

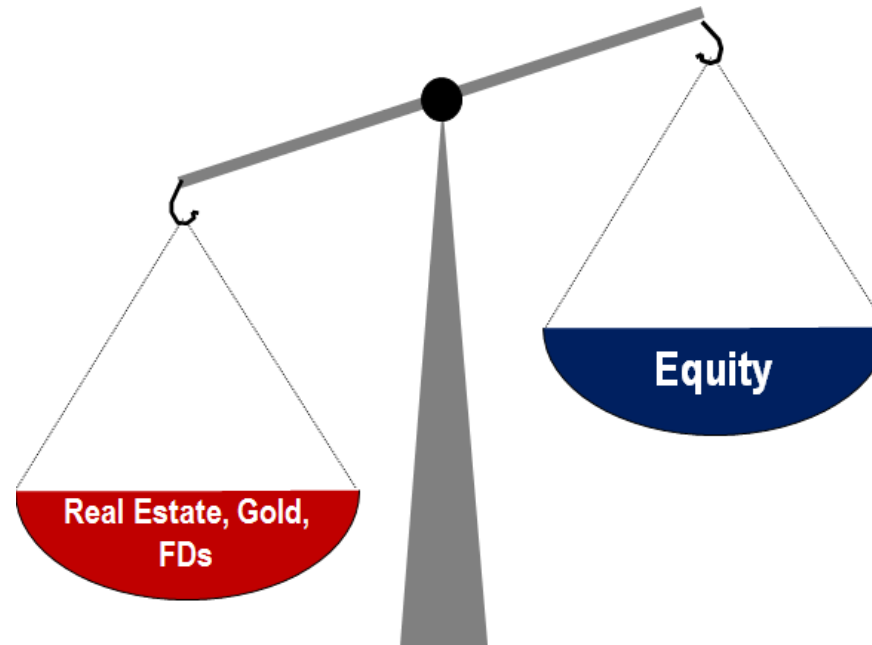


MONTHLY MARKET OUTLOOK

February 2014

INVESTORS UNDER-OWN EQUITY

A CLEAR POSITION



AUM in Rs Bn	Nov-13	Sep-07	Change
Equity Funds	1811.92	1578.63	14.8%
Deposits in Rs Bn	29-Nov-13	28-Sep-07	Change
Aggregate Deposits of Scheduled Commercial Banks	74779.28	28737.35	160%

OUR FRAMEWORK TO INVESTING - EQUITY

Economics

- Twin deficits narrowing
- Inflation on a downward trajectory
- Growth – will likely revive in 2014

Sentiments

- Domestic investor remain underinvested in equities
- FIIs (Foreign Institutional Investors) have been selling in recent past – a positive

Valuations

- A tad below fair value

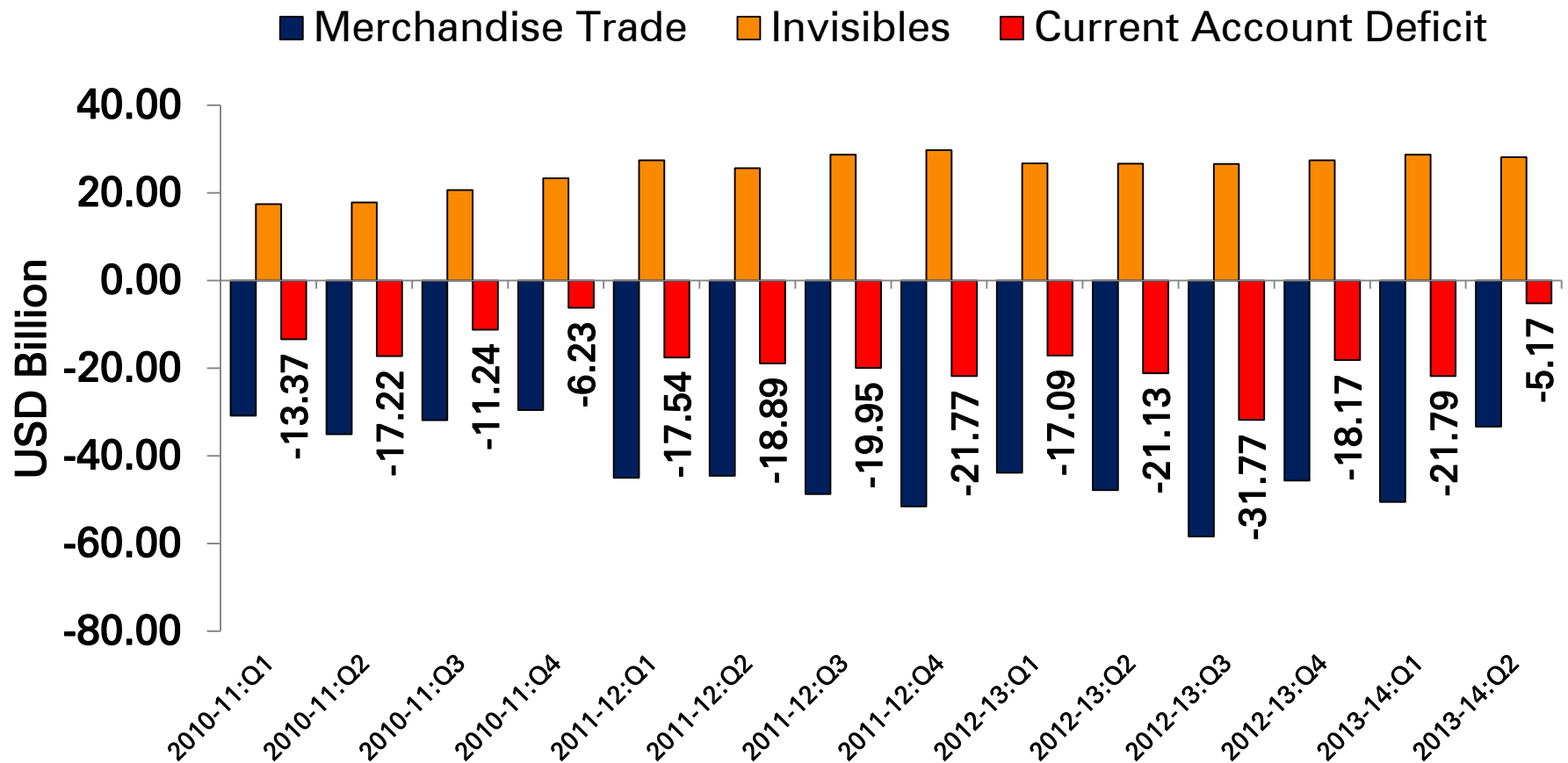
Triggers

- Election results – Strong / stable govt.
- Moderating of problems in Argentina, Turkey, South Africa, UK

RISKS TO GROWTH

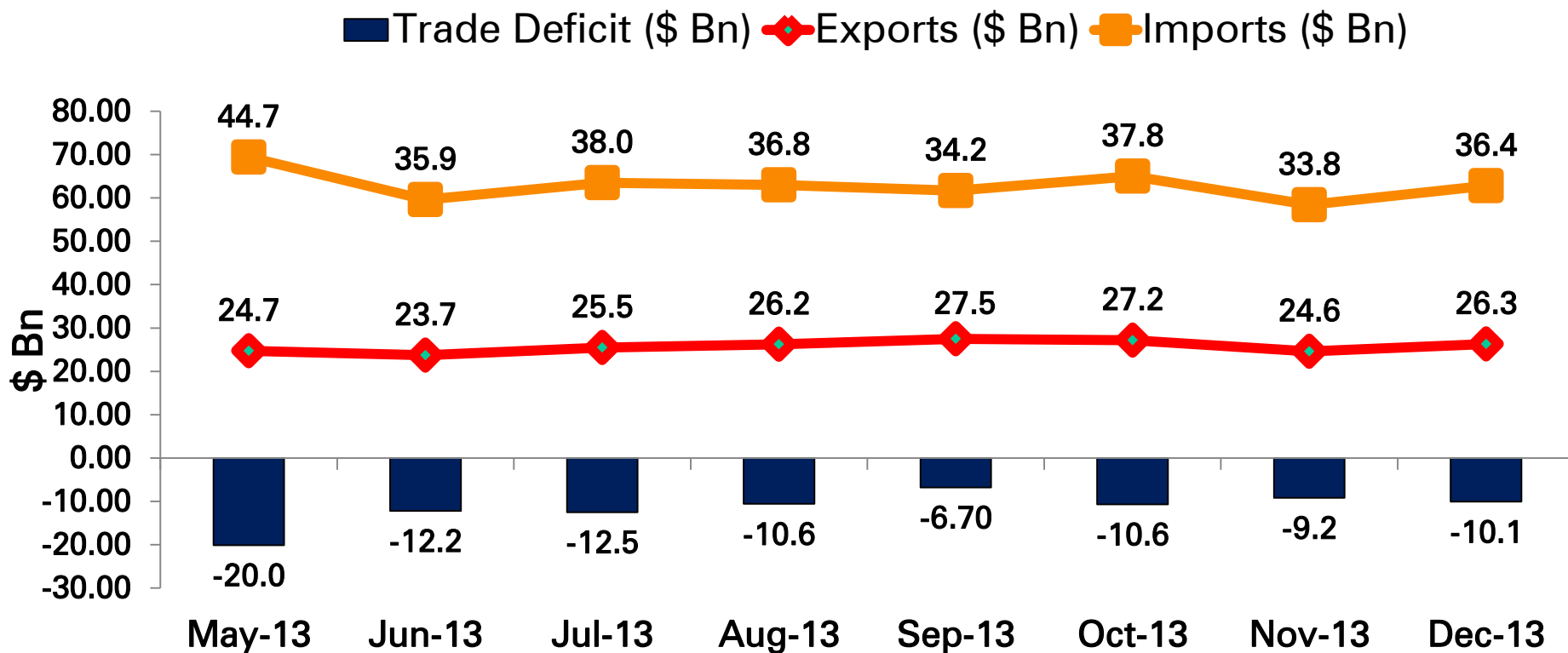
- A Weak Coalition Government
- Adverse Event in China

CURRENT ACCOUNT DEFICIT



Current Account Deficit narrowed sharply to USD 5.17Bn or 1.2% of GDP on the back of turnaround in exports and decline in gold imports

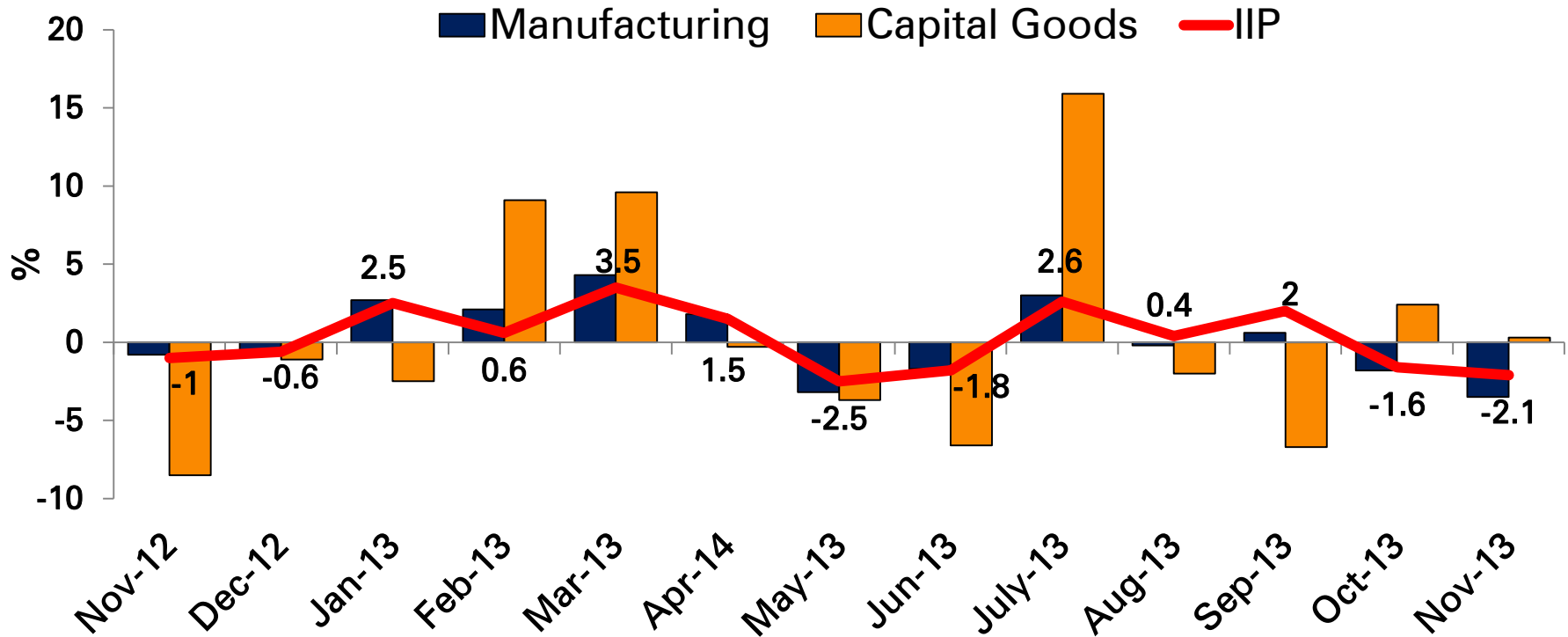
TRADE DEFICIT MUCH LOWER



The December 2013 trade deficit for India came in at USD 10.1 billion versus USD 17.19 billion in the same month last year



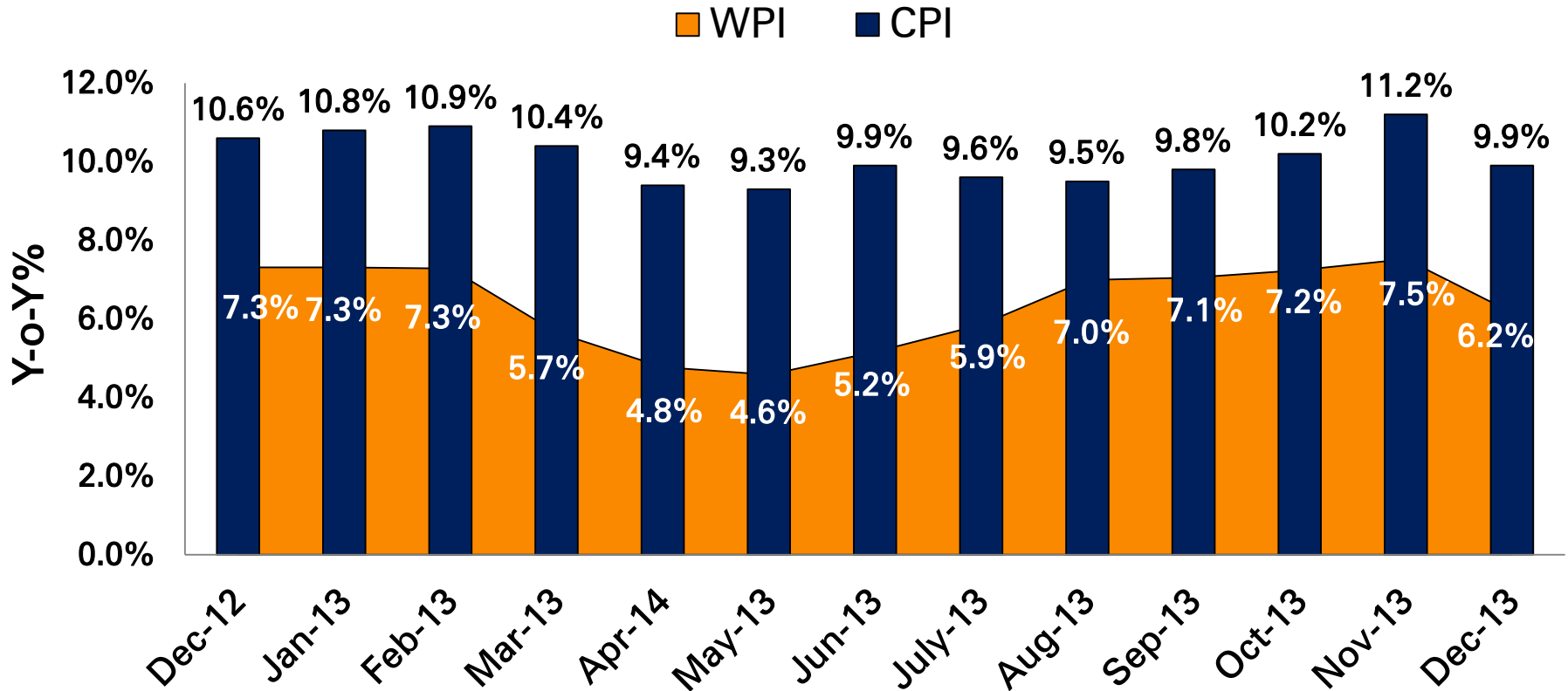
INDEX OF INDUSTRIAL PRODUCTION (IIP)



Index of Industrial Production (IIP) in India plunges by 2.1% in November 2013

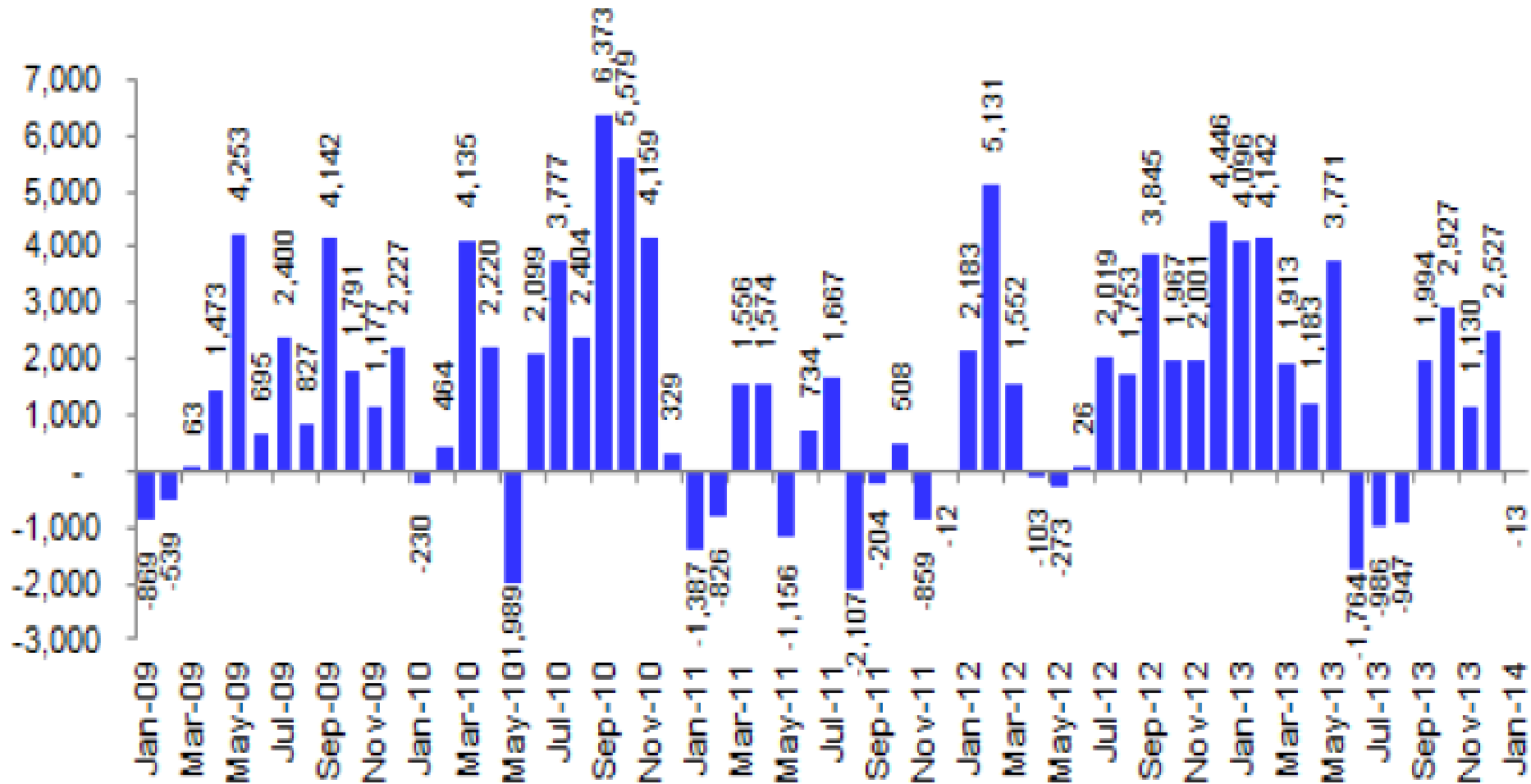


WPI AND CPI INFLATION DECLINES



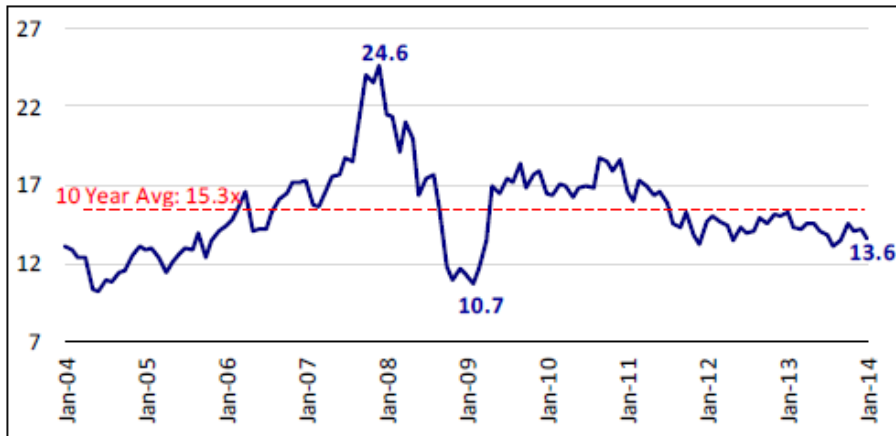
WPI and CPI Inflation came down to 6.2% and 9.9% in December 2013 respectively majorly due to decline in vegetable prices

FII FLOWS IN INDIAN EQUITIES (US\$M)

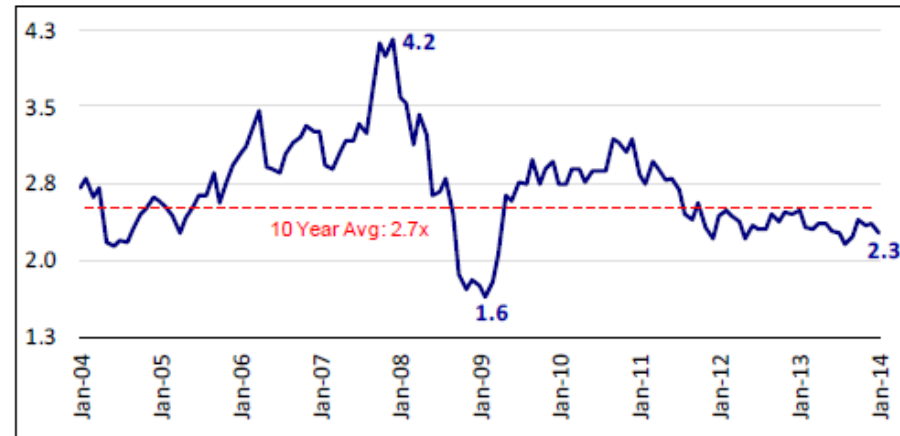


VALUATIONS BELOW LONG PERIOD AVERAGE

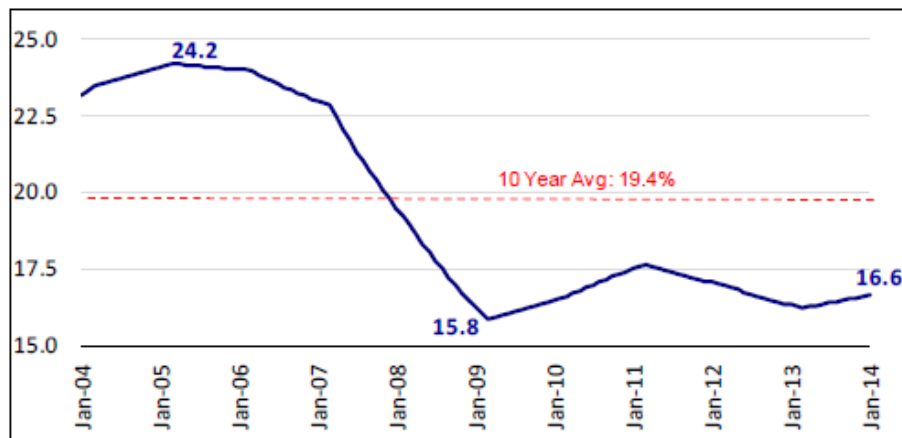
12-month forward Sensex P/E (x)



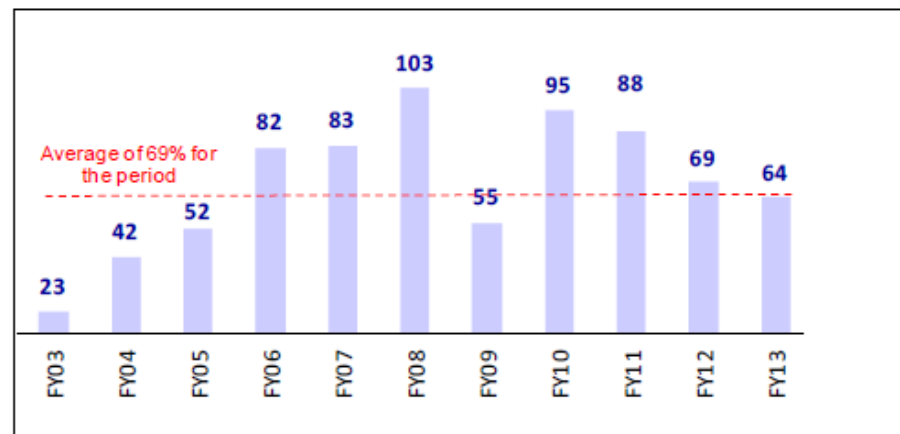
12-month forward Sensex P/B (x)



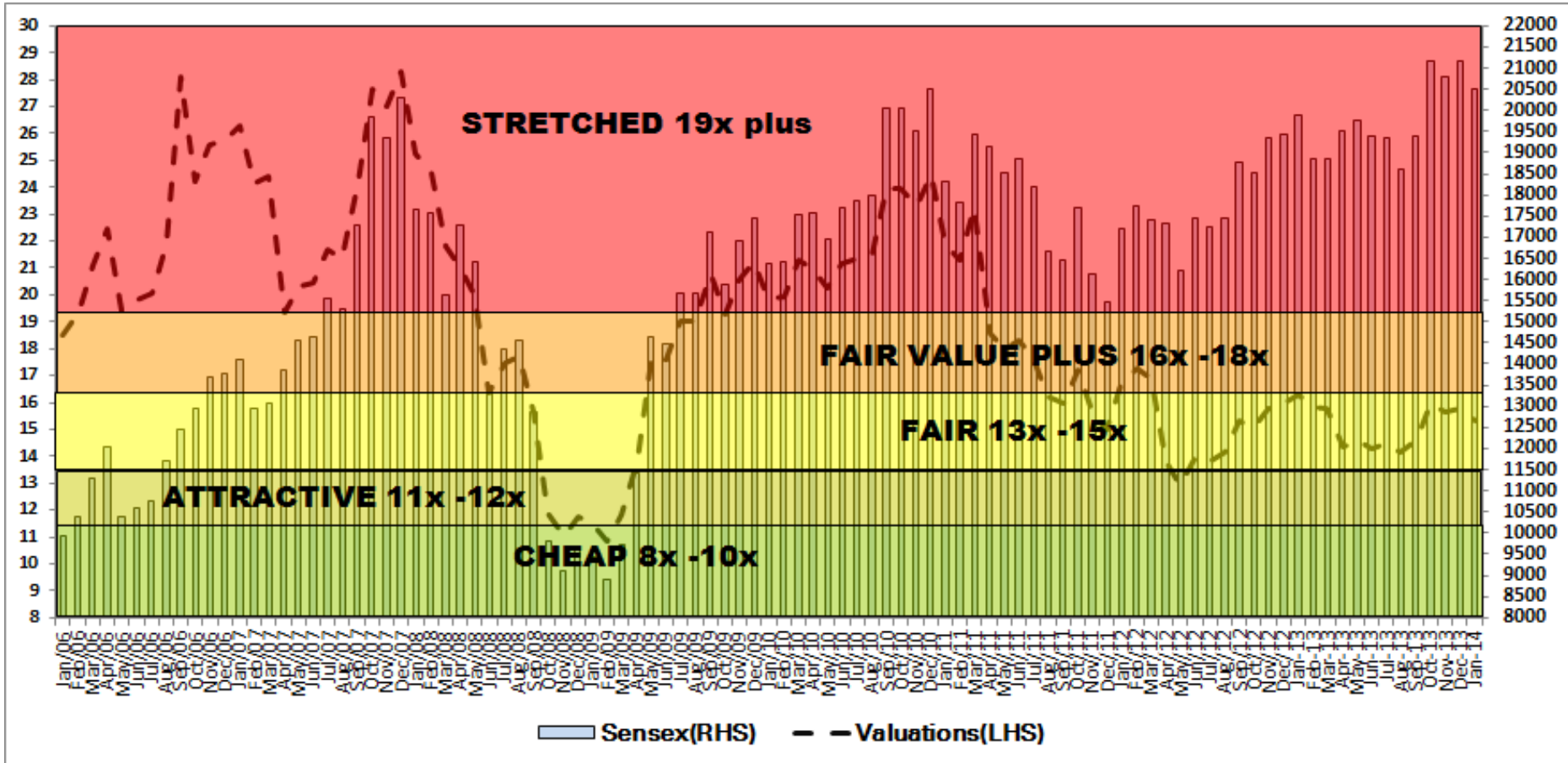
12-month forward Sensex RoE (%)



India's market cap to GDP (%)



IPRU VALUATION CHART



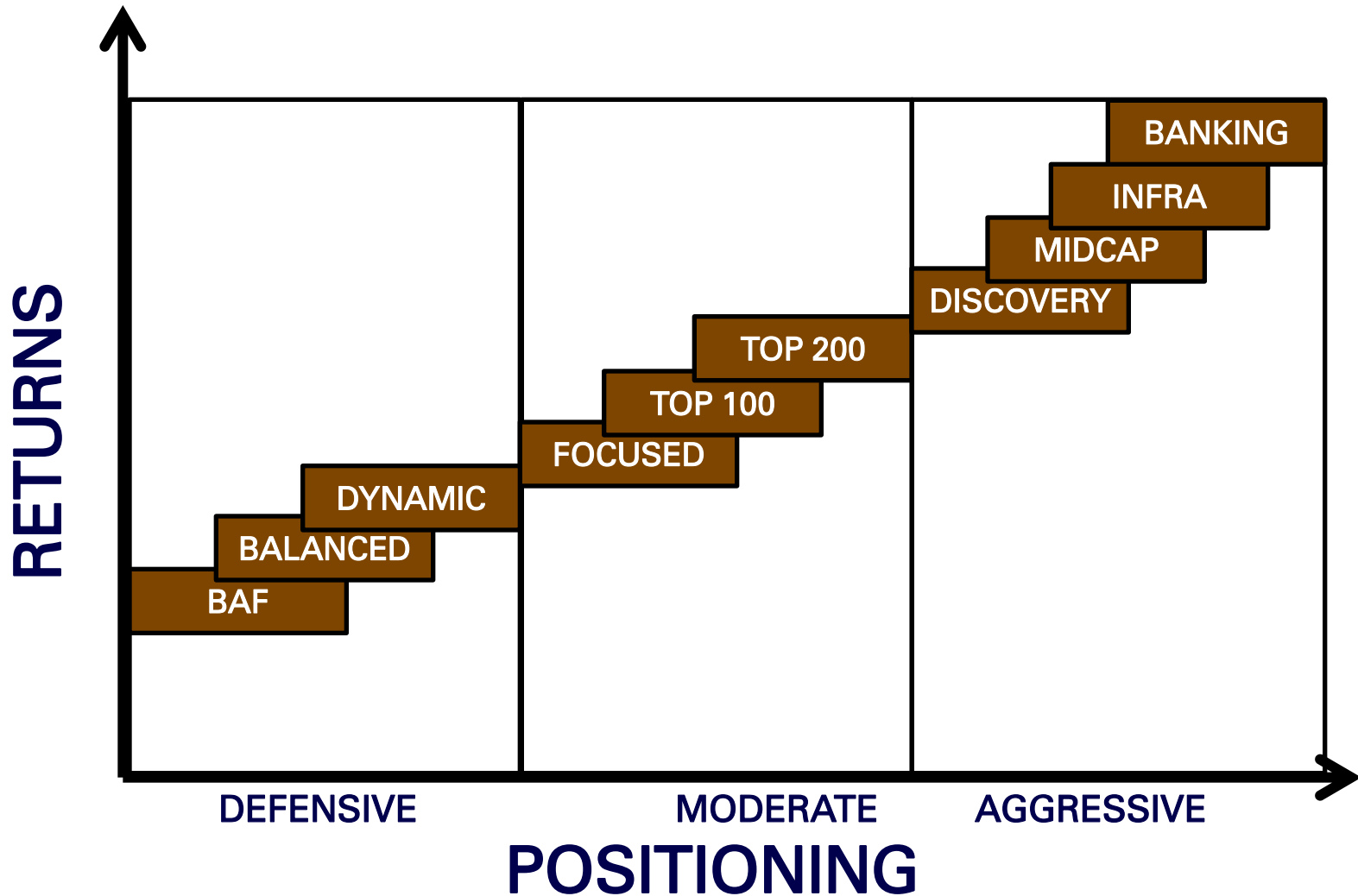
Valuations in the Fair Value Range

BIG TRIGGER - ELECTION RESULTS?

AN
UNCLEAR
POSITION



PRODUCT POSITIONING



PRODUCT RECOMMENDATIONS

- Invest when:
 - Growth is Low
 - Index of Industrial Production (IIP) is Low
 - Current Account Deficit is Low
 - FIIs are selling

For capitalizing on run up due to positive triggers	<ol style="list-style-type: none"> 1. ICICI Prudential Banking & Financial Services Fund 2. ICICI Prudential Infrastructure Fund 3. ICICI Prudential Midcap Fund
For capitalizing on value opportunities	<ol style="list-style-type: none"> 1. ICICI Prudential Discovery Fund
To play on volatility in equity markets	<ol style="list-style-type: none"> 1. ICICI Prudential Balanced Advantage Fund 2. ICICI Prudential Dynamic Plan 3. ICICI Prudential Balanced Fund
For core equity	<ol style="list-style-type: none"> 1. ICICI Prudential Focused Bluechip Equity Fund 2. ICICI Prudential Top 100 Fund

None of the aforesaid recommendations are based on any assumptions. These are purely for Reference and the Investors are requested to consult their financial advisers before investing.



ICICI Prudential Balanced Advantage Fund

(An Open Ended Equity Fund)

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- An equity fund that aims for growth by investing in equity and derivatives.

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

 HIGH RISK
(BROWN)


ICICI Prudential Dynamic Plan

Open Ended Diversified Equity Fund

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- A diversified equity fund that aims for growth by investing in equity and debt (for defensive considerations)

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

 HIGH RISK
(BROWN)


ICICI Prudential Discovery Fund

Open Ended Diversified Equity Scheme

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- A diversified equity fund that aims to generate returns by investing in stocks with attractive valuations

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

 HIGH RISK
(BROWN)


ICICI Prudential Focused Bluechip Equity Fund

Open Ended Equity Scheme

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- A focused large cap equity fund that aims for growth by investing in companies in the large cap category

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

 HIGH RISK
(BROWN)

ICICI Prudential Top 100 Fund

Open Ended Equity Fund

This Product is suitable for investors who are seeking*:

- 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.

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

 HIGH RISK
(BROWN)

ICICI Prudential Balanced Fund

(An Open Ended Balanced Fund)

This Product is suitable for investors who are seeking*:

- long term wealth creation solution
- A balanced fund aiming for long term capital appreciation and current income by investing in equity as well as fixed income securities.

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

 HIGH RISK
(BROWN)

ICICI Prudential Infrastructure Fund

Open Ended Equity Fund

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- An equity fund that aims for growth by primarily investing in securities of companies belonging to infrastructure and allied sectors.

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

 HIGH RISK
(BROWN)

ICICI Prudential Midcap Fund

Open Ended Diversified Equity Fund

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- An equity fund that aims for capital appreciation by investing in diversified mid cap stocks.

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

 HIGH RISK
(BROWN)

ICICI Prudential Banking & Financial Services Fund

Open Ended Equity Scheme

This Product is suitable for investors who are seeking*:

- Long term wealth creation solution
- An equity fund that predominantly invests in equity and equity related securities of companies engaged in banking and financial services.

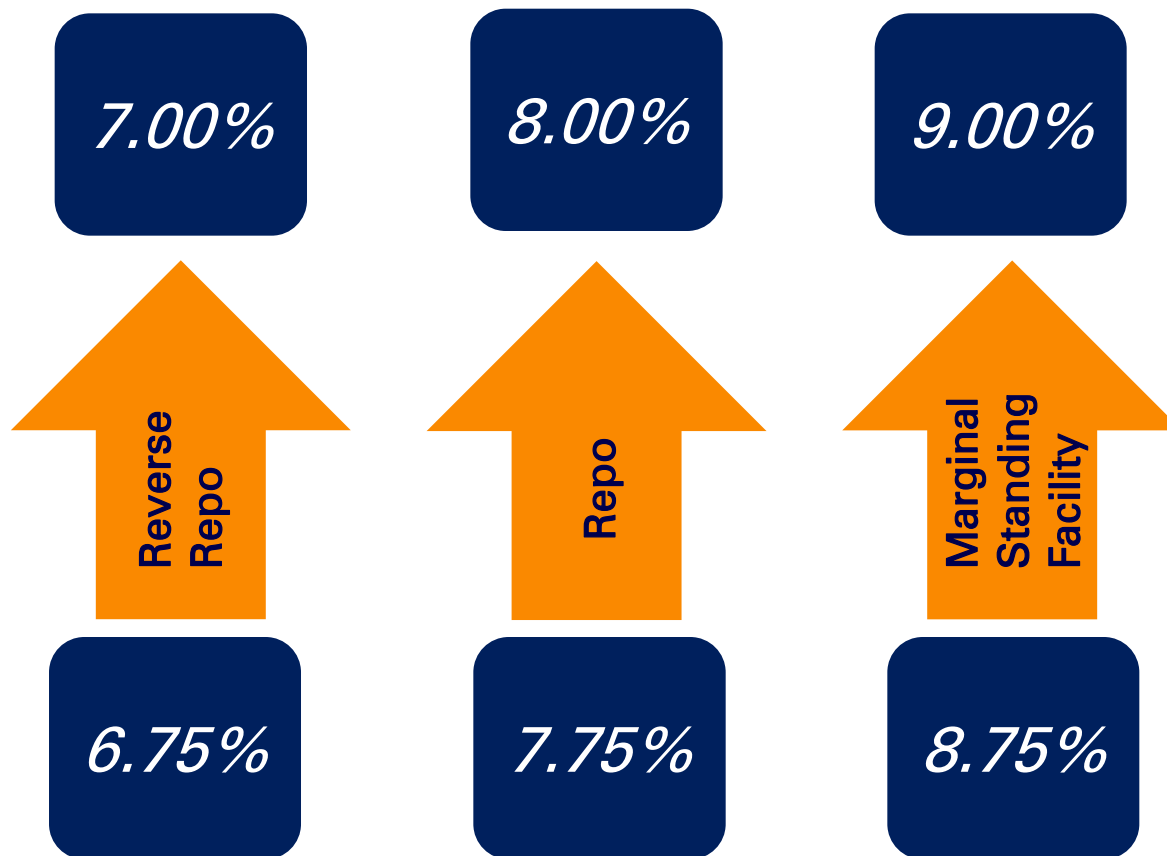
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 HIGH RISK
(BROWN)



Fixed Income

RBI SURPRISES AGAIN...



RBI in its' Third Quarter Monetary Policy Review increased key policy rates while keeping CRR and Liquidity Support unchanged

REASONS FOR RBI MOVE

- In spite of vegetable prices moderating, CPI remains at elevated levels
- Core inflation remains above the comfort zone of RBI
- RBI has implicitly accepted Urjit Patel panel's recommendations

AFTER AFFECTS

- Rupee snapped three day losing streak against greenback and gained around 58p
- Yields were up by 10-20bps across maturities in Money Market
- Bond market remained bearish as RBI raised key rates by 25bps

FIXED INCOME – ATTRACTIVE OPPORTUNITY

- As a fund house, we are positive on fixed income at this moment because:
 - **Fiscal Deficit** – We expect the government to meet fiscal deficit target of 4.8% for FY14 led by sharp expenditure cuts and subsidy deferral
 - **Growth** – Growth may have bottomed out, but interest rates trending downwards may provide a vital lift to consumption and capital expenditure
 - **Current Account Deficit** – Sharply falling trade deficit along with steady software earnings would likely result in much needed relief on the CAD in FY14

FIXED INCOME – ATTRACTIVE OPPORTUNITY

- **Currency** – INR has stabilized and risks on currency front has subsided
- **Inflation** – With vegetable prices cooling off, expect inflation to trend downwards

Bond Yields stand a better chance of trending lower in coming months considering the overall macro situation

OUTLOOK

- **Short Term Rates:** Likely to remain elevated on account of seasonal liquidity pressures and government maintaining surplus cash by curbing spends to achieve fiscal deficit
- **Long Term Rates:** They can remain range bound in the near term and may trend downwards once inflation prints start subsiding from current levels



Short-term interest rate



Long-term interest rate



RECOMMENDATION

Duration	Funds	Reason
1-3 Months	ICICI Prudential Ultra Short Term Plan	May benefit from very short term rates peaking towards financial year end
6 to 12 Months	ICICI Prudential Banking & PSU Debt Fund	May benefit from accrual and capital appreciation
15 Month & Above	ICICI Prudential Regular Savings Fund	Accrual income with aim to provide reasonable returns
24 Months & Above	ICICI Prudential Income Plan	Potential capital appreciation from softening of yields at the longer end.

ICICI Prudential Flexible Income Plan (An Open Ended Income Fund)

This Product is suitable for investors who are seeking*:

- Short term savings solution
- 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.

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

 LOW RISK
(BLUE)

ICICI Prudential Banking & PSU Debt Fund (An Open Ended Income Fund)

This Product is suitable for investors who are seeking*:

- Short term savings solution
- 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.

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

 LOW RISK
(BLUE)

ICICI Prudential Regular Savings Fund (An Open Ended Income Fund)

This Product is suitable for investors who are seeking*:

- 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.

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

 LOW RISK
(BLUE)

ICICI Prudential Ultra Short Term Plan (An Open Ended Income Fund)

This Product is suitable for investors who are seeking*:

- Short term savings solution
- A Debt Fund that aims to generate regular income by investing in debt and money market instruments of very short maturities.

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

 LOW RISK
(BLUE)

DISCLAIMER

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

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


Data source: Bloomberg, except as mentioned specifically.

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Note: Risk may be represented as:

 (BLUE) investors understand that their principal will be at low risk	 (YELLOW) investors understand that their principal will be at medium risk	 (BROWN) investors understand that their principal will be at high risk
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Thank You

