

Market Outlook

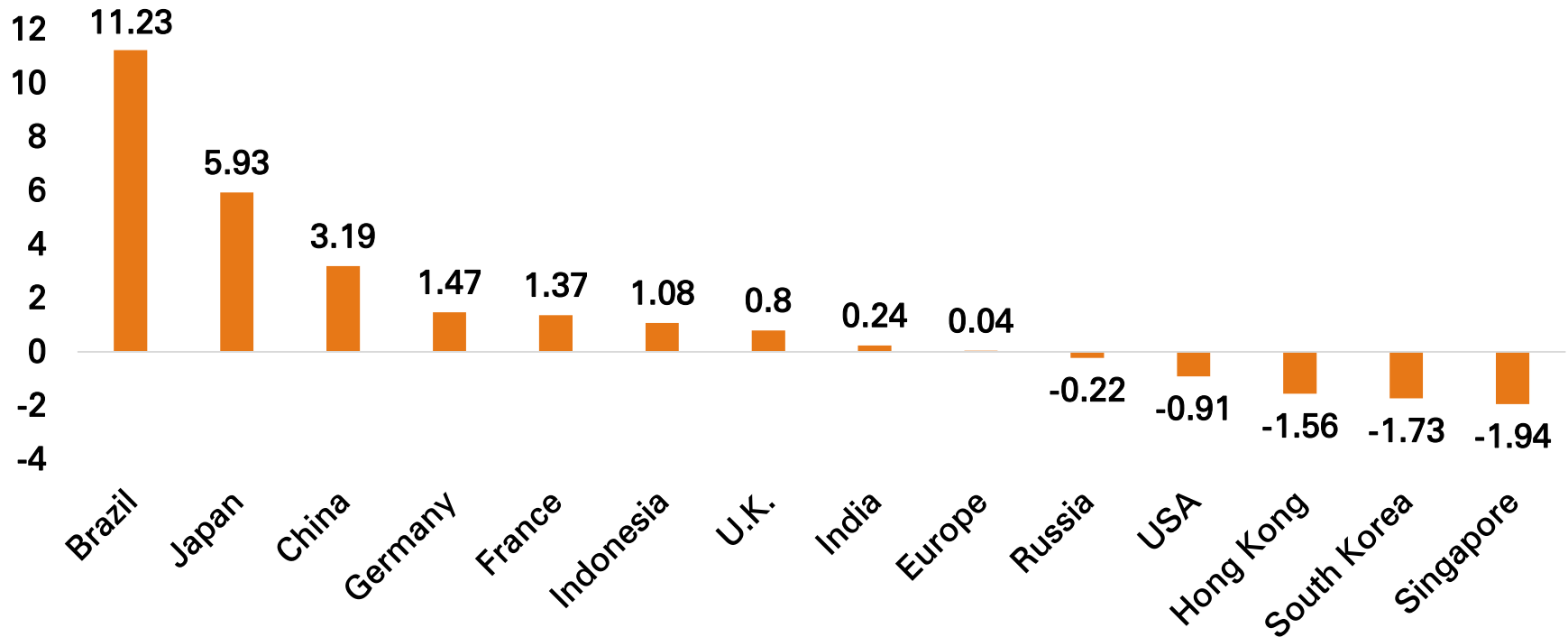
November 2016

Equity – Early signs of economic recovery

**Debt – Yields could fall more on easy liquidity
and incremental fall in inflation**

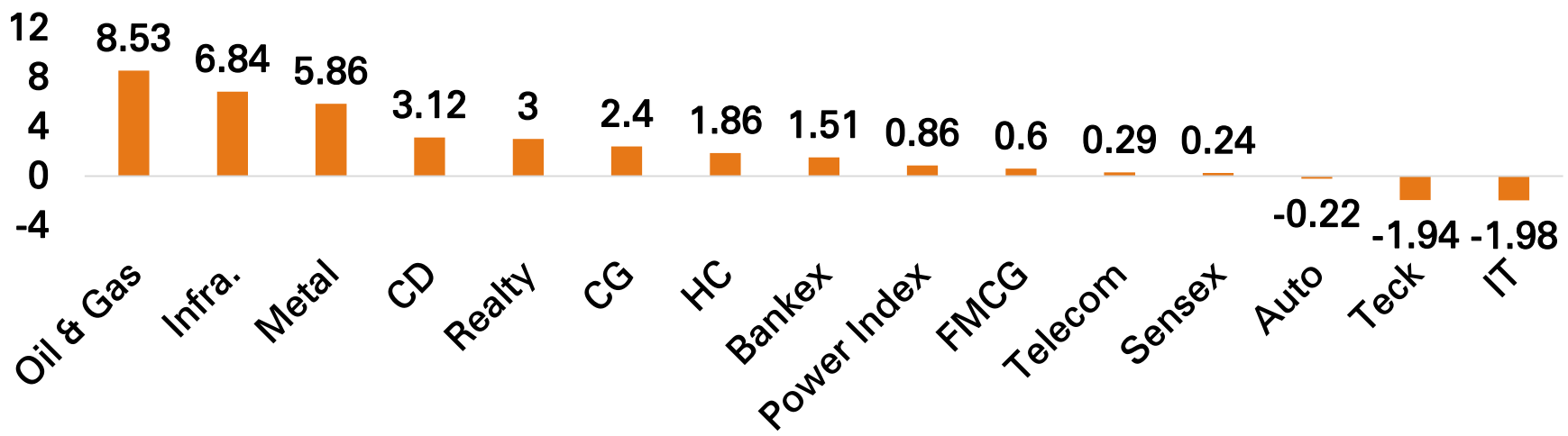
Global Indices

The up-tick in commodity prices has buoyed the stock market in Brazil. Japan and China were among the other countries that gave positive returns. Meanwhile the countries with negative returns were Russia, USA, Hong Kong, South Korea and Singapore.



Germany - DAX Index; China - SSE Composite Index; France - CAC 40 Index; Japan - Nikkei; Europe - Euronext 100; Hong Kong - HangSeng; USA - Dow Jones; Singapore - Strait Times; Russia - RTS Index; Indonesia - Jakarta Composite Index; U.K. - FTSE; South Korea - Kospi; Brazil - Ibovespa Sao Paulo Index; India - S&P BSE Sensex; Data as of Oct 31, 2016; Data Source: MFI; Returns are absolute percentage returns calculated between Sep 30, 2016 – Oct 31, 2016

Sectoral Performance



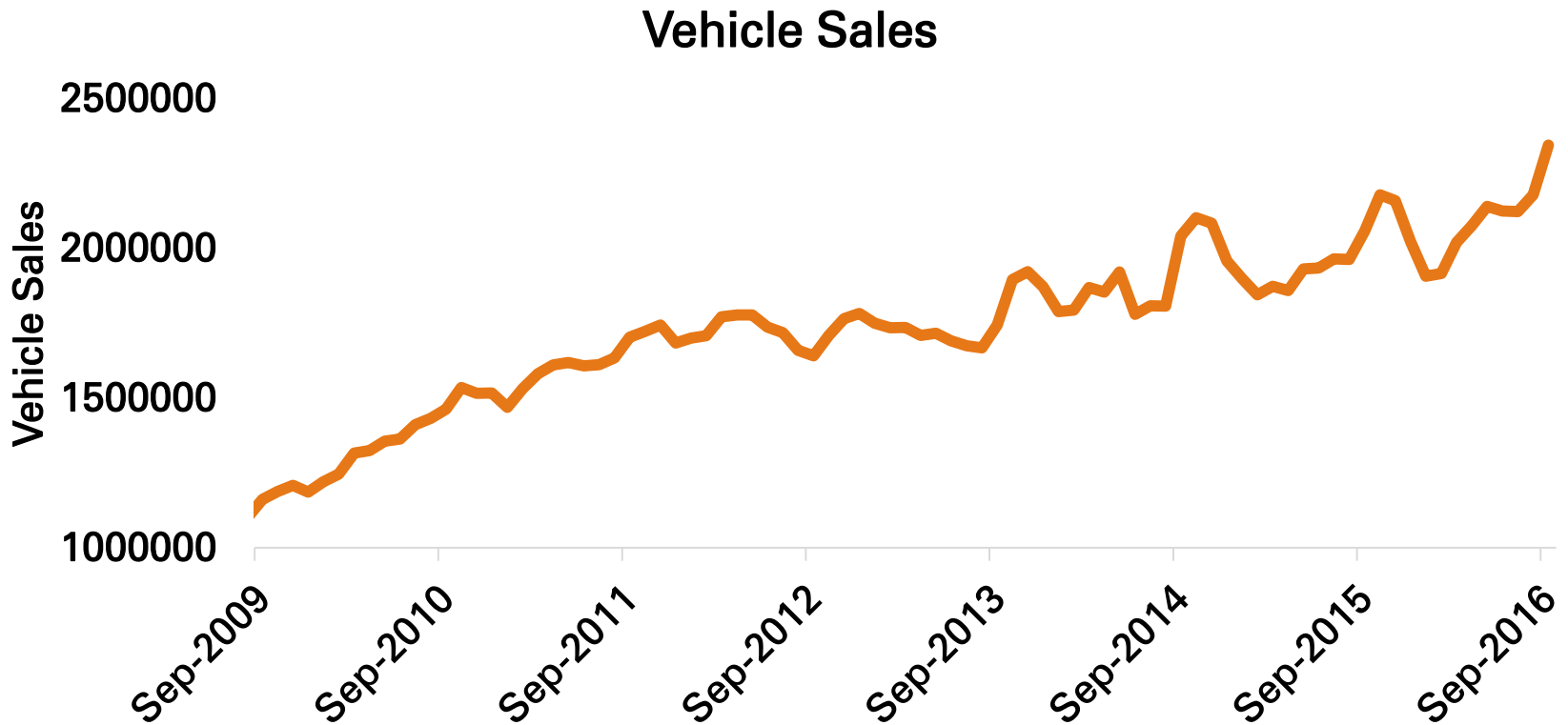
There were only three sectors that gave negative returns – Auto, Teck, and IT. Meanwhile cyclical industries like Oil & Gas, Infra and Metals were best performing for the period.

Within the market capitalization group S&P BSE Small Cap was the best performing index

Index	1 Month
S&P BSE Small Cap	6.49%
S&P BSE Mid Cap	2.4%
S&P BSE Sensex	0.24%

Vehicle Sales witness growth

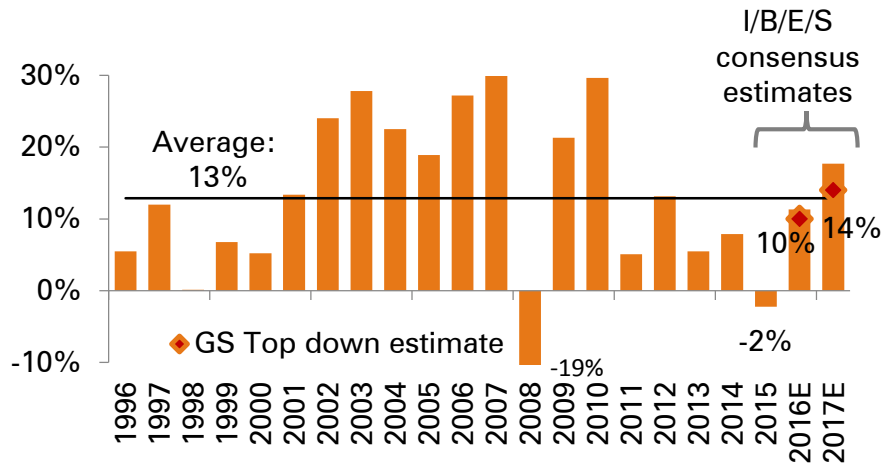
The 3MMA shows that the demand for vehicles have increased. Vehicle Sales tend to show the early revival sign in the economy.



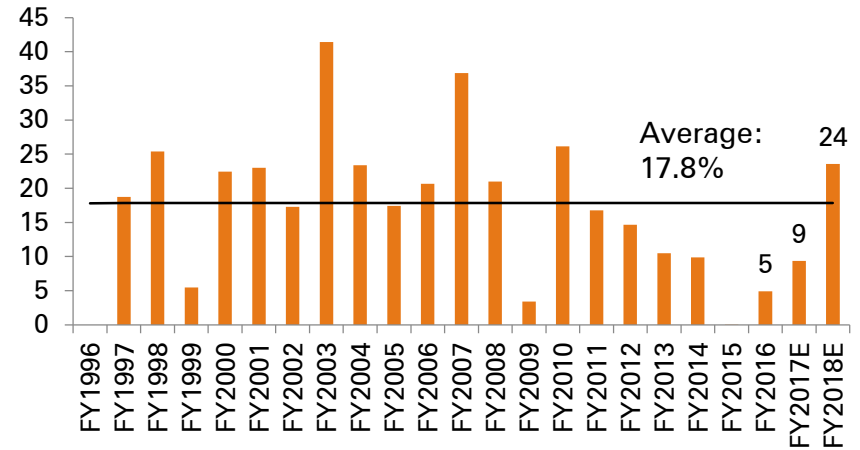
Earnings Projections – Estimates

MSCI India EPS growth (local currency)

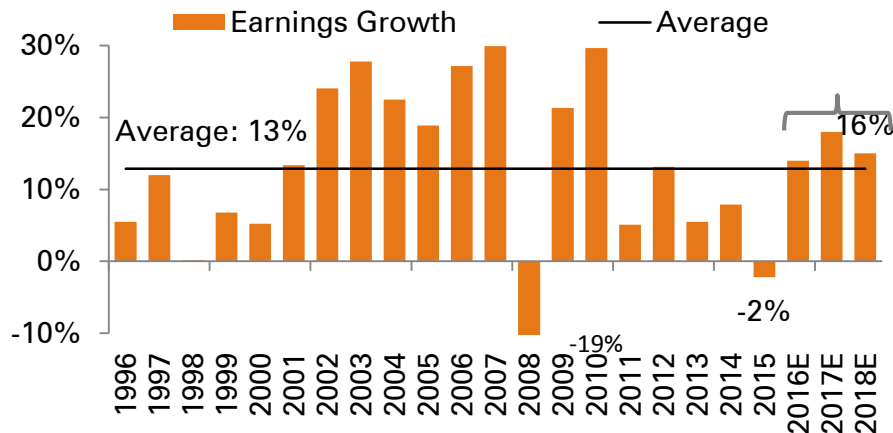
Goldman Sachs



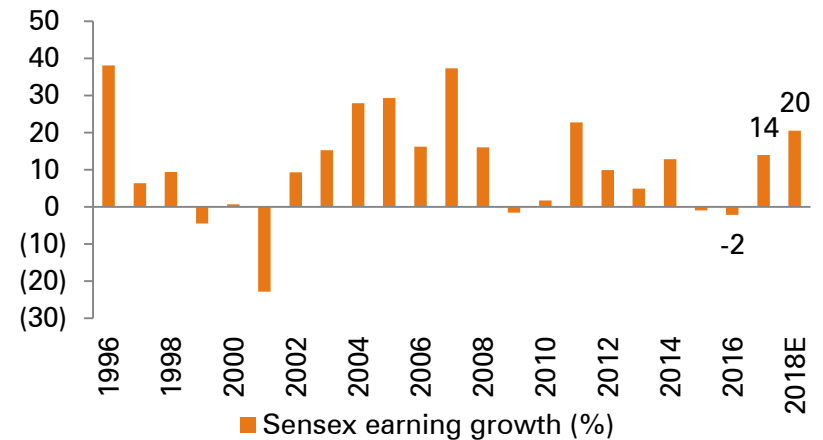
Nomura Securities



Credit Suisse

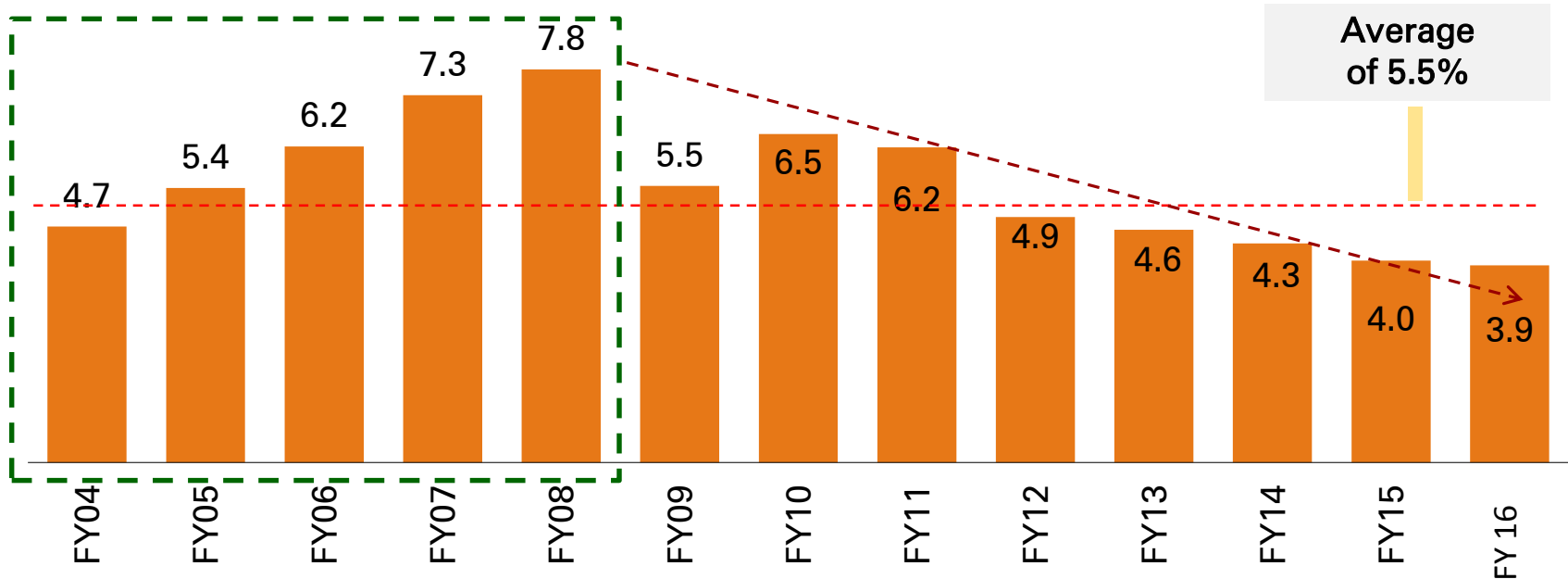


Kotak Securities



Corporate Profit to GDP (%)

Corporate profit to GDP has been falling for last few years, but as sales increases and earnings improve for corporates, we believe that corporate profit will also start increasing. As corporate profit to GDP is below average, in time it could increase and revert to mean.



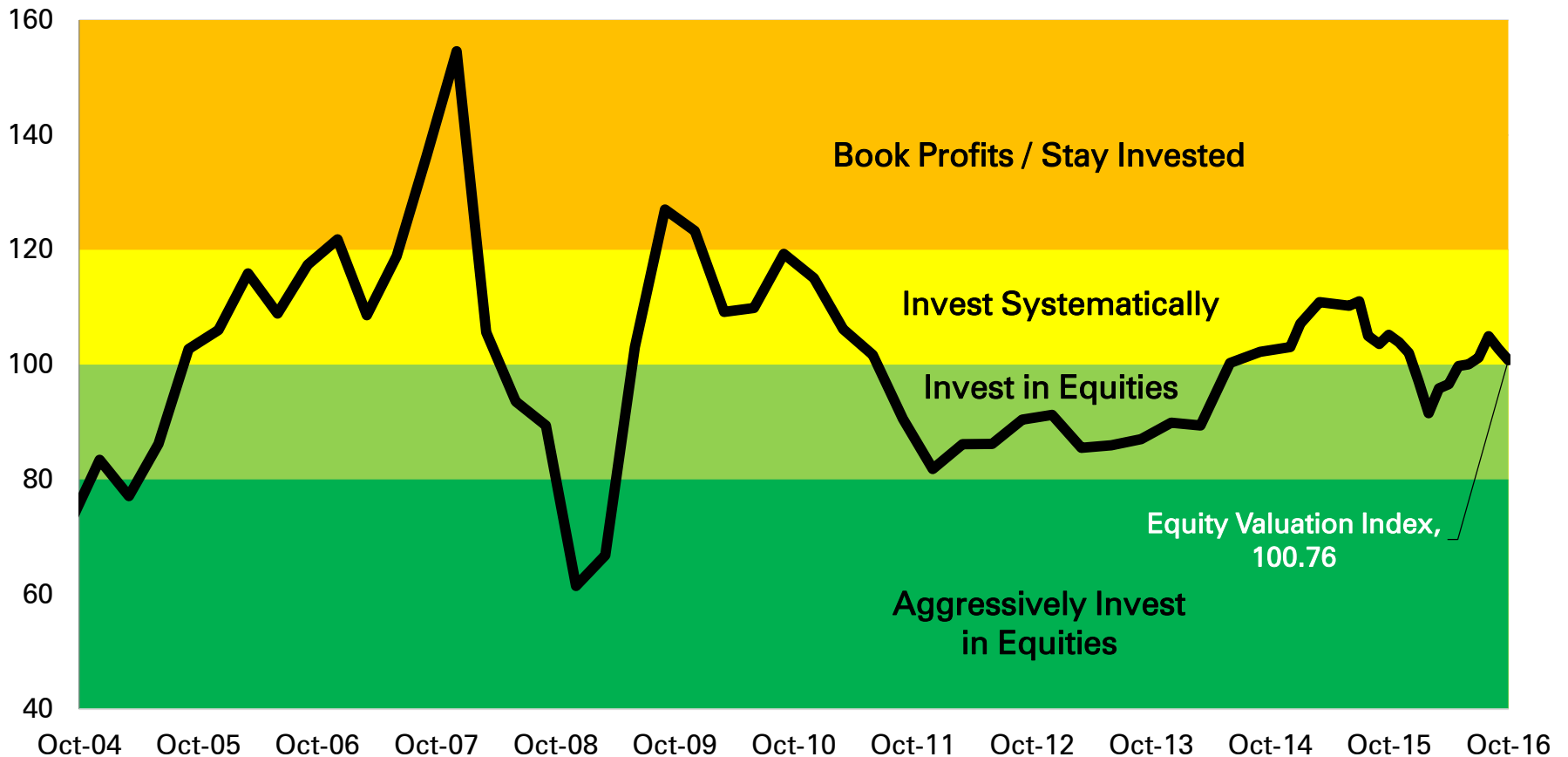
Return on Equity



As earnings improve and corporate profitability returns to long term trend. We believe this will help improve Return on Equity (RoE) going forward as the same is also below average.



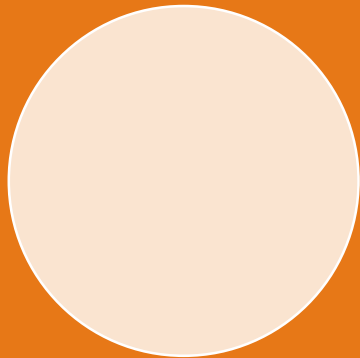
Equity Valuation Index



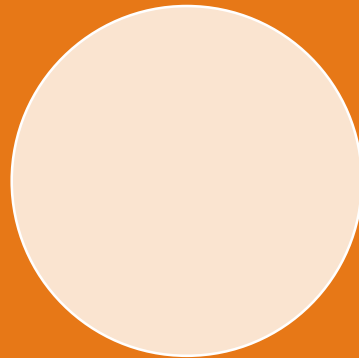
The equity valuation index indicates that investors should invest systematically.

- ❑ We believe that India is still a bright spot in a weak global environment.
- ❑ We continue to remain positive on the long term India growth story and believe that any correction would be a buying opportunity.
- ❑ US presidential election could have global impact in general but it could also affect sectors like IT and pharmaceutical which have a substantial US exposure.
- ❑ On the domestic side the focus will shift to July-September 2016 earnings and we believe the market will be more driven by bottom up stories in the near future.
- ❑ Earnings may also benefit from the monsoon and the implementation of enhanced wages for government employees under the 7th Pay Commission.
- ❑ Government spending in select infrastructure segments could also increase and lead to recovery in overall business activity.

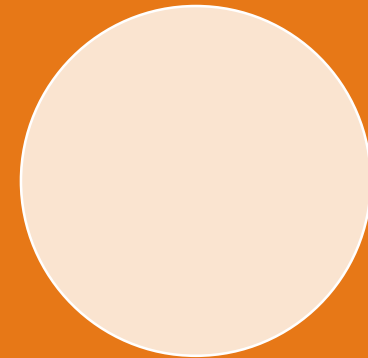
Where to Invest?



Incremental allocation in pure equity funds through SIPs (systematic investment plans)



Underinvested / prospective investors may invest lumpsum into Dynamic Asset Allocation Funds



Aggressive investors can choose to invest in thematic funds for tactical allocation



RECOMMENDATIONS - Equity



Aggressive Investments

ICICI Prudential Select Large Cap Fund

ICICI Prudential Top 100 Fund

Investors may invest in these funds to benefit from domestic and global cyclical uptick

Moderate-risk Investments

ICICI Prudential Focused Bluechip Equity Fund

ICICI Prudential Value Discovery Fund

ICICI Prudential Multicap Fund

These funds are well diversified across various sectors and could be part of investor's core equity portfolio

RECOMMENDATIONS - Equity



Asset Allocation Investments / Balanced
ICICI Prudential Balanced Advantage Fund
ICICI Prudential Balanced Fund

These funds aim to benefit from volatility and can be suitable for investors aiming to participate in equities with lower volatility.

ICICI Prudential Equity Income Fund

This fund allows investors to participate in equities conservatively; Investors could swiftly move to pure equities whenever opportunity arises.

Thematic Fund
ICICI Prudential Infrastructure Fund

Investors could invest in this thematic fund as part of their tactical asset allocation.

ICICI Prudential Multicap Fund

Portfolio Strategy

Large-Cap Category: Defensive

Aim to identify and invest in structurally good defensive opportunities that are attractively valued and ignored by the market

Mid- and Small-Cap Category: Alpha-Generators

Focus on highly-scalable, non-leveraged, and branded companies, which could be long-term winners in the fund

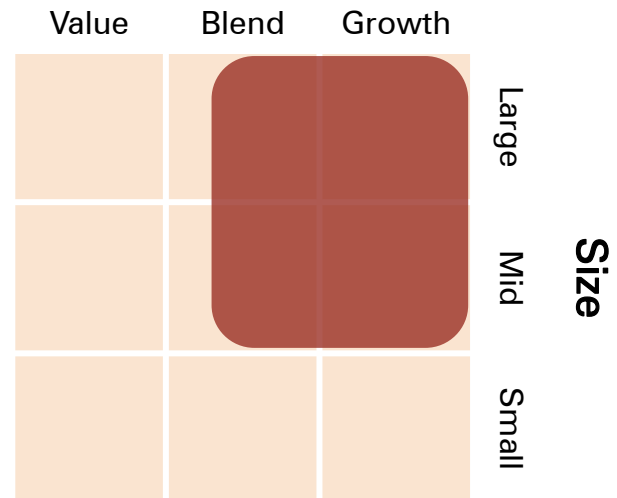
When Markets are on the Way Up:

As the largecap stocks are undervalued, they could provide steady return, while mid and smallcaps could generate reasonable return over a long term basis.

When Markets are on the Way Down:

When market tends to go down, large-cap defensive strategy could work. As the stock selection methodology for mid and smallcaps is unique, the expected volatility also could be lower on the way down.

Investment Style



Quantitative Indicators

Average PE	27.02
Average P/BV	5.42
Average Dividend Yield	0.93
Portfolio Beta	0.94

About the Fund



A concentrated portfolio of 15-20 high-conviction Large Cap Stocks from the S&P BSE 100 Index



Follows bottom-up for stock picking and top-down approach for sector selection



Currently overweight on domestic economic recovery theme

About the Fund

Invests in large- and mid-cap stocks of companies with good growth potential

Follows contrarian style investment and aims to generate alpha through active sector rotation

Follows top-down approach for sector selection and bottom-up approach for stock selection

Our Range of Equity-Oriented Dynamic Asset Allocation / Balanced Funds

Features

Multi-Asset Portfolio:

Seeks to capture debt, equity and arbitrage opportunities

Return Stability:

Follows buy low and sell high approach with an aim to lower impact of market volatility on returns

Tax Efficiency:

Maintains equity fund status to provide benefit of equity taxation*

	ICICI Prudential Balanced Advantage Fund	ICICI Prudential Balanced Fund	ICICI Prudential Equity Income Fund	ICICI Prudential Dynamic Plan
Net Equity Level	30-80%	65-80%	20-40%	65-100%

Fixed Income

Yields could fall more on easy liquidity
and incremental fall in inflation

Current Fixed Income Scenario

Current Account Balance:
Expected to stay Neutral

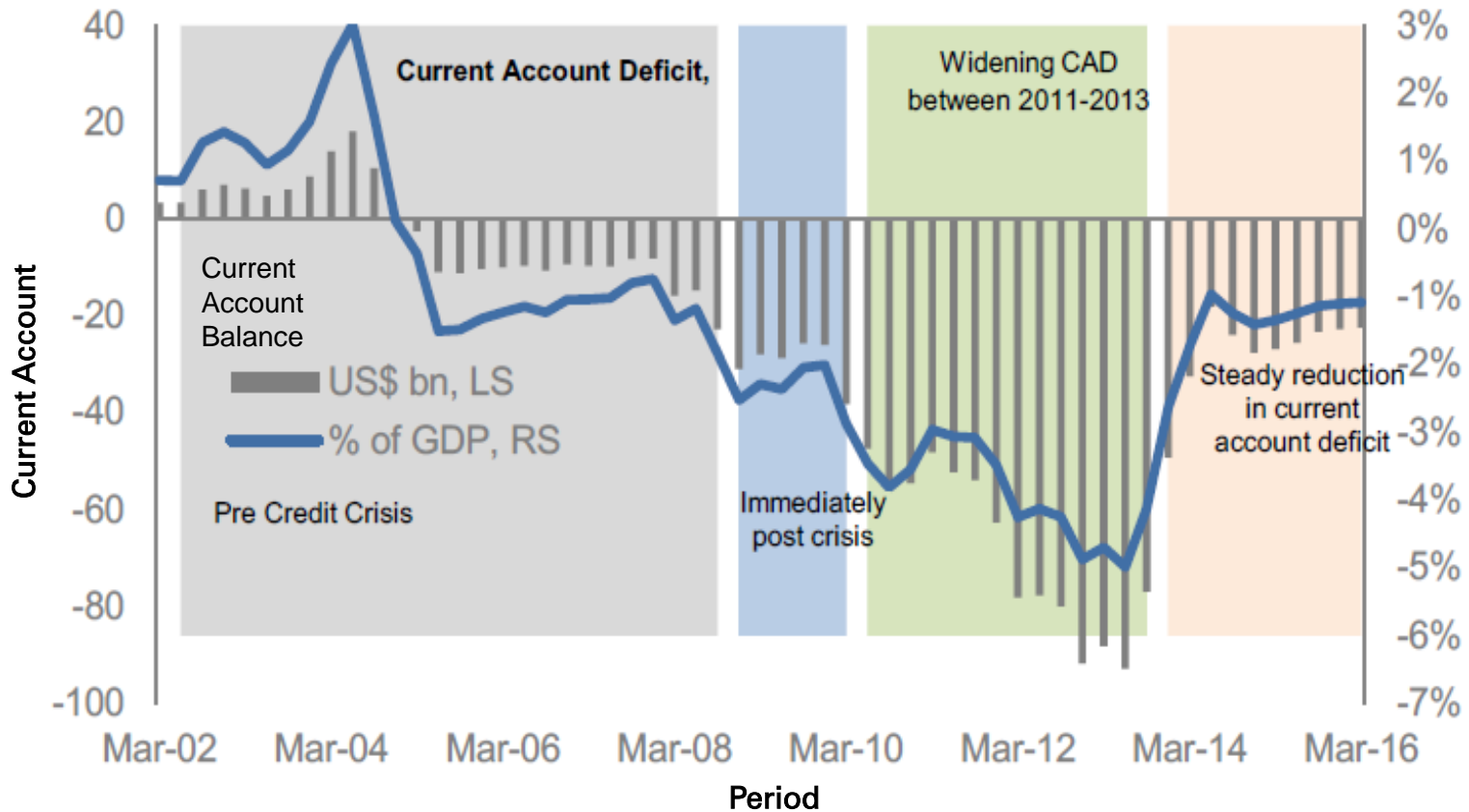
Inflation: Expected to be low

Credit Growth: Expected to remain subdued

Global Economy:
Conducive for lower rates in India

Current Account Balance: Neutral

Current Account (trailing 4-quarter)



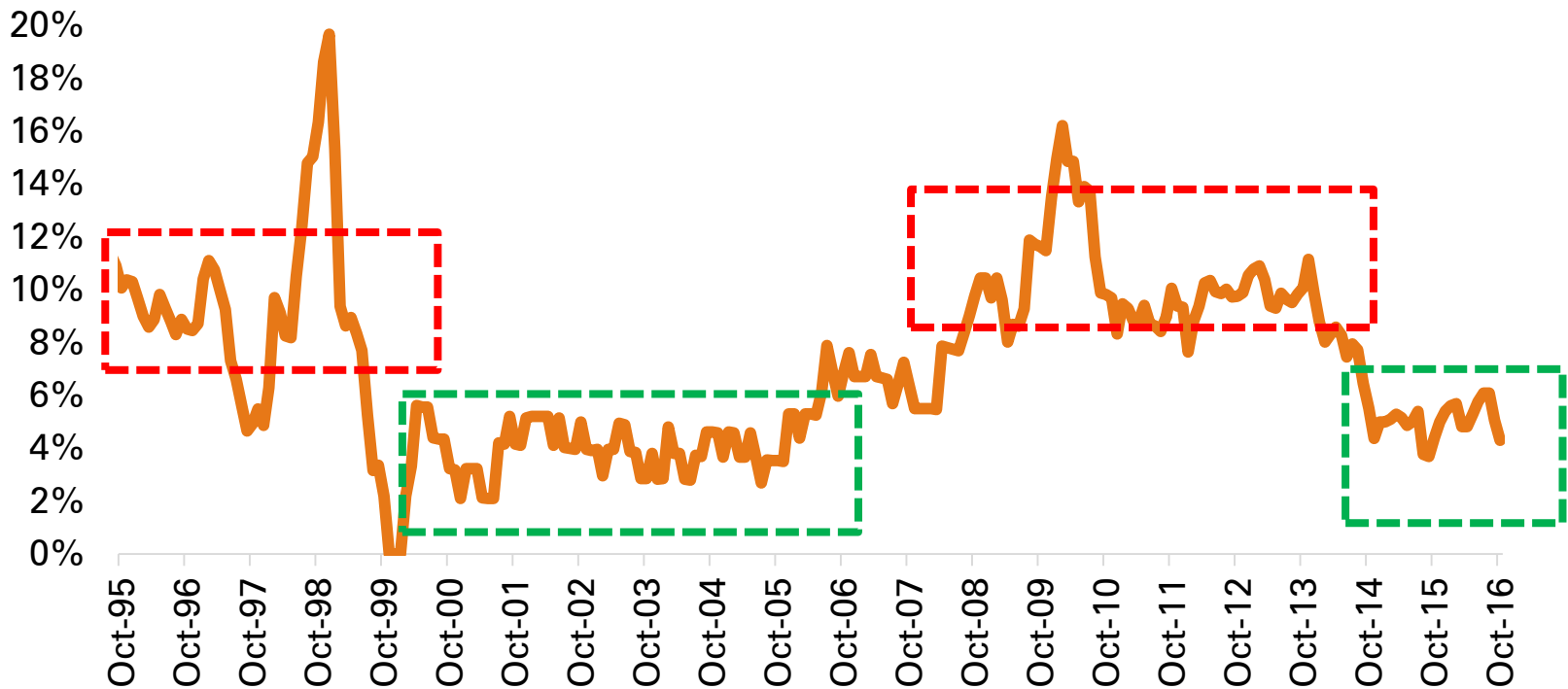
After steady reduction in CAD we may see Current Account surplus in coming quarters

Inflation – Likely To Remain Under Control



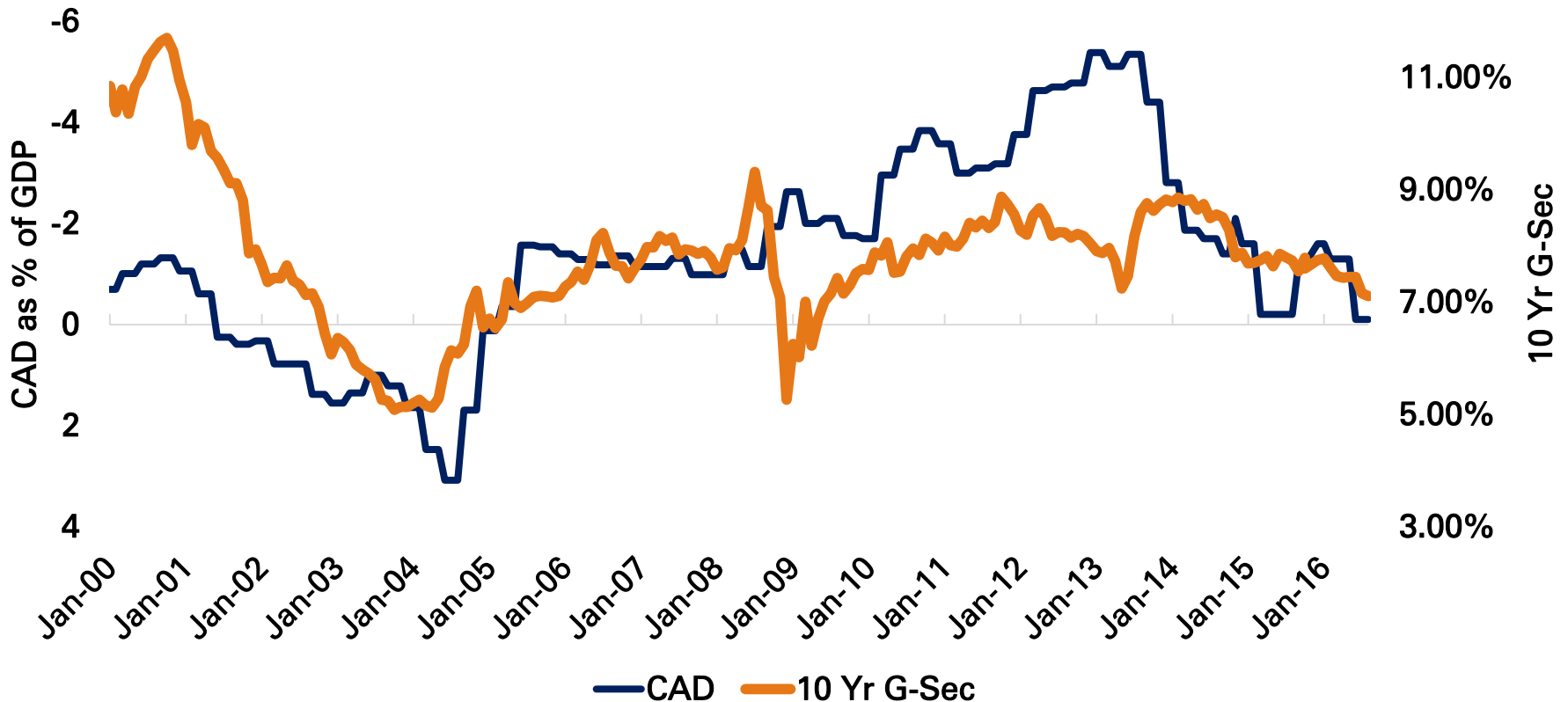
**We believe CPI inflation to be below RBI target of 5% by March'17
That could provide RBI room for further rate cut**

CPI



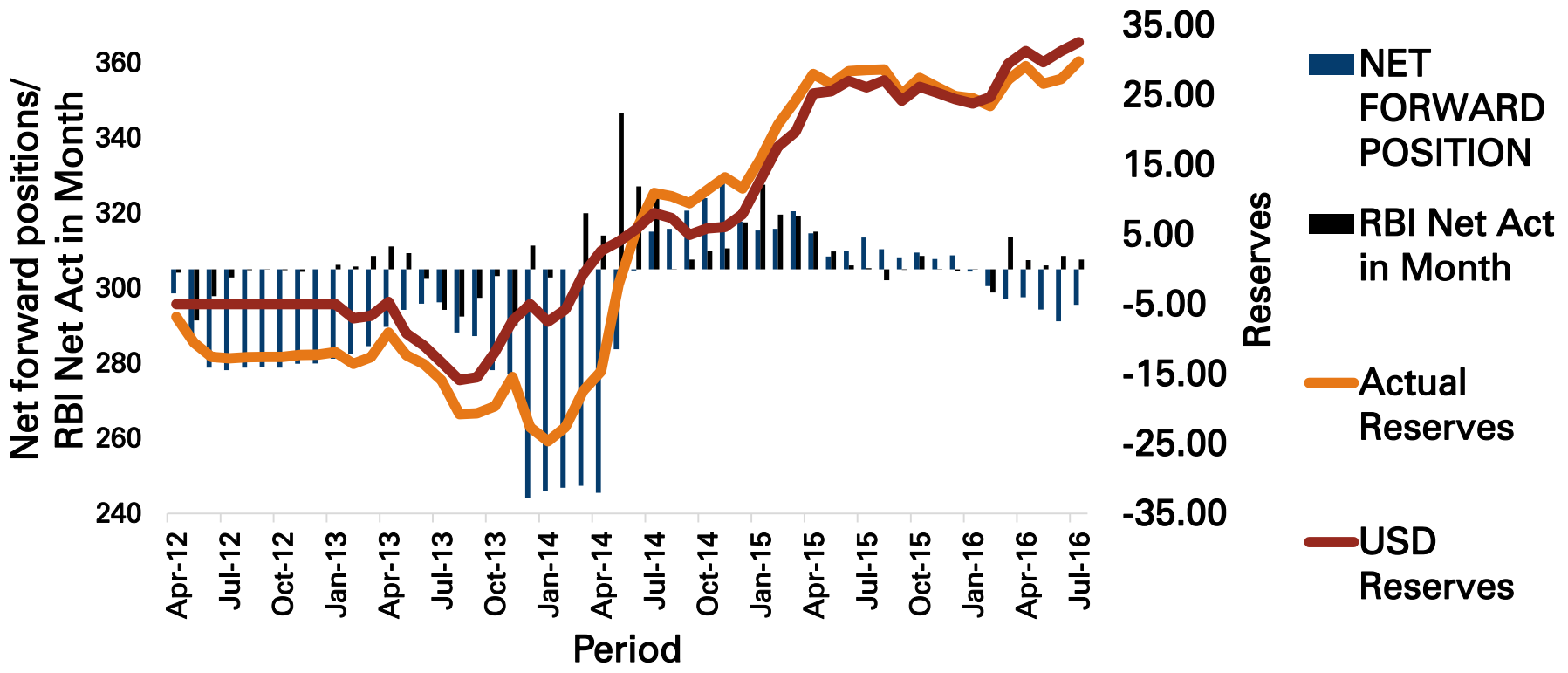
CAD and G-Sec

Based on long term correlation of -0.4, 10 yr G-sec yield may move towards 6.50% to 6.30% range



Forex

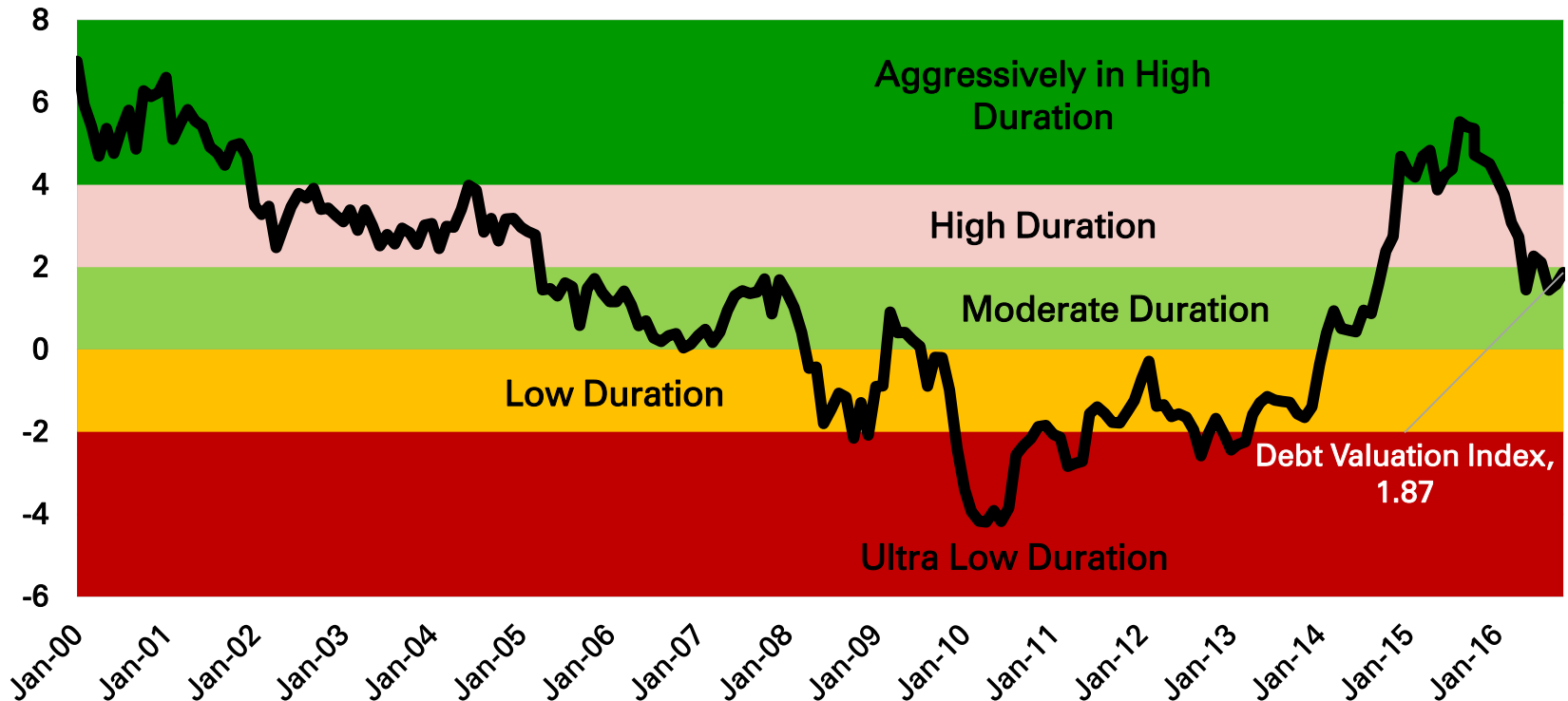
- ❑ RBI has built forex reserves over last 3 years
- ❑ We may see RBI selling close to USD 15bn during FCNR (B) redemptions



Debt Valuation Index



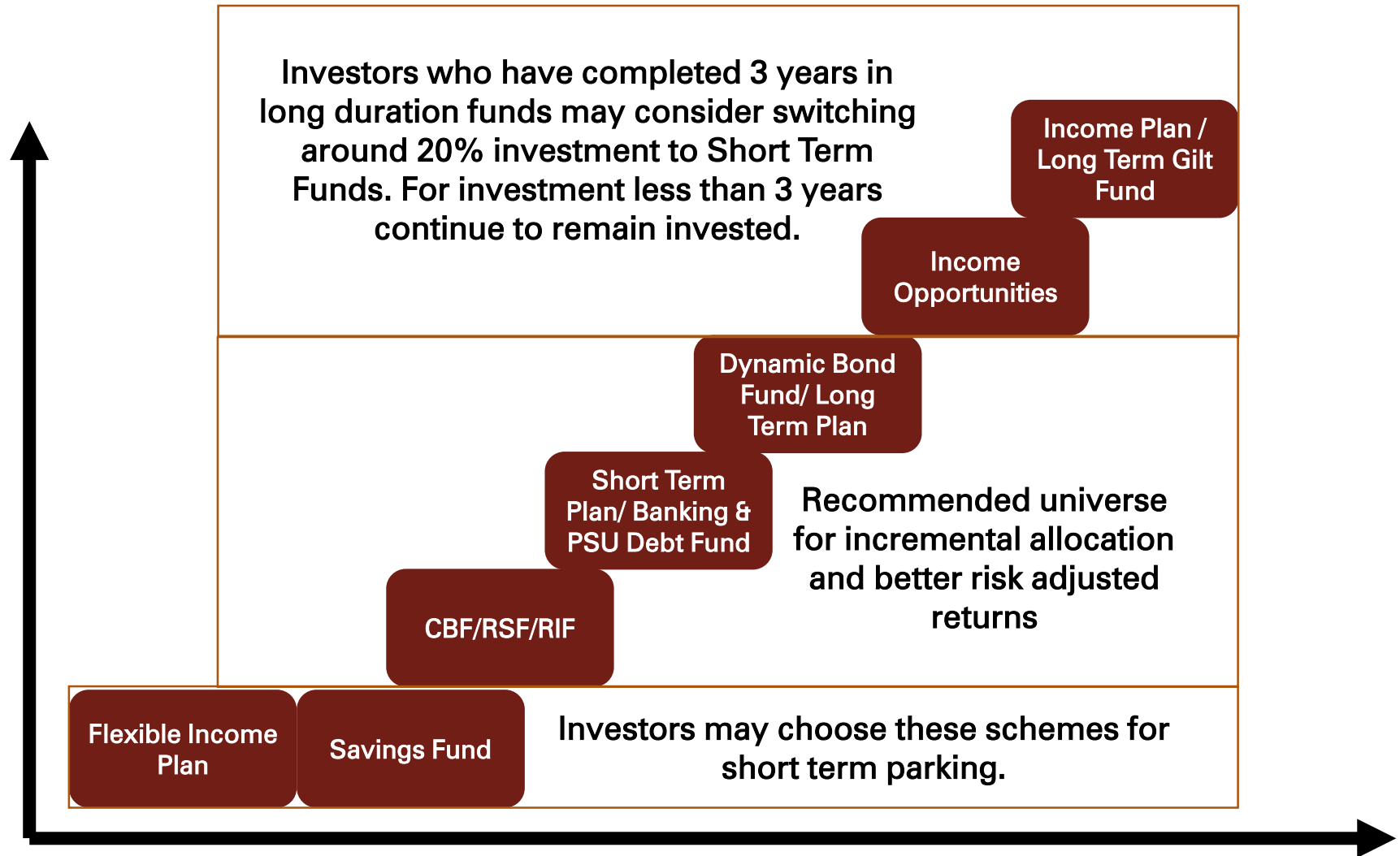
Debt Valuation Index



Our debt valuation index shows that investors could choose moderate duration or dynamic duration funds as they may offer better risk-adjusted returns.

- ❑ We believe inflation is likely to remain between 4.5% to 5% range till Mar 2017 which may provide room for RBI to remain accommodative.
- ❑ Therefore, RBI could likely make another 25bps cut before Apr 2017.
- ❑ We believe that RBI could use OMOs to the tune of Rs. 0.7 to 0.9 trillion to keep adequate liquidity in the system.
- ❑ INR liquidity could tighten over the next one to two months due to FCNR redemptions, the Diwali festive season and temporary deposit withdrawals arising from telecom spectrum auctions.
- ❑ With the RBI targeting to keep the banking system's liquidity position close to neutral, we think the RBI could have to support domestic liquidity partly through outright bond purchases.

Maintain duration in your portfolio



Debt Funds



Aggressive investors with 3 years of investment horizon:
ICICI Prudential Long Term Plan

Fund that can dynamically change duration strategy based on market condition

Investors with moderate risk appetite:
ICICI Prudential Dynamic Bond Fund
ICICI Prudential Short Term Plan

Funds with short to medium duration could give better risk-adjusted returns.

Investors seeking to earn from Accrual + Duration:
ICICI Prudential Regular Savings Fund
ICICI Prudential Corporate Bond Fund
ICICI Prudential Regular Income Fund
(Income is not assured and is subject to the availability of distributable surplus.)

These funds are better suited for investors looking for accrual strategy.

ICICI Prudential Regular Savings Fund



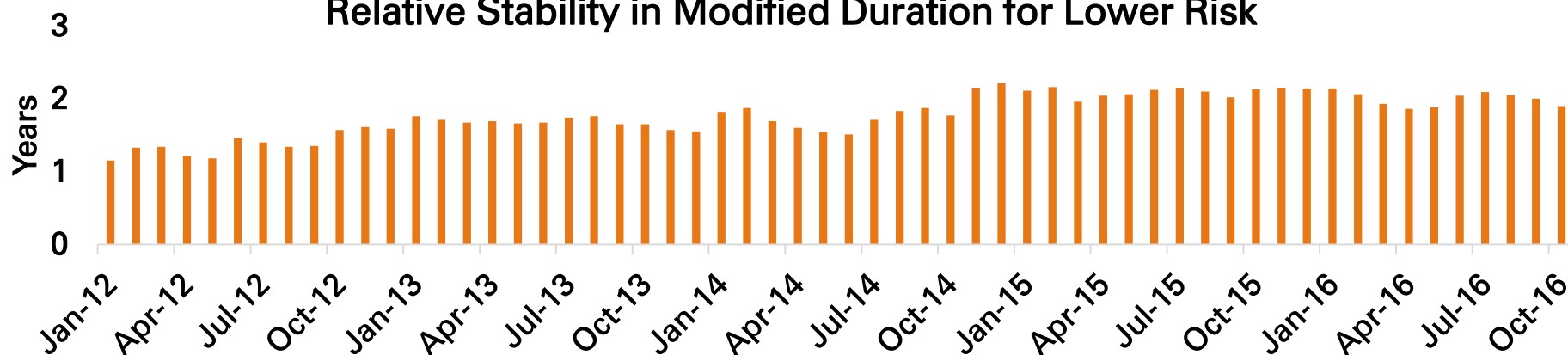
ABOUT THE FUND

- ❑ Invests in various credit ratings ranging between AAA to A with a hold to maturity approach and with an aim to maintain a reasonable portfolio yield.
- ❑ Uses static duration management strategy

Quantitative Indicators as on October 31, 2016

Average Maturity	Modified Duration	Yield To Maturity
2.43 years	1.90 years	9.28%

Relative Stability in Modified Duration for Lower Risk



ICICI Prudential Corporate Bond Fund

Aims to invest in AA and above-rated corporate bonds

Static duration management

Hold till maturity approach

Quantitative Indicators as on October 31, 2016

Average Maturity	Modified Duration	Yield To Maturity
3.00 years	2.28 years	8.37%


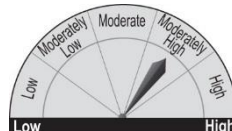
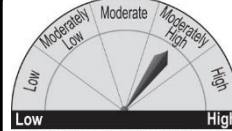
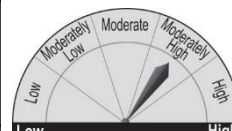
ICICI Prudential Long Term Plan

Invests in a high-rated corporate and government bonds with reasonable secondary market liquidity

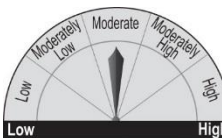
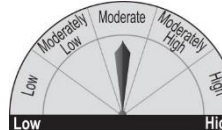
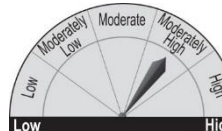
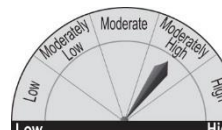
Seeks to provide reasonable returns in all market conditions

Seeks to dynamically manage duration in a range of 1-10 years based on an in-house current account model.

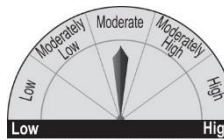
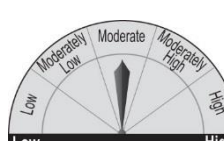
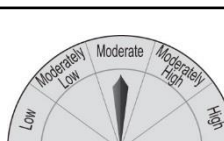
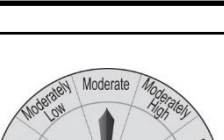
Riskometers

<p>ICICI Prudential Select Large Cap Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation solution • An equity fund that aims to generate capital appreciation by investing in equity or equity related securities of companies forming part of S&P BSE 100 Index. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	<p>Low High Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Top 100 Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation solution • An equity fund that aims to provide long term capital appreciation by predominantly investing in equity and equity related securities. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	<p>Low High Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Balanced Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> A balanced fund aiming for long term capital appreciation and current income by investing in equity as well as fixed income securities 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	<p>Low High Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Focused Bluechip Equity Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation solution • A focused large cap equity fund that aims for growth by investing in companies in the large cap category 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	<p>Low High Investors understand that their principal will be at moderately high risk</p>

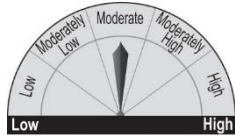




Riskometers

<p>ICICI Prudential Regular Income Fund (Income is not assured and is subject to availability of distributable surplus) is suitable for investors who are seeking*:</p>	 <p>Low High</p> <p>Investors understand that their principal will be at moderate risk</p>
<ul style="list-style-type: none"> • Medium term regular income solution • A hybrid fund that aims to generate regular income through investments primarily in debt and money market instruments and long term capital appreciation by investing a portion in equity. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	
<p>ICICI Prudential Short Term Plan is suitable for investors who are seeking*:</p>	 <p>Low High</p> <p>Investors understand that their principal will be at moderate risk</p>
<ul style="list-style-type: none"> • Short term income generation and capital appreciation solution • A Debt fund that aims to generate income by investing in a range of debt and money market instruments of various maturities. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	
<p>ICICI Prudential Value Discovery Fund is suitable for investors who are seeking*:</p>	 <p>Low High</p> <p>Investors understand that their principal will be at moderately high risk</p>
<ul style="list-style-type: none"> • Long term wealth creation solution • A diversified equity fund that aims to generate returns by investing in stocks with attractive valuations 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	
<p>ICICI Prudential Balanced Advantage Fund is suitable for investors who are seeking*:</p>	 <p>Low High</p> <p>Investors understand that their principal will be at moderately high risk</p>
<ul style="list-style-type: none"> • Long term wealth creation solution • An equity fund that aims for growth by investing in equity and derivatives. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	

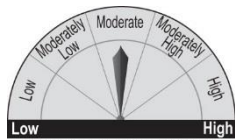
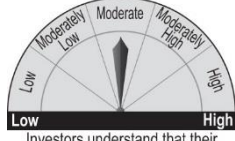
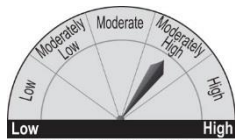

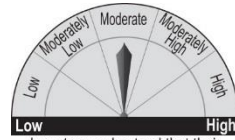
Riskometers

<p>ICICI Prudential Dynamic Bond Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Medium term wealth creation solution • A debt fund that invests in debt and money market instruments with a view to provide regular income and growth of capital. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Long Term Plan is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Medium term savings solution • A Debt Fund that invests in debt and money market instruments with a view to maximise income while maintaining optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Corporate Bond Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term savings solution • A debt fund that invests in debt and money market instruments of various maturities with a view to maximise income while maintaining optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Regular Savings Fund for investors who are seeking*:</p> <ul style="list-style-type: none"> • Medium term savings solution • A debt fund that aims to deliver consistent performance by investing in a basket of debt and money market instruments with a view to provide reasonable returns while maintaining optimum balance of safety, liquidity and yield. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>

Riskometers

<p>ICICI Prudential Income Opportunities Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term savings solution • A debt fund that invests in debt and money market instruments of various credit ratings and maturities with a view to maximising income while maintaining optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Infrastructure Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> An equity fund that aims for growth by primarily investing in securities of companies belonging to infrastructure and allied sectors. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at high risk</p>
<p>ICICI Prudential Multicap Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> A growth oriented equity fund that invests in equity and equity related securities of core sectors and associated feeder industries. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Equity Income Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> An equity scheme that seeks to generate regular income through investments in fixed income securities, arbitrage and other derivative strategies and aim for long term capital appreciation by investing in equity and equity related instruments. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Flexible Income Plan is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Short term savings solution <input type="checkbox"/> A Debt Fund that aims to maximise income by investing in debt and money market instruments while maintaining optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderately low risk</p>

Riskometers

<p>ICICI Prudential Income Plan is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation solution • A Debt Fund that invests in debt and money market instruments of various maturities with a view to maximise income while maintaining optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Savings Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Short term savings solution <input type="checkbox"/> A debt fund that invests in debt and money market instruments of various maturities with an aim to maximise income while maintaining an optimum balance of yield, safety and liquidity. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Dynamic Plan is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> A diversified equity fund that aims for growth by investing in equity and debt (for defensive considerations) <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderately high risk</p>
<p>ICICI Prudential Long Term Gilt Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long term wealth creation solution <input type="checkbox"/> A Gilt Fund that aims to generate income through investment in Gilts of various maturities. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>
<p>ICICI Prudential Banking & PSU Debt Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Short term savings solution <input type="checkbox"/> A Debt Fund that aims to generate regular income by investing in debt and money market instruments predominantly issued by Banks and Public Sector Undertakings. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>Investors understand that their principal will be at moderate risk</p>

Disclaimer



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

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