

ICICI Prudential Value Fund – Series 16

NFO Period: 24th July 2017 to 7th August 2017

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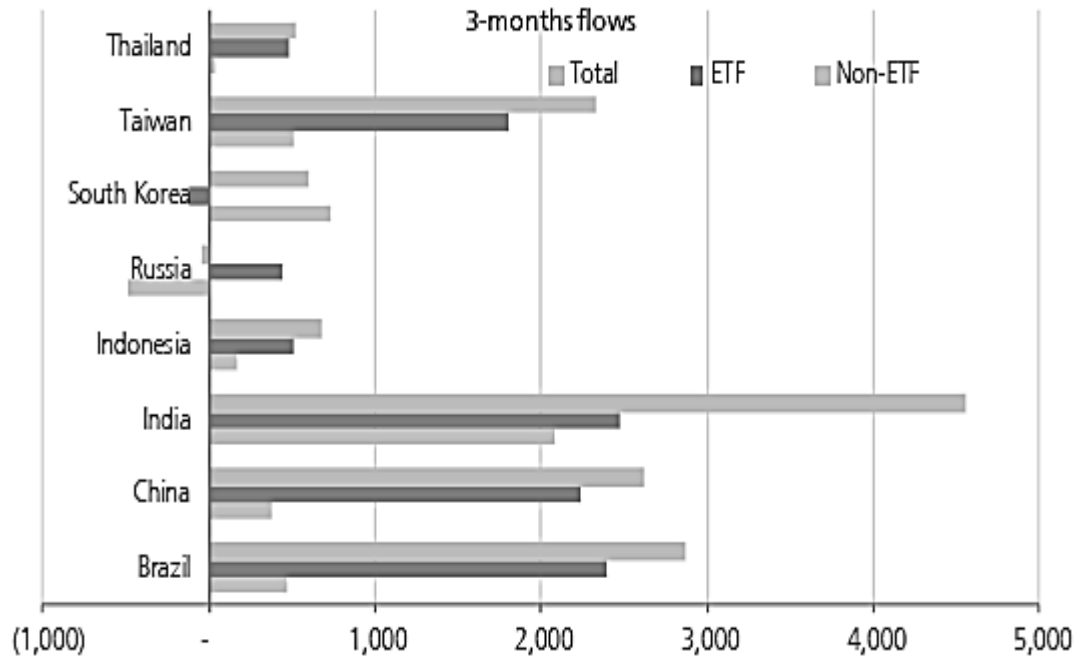
Our Outlook for Indian Equity Market



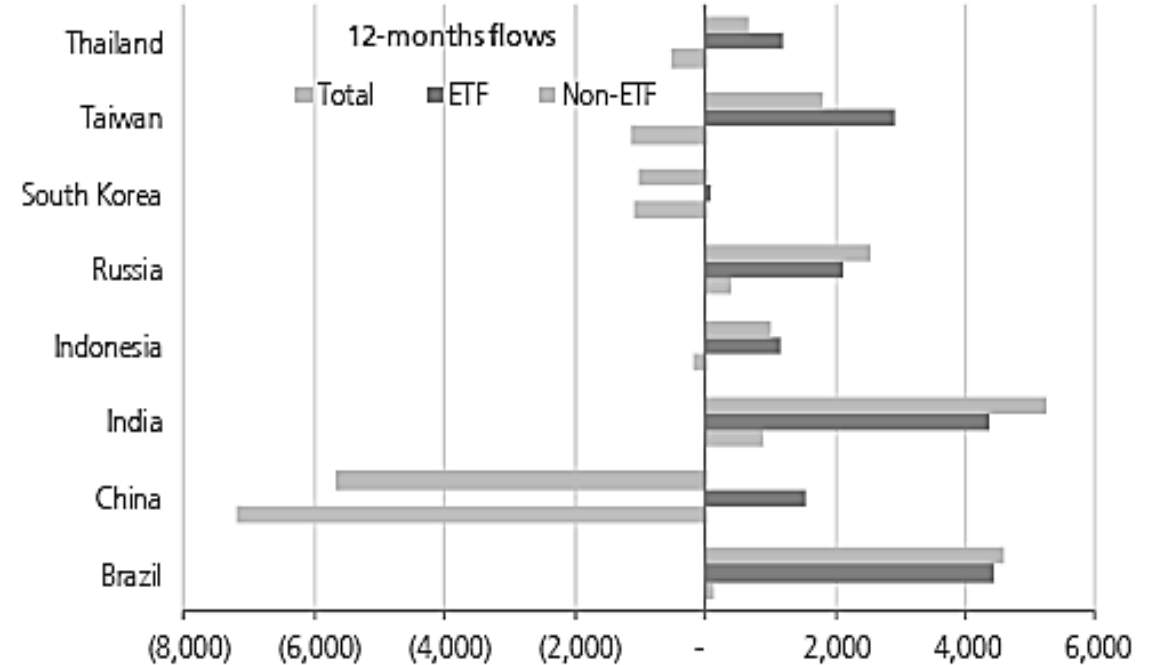
- ❑ From a global context, India stands out for three reasons – stable macros, prudent fiscal and monetary policies, and gradual but steady pace of reforms.
- ❑ With the implementation of Goods and Services Tax (GST), there is huge expectation of the tax base increasing and a larger part of the economy coming under taxation.
- ❑ We recommend that investors can continue to maintain over-weight exposure in equities. Reasonable growth is expected from equity markets over the next two-to-three years.

Emerging Markets Flows – India among favourite destination

3 Months Flow (in US\$ mn)

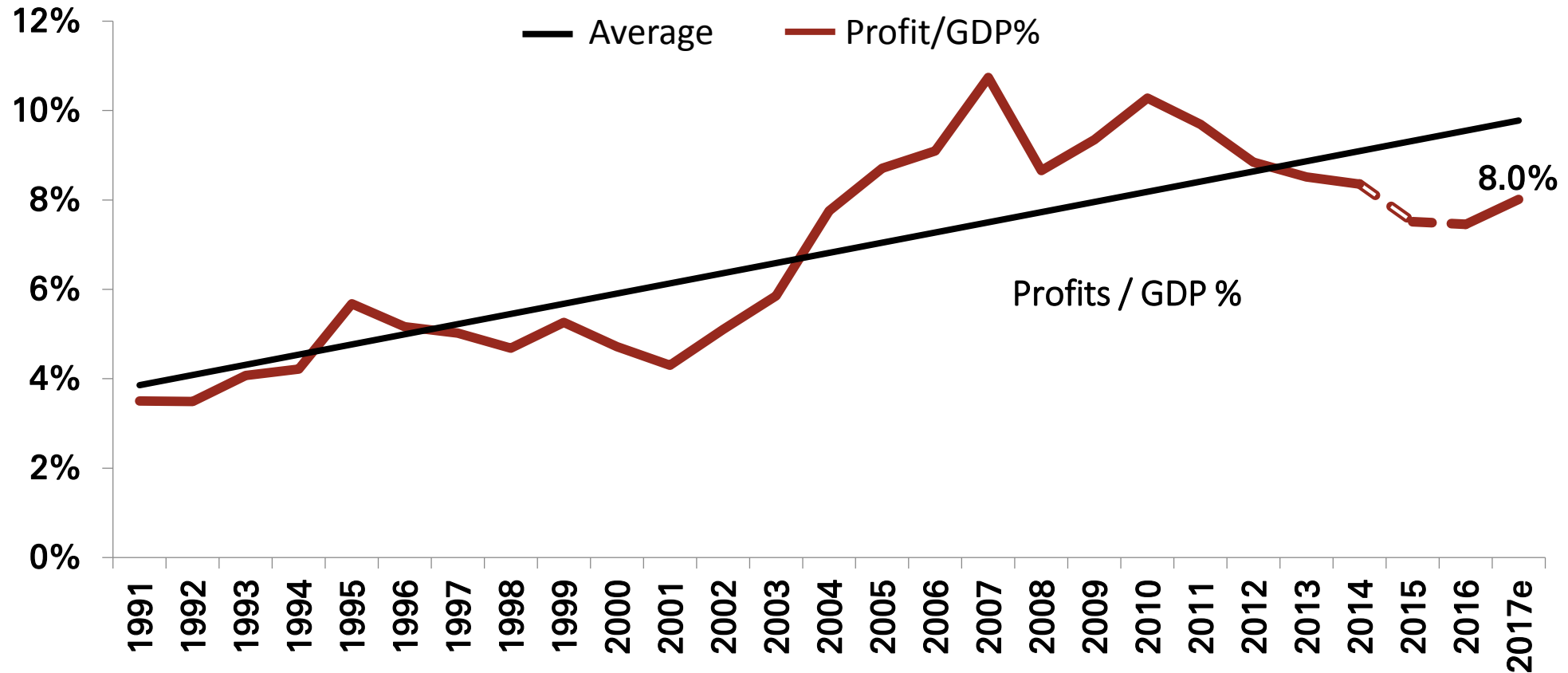


12 Months Flows (in US\$ mn)



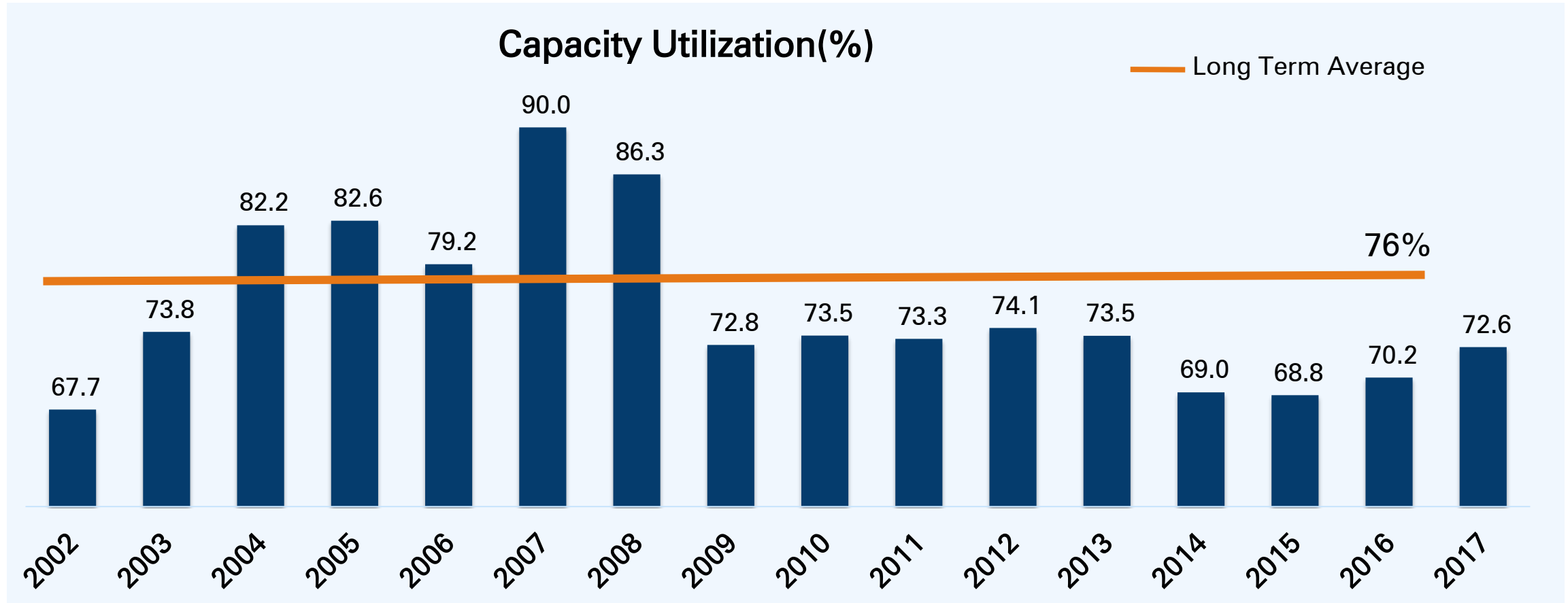
India has seen robust FII inflows so far this year. Better relative macro indicators are the reason of attracting higher % share.

India Story - Corporate Profitability Likely to Pick Up



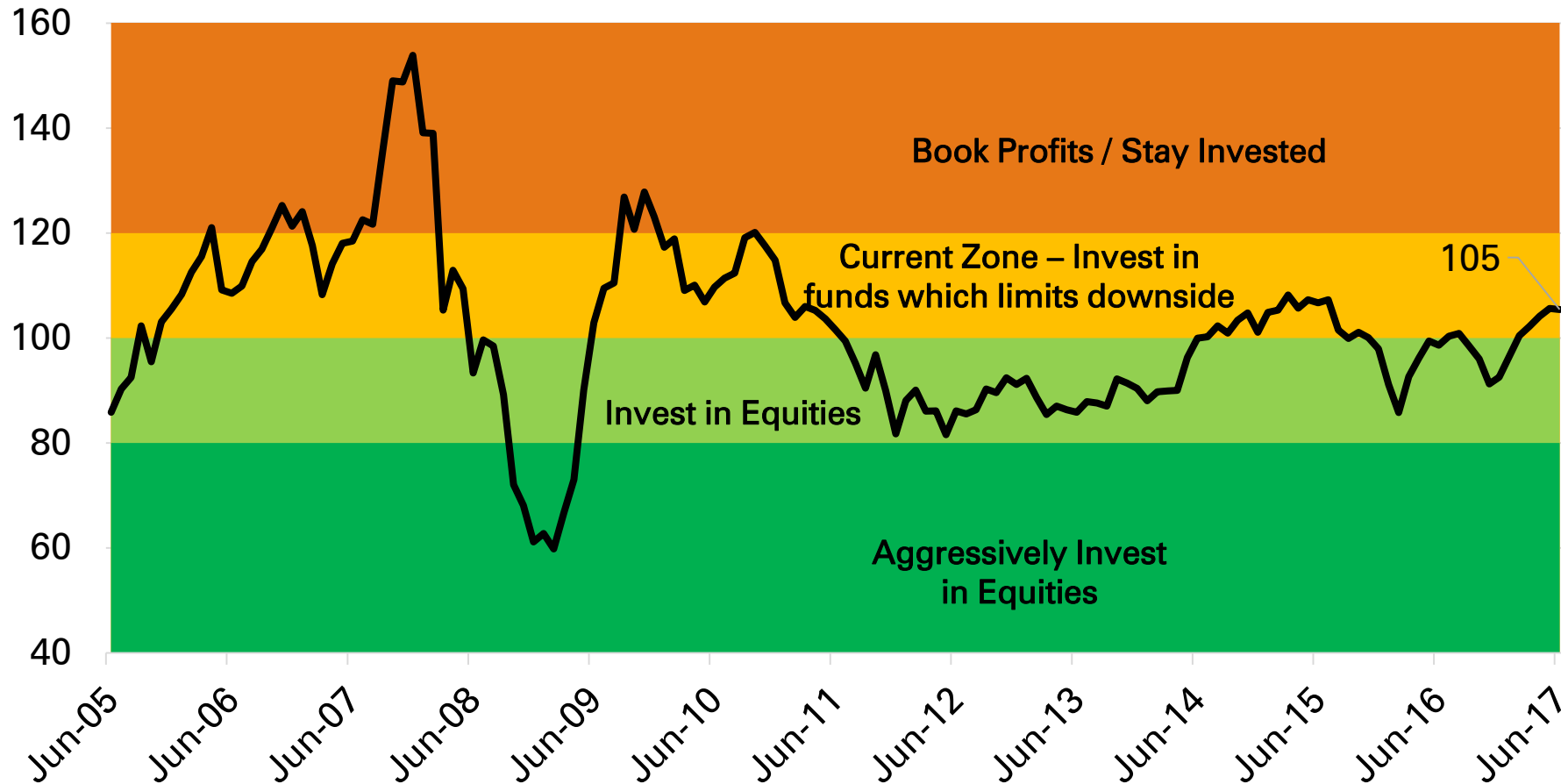
Due to low capacity utilisation, the Corporate profitability has been muted.

India Story - Capacity Utilization below Long Term Average



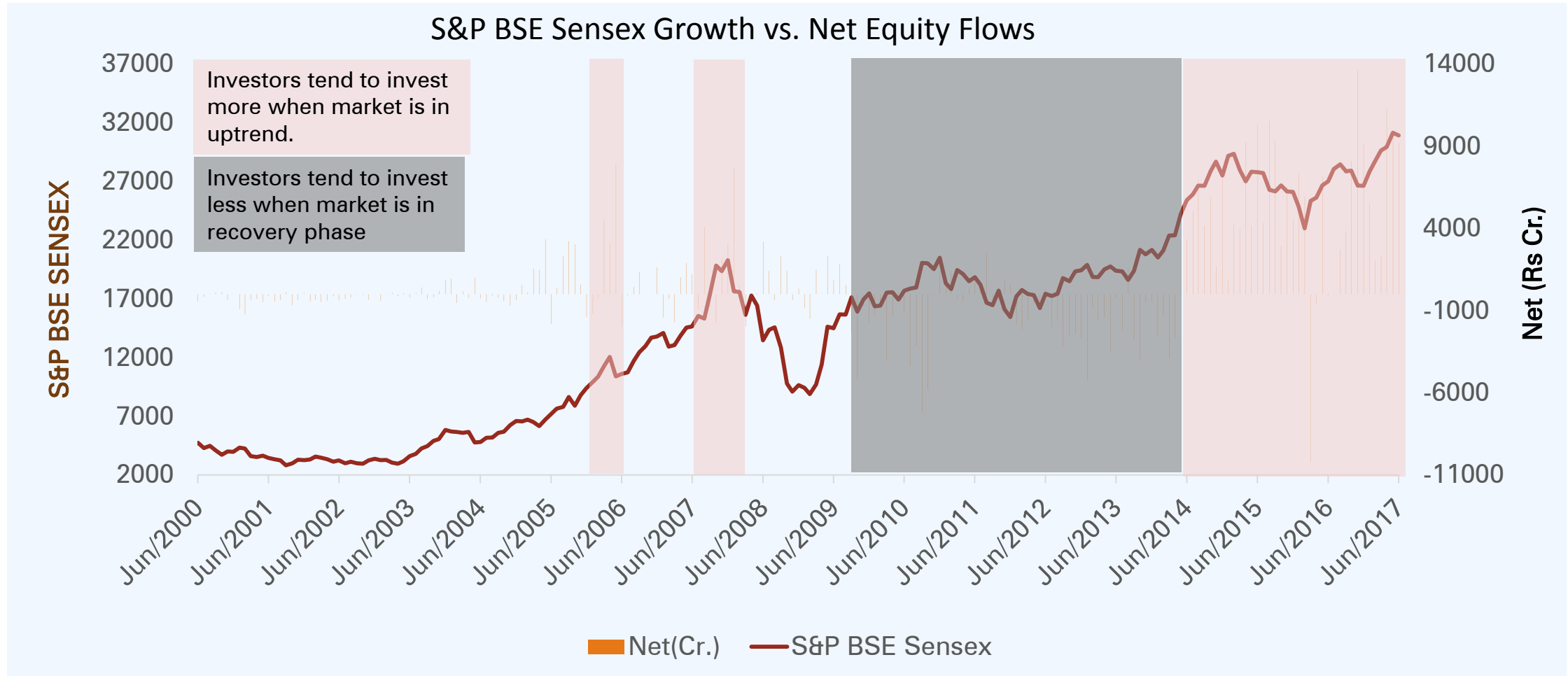
The capacity utilisation is below the long term average of 76%. As demand increases, the corporates may be able to manufacture more without spending additionally to build capacity. This may result in higher operating leverage.

Equity Valuation Index – We are in the Mid Cycle



As Global uncertainties cannot be ruled out, near term volatility can be expected. Hence, investor could consider investing in funds which limit downside due to volatility.

Investor Behaviour at Mid Cycle of the Market



Presenting - ICICI Prudential Value Fund – Series 16

ICICI Prudential Value Fund - Series 16

- ❑ invests in equities with an aim to limit the downside.
- ❑ follows Multicap approach
- ❑ uses hedging strategy to limit the downside

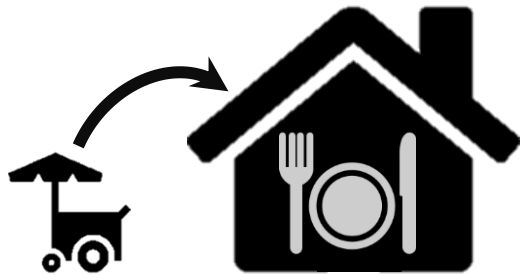


Why ICICI Prudential Value Fund - Series 16?



- ❑ As we are in the midst of economic uptrend and investors could participate in the equity market with a conservative approach
- ❑ The fund aims to limit downside by using hedging strategy and counter cyclical investment approach
- ❑ Earnings cycle is yet to improve and most micro indicators have just started picking-up
- ❑ Stock specific value investing opportunities are available
- ❑ Value/Contra investing approach could be a prudent way forward

ICICI Prudential Value Fund – Series 16 – Key Themes



Businesses Shifting From
Unorganised to Organised
Segment of the Economy



Information
Technology



Pharmaceutical

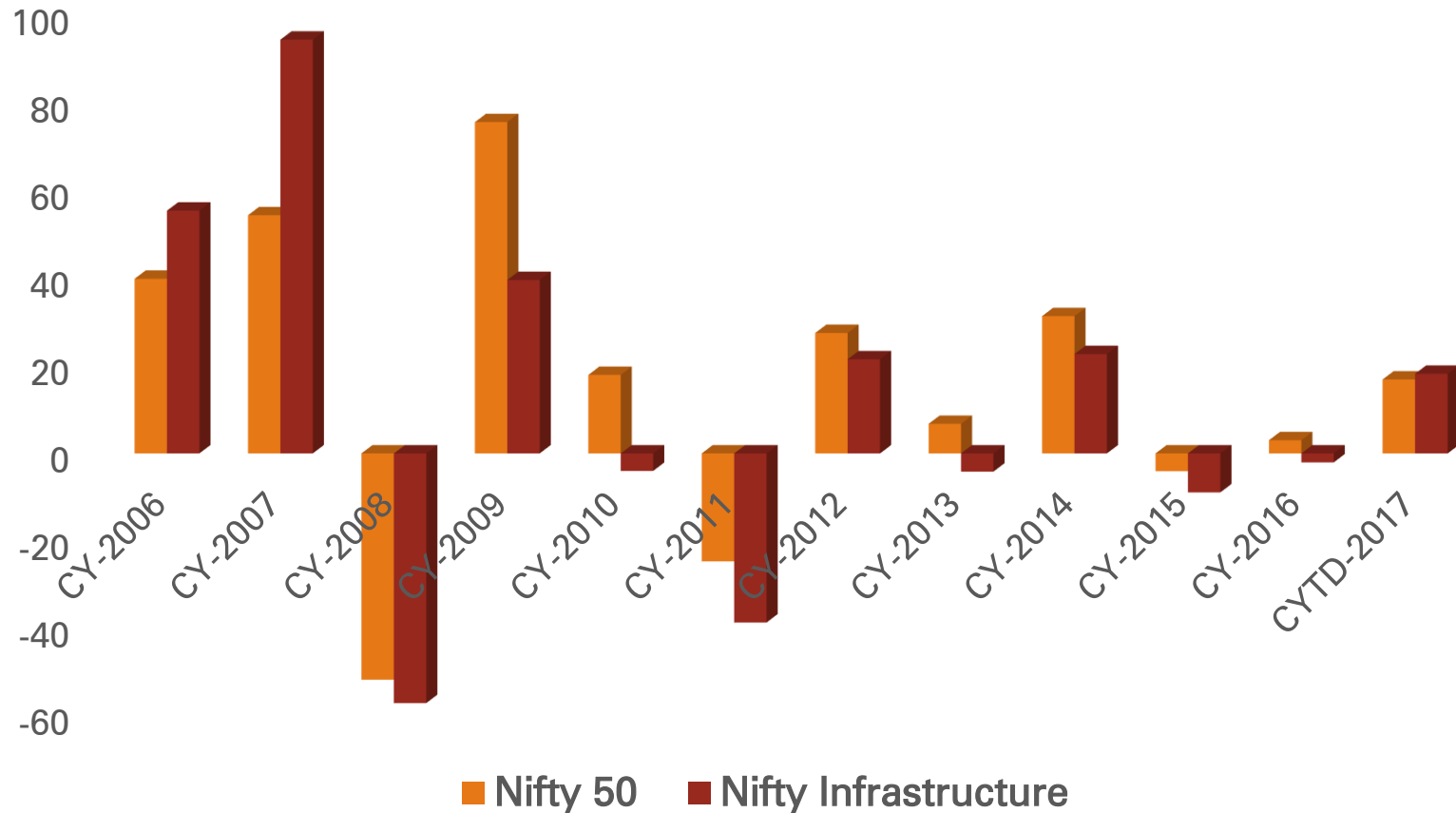


Banking



Infrastructure

Infrastructure Sector Valuations Still Reasonable (Calendar Year Return %)



Sector has underperformed the broader market in the last 10 years

| Index | 10 Years Absolute % |
|----------------------|---------------------|
| Nifty 50 | 129.61 |
| Nifty Infrastructure | -9.89 |

Why Invest In Infrastructure Sector?

POWER: Government's focus on lowering debts of power distribution companies and infrastructure expansion in rural and urban areas.

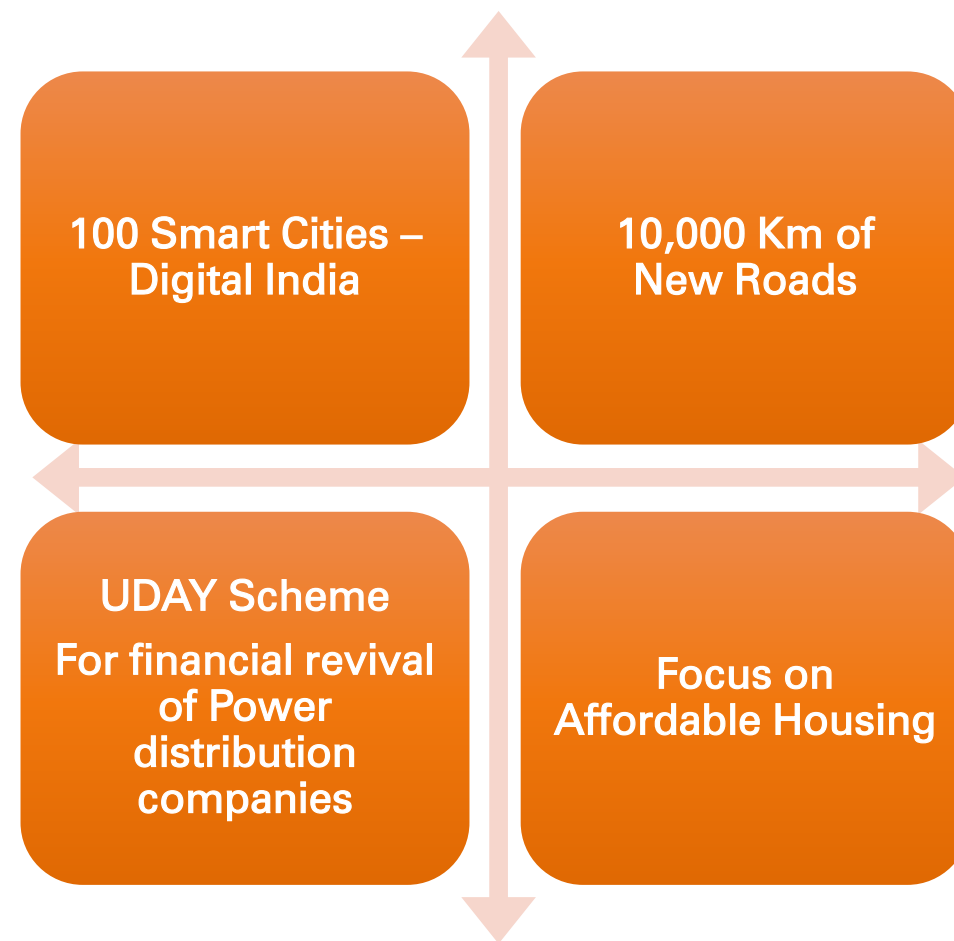
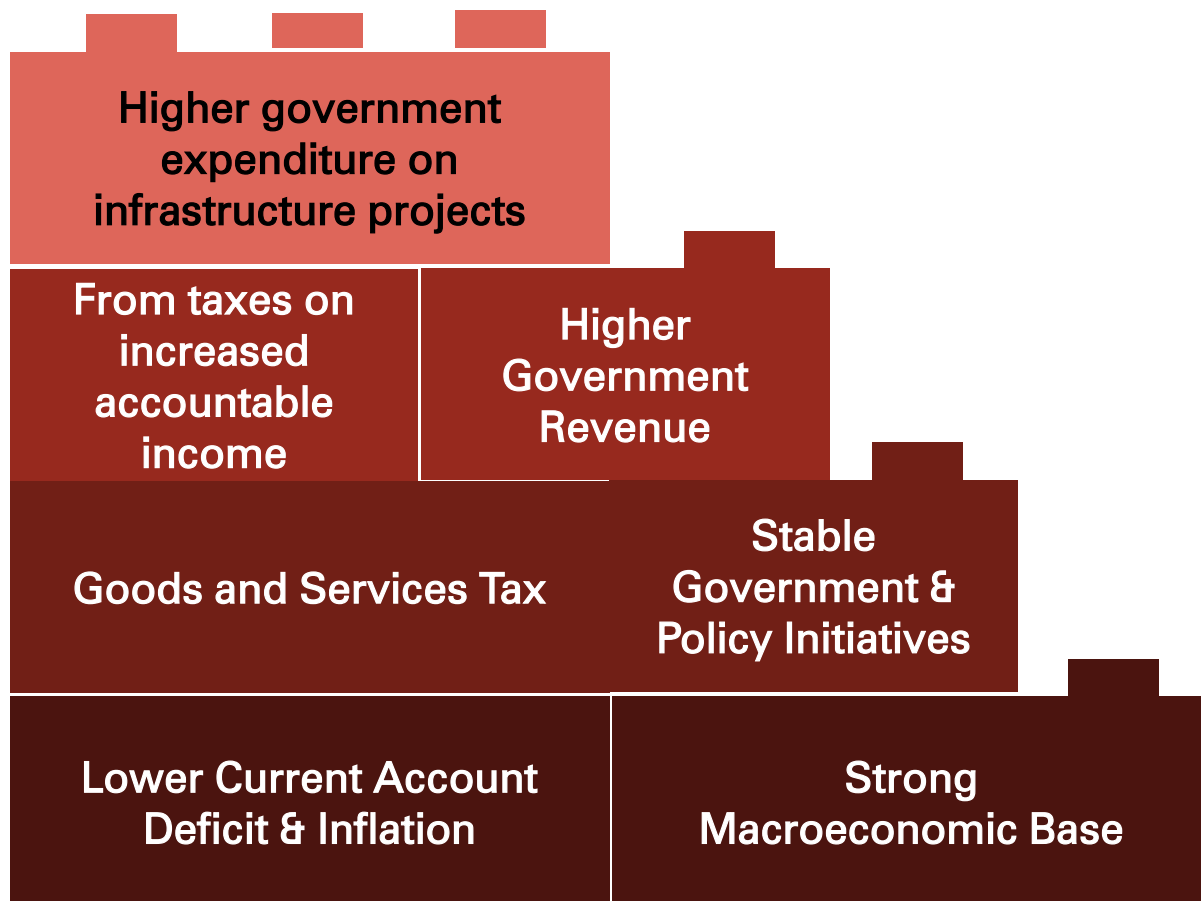
MINERALS / MINING: Could grow in tandem with expected increase in demand for power, operational efficiency, and relatively cheaper valuations.

TELECOM: India's demographic advantage, rapid growth in data consumption, and government initiatives such as Digital India.

CONSTRUCTION & CONSTRUCTION PROJECTS: Government's focus on infrastructure expansion in rural and urban areas. They could also leverage on excess capacity.

TRANSPORTATION: Could benefit from the implementation of Goods and Services Tax (GST), operational efficiency, and relatively cheaper valuations.

Factors Supporting Infrastructure Growth



Why Corporate Lending Banks

Credit Growth

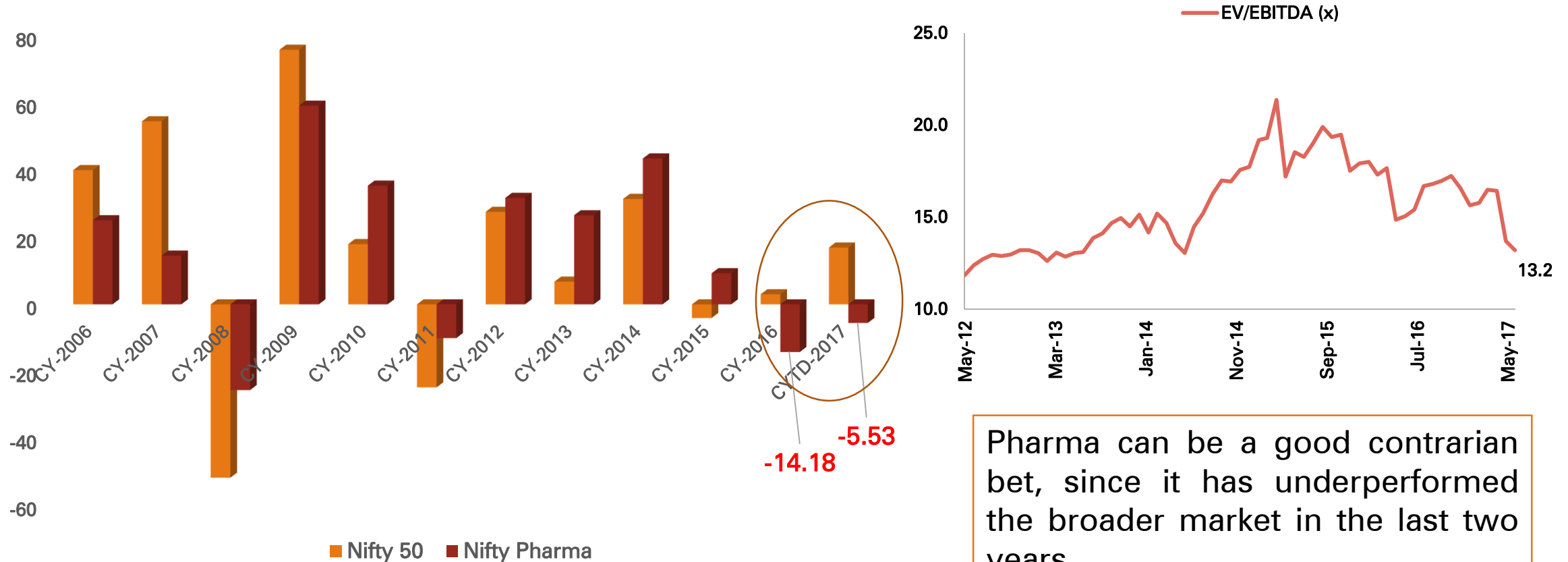


- Credit growth is expected to pick up
- Bottoming of NPA Cycle
- Passage of bankruptcy code, sale of corporate assets

Why Pharma Sector?

- Last one year has seen 3 clear headwinds for the sector
 - Rupee/ dollar appreciation and currency issues in some emerging markets
 - Delay in Resolution of Food and Drug Administrator (FDA) issues of a few companies by a few quarters which has led to lack of approvals
 - Pricing pressure in USA
- What potential do we see in the sector?
 - Domestic market may continue to grow 12-14%
 - Emerging markets can continue to deliver strongly for Indian Companies
 - USA can grow with good pipeline for large Indian companies in USA
 - Increase in R&D to play out
 - FDA issue resolution which will result in approvals and operating leverage play

Pharma Sector Valuations Still Reasonable (Calendar Year Return %)




Pharma can be a good contrarian bet, since it has underperformed the broader market in the last two years

Organised vs. Unorganised

| Strategy of Organised Players | Strategy of Un-Organised Players |
|---|--|
| Large Distribution Network | Scattered Distribution Network and More Regional Bias |
| <ul style="list-style-type: none"> - Superior Quality - Accounting of Taxes - Thus, Optimally Priced | <ul style="list-style-type: none"> - Inferior Quality - Under Reporting of Tax - Thus, Sub-Optimally Priced |
| Branding – Familiarity & Trust | Brand Push – Offer higher margins to distribution channel |
| Economies of Scale | Diseconomies of scale |

GDP Contribution



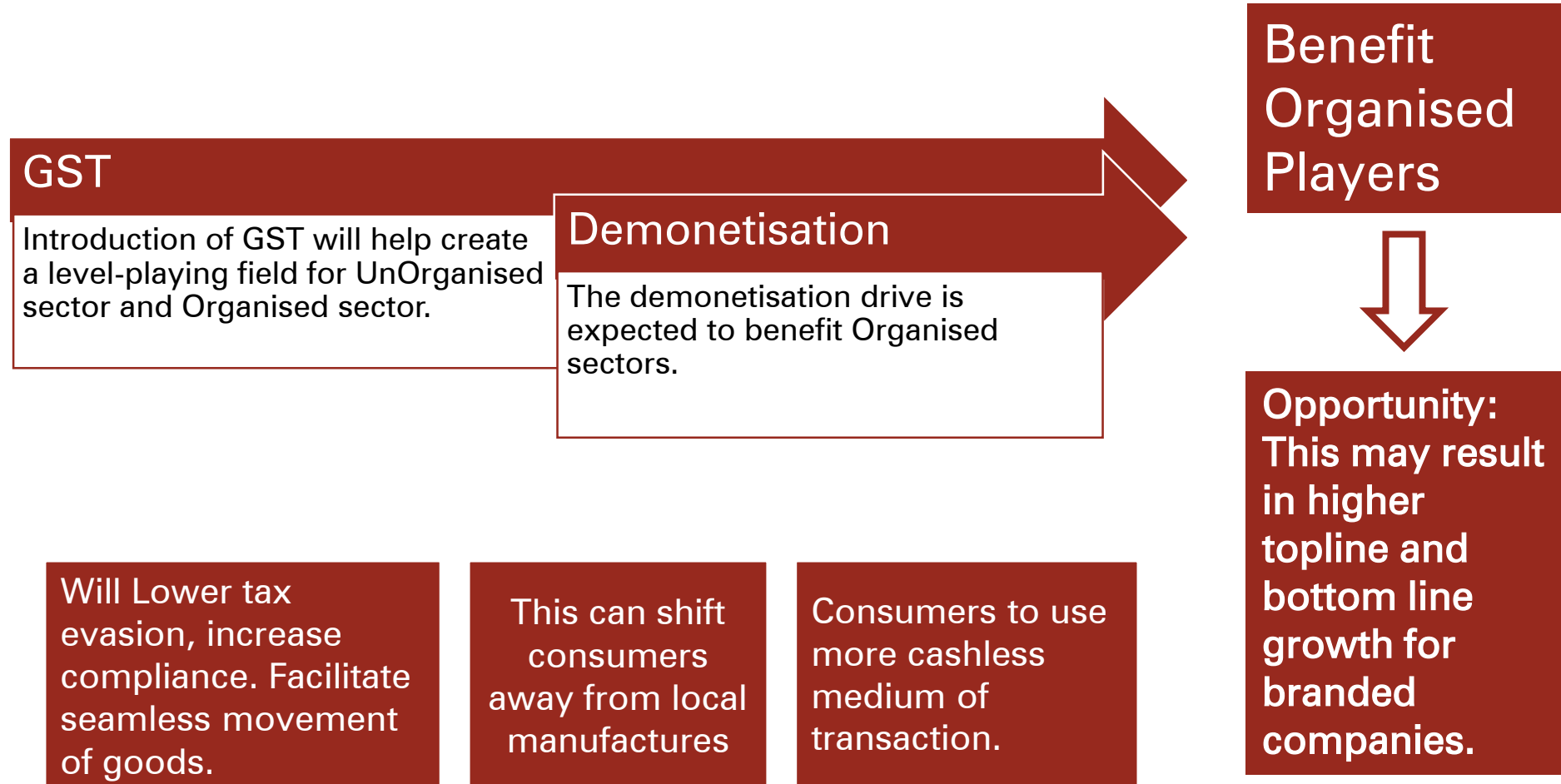
Shift

GDP Contribution

Source: National Commission for Enterprises in the UnOrganised Sector.

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Unorganised to Organised



Source: Edelweiss Securities; GST - Goods & Service Tax

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Opportunity seen as there is a shift towards organised economy

| Sectors with high share of Unorganised Businesses | Share of Unorganised Businesses in Sector |
|---|---|
| ✓ Food Services | 90% |
| ✓ Apparel | 80% |
| ✓ Plywood | 70% |
| ✓ Sanitary ware | 60% |
| ✓ Tiles | 50% |
| ✓ Footwear | 50% |
| ✓ Electric Goods | 40% |
| ✓ Pipes | 40% |
| ✓ Small Appliances | 40% |
| ✓ Paints | 30% |

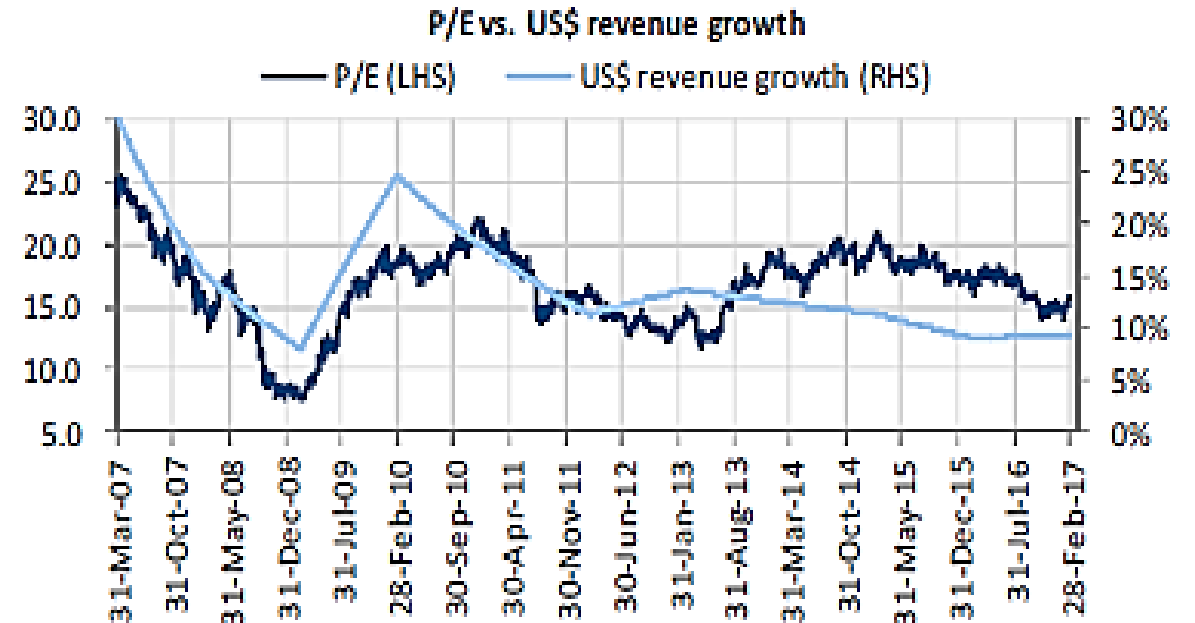
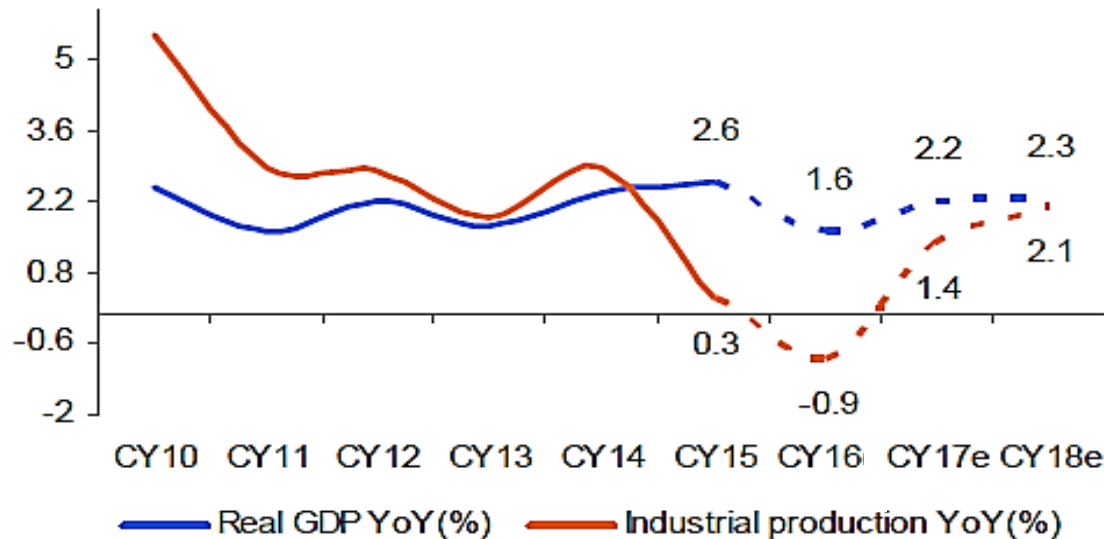
Source: Company data, Credit Suisse estimates

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Information Technology

Maturing from "growth" to "value"

- Despite growth down to sub-10%, Indian IT firms maintain their competitive advantage in enabling adoption of large scale disruption at the best value.
- While FY17 is at most a forgettable year for Indian IT, FY18 does lend optimism riding the improvement in US economy, particularly US financials, consumer confidence index, retail sales, new home sales, employment etc.



US Economy is expected to improve in CY16 and CY17

Indian IT has a high correlation between P/E and US\$ revenue growth

Source: Bloomberg. E:Expected nos. The information contained herein is solely for private circulation for reading/understanding of registered Advisors/ Distributors and should not be circulated to investors/prospective investors. The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The asset allocation and investment strategies shall be as per Scheme Information Document of the Scheme

Hedging Strategy (Only for Illustration)

| Stock price (NIFTY 50) | Strike price | Premium | Premium/Strike Price | Tenure of the product |
|------------------------|--------------|---------|----------------------|-----------------------|
| 9800 | 9800 | 575 | 5.87% | 3 years |

| Particulars | Falling Market | | Flat Market | Rising Market | | |
|---------------------------|----------------------------|----------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 | Scenario 5 | Scenario 6 |
| | Equity return -15% p.a. | Equity return -10% p.a. | Equity return 0% p.a. | Equity return 10% p.a. | Equity return 15% p.a. | Equity return 20% p.a. |
| Equity returns (absolute) | -38.59% | -27.10% | 0.00% | 33.10% | 52.09% | 72.80% |
| Put payoff (absolute) | 38.59% | 27.10% | 0.00% | 0.00% | 0.00% | 0.00% |
| Put cost | -5.87% | -5.87% | -5.87% | -5.87% | -5.87% | -5.87% |
| Total Absolute Return | -5.87% | -5.87% | -5.87% | 27.23% | 46.22% | 66.93% |
| Value of Investment | 94,133 | 94,133 | 94,133 | 1,27,233 | 1,46,220 | 1,66,933 |

| Portfolio allocation | % allocation |
|----------------------|--------------|
| Equity holding | ~94% |
| Options holding | ~6% |

- The above table highlights the value of Rs. 1,00,000 invested in this fund at the time of maturity.
- The put option will be bought at the strike price 9800 by paying premium of around 6%.

The above calculation is for illustration purpose only. Actual result may vary. The asset allocation and investment strategies shall be as per Scheme Information Document of the Scheme. The information herein is solely for private circulation and for reading/understanding of registered Advisors/Distributors and should not be circulated to investors/prospective investors.

Hedging Strategy (Only for Illustration) – Understanding Falling Market

| | Falling Market | | Flat Market | | Rising Market | |
|---------------------------|----------------------------|----------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
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- A put option is an option contract in which the buyer has the right to buy & not the obligation to sell a specific quantity of an underlying security at specified price(Strike price) within a fixed period of time. The strategy in this particular fund will be used to limit the downside when market falls. If the underlying securities falls, the value of put will increase (all else being equal).
- As shown above when market falls by 15% during the tenure of the fund. The total Payoff by put option is around 38.5% thus limiting downside.
- If markets continues to fall the value of put option will increase as the price of the underlying index reduces as compare to its strike price. Thus, the maximum loss that a buyer of a put option can incur is the option premium paid.

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Why Invest in ICICI Prudential Value Fund – Series 16?

Themes - Infrastructure, Corporate Lending Banks, Contrarian sector - Pharma and Technology and Unorganised to Organised shift are likely to play out well with two - three years investment horizon



Helps in bottom-up stock selection with clear three year view



Aims to limit downside

ICICI Prudential Value Fund – Series 16 Features



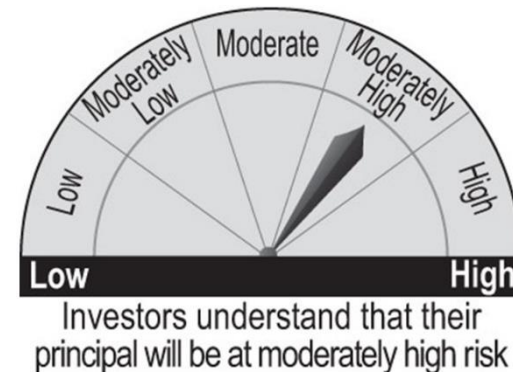
| | | |
|----------------------------|---|---|
| Tenure | : | 1300 days |
| NFO Period | : | July 24, 2017 to August 7, 2017 |
| MICR cheques | : | Till the end of business hours on August 7, 2017 |
| RTGS and transfer cheques | : | Till the end of business hours on August 7, 2017 |
| Switches | : | Switches from equity schemes – August 7, 2017 till cut off time (specified for switch outs in the source scheme) Switches from other schemes – August 7, 2017 till cut off time (specified for switch outs in the source scheme) |
| Option to be launched | : | ICICI Prudential Value Fund - Series 16 - Cumulative & Dividend , ICICI Prudential Value Fund - Series 16 - Direct Plan - Cumulative & Dividend |
| Entry / Exit Load | : | Nil |
| Minimum Application Amount | : | Rs.5,000/- (plus in multiple of Re.10) |
| Liquidity | : | To be listed |
| Benchmark | : | S&P BSE 500 Index |
| Fund Manager | : | S. Naren & Ihab Dalwai* |

Riskometer & Disclaimer

ICICI Prudential Value Fund – Series 16 is suitable for investors who are seeking:*

- ☐ Long term wealth creation
- ☐ A close-ended equity fund that aims to provide capital appreciation by investing in well-diversified portfolio of stocks through fundamental analysis.

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



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

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