cyclical Stocks Price to Equity Ratio



Domestic cyclical stocks could gain in tandem with economic revival

Source: UBS Securities; Cyclical: Consumer Discretionary, Energy, Financials, Industrials, IT, Material
Defensive: Consumer Staples, Healthcare, Telecom & Utilities

Current theme: Domestic Economic Recovery



Factors that could boost cyclical stocks



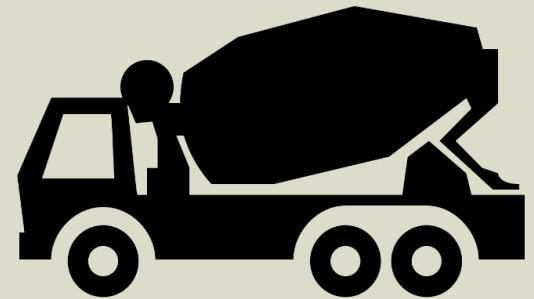
Sectors that could benefit from Domestic Cyclical Economic Recovery



Construction
Projects



Banks



Cement

These sectors could benefit from cyclical growth in the economy and are available at reasonable valuations

Banks



Can benefit from **Falling Interest Rates**

Can gain from expected **Cyclical Economic Growth**

Could benefit from increased **Government Expenditure on Rural and Infrastructure Development**

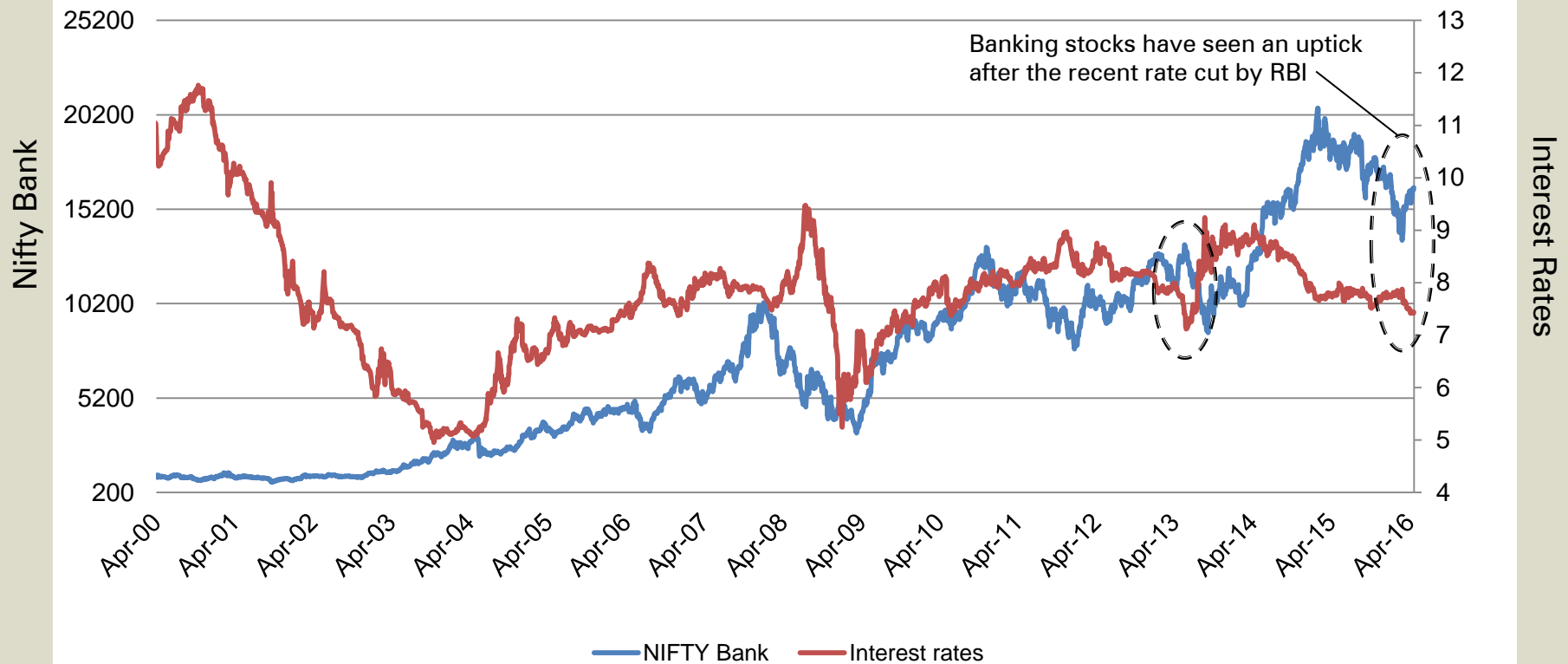
At Attractive Valuations

Banking sector can benefit from Lower Interest Rates

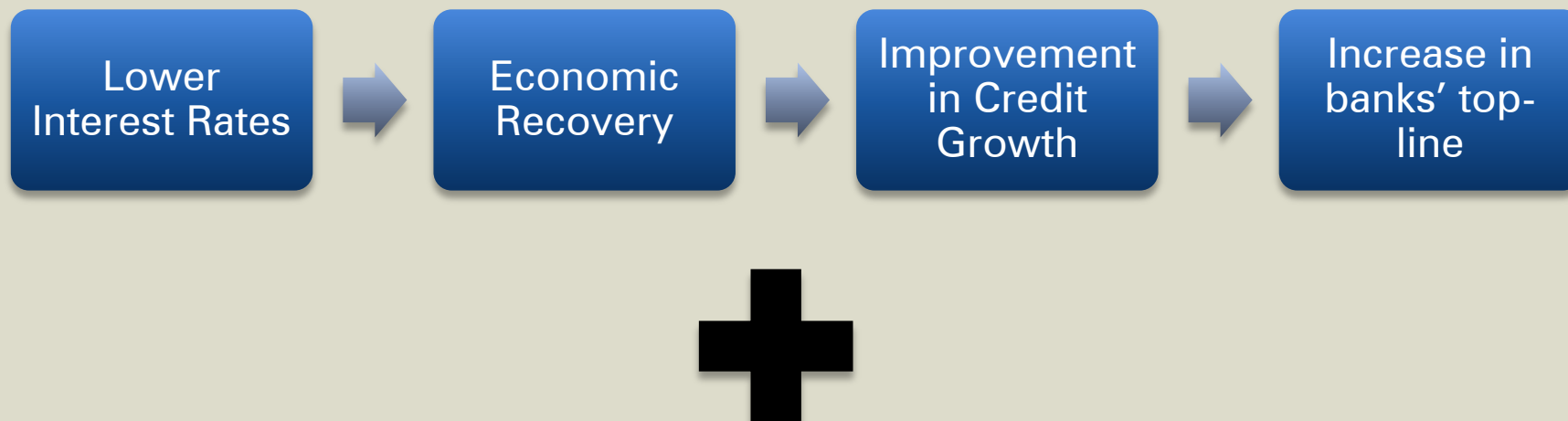


In the past, bank stocks have benefitted whenever interest rates fell

Bank Stocks & Interest Rate movements



Banking Sector – Opportunities with Falling Interest Rates



We believe banks' asset quality is expected to improve due to:

- Efforts taken to revive power and metal sectors that contribute to a major portion of non-performing assets
- The Reserve Bank of India's efforts to improve the asset quality of the overall banking sector

Cement

Demand Seen Improving due to government focus on infrastructure and rural development

Improvement in demand coupled with lower capacity expansion could improve utilisation

Subdued raw material prices and stable cement prices could improve margins

Reasonable Valuations



Cement
Companies

Cement: Demand Seen Improving



Rise in Road Construction Could Boost Demand For Cement Sector
Government targets to double the pace of road construction to
30 km/day in the medium term

	Highway Projects Awarded (Km)	Length Completed	Km/Day
FY12	9,900	5,000	14
FY13	2,000	5,948	16
FY14	3,621	4,280	12
FY15	7,980	4,410	12
FY16 Target	10,000	6,325	17

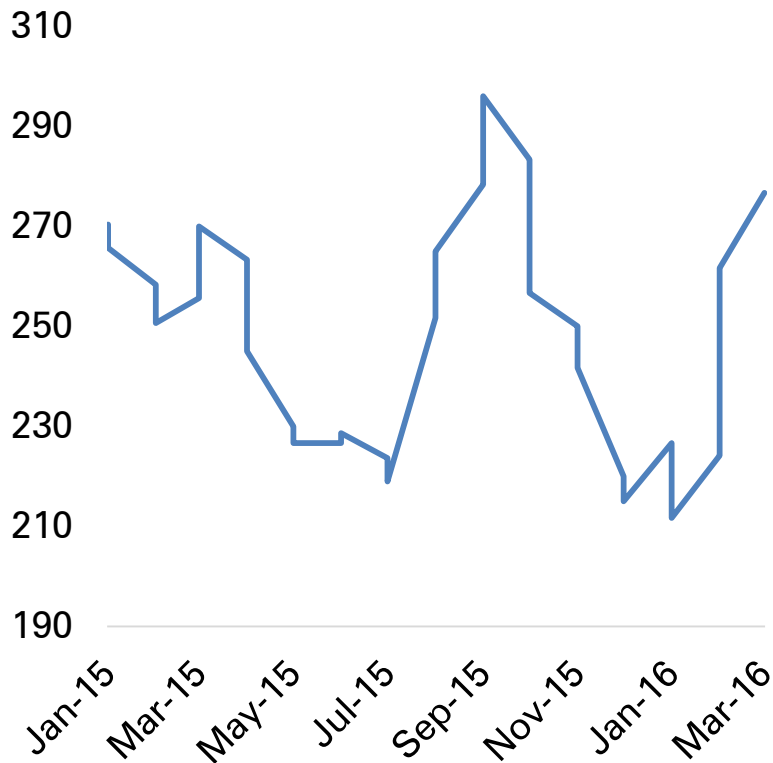


Increase in expansion of railway corridors could also benefit the sector

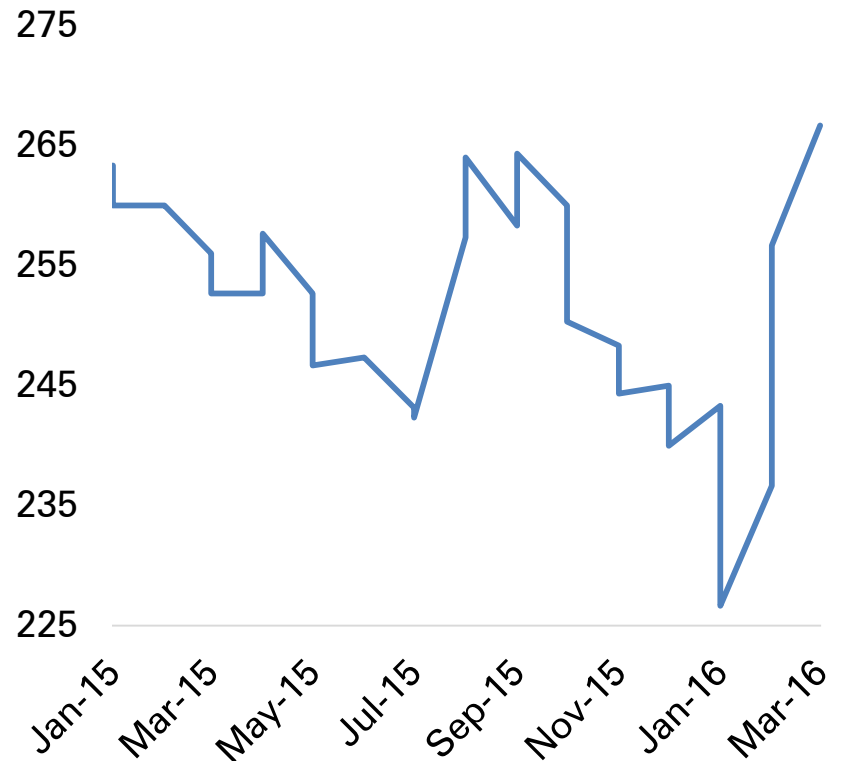
Cement Prices Inching Up



Cement Prices in North India

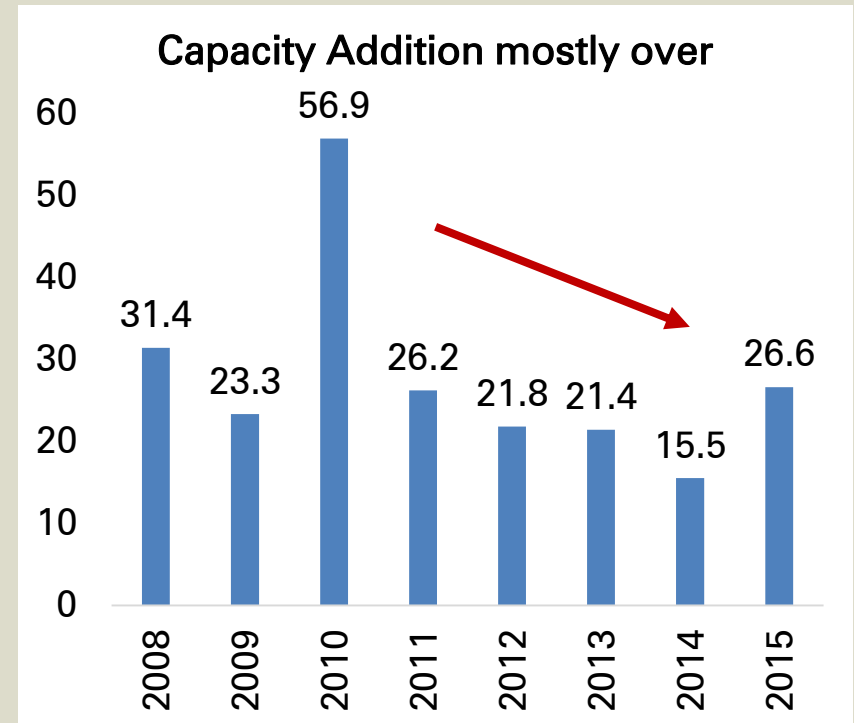
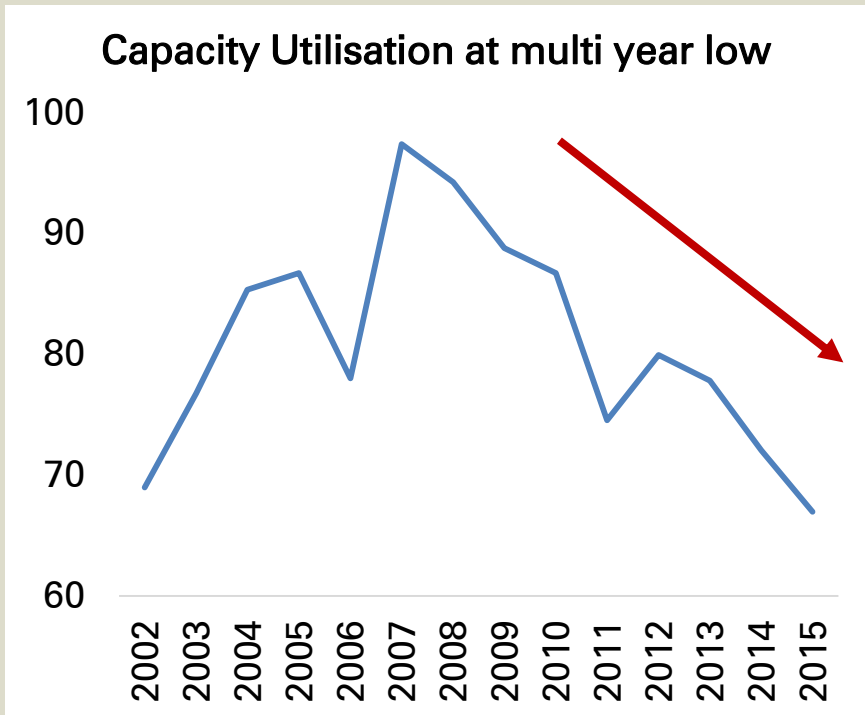


Central India



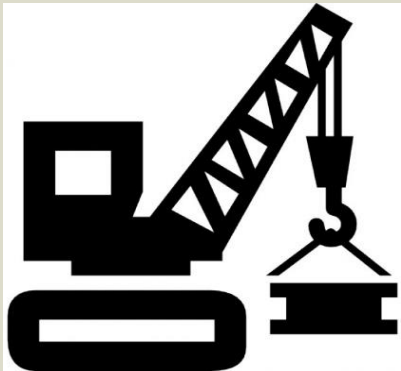
Rise in Cement Prices indicates increase in infrastructure development activity.

Capacity Addition On The Wane

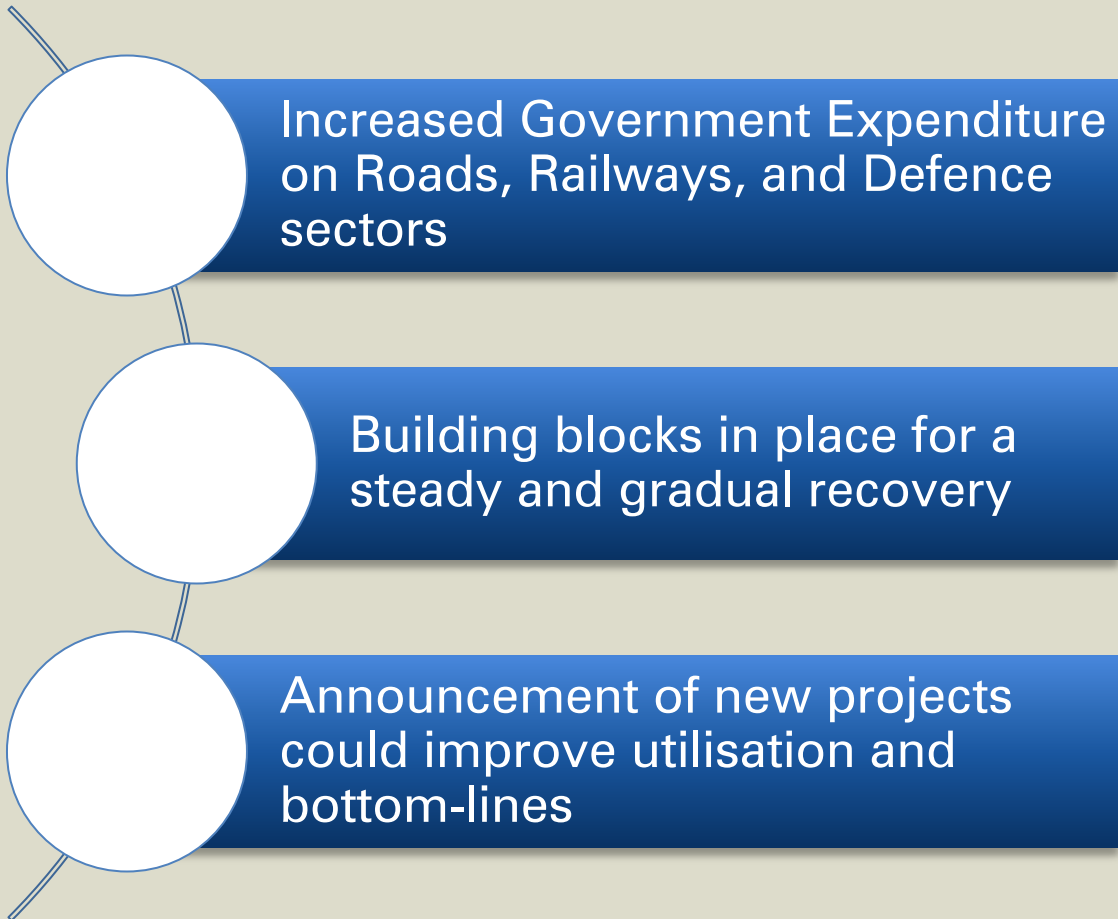


Demand and Production could increase without the need for further capacity expansion as currently, capacity utilisation is less than 70%

Construction



Construction



Use of Derivatives to limit market downside

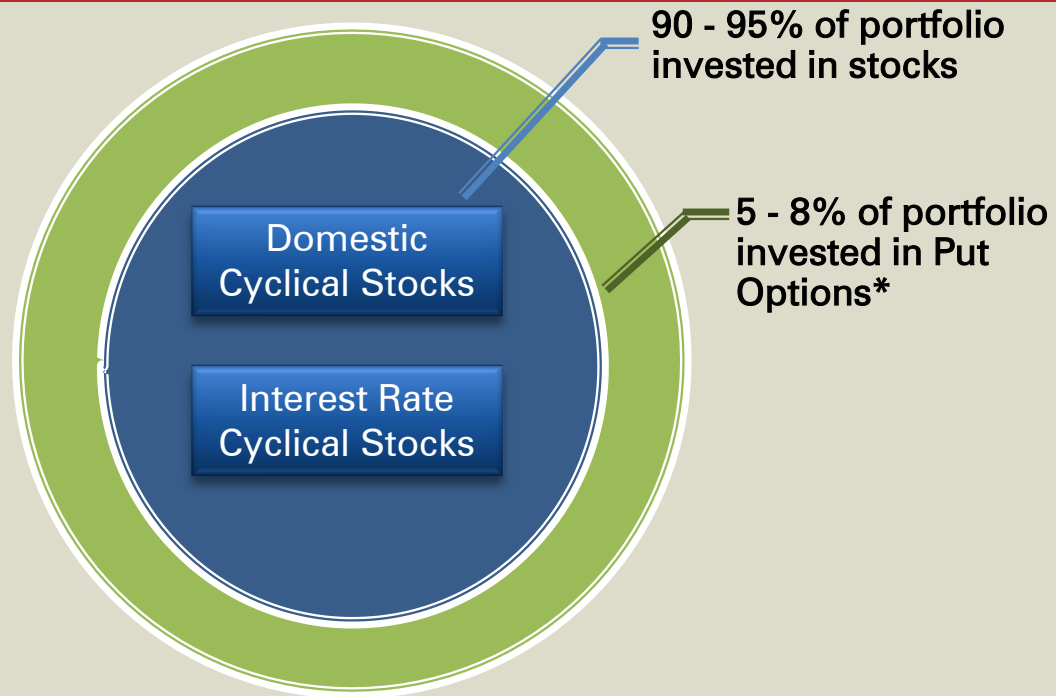


Illustration on Market Returns & Portfolio Returns under different market conditions*: Returns in CAGR terms.

Equity Market Returns	-16%	-8%	10%	14%
Portfolio Returns	-2.63%	-2.63%	7.85%	12.01%

Limits downside during market fall

Captures reasonable gains during market upside

*The figures in the above table are for illustrative purpose and to explain the concept of investment in derivatives in stock markets only. The above illustration is based on 92% of the portfolio invested in stocks and 8% of the portfolio invested in put options. The negative portfolio returns in the illustration are due to premium paid to buy put options.

Investment Strategy



Investment Style				
Value	Blend	Growth		
			Large	Size
			Mid	
			Small	

20 High Conviction Large Cap Stocks#

Portfolio will be designed to limit downside risk, while still capturing significant part of the equity upside

Sector Agnostic* Approach

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. The fund may invest upto 20% into Midcap stocks depending on the discretion of the Fund Managers.*Neutral towards selection of sectors.

Scheme Features



Type of scheme	A Close ended equity scheme(1099 Days)
Investment Objective	<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>
Options	<p>ICICI Prudential India Recovery Fund - Series 5 – Growth Option & Dividend Option</p> <p>ICICI Prudential India Recovery Fund - Series 5 - Direct Plan – Growth Option & Dividend Option</p>
Minimum Application Amt.	Rs.5,000 (plus in multiples of Rs.10 thereafter)
Entry & Exit Load	Not Applicable
Benchmark Index	S&P BSE 500 Index
Fund Managers*	George Joseph & Atul Patel

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

ICICI Prudential India Recovery Fund Series - 5



3 years (1099 days) close ended equity fund

20 High Conviction Large Cap Stocks#

Aim to capture profits by selling equities or using derivatives

Declaring regular 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. The fund may invest upto 20% into Midcap stocks depending on the discretion of the Fund Managers.

Statutory Details & Risk Factors



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

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Investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of ICICI Prudential Mutual Fund.