

ICICI Prudential Value Fund – Series 17

NFO Period: 29th August 2017 to 12th September 2017

Our Outlook for Indian Equity Market



❑ Equity Market in Mid-Cycle:

Even after the recent run-up, we continue to believe that the equity market is in mid-cycle due to parameters such as credit growth, earnings growth, inflation and capacity utilisation, which appear to be close to cyclical lows.

❑ Pro-Business Reforms:

Several reforms / actions such as Goods and Services Tax (GST), infrastructure thrust from the government and financial inclusion are in place that is likely to support higher growth. The GST reform implemented on July 1, 2017, is expected to improve ease of doing business in India as multiple taxes reduce and further support inter-state business.

❑ Political Stability:

The political stability can give high visibility to policy continuity well beyond 2019. This has brought-up India's position on the global stage as an attractive destination for investment. The same is also reflected with the increasing FII flows to India.

❑ What is Missing?

An earnings upgrade cycle is critical for the current valuations to sustain. Also, volatility may arise due to uncertainty of global events.

We Believe Markets Are in Mid-Cycle

Nifty 50 Index is around 10,000 Points; But Economy Shows No Sign of Over Heating

	Dec 2007	Jul 2017
Trailing P/E Nifty 50	27.62	25.69
Trailing P/B Nifty 50	6.39	3.51
Market Cap to GDP Ratio (Mar 2017)	149	80
Past Returns of Nifty 50 (CAGR)		
Last 1 Year Return	54.8%	16.56%
Last 2 Year Return	47.1%	8.66%
Last 3 Year Return	43.4%	9.27%
Nifty 50 Past Earnings Per Share Growth (CAGR)		
Last 1 Year (YoY)	20.4%	5.47%
Last 2 Years (YoY)	27.9%	5.59%
Last 3 Years (YoY)	21.3%	0.87%

	Dec 2007	Jul 2017
Macro Indicators		
Capacity Utilisation (Mar 2017)	91.7%	72.6%
Credit Growth (Jun 24, 16 to Jun 23, 17)	23.3%	4.4%
RoE Nifty 50	25.5%	13.37%
Net FII Flows (12 M Trailing in Rs. Crore)	80,915	47,302
IIP (twelve months trailing)	15.58%	1.7% (as of May 2017)
GDP Growth	9.6% (Oct-Dec 2007)	6.1% (Jan-Mar 2017)
10-Year Government Bond Yield		
India	7.79%	6.47%
USA	4.02%	2.29%
Japan	1.51%	0.08%
Europe	4.31%	0.55%
China	4.46%	3.65%

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Source: NSE, BSE India, Internal database, Reserve Bank of India, Kotak Securities; P/E: Price to Earnings Ratio; P/B: Price to Book Ratio; CAGR: Compound Annualised Growth Rate; YoY: Year on Year; RoE: Return on Equity; FII: Foreign Institutional Investors; IIP: Index of Industrial Production; GDP: Gross Domestic Product. Past performance may or may not be sustained in future.

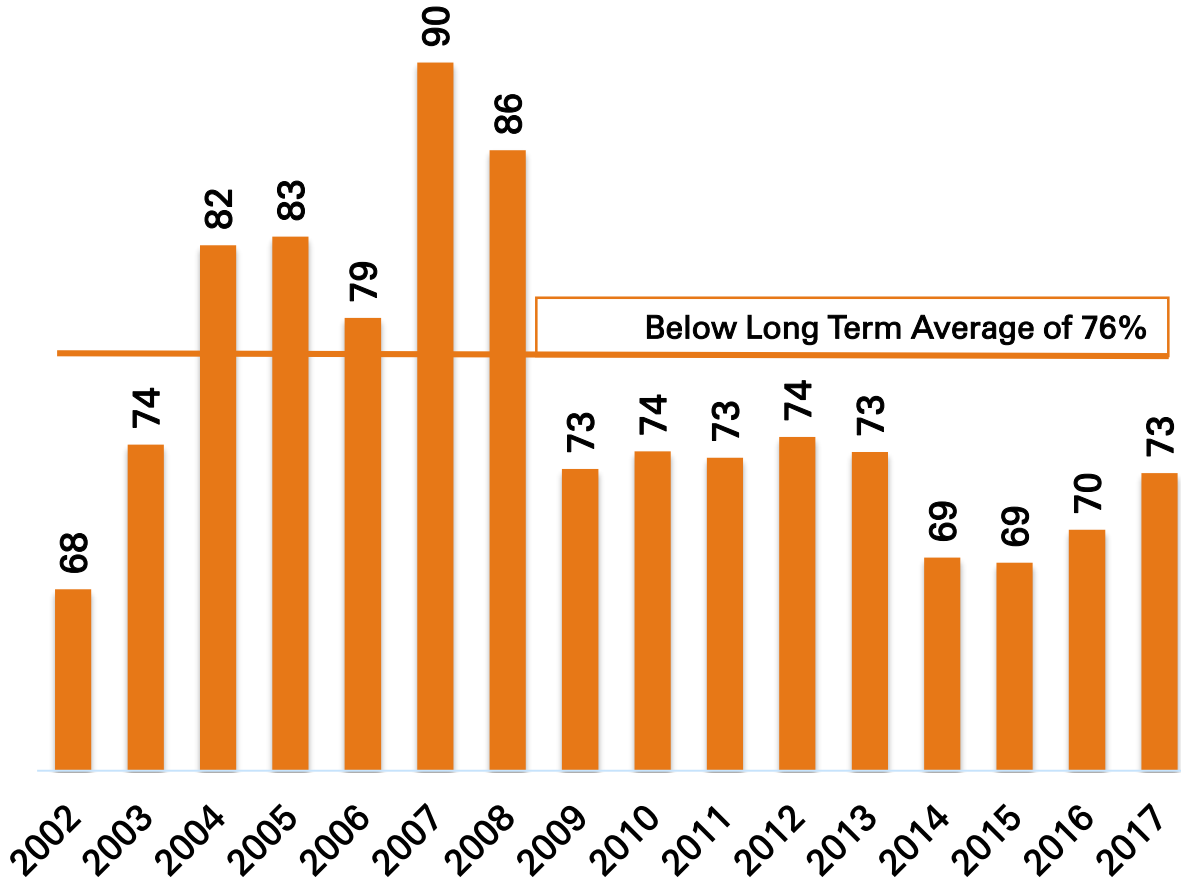
Checklist to Understand Mid-Cycle



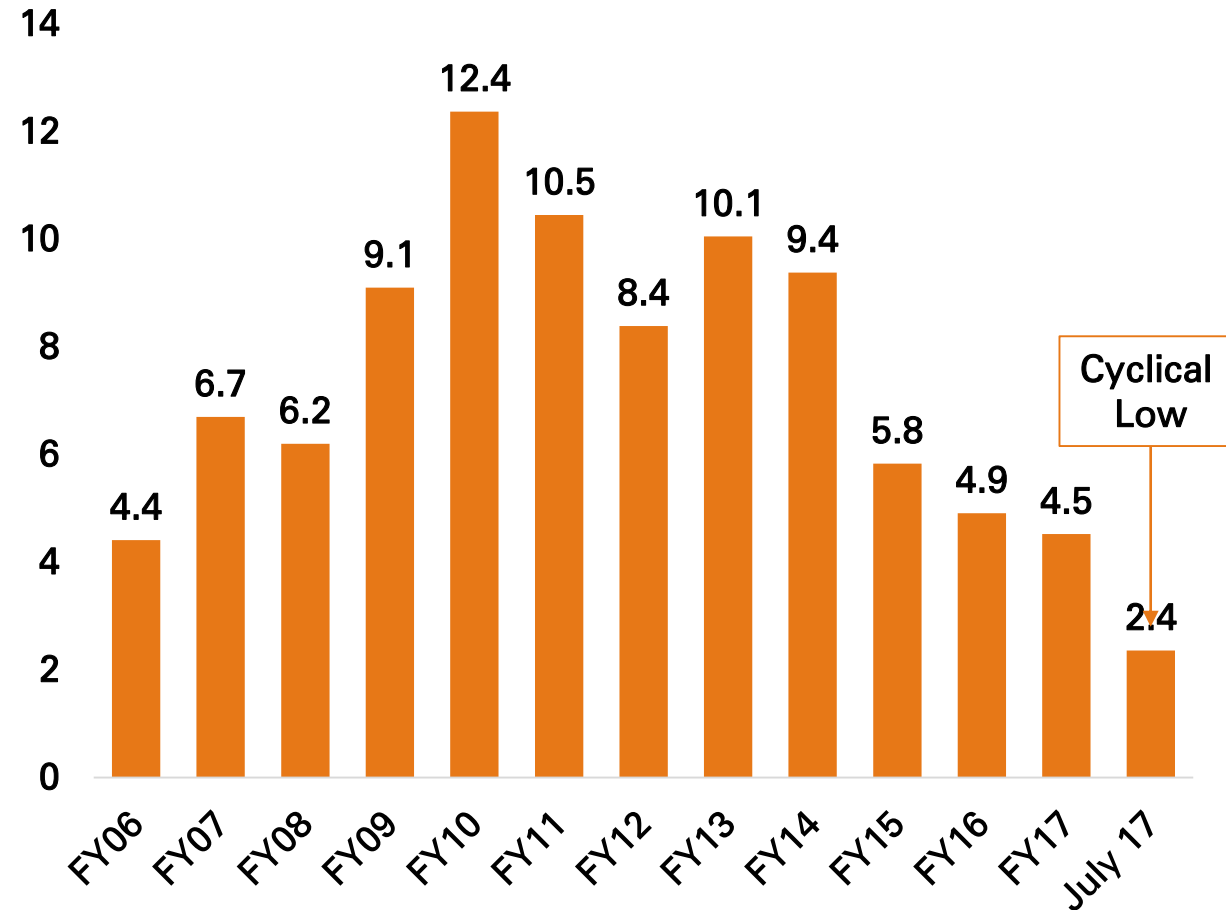
BUBBLE-PHASE	MID-PHASE
Credit Growth is high	Credit Growth is Still Low
More Industries showing uptick in Capex Cycle	Evident in Auto and Airline only
Capacity Utilization is High	Capacity Utilisation Still Low
High Earnings Growth	No Sign of Earnings Growth
A type of theme funds getting money	Not happening Yet
One Top Line Valuation Model	Not Happening Yet

Macroeconomic Indicators Near Cyclical Lows

Capacity Utilisation (in%)



CPI (%) (YoY)

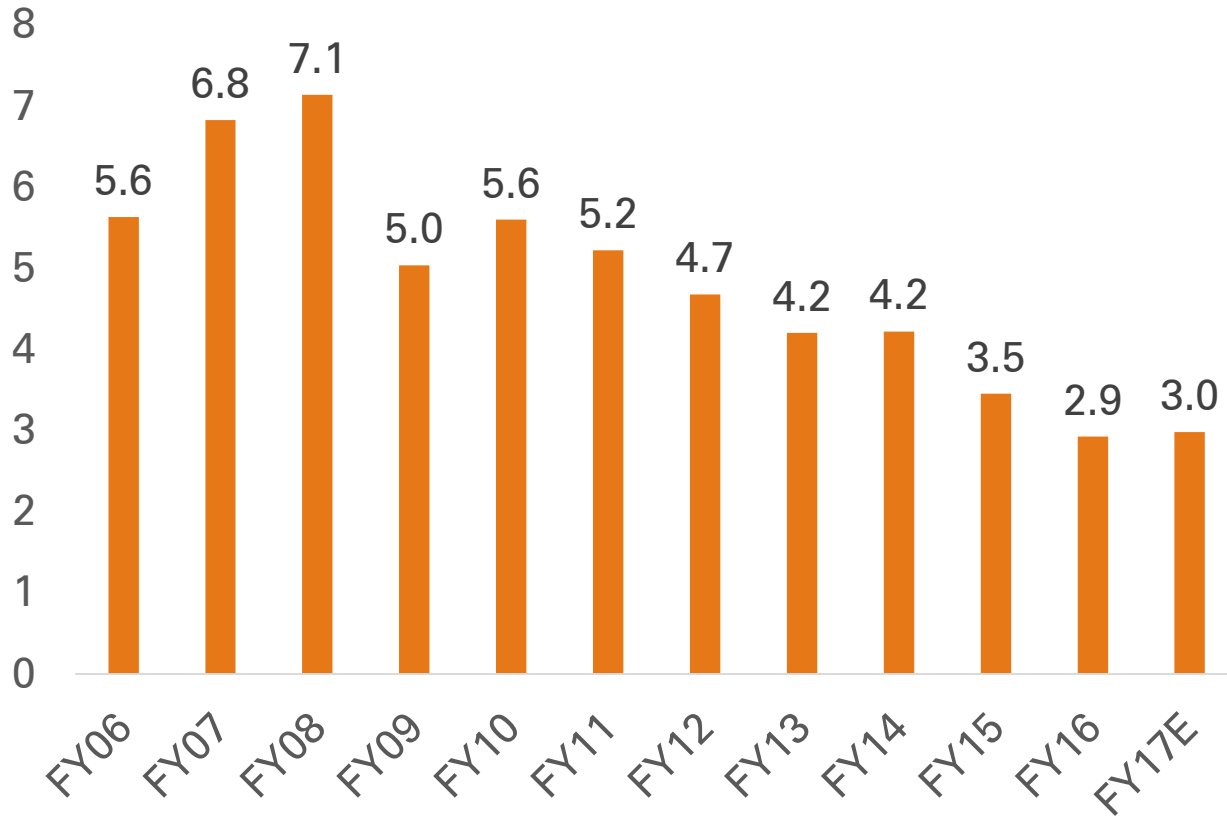


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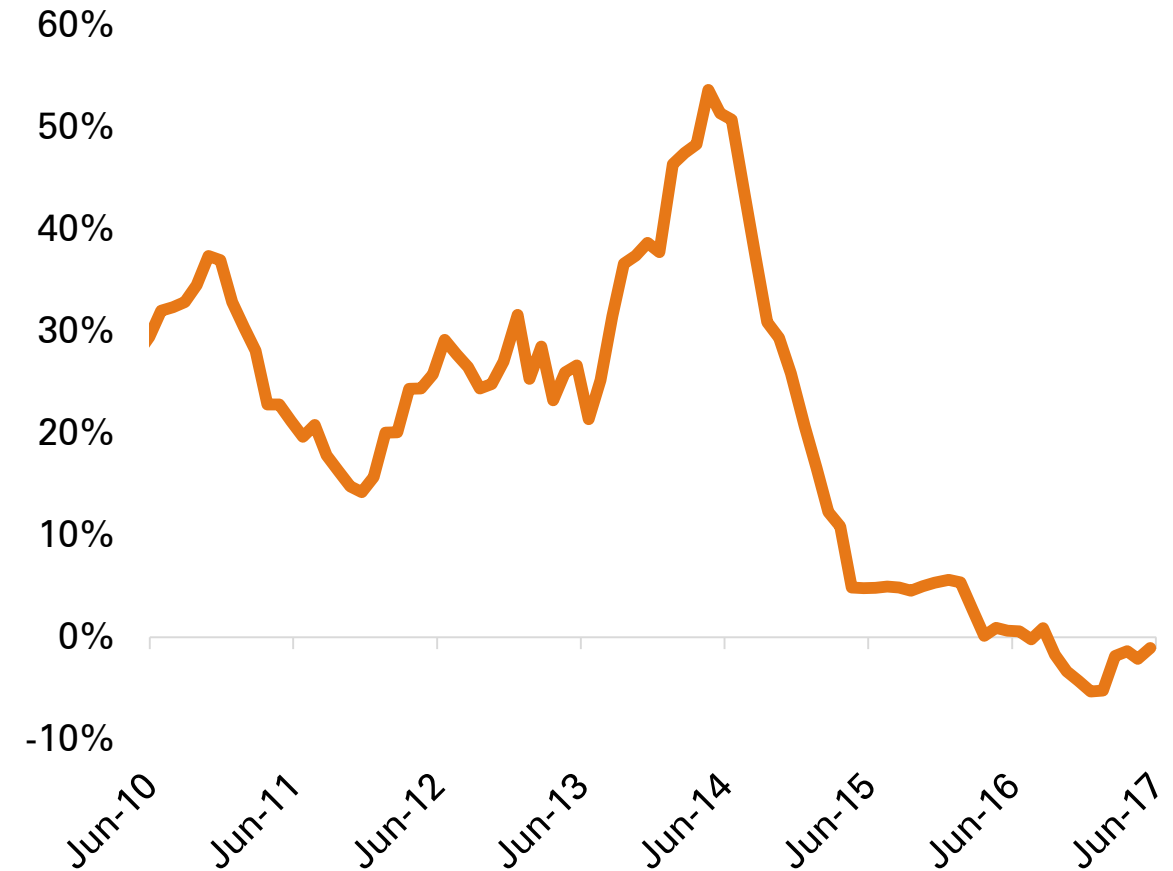
Source: Bloomberg. Capacity utilisation data is as on 30st June 2017.

Macroeconomic Indicators Near Cyclical Lows

Profits as % GDP



Corporate Credit Growth



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Data Source: CLSA March 31, 2017, Reserve Bank of India, E: Estimate

Presenting

ICICI Prudential Value Fund - Series 17

A fund that can help you participate in the equity market with a conservative approach.

About ICICI Prudential Value Fund – Series 17



Key Themes

- Infrastructure Sector
- Corporate Banking Sector
- Quality Stocks selected on the basis of pre-defined criteria

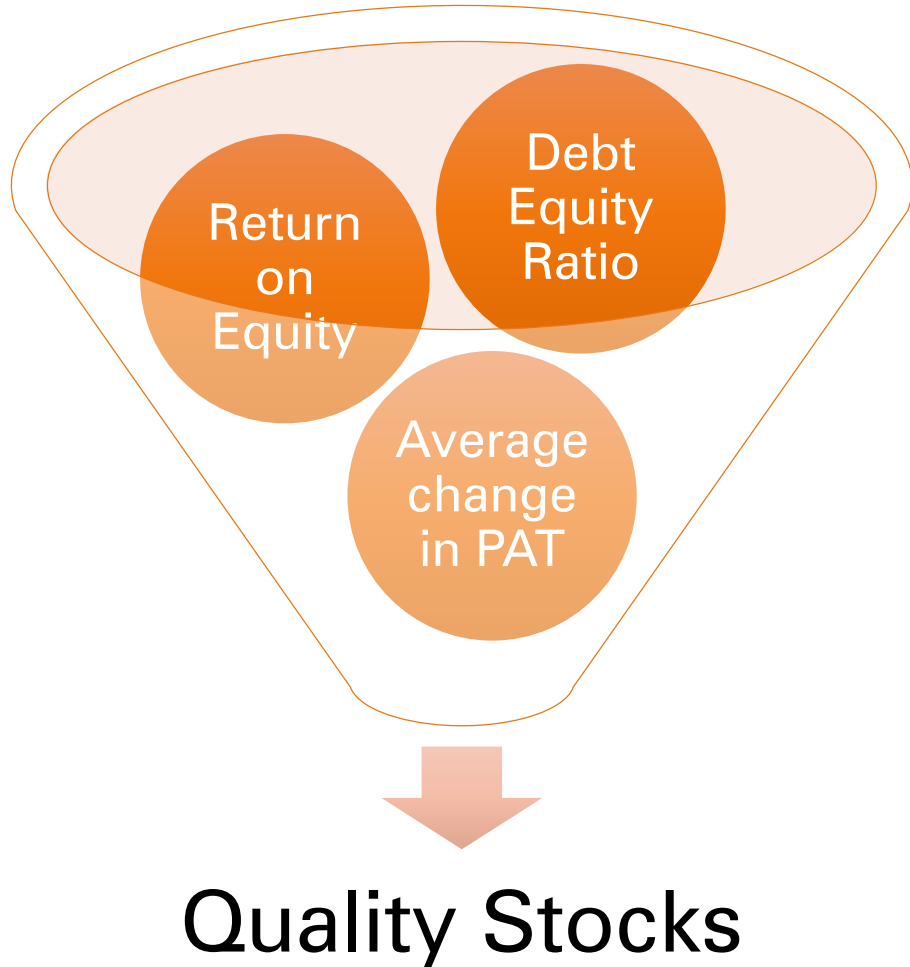
Limit Downside

- Uses Hedging Strategy Aiming to Limit Downside

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The asset allocation and investment strategies will be as per Scheme Information Document of the Scheme. 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). Portfolio of the scheme is subject to changes within the provision of the Scheme information Document.

Stock Selection Criteria



The fund aims to select stocks on the basis of their “Quality Score”, which is determined by:

- Return on Equity
- Debt Equity Ratio
- Average change in Profit After Tax (PAT) in last 3 financial years
- Decent trading volume
- Reasonable free float market capitalisation

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.

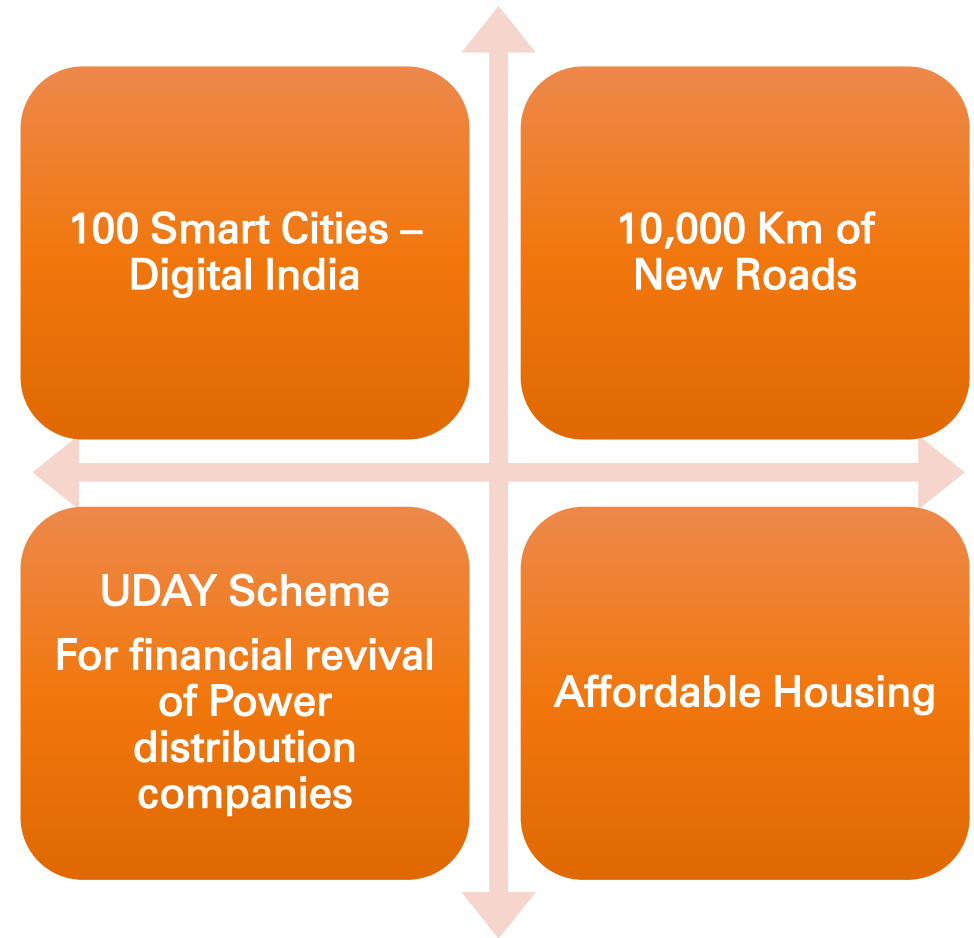
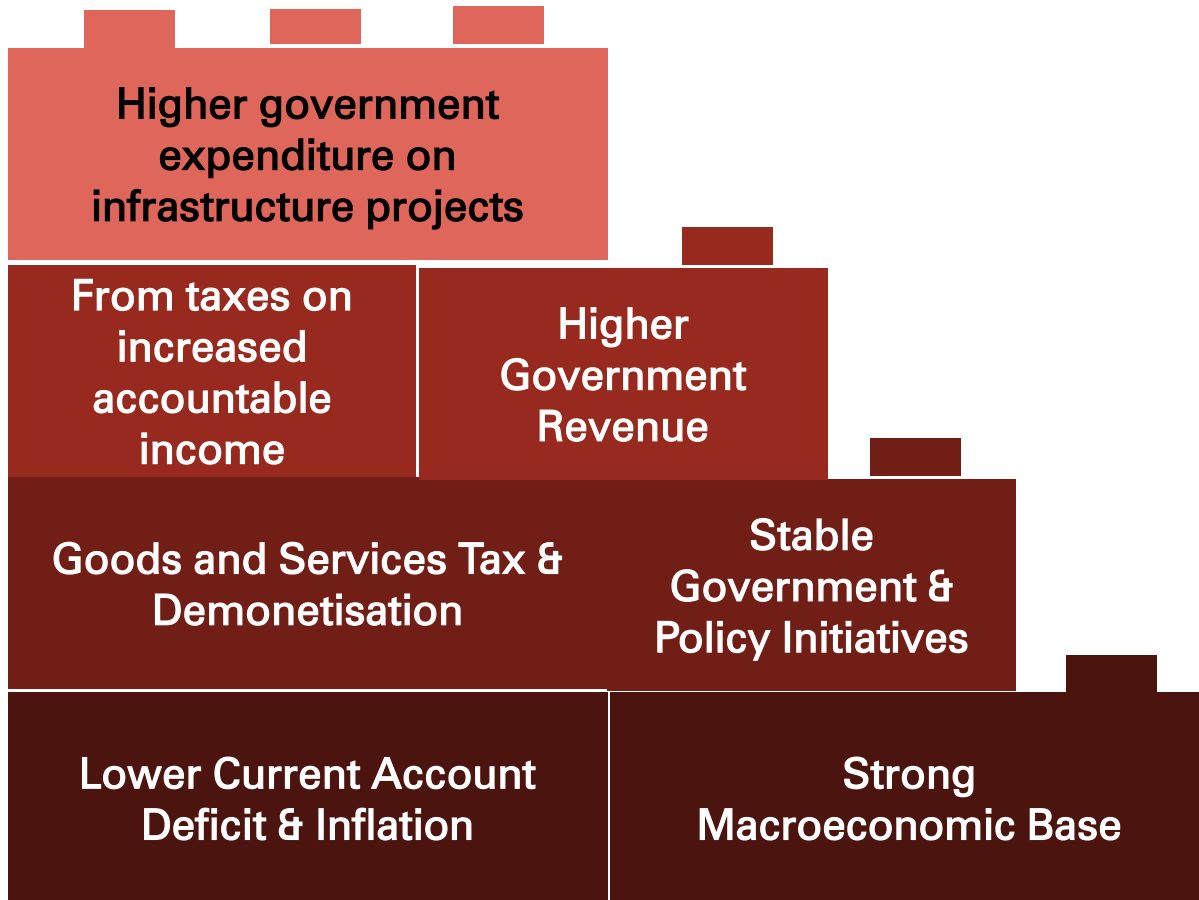
CONSTRUCTION & CONSTRUCTION PROJECTS: Government's focus on infrastructure expansion in rural and urban areas. They could also leverage on excess capacity.

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

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Factors Supporting Infrastructure Growth

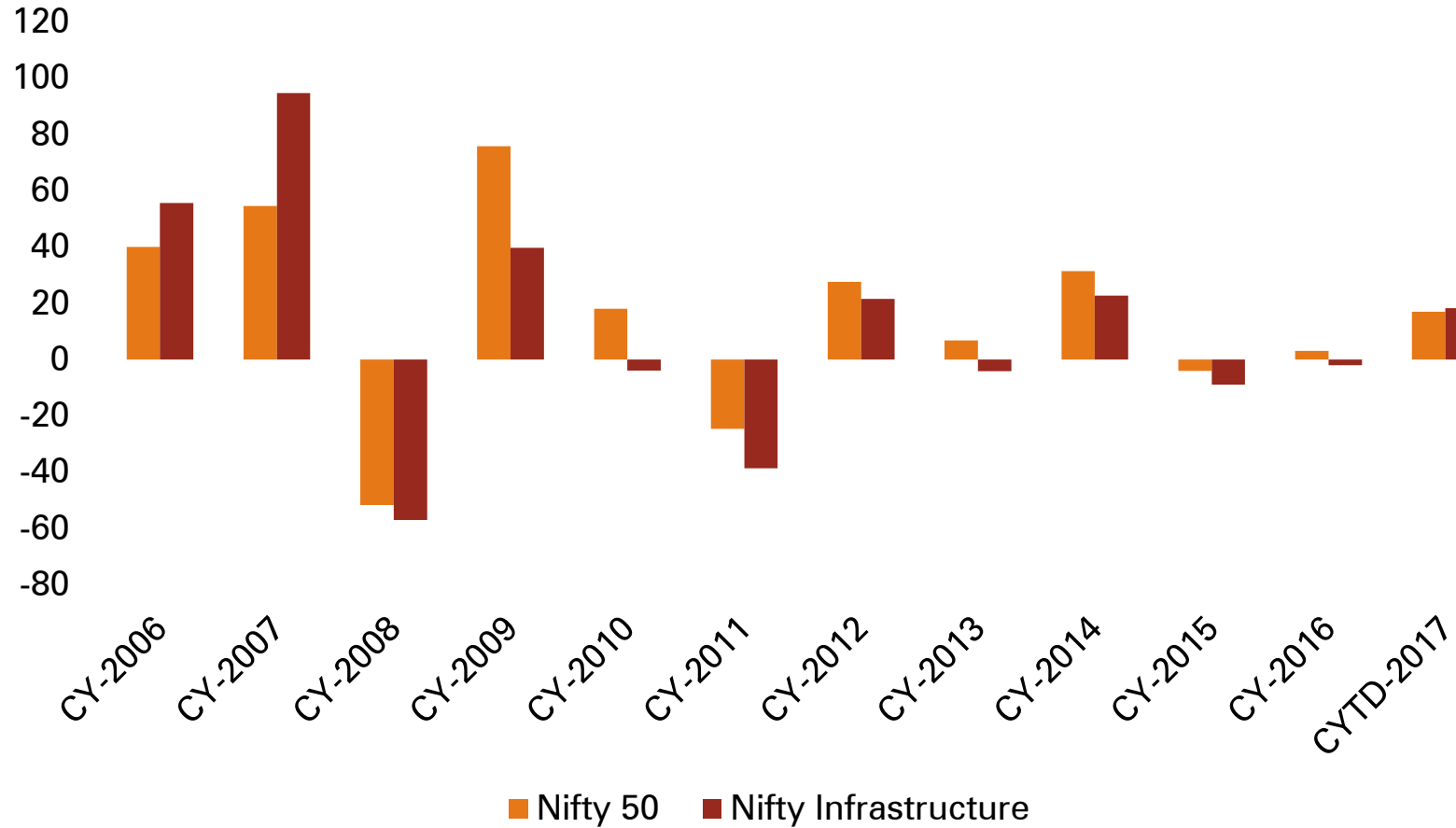


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Sources : CLSA | UDAY: Ujwal DISCOM Assurance Yojana | The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The asset allocation and investment strategies shall be as per Scheme Information Document of the Scheme

Infrastructure Sector Valuations Still Reasonable

Calendar Year Returns (%)



Sector has underperformed the broader market in the last ten years

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

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Why Invest In Corporate Banking Sector?

Financial institutions that can nimbly adapt to the digital revolution could survive the ongoing disruption in the sector.

Advent of United Payment Interface



Data Explosion



Smartphones



Exploration of untapped markets



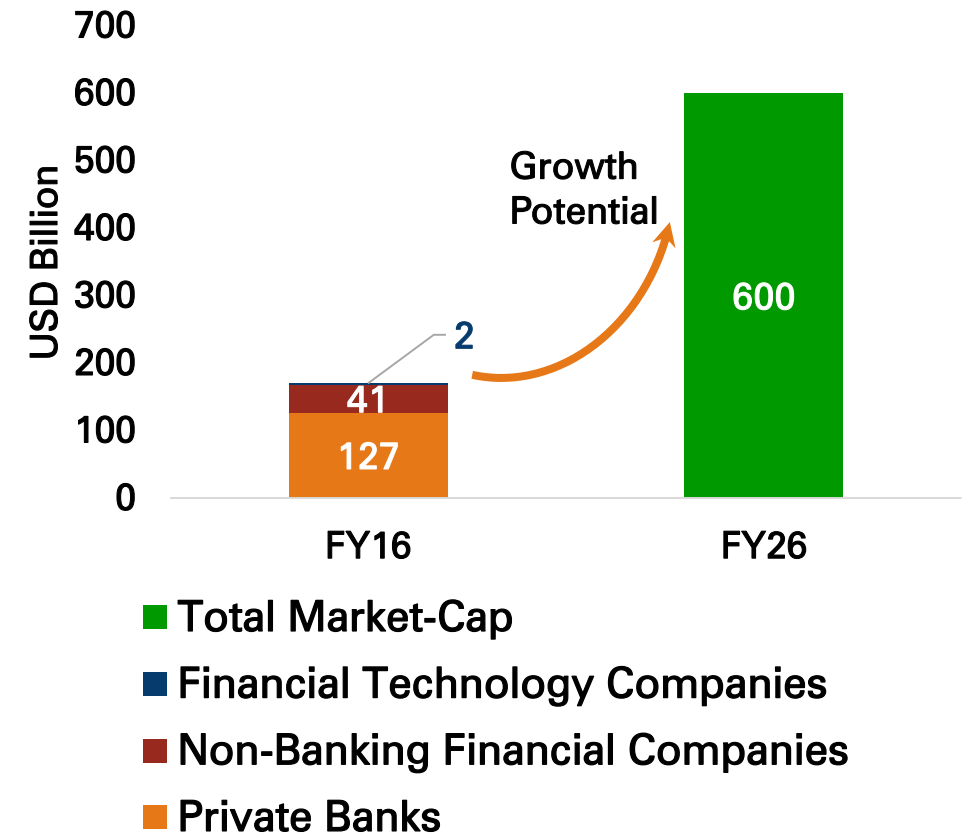
DIGITAL
disruption

Disruption in Existing Financial Models

Emerging Areas of Potential Market Share

Pradhan Mantri Jan Dhan Yojna	Aadhaar Cards	Mobile Connectivity
Rapidly growing base of paperless systems	Unique digital biometric identities	Game-changing electronic payments
<ul style="list-style-type: none"> ❑ 219 mn bank accounts opened so far ❑ Zero balance accounts now only 26% ❑ 50% accounts Aadhaar linked 	<ul style="list-style-type: none"> ❑ 1 bn Aadhaar cards issued (80% of population) 	<ul style="list-style-type: none"> ❑ More than 650 mn mobile phone users ❑ Smartphone penetration at 20% rising at a fast pace ❑ 700 mn smartphone users by 2020

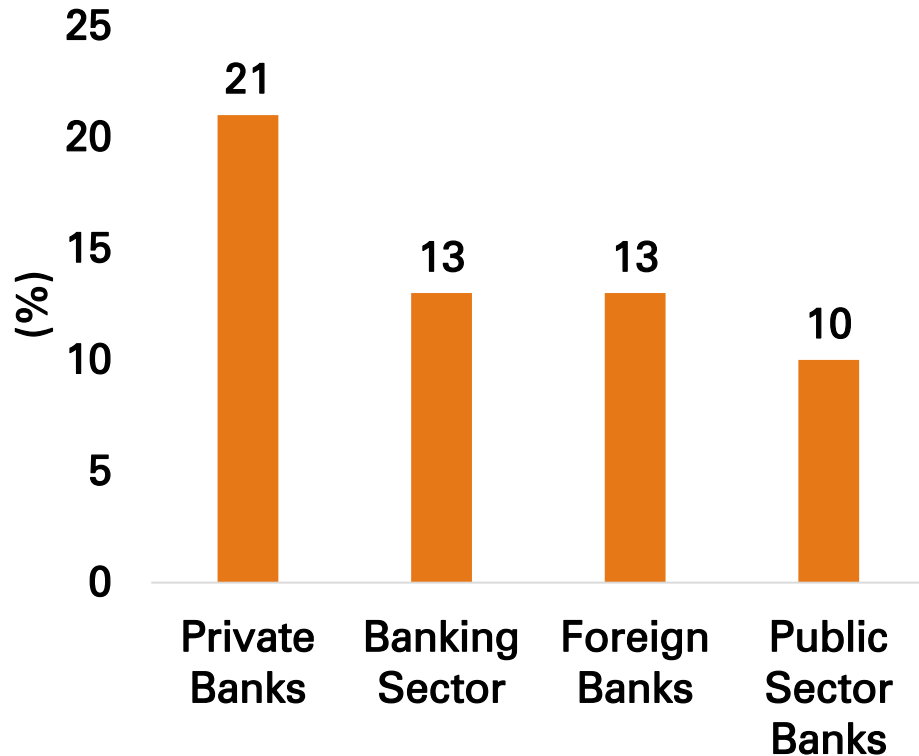
Market Capitalisation



Opportunities in Banking & Financial Sector

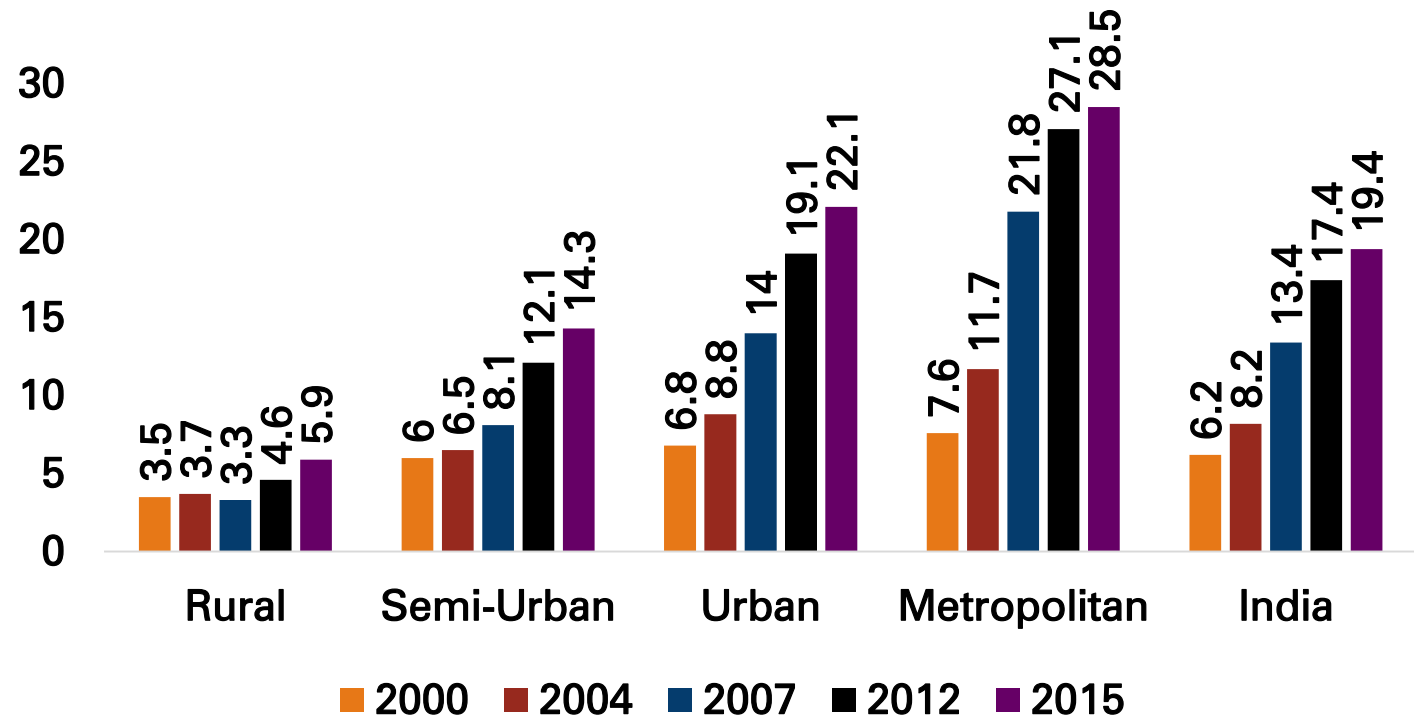
Over Next Five Years, Private Banks Can Beat Their Sector Growth Rate

Loan Growth Rate FY16-FY21



Private Banks Increasing Presence in Rural & Semi-Urban Markets

Current & Savings Account Growth Rate (%)

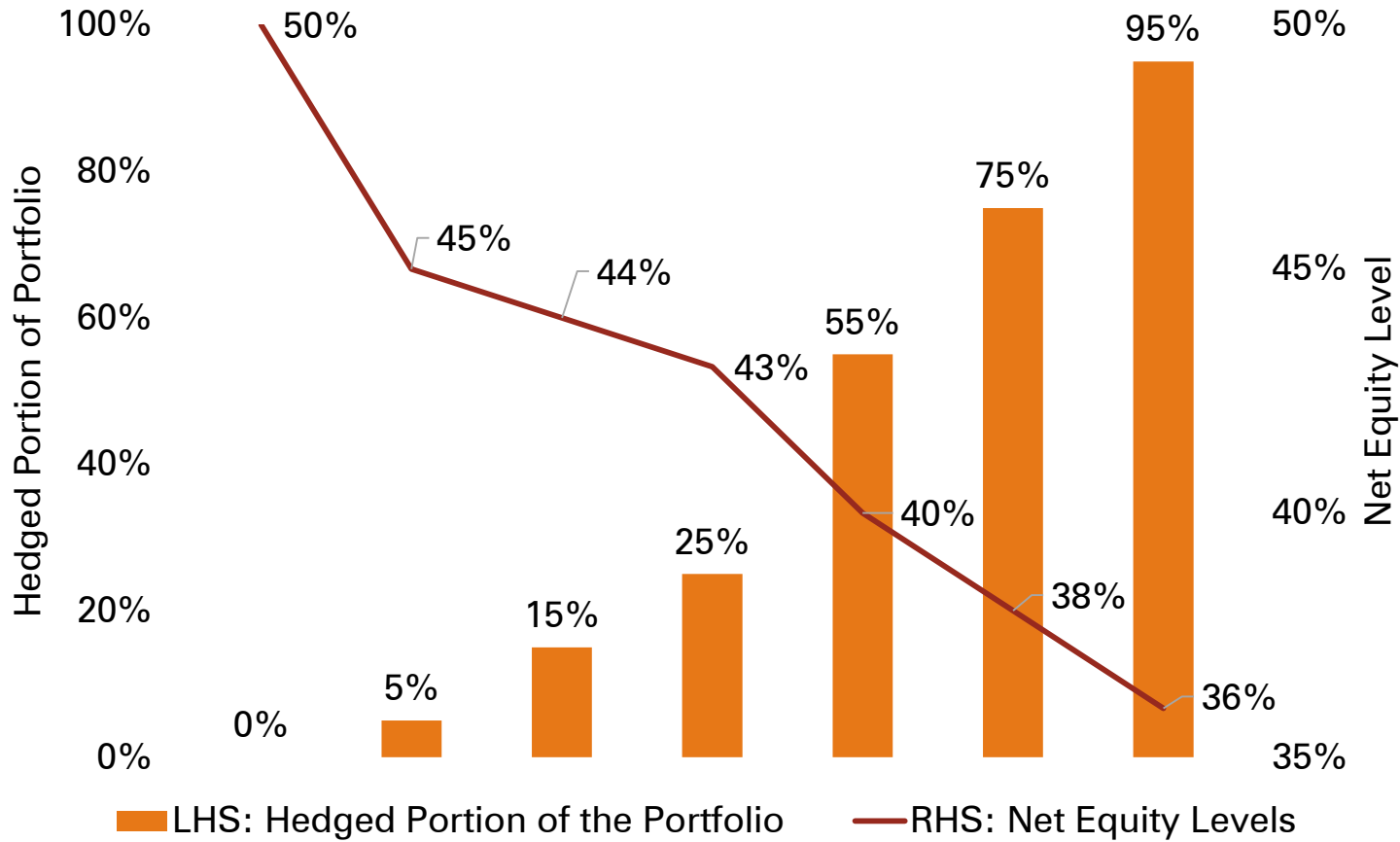


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Source: CLSA report dated 11th May 2016, RBI report on Trend and Progress of Banking in India 2015-16

Hedging Strategy – Aiming To Limit Downside

Gradual Hedging



As Equity Market Goes UP

Equity Levels of In-House Valuation Model goes down

Hedged portion of the portfolio is increased

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The above graph is only for illustration purpose. The asset allocation and investment strategies shall be as per Scheme Information Document of the Scheme.

Simulation – Hedging the portfolio

Hedge	Index Level	Equity	Option Return	Total Return
0%	9,900	95.00	0	95.00
10%	10,000	95.99	0	95.99
20%	10,100	96.98	0	96.98
30%	10,200	97.97	0	97.97
40%	10,300	98.96	0	98.96
50%	10,400	99.95	0	99.95
60%	10,500	100.94	0	100.94
70%	10,600	101.93	0	101.93
80%	10,700	102.92	0	102.92
90%	10,800	103.91	0	103.91
100%	10,900	104.90	0	104.90
	10,800	104.90	0	104.90
	10,700	103.91	0.10	104.00
	10,600	102.92	0.29	103.21
	10,500	101.93	0.58	102.50
	10,400	100.94	0.95	101.89
	10,300	99.95	1.41	101.36
	10,200	98.96	1.96	100.92
	10,100	97.97	2.59	100.56
	10,000	96.98	3.29	100.27
	9,900	95.99	4.08	100.06
	9,800	93.02	6.91	99.93
	9,700	91.04	8.89	99.93

Market Moving Up

As the market is rising, hedge position may increase.

Fund Buys Put options

The exposure to derivatives depends on our internal Price to Book based valuation model.

Falling Market

As the market Starts falling, hedged position can help to limit the Downside

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To Summarise

Why invest in ICICI Prudential Value Fund – Series 17

Quality Stocks selected on the basis of pre-determined criteria.

Equity Themes: Corporate Banking & Infrastructure Sectors

Uses Hedging Strategy Aiming to Limit Downside

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ICICI Prudential Value Fund – Series 17 Features



Tenure	:	1,300 days
NFO Period	:	August 29, 2017 to September 12, 2017
MICR cheques	:	Till the end of business hours on September 12, 2017
RTGS and transfer cheques	:	Till the end of business hours on September 12, 2017
Switches	:	Switches from equity schemes – September 12, 2017 till cut off time (specified for switch outs in the source scheme) Switches from other schemes – September 12, 2017 till cut off time (specified for switch outs in the source scheme)
Tentative Date of Allotment	:	September 15, 2017 (Ops to confirm)
Option to be launched	:	ICICI Prudential Value Fund - Series 17 - Growth & Dividend, ICICI Prudential Value Fund - Series 17 - Direct Plan - Growth & Dividend
Entry / Exit Load	:	Nil
Minimum Application Amount	:	Rs.5,000/- (plus in multiple of Rs.10)
Liquidity	:	To be listed
Benchmark	:	S&P BSE 500 Index
Fund Manager*	:	S. Naren & Ihab Dalwai

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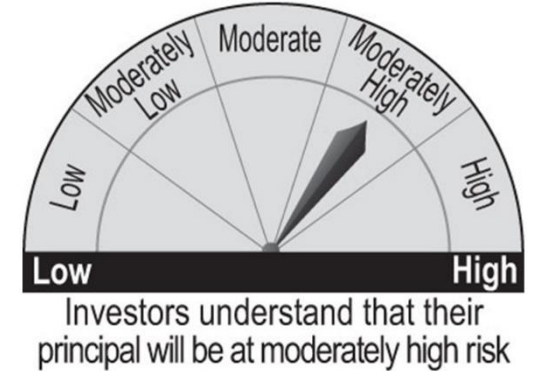
*Priyanka Khandelwal for investment in ADR/GDR/ Foreign securities.

Riskometer & Disclaimer

ICICI Prudential Value Fund – Series 17 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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The AMC (including its affiliates), the Mutual Fund, the trust and any of its officers, directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. The recipient alone shall be fully responsible/are liable for any decision taken on this material.

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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.

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