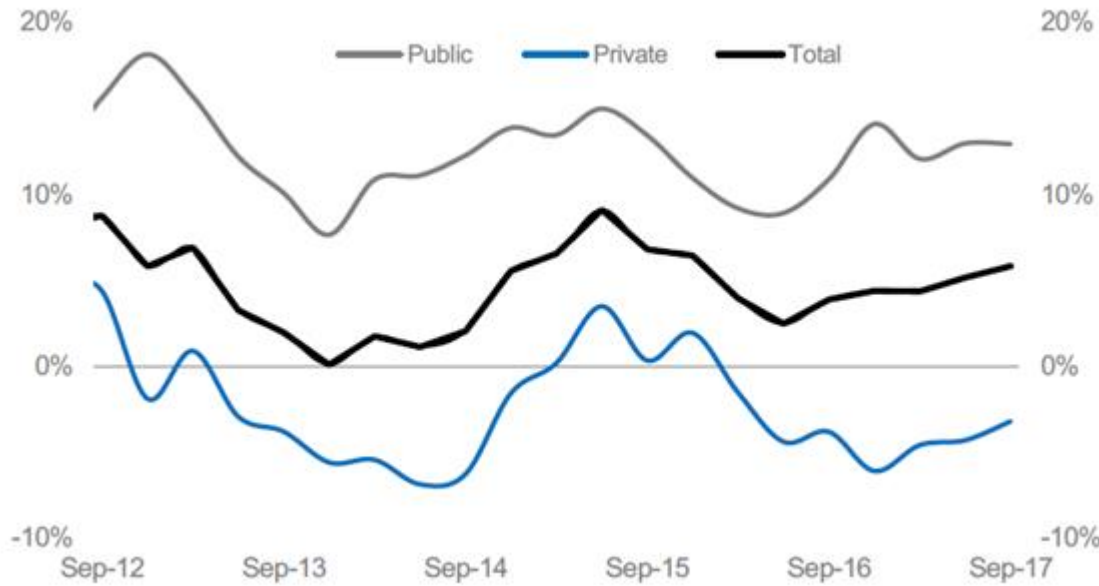


# ICICI Prudential PMS Flexicap Portfolio

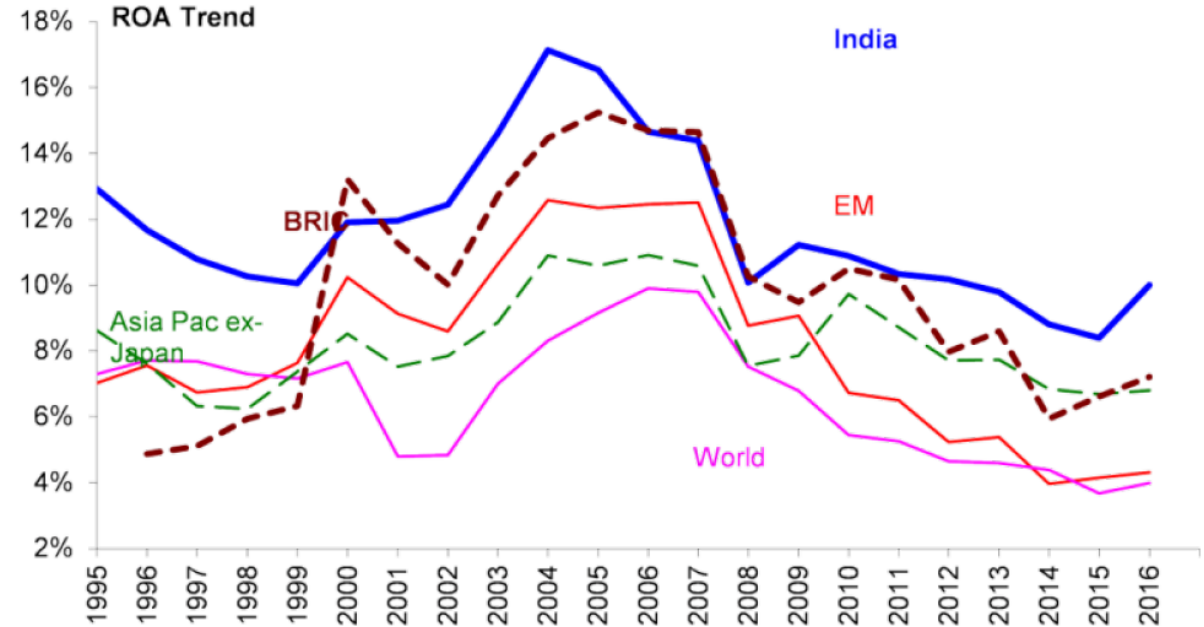
- Market optimism was impacted during the month of September 2017 due to: a) Geopolitical tensions pertaining to North Korea; b) Higher crude prices putting pressure on macro-economic variables; c) Weaker than expected GDP growth for Q1FY18; d) Concerns on widening fiscal deficit.
- It is likely that earnings are heading back to their previous peak and the return on capital is now equal to the cost of debt after being below it for seven years. This may trigger greater capital spending by corporates.
- We continue to believe that the long-term India story remains intact. Current valuations in terms of Price-to-Earnings continue to remain at higher levels for the domestic markets as this does not take future earnings into perspective. As per consensus estimates of earnings, benchmark indices are trading at around 17x FY19.

# Improvement in Key Indicators

Projects under implementation – YoY %



Overall Projects under implementation stayed on a gradual recovery path. This was led by sustained growth in public projects and a narrowing pace of decline in Private Projects.



The Return on Assets have also improved in India. This reflects that the Indian management are conservative as against the global peers.

# Nifty beyond 10,000 but economic indicators not overheated

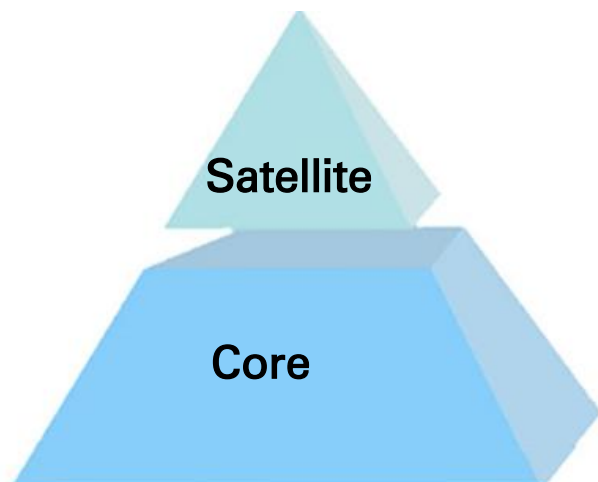
	December 2007	September 2017
Trailing P/E Nifty 50	27.62	25.43
Trailing P/B Nifty 50	6.39	3.35
Market Cap to GDP Ratio (Mar 2017)	149%	84%
<b>Past Returns of Nifty 50 (CAGR)</b>		
Last 1 Year Return	54.8%	13.67%
Last 2 Year Return	47.1%	10.97%
Last 3 Year Return	43.4%	7.21%
<b>Nifty 50 Past Earnings Per Share Growth (CAGR)</b>		
Last 1 Year (YoY)	20.4%	10.63%
Last 2 Years (YoY)	27.9%	5.35%
Last 3 Years (YoY)	21.3%	0.07%

	December 2007	September 2017
<b>Macro Indicators</b>		
Capacity Utilisation (Mar 2017)	91.7%	71.2%
Credit Growth (YoY as of Aug 04,2017)	23.3%	6.8%
RoE Nifty 50	25.5%	13.83%
Net FII Flows (12 M Trailing in Rs. Crore)	80,915	3,626
IIP (twelve months trailing)	15.58%	1.2% (as of July 2017)
GDP Growth	9.6% (Oct-Dec 2007)	5.7% (Apr-Jun 2017)
<b>10-Year Government Bond Yield</b>		
India	7.79%	6.66%
USA	4.02%	2.33%
Japan	1.51%	0.07%
Europe	4.31%	0.46%
China	4.46%	3.62%

The information contained herein is solely for private circulation for reading/understanding of registered distributors and referral agents of ICICI Prudential Portfolio Management Services and should not be circulated to investors/prospective investors.

All data is as of September 29, 2017 unless stated otherwise. 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.

# ICICI Prudential PMS Flexicap Portfolio



**The Satellite** will be blend of strategies such as Special Situation, GARP (Growth at Reasonable Price) Philosophy, thematic etc. This bucket will be used opportunistically to book profit and increase weight of Core Portfolio.

**Core** comprises of approximately **60%-70%** of the Portfolio. The core is predominantly targeted towards sectors which are value on a relative or absolute basis.

## Key Features

- A focused portfolio of **20-25 stock ideas**
- Investment Horizon : **3 Years & Above**
- Maximum exposure to a security – **10% of the Portfolio**
- Maximum exposure to a sector – **25% of the Portfolio or +/- 7% from the sectorial weightage in the Benchmark Index whichever is higher**
- Benchmark Index: **S & P BSE 200**
- Minimum Investment Amount: **Rs. 25,00,000**

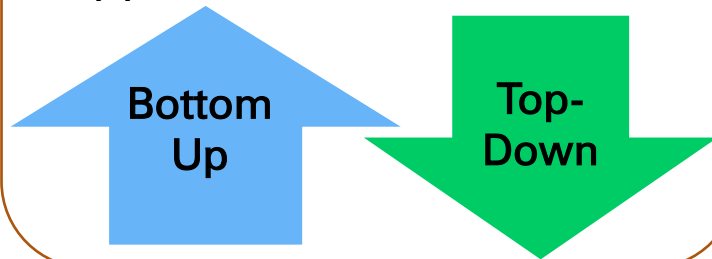
## Why Flexicap approach?

Can you predict which market-cap segment will outperform?

Calendar Year	Nifty Mid Smallcap 400	Nifty Midcap 50	Nifty 50
2016	4%	7%	3%
2015	9%	1%	-4%
2014	63%	46%	31%
2013	-5%	-3%	7%
2012	42%	35%	27%
2011	-33%	-40%	-25%
2010	18%	10%	18%
2009	112%	100%	76%
2008	-67%	-65%	-52%
2007	82%	71%	54%
2006	28%	25%	40%

**Flexi cap approach gives flexibility to fund manager to move between the different segments of the market.**

**Stock Selection Process:**  
Portfolio uses blend of Top Down and Bottom-up approach.



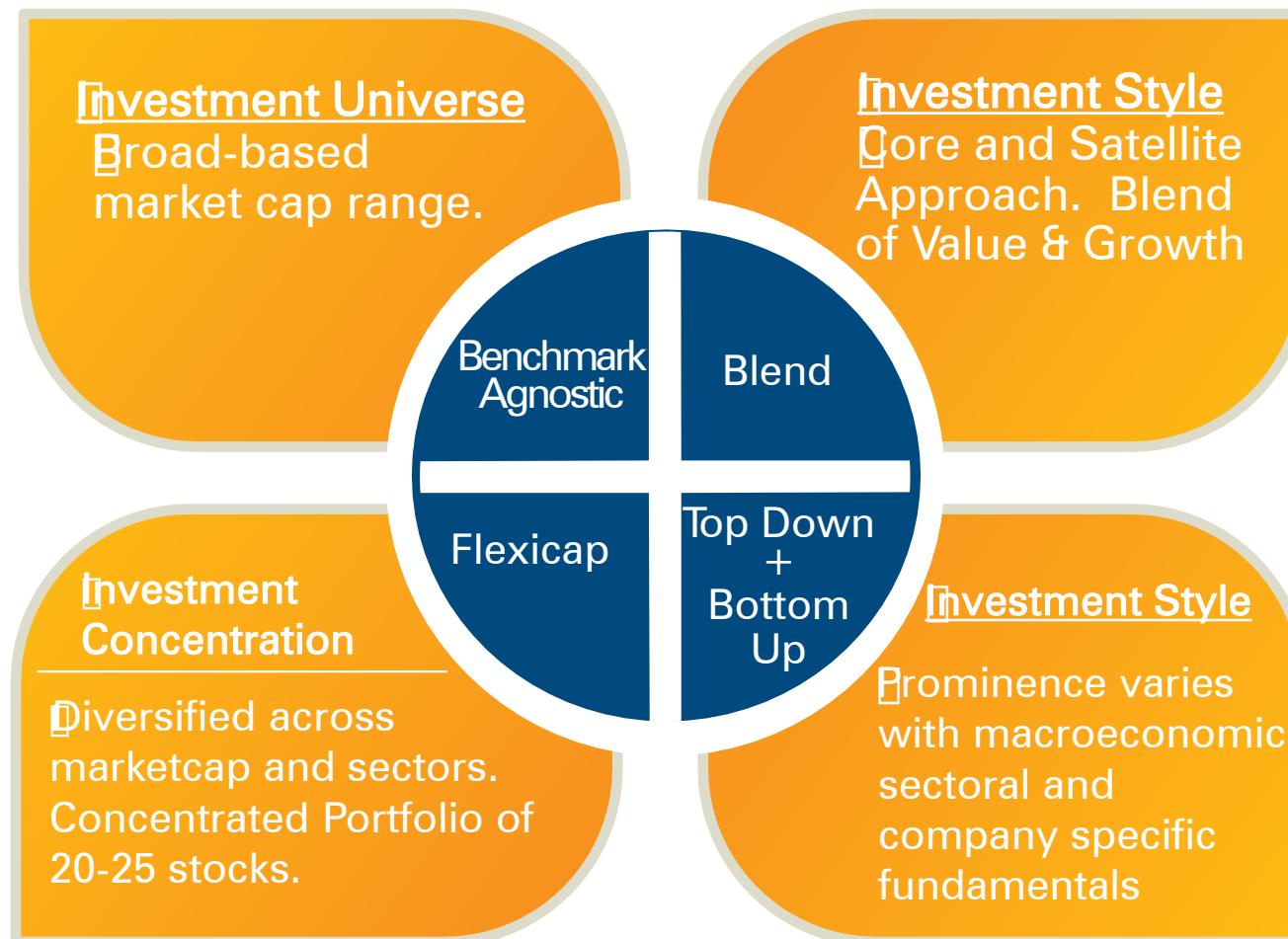
- **Top-down approach:** Identify key macroeconomic and sectorial themes and subsequently help identify stocks.
- **Bottom-up approach:** Believes that individual companies providing attractive investment opportunities exist in various industries and market conditions.
- Prominence among the two would vary from time to time depending on macroeconomic, sectorial and company specific fundamentals.

- **The Core Portfolio** predominantly invest to capture underlying value of the business which gets “unlocked” over a period of time.
- **The Satellite Portfolio** is tactically managed to take advantage of market trend.
- **Rebalancing:** Portfolio will systematically increase weightage as risk reward ratio improves in core portfolio by reducing satellite portfolio weight.

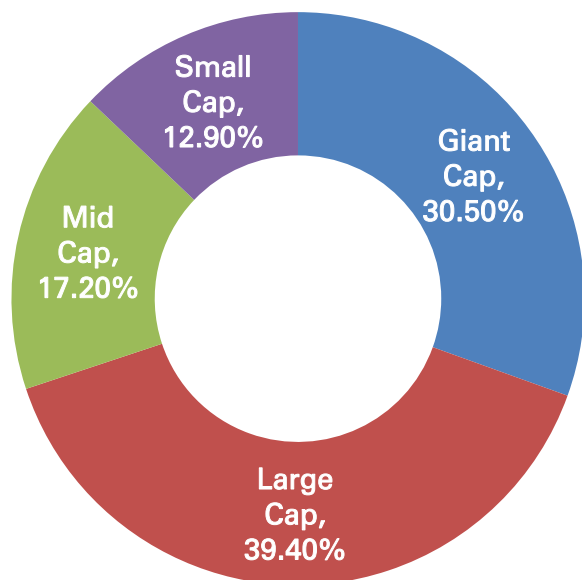




# Investment Approach



## Market Capitalization Break-up



Portfolio is tilted towards Large cap due to relatively attractive valuations with exposure of around 70%.

## Top 10 Holdings

Stocks	% to Net Assets
Motherson Sumi Systems Ltd	6.74
Bajaj Finserv Ltd	6.42
Bajaj Finance Ltd	6.27
Power Grid Corporation of India Ltd	5.28
ICICI Bank Ltd	5.06
Axis Bank Ltd	4.99
Orient Paper & Industries Ltd	4.67
Britannia Industries Ltd	4.65
Ashok Leyland Ltd	4.40
State Bank of India	4.27

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Banks	Cements	Auto / Auto Ancillaries	Domestic Consumption
<p><b>Core Strategy</b></p> <ul style="list-style-type: none"> <li>• De-leveraging</li> <li>• Bottoming of NPA Cycle.</li> <li>• Passage of bankruptcy code.</li> </ul>	<p><b>Core Strategy</b></p> <ul style="list-style-type: none"> <li>• Proxy to Infra</li> <li>• Affordable housing</li> <li>• Pricing Power</li> </ul>	<p><b>Satellite Strategy</b></p> <ul style="list-style-type: none"> <li>• Increase in content / Vehicle</li> <li>• Power train agnostic</li> <li>• Good Monsoon</li> </ul>	<p><b>Satellite Strategy</b></p> <ul style="list-style-type: none"> <li>• Demographics</li> <li>• Good Monsoon</li> <li>• GST Play</li> </ul>
<ul style="list-style-type: none"> <li>• ICICI Bank</li> <li>• Axis Bank</li> <li>• SBI</li> </ul>	<ul style="list-style-type: none"> <li>• JK Lakshmi Cement</li> <li>• Prism Cement</li> </ul>	<ul style="list-style-type: none"> <li>• Motherson Sumi</li> <li>• Endurance Tech</li> <li>• Ashok Leyland</li> </ul>	<ul style="list-style-type: none"> <li>• Britannia</li> <li>• Orient Paper</li> <li>• Bajaj Finance</li> </ul>

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# Portfolio Statistics

No of Stocks: 25

Top 10 holdings: 52.75%

Top 5 Sectors: 59.1%

## Valuation Parameters

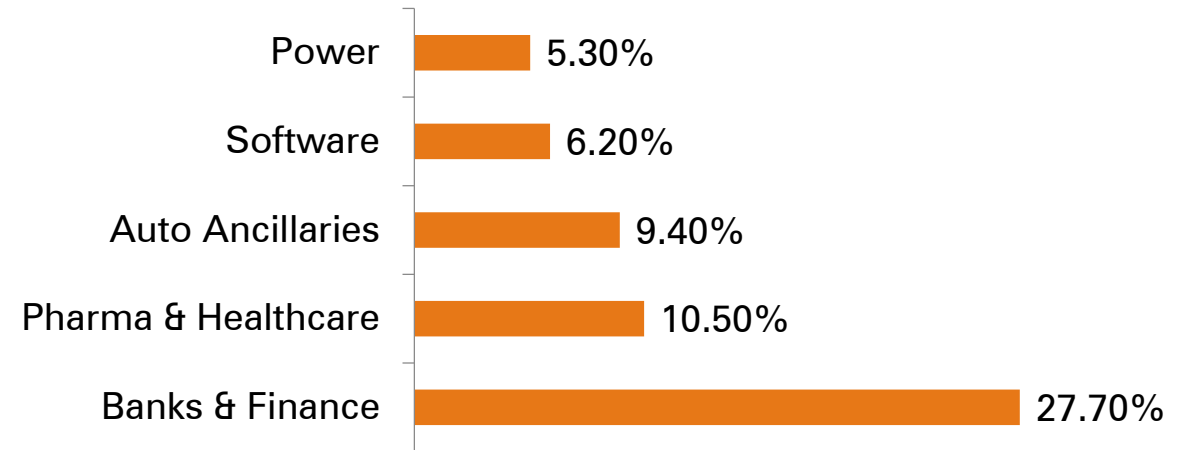
Avg. PE Ratio: 29.70

Avg. PB Ratio: 3.26

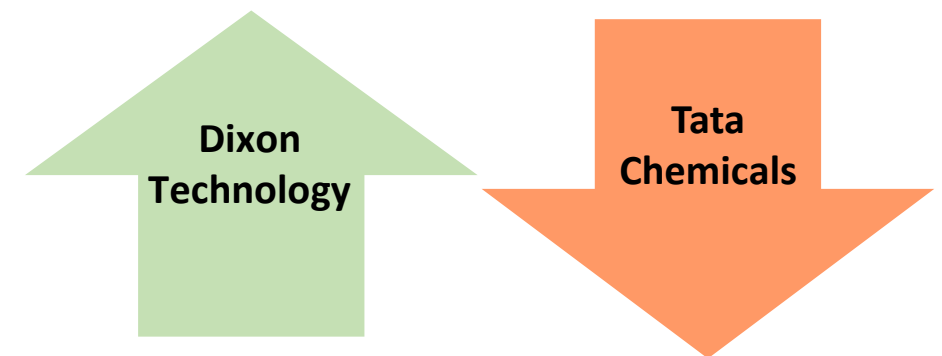
Avg. P/S Ratio: 2.11

Avg. P/C Ratio: 9.52

## Top 5 Sector Exposure



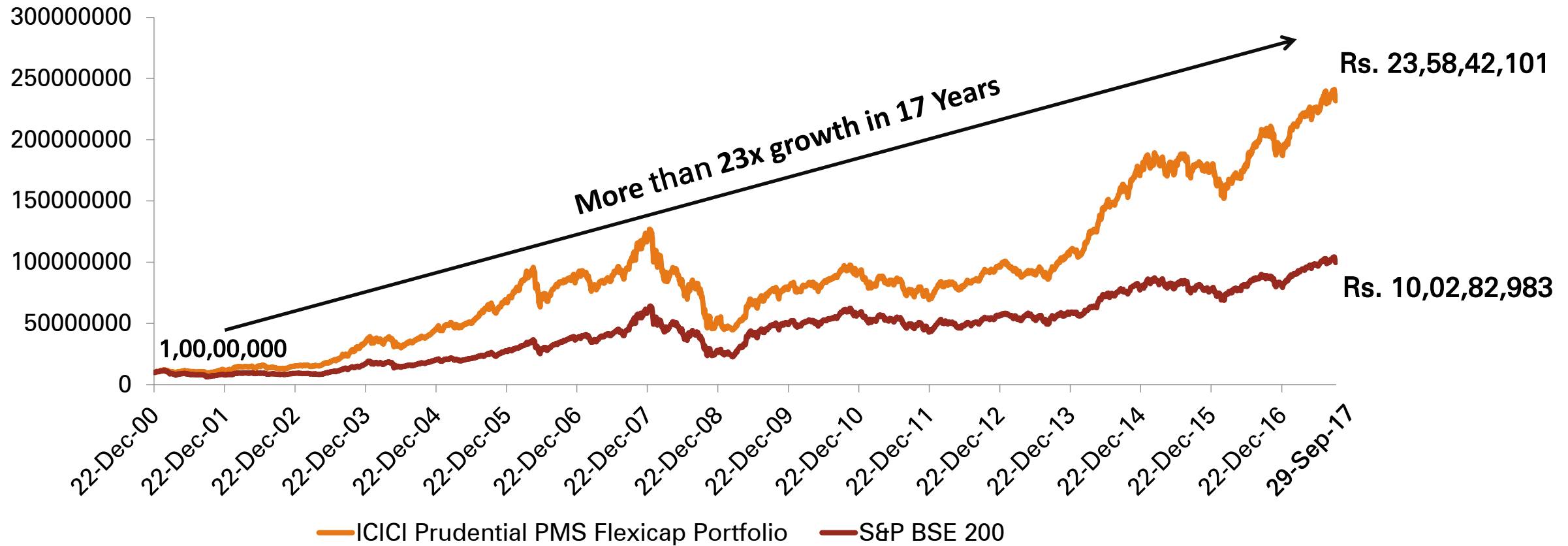
## Stock – In / Stock - Out



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# Portfolio Performance



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## Consistent Performance Across Time Period

	2016	2015	2014	2013	2012
ICICI Prudential PMS Flexicap Portfolio	7.49	0.58	61.71	13.08	39.43
S&P BSE 200	3.95	-1.48	35.47	4.38	30.98
<b>Out-Performance</b>	<b>3.54</b>	<b>2.06</b>	<b>26.24</b>	<b>8.7</b>	<b>8.45</b>

## Consistent Performance Across Time Period

	1 Year	2 Year	3 Year	4 Year	5 Year
ICICI Prudential PMS Flexicap Portfolio	15.22	14.84	13.51	25.86	20.61
S&P BSE 200	15.09	13.01	9.60	17.03	13.16
<b>Out-Performance</b>	<b>0.13</b>	<b>1.83</b>	<b>3.91</b>	<b>8.83</b>	<b>7.45</b>

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Data as on 30<sup>th</sup> Sept 2017. Past performance may or may not be sustained in future. Calendar year return in absolute terms. Return above 1 year are in CAGR terms.

# Thank You

Investing in securities involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would achieve. The value of the portfolios may fluctuate and can go up or down. The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios may or may not have any future positions in these Stock(s)/Sector(s).

The composition of the portfolio is subject to changes within the provisions of the disclosure document. The benchmark of the portfolios can be changed from time to time in the future. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for securities would result, at times, in potential losses to the portfolio. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns. The AMC may be engaged in buying/selling of such securities. Please refer to the Disclosure Document and Client Agreement for portfolio specific risk factors.

Individual returns of Clients for a particular portfolio type may vary significantly from the data on performance of the portfolios as may be depicted by the Portfolio Manager from time to time. This is due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters, which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the performance depictions and individual portfolio performance. Neither ICICI Prudential Asset Management Company Ltd. (the AMC) nor its Directors, Employees or Sponsors shall be in any way liable for any variations noticed in the returns of individual portfolios.

The Client shall not make any claim against the Portfolio Manager against any losses (notional or real) or against any loss of opportunity for gain under various PMS Products, on account of or arising out of such circumstance/ change in market condition or for any other reason which may specifically affect a particular sector or security.



The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's investment in any type of security subject to the Agreement and as stated in the Disclosure Document and make such changes in the investments and invest some or all of the Client's investment amount in such manner and in such markets as it deems fit would benefit the Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Clients' account is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines and notifications in force from time to time.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The recipient(s) alone shall be fully responsible/are liable for any decision taken on the basis of this material. All recipients of this material should before dealing and/or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice. The investments discussed in this may not be suitable for all investors. Financial products and instruments are subject to market risks and yields may fluctuate depending on various factors affecting capital/debt markets. There is no assurance or guarantee that the objectives of the portfolio will be achieved. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns. The AMC may be engaged in buying/selling of such securities.

In the preparation of this material the AMC has used information that is publicly available, including information developed in-house. Some of the material used herein may have been obtained from members/persons other than the AMC and/or its affiliates and which may have been made available to the AMC and/or to its affiliates. Information gathered and material used herein is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. We have included statements/opinions/recommendations in this material, which contain words, or phrases such as "will", "expect", "should", "believe" and also PE ratios, EPS and Earnings Growth for forthcoming years and similar expressions or variations of such expressions, that are "forward looking statements". Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, the monetary and interest policies of India, inflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. The Portfolio Manager/ the AMC takes no responsibility of updating any data/information in this material from time to time. The Portfolio Manager and the AMC (including its affiliates), 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, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner