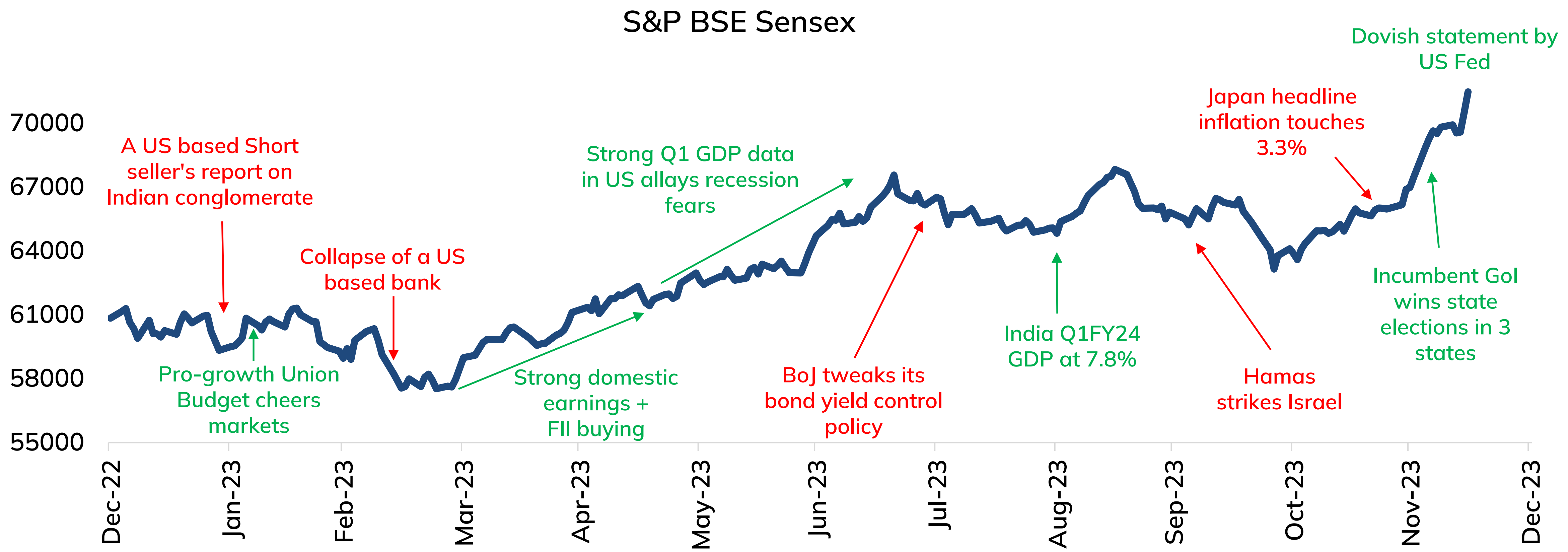
ANNUAL OUTLOOK : 2024

A Paradigm Shift

Recap 2023 – India shines right and bright

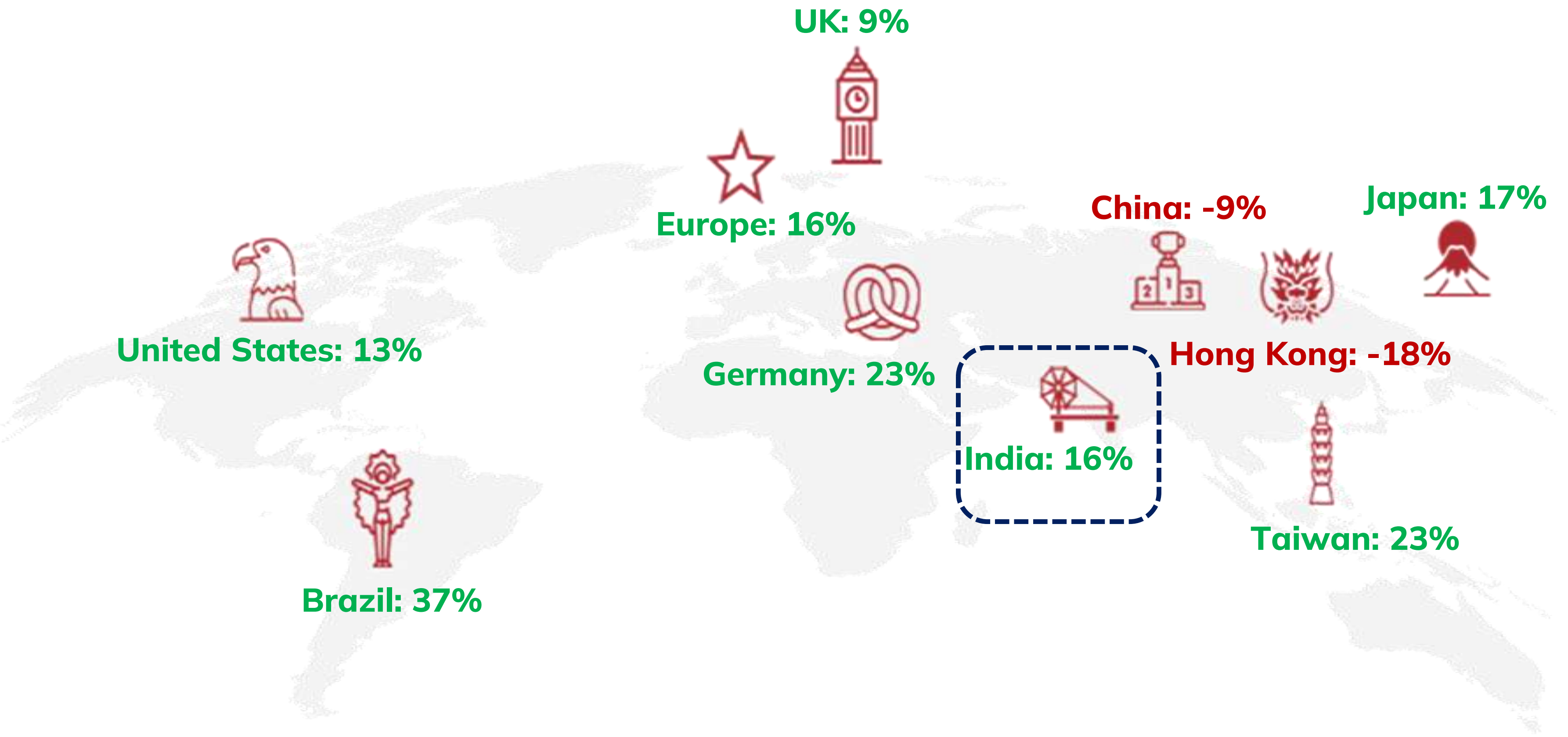
ICICI PRUDENTIAL MUTUAL FUND

Global headwinds dominated markets in 2023. S&P BSE Sensex however, kept touching new highs and ended the year on a positive note (+17%)



Source: BSE, NSDL, www.federalreserve.gov, www.indiabudget.gov.in, www.india.gov.in, www.economictimes.indiatimes.com . Data as of Dec 22, 2023. US Fed – United States Federal Reserve, RBI – Reserve Bank of India, FII – Foreign Institutional Investors, bbl – barrel, COVID – Coronavirus Disease. Past performance may or may not sustain in future

Global Markets Performance Wrap 2023: Japan wakes from the slumber



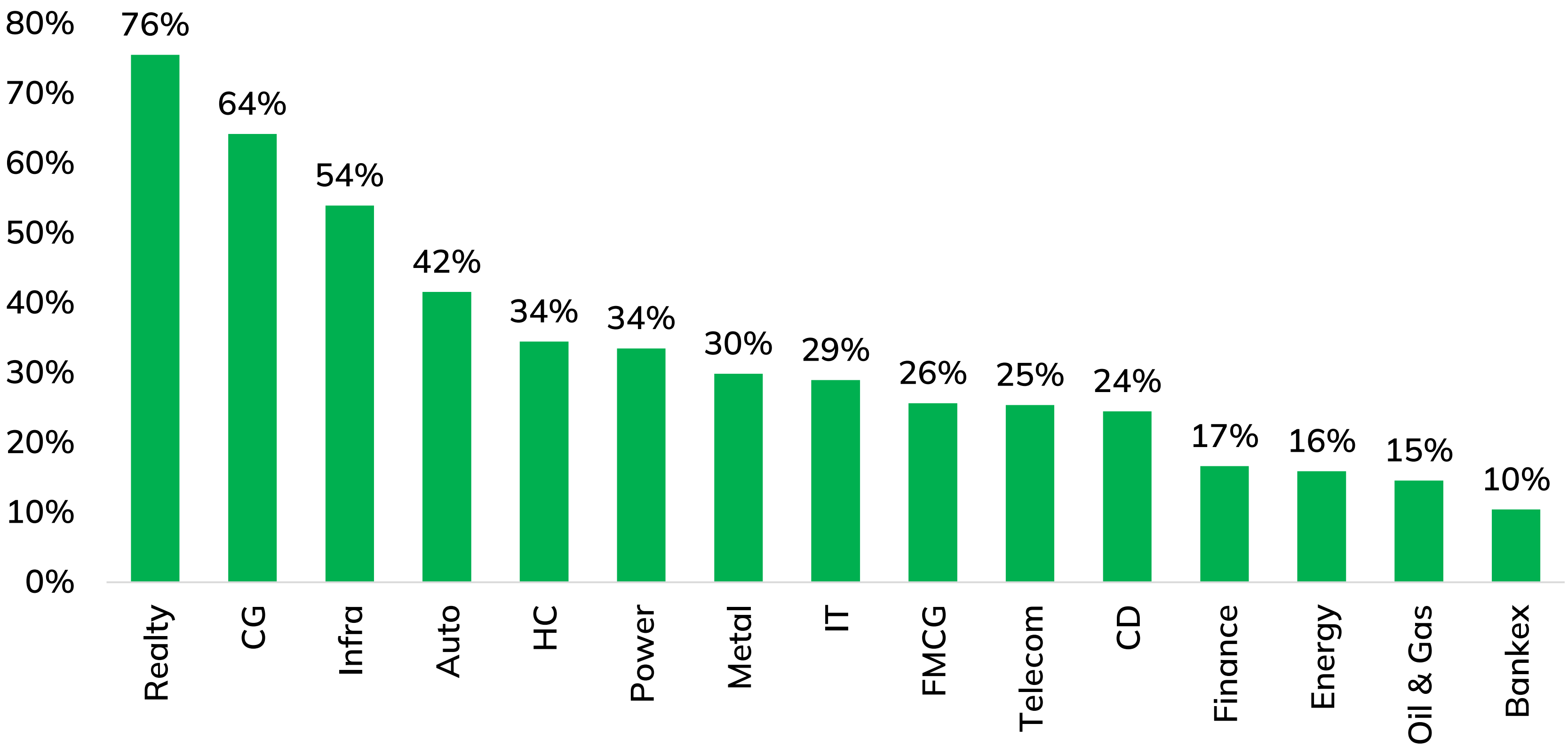
- After years of muted performance, Japan delivered good returns due to the dynamic duo of Governance reforms + Rising inflation
- China & Hong Kong remained laggards due to slow economic recovery

Germany - DAX Index; China - SSE Composite Index; Japan - Nikkei; Eurozone - Euronext 100; Hong Kong - HangSeng; US - Dow Jones; U.K. - FTSE; Brazil - Ibovespa Sao Paulo Index; Taiwan – Taiwan Stock Exchange Corporation; India – S&P BSE Sensex; Data Source: Nuvama Research. Returns are absolute returns for the index calculated between Dec 31, 2022 – Dec 22, 2023. Map source: Map not to scale. This map has been used for design and representational purpose only, it does not depict the geographical boundaries of the country. Past performance may or may not sustain in future.

Indian Markets: Who is the show stopper?

ICICI PRUDENTIAL MUTUAL FUND

2023 - Performance (Absolute Returns %)



Market Cap Performance CYTD-23 (%)

17%
Large Cap

42%
Mid Cap

45%
Small Cap

Data as on Dec 22,2023. Data Source: BSE. Returns have been calculated on absolute basis. CYTD: Calendar Year Till Date. For Power Sector- S&P BSE Power TRI , Bankex Sector- S&P BSE Bankex TRI , FMCG Sector- S&P BSE FMCG TRI , Energy Sector- S&P BSE Energy TRI , For CG Sector - S&P BSE CG Index , Auto Sector- S&P BSE AUTO Index , Oil & Gas Sector- S&P BSE Oil & Gas TRI Index , Finance Sector- S&P BSE Financial Services TRI , Metal Sector S&P BSE METAL TRI , Infra Sector -S&P BSE India Infrastructure Index , Telecom Sector- S&P BSE Telecom TRI , HC Sector- S&P BSE HC TRI , Realty Sector- S&P BSE Realty TRI , CD Sector - S&P BSE CD TRI , IT Sector- S&P BSE IT TRI is considered. For Large Cap: S&P BSE Sensex, Mid Cap: S&P BSE Midcap Index and Small Cap: S&P BSE Smallcap Index is considered. CG: Capital Goods, HC: Health Care, CD: Consumer Durables, IT: Information Technology

Asset class wise performance – Go Global!

ICICI PRUDENTIAL MUTUAL FUND

Asset Class / Index

Gold (USD/oz)	Silver (USD/oz)	Brent Crude (USD Barrel)	US Dollar Index (DXY)	MSCI World Index	MSCI India Index	MSCI Emerging Market Index	India 10Y G-Sec*	US 10Y Treasury*
12%	2%	-7.6%	-1.6%	19%	17%	4%	7.3%	3.1%

CY 2023 Absolute Returns

Data Source: Nuvama Research. Data as on Dec 22,2023 is considered. Oz: Ounce, G-sec: Government Securities, Y: year, USD: US Dollar, *BLOOMBERG INDIAN GOVT BOND 10 Year Total Return (USD) used for India 10 Year G-Sec returns & Bloomberg US GOVT. 10 Year Term Index Total Return used for US 10Y Treasury Returns

Recap of Outlook 2023 – 'Beginning of New Era'

WHAT WE SAID LAST YEAR?

01	High global inflation & interest rates to become the new normal	*Positioned our portfolios with more domestic focus*
02	Geo-political disturbances to continue	*Recommended gold allocation which played out well*
03	Equity Valuations not cheap	*Recommended investing in equity schemes with flexible investment mandate*
04	Global macro uncertainties to remain	*Recommended Hybrid & Multi Asset investing*
05	Recommended investing in select global economies – China & Japan	*Japan performed and China is yet to perform*
06	Did not strongly recommend investing in Midcap & Smallcap space	*This space has performed well*

Past performance may or may not be sustained in the future.

Witness the Paradigm Shift, this New Year!

PROLOGUE

"There are decades where nothing happens; and there are weeks where decades happen" a very apt quote by Vladimir Ilyich Lenin that perfectly fits recent market dynamics. Seems like yesterday when COVID crisis struck, globally affecting growth & inflation and Central Banks tried supporting their economies by announcing stimulus packages. Not to forget the two wars (Russia-Ukraine and Israel-Hamas) that are adding to global supply chain woes

In our Annual Outlook for 2023 titled "Beginning of a new era", we had highlighted how a new era of high inflation, high interest rates, geo-political tensions and volatility has begun and that this will become the new norm. At that time there was uncertainty as to how India will navigate global headwinds. One year down the line, Indian macros stay resilient amidst challenging global backdrop marking a 'Paradigm Shift' in domestic and global trends

As we usher into the new year, we can sense an air of **fragility in global macros, on the contrary** India is breaking-out of the Frail economy tag and **is emerging as the growth engine for the world with resilient macros, favorable demographics, sustainable demand and structural reforms. This marks a major 'Paradigm Shift' wherein global economies are turning fragile and Indian economy seems stronger than ever.**

Paradigm Shift – An Overview of Global & Domestic Macros

Global

- Fragile Global Macros
- Soaring Debt Levels
- Contractionary Policy Measures
- Heightened Geo-Political tensions

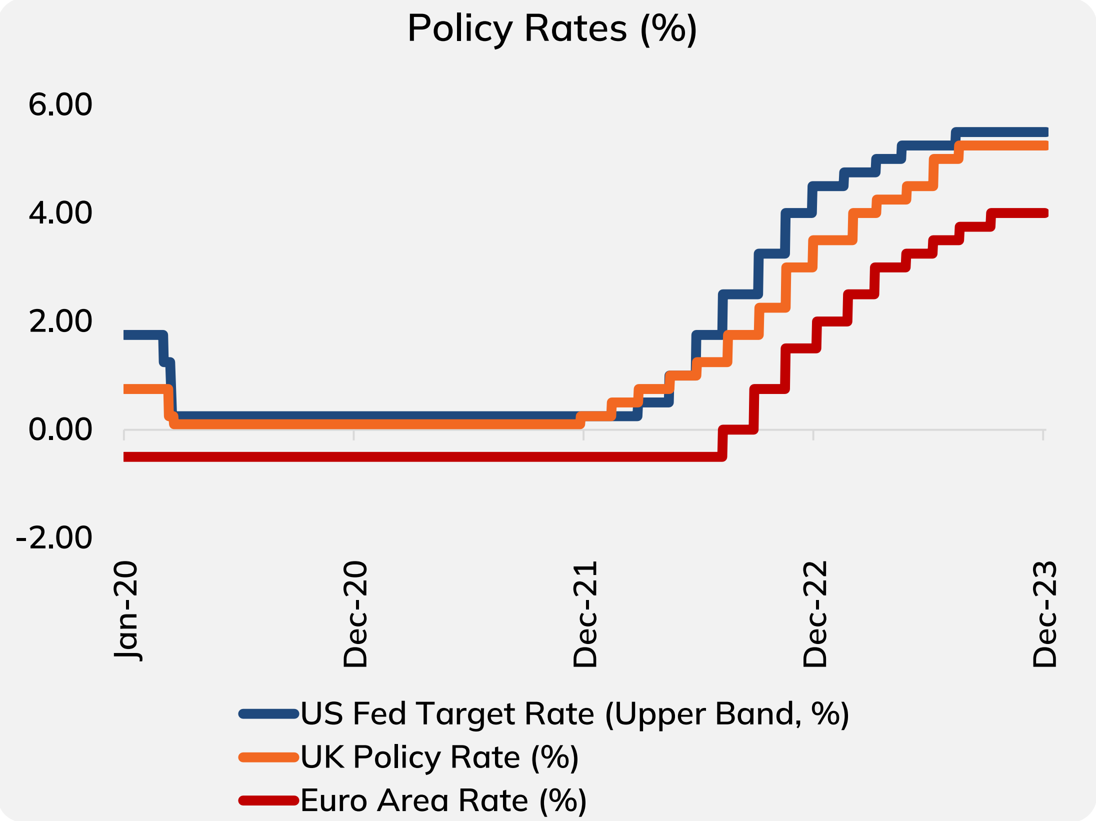
Domestic

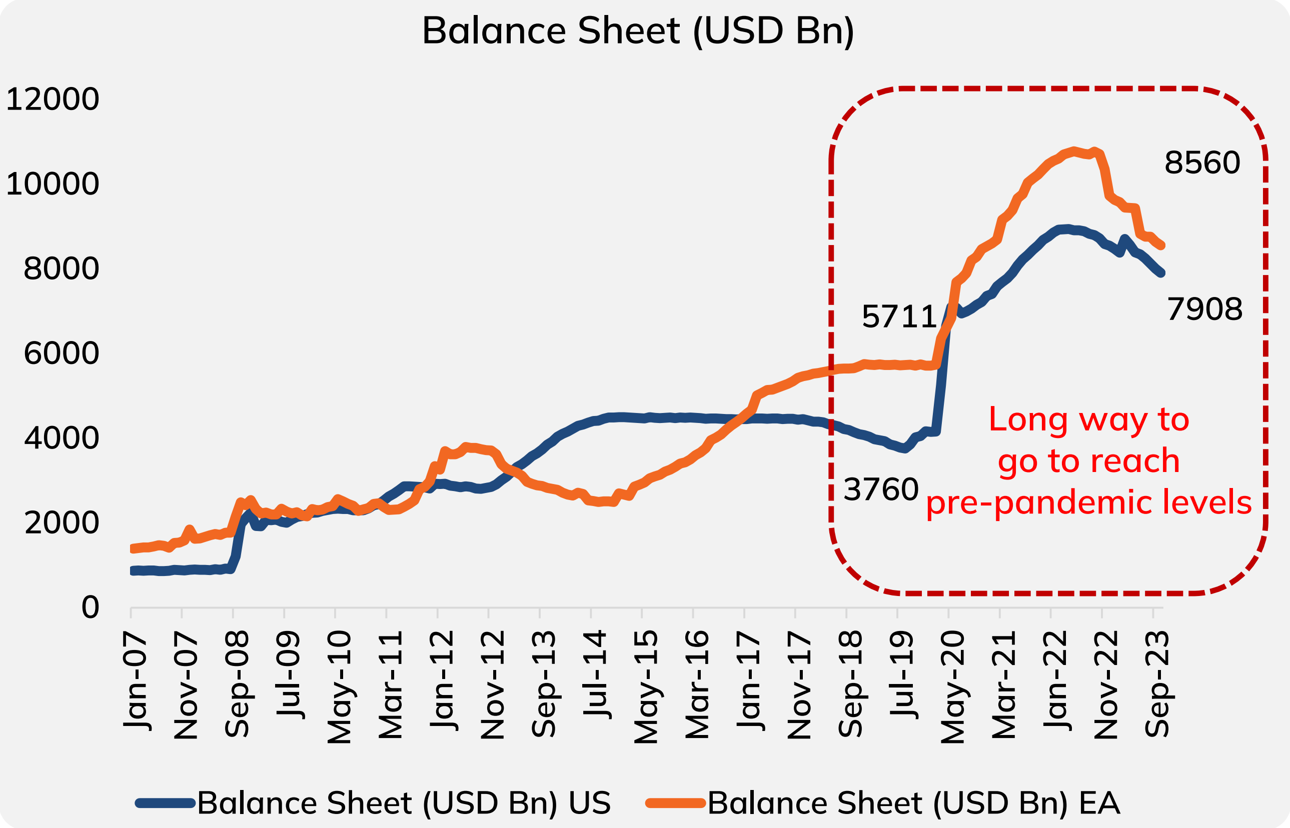
- Resilient Macros
- Healthy balance sheets
- Strong domestic demand
- Structural Reforms

PARADIGM SHIFT –
Fragile Global Macros

Paradigm Shift – Fragile Global Macros

Central Banks of major Advanced Economies are opting for contractionary measures – hiking policy rates & tapering down balance sheets, in their fight against inflation



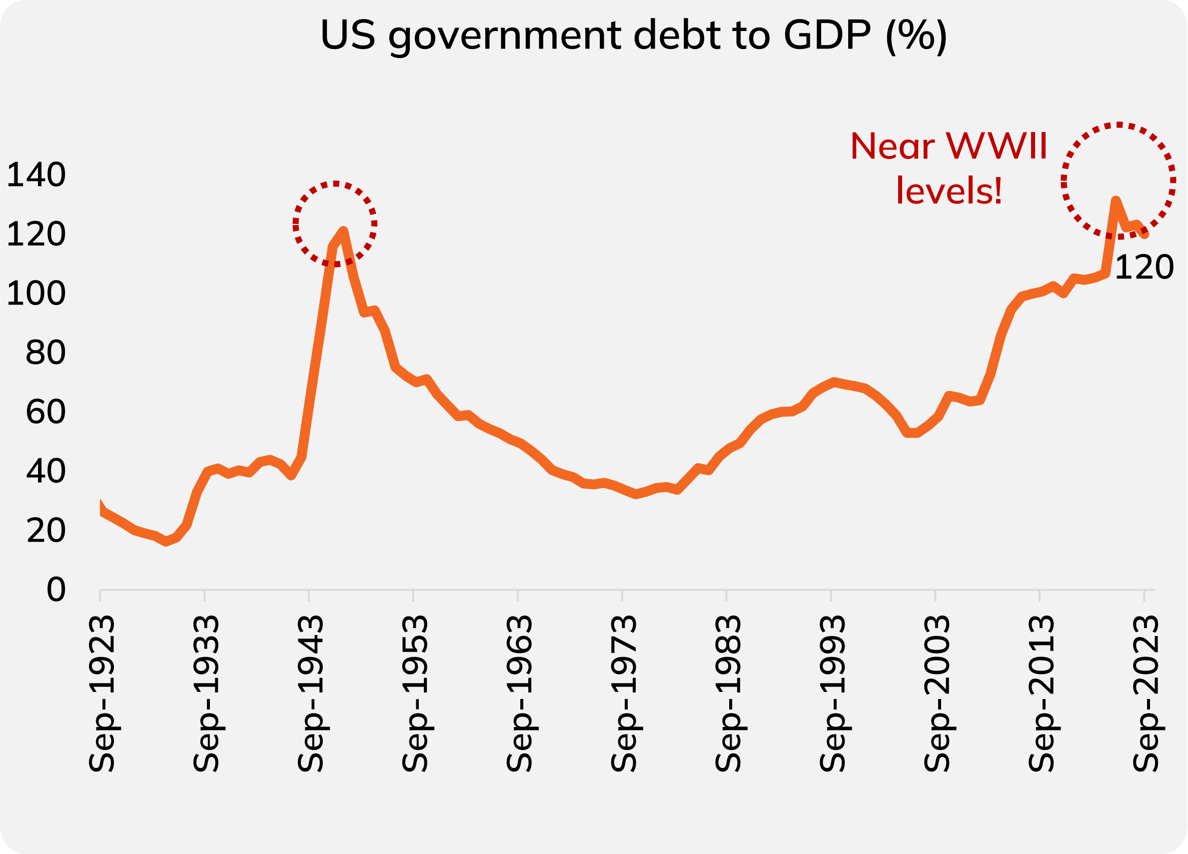


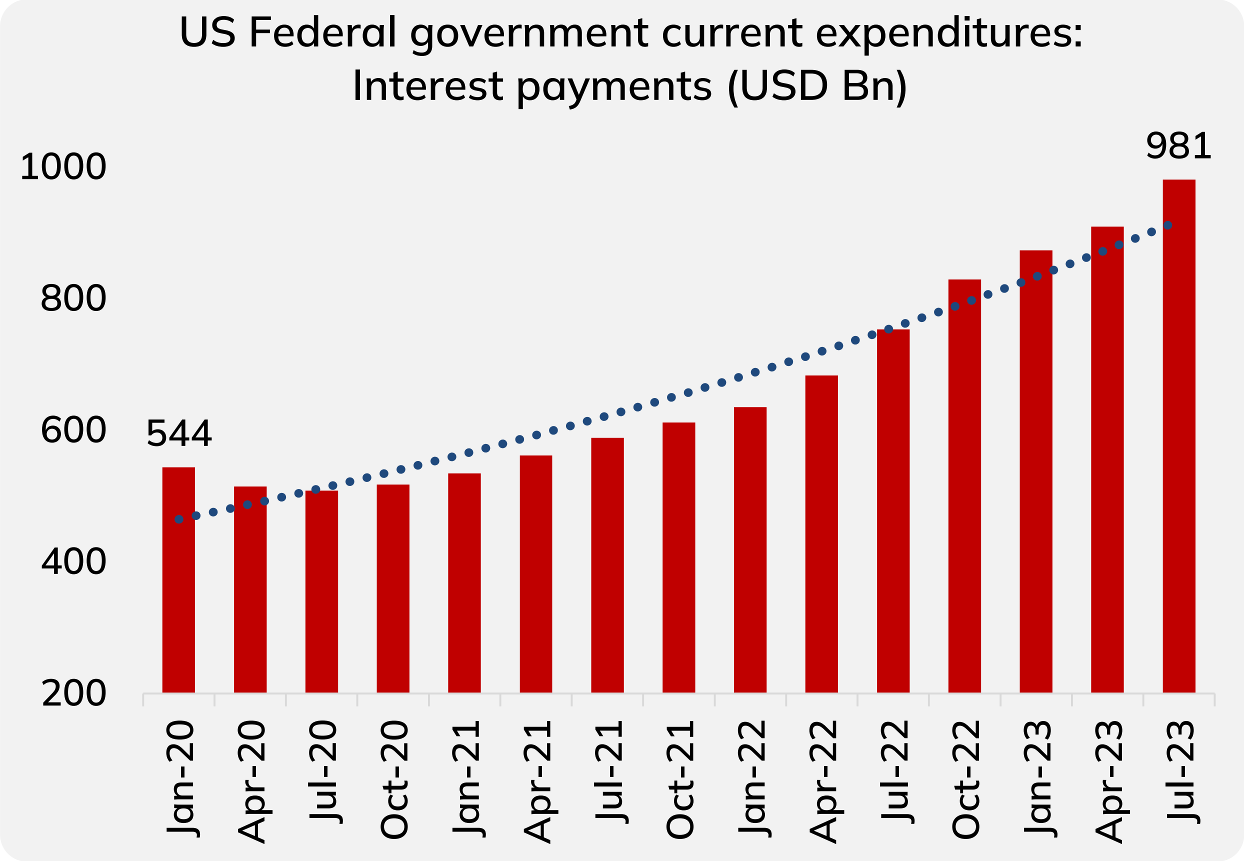
Source: https://fred.stlouisfed.org ,Morgan Stanley. USD – US Dollar, Bn, Billion, bps – basis points, US – United States, EA – Euro Area, US Fed – US Federal Reserve, BoE – Bank of England, ECB – European Central Bank. Balance Sheet data as of Sep 2023, rate hike data as of Dec 15, 2023

Paradigm Shift – Fragile Global Macros

ICICI PRUDENTIAL MUTUAL FUND

High policy rates are making it difficult to service the bloated balance sheets of Central Banks





Source: Nuvama, Morgan Stanley. USD – US Dollar, Bn – Billion, WWII – World War 2, GDP – Gross Domestic Product. Data as of Sep 2023 for US Govt. debt to GDP & July 31, 2023 for Interest payments

Paradigm Shift – Fragile Global Macros

A series of geo-political crises is bringing significant uncertainty and fragility to macros

US-CHINA

Long standing issues over multiple topics – Taiwan, tech decoupling & trade tensions

WAR

The Russia-Ukraine + Hamas-Israel war seems far from over, disturbing global supply chains

GULF TENSIONS

The on-going wars have led to country blocs on both sides disturbing national relations

PARADIGM SHIFT –
Strong Domestic Picture

Paradigm Shift – Strong Domestic Picture

ICICI PRUDENTIAL MUTUAL FUND

India's Rocket may take off being fueled by four growth engines

Table Turning Macros

Key Players Holding their ground

- Government
- Banks
- Corporates
- Households

Reform Rush

- Capex gaining priority
- Manufacturing in focus

Demand: Untapped Potential

- Favorable Demographics
- Wider scope of penetration

Table Turning Macros

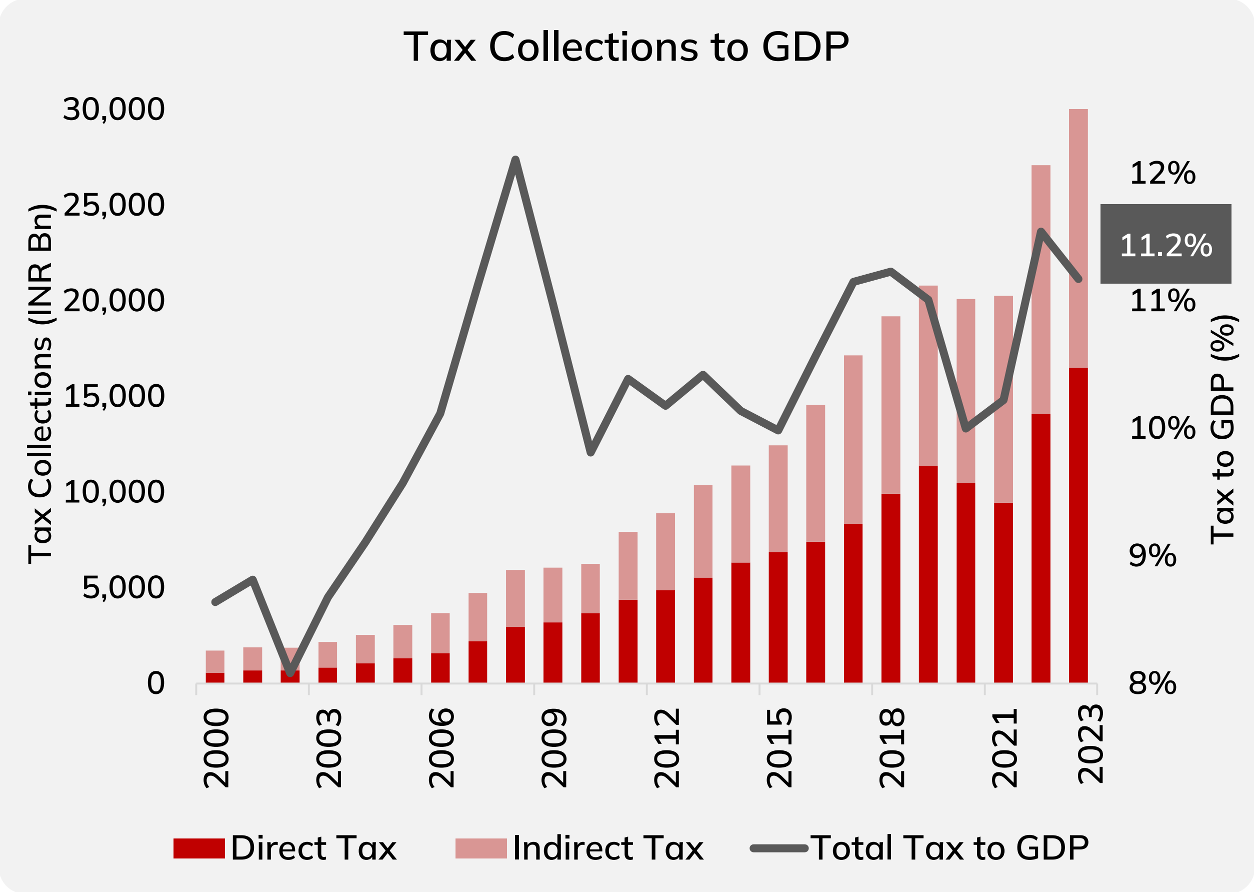
India has shed its 'Fragile Five' tag and is now going from strength-to-strength with its robust macros

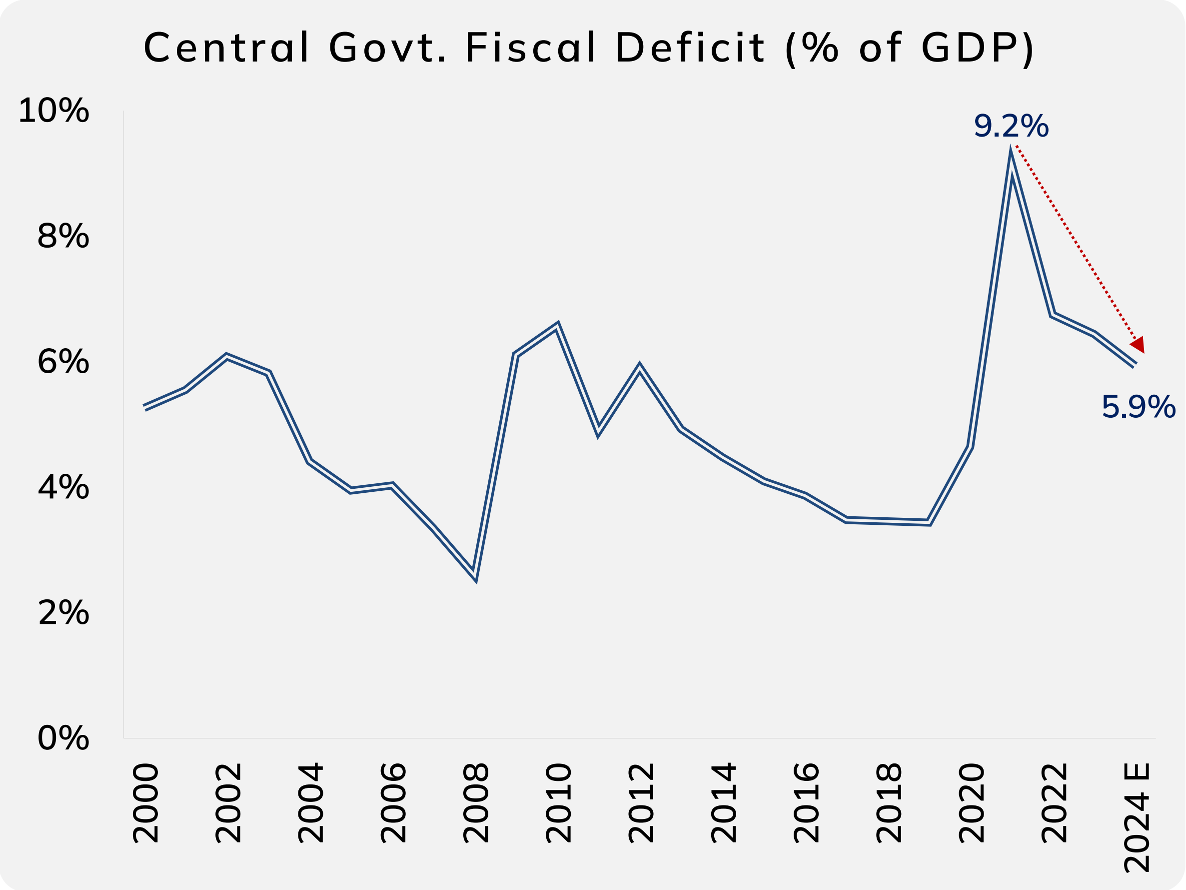
Particulars	Global Financial Crisis *(2008-09)*	Taper Tantrum *(2013-14)*	Covid-19 *(2020-21)*	Current *(FYTD)*
CPI Inflation *(%)*	10.4	8.4	7.2	5.5@
GDP Growth *(%)*	3.1	6.4	-5.8	7.2*
India's share in World Exports *(%)^*	1.2	1.7	1.7	1.8
Net FDI Flows *($, Bn)*	22.4	21.6	43.9	4.9!
Govt. Capex Spends *(INR Cr)*	90,158	1,87,675	3,46,919	9,18,024&
GDP Per Capita *($, Current Prices)*	1,014	1,560	1,913	2,392
Forex Reserves *($, Bn)*	278.0	288.3	547.3	594.3
Govt. Debt to GDP *(%)*	74	67	89	83#

Data is shown for Financial Year unless otherwise mentioned. Data Source: Equirus Research and Nuvama Research. Covid refers to Coronavirus Disease 2019, CPI: Consumer Price Index, GDP: Gross Domestic Product, FDI: Foreign Direct Investment, Govt.: Government, Capex: Capital Expenditure, Bn: Billion, Cr: Crore. ^Data is of calendar year. #Data as on June 30,2023 @Data as on Nov 30,2023 *Data for FY 22-23. ! Data till Sep 30,2023

Key Players holding their ground – Govt.

India's declining Fiscal deficit trends, aided by strong tax collections, continue to cement pillars of Govt. balance sheet



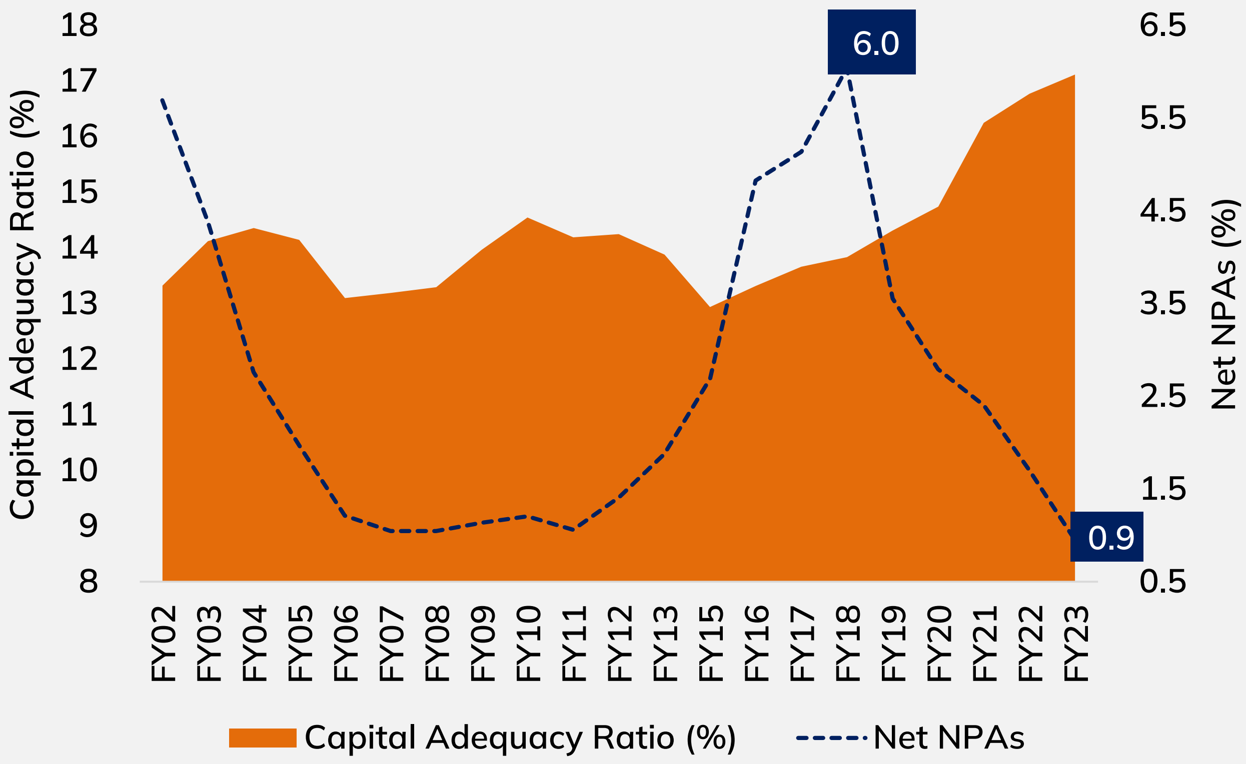


Data is as on March 31,2023. Data Source: Avendus Spark and Ministry of Statistical and Programme Implementation (https://www.mospi.gov.in) GDP: Gross Domestic Product, Govt.: Government, Bn: Billion. E: Estimates. Tax collections considered is of Central Govt. only

Key Players holding their ground – Banks

Well capitalized banks, falling NPAs and rising credit off-take is one of the key catalyst for India's growth

Banks' Balance Sheet Health



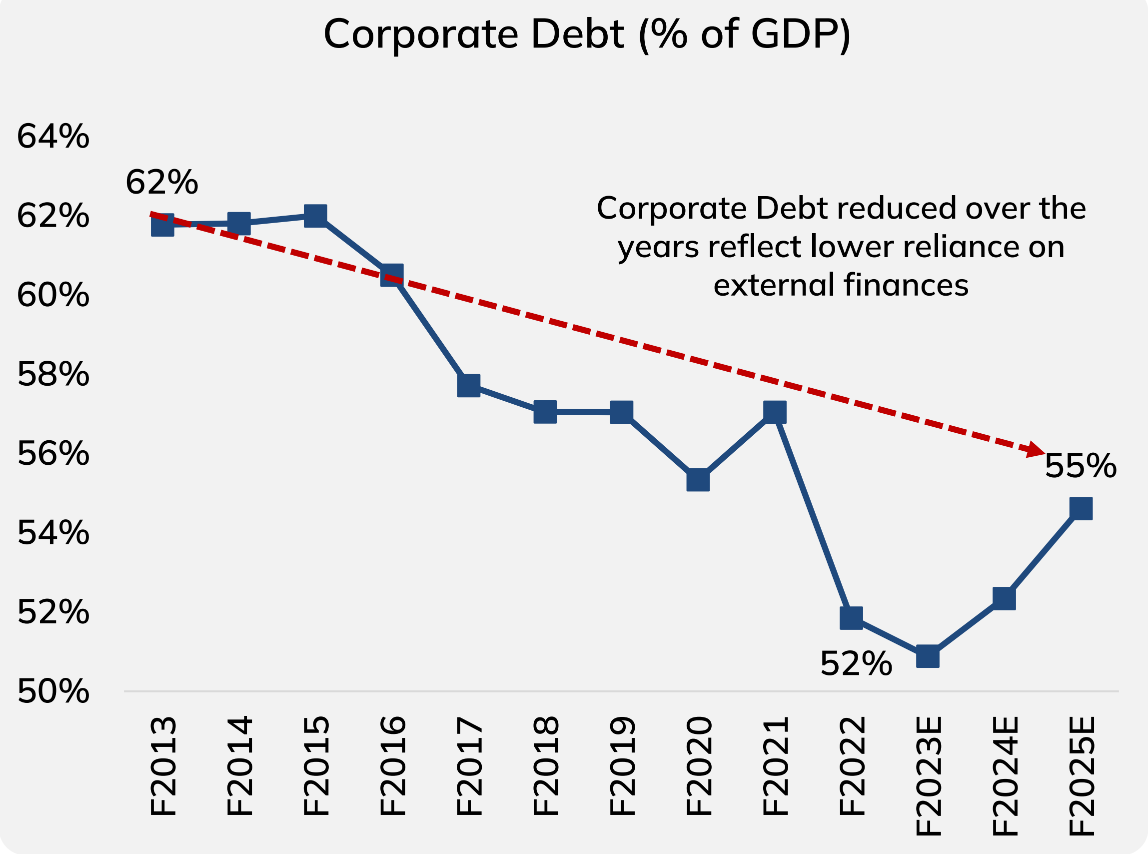
Growth Indicators of the Banking Sector

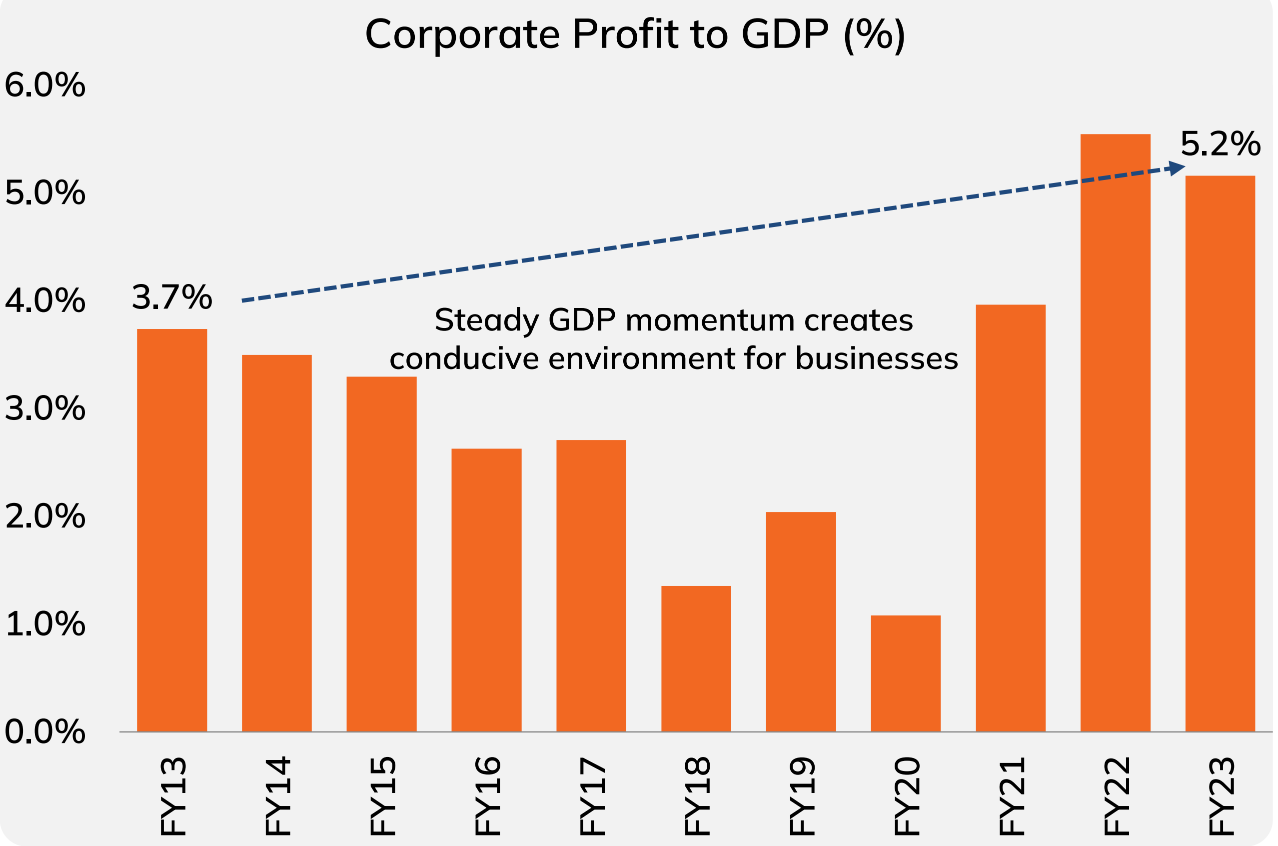
Particulars	FY 21	FY 22	FY 23	FYTD
Agg. Credit *(INR Tn)*	109.5	118.9	136.8	154.4
Agg. Deposits *(INR Tn)*	151.1	164.7	180.4	195.1
Credit Growth *(%)*	5.6	8.6	15.0	16.4^
Deposit Growth *(%)*	11.4	8.9	9.6	12.7^
Net Interest Margin *(%)*	3.3	3.3	3.7	--

Data Source: Nuvama Research & Avendus Spark. Tn: Trillion, Bn: Billion, Agg.: Aggregate, NPA: Non Performing Assets, FY: Financial Year, FYTD: Financial Year Till Date. Data is as on Sep 30,2023 is considered for FYTD data. For Bank's Balance Sheet Health: Data is as on March 31,2023. ^Data sourced from RBI as on Dec 22,2023

Key Players holding their ground – Corporates

Corporate Balance sheets have turned out to be less leveraged and more profitable boosting the corporate earnings cycle

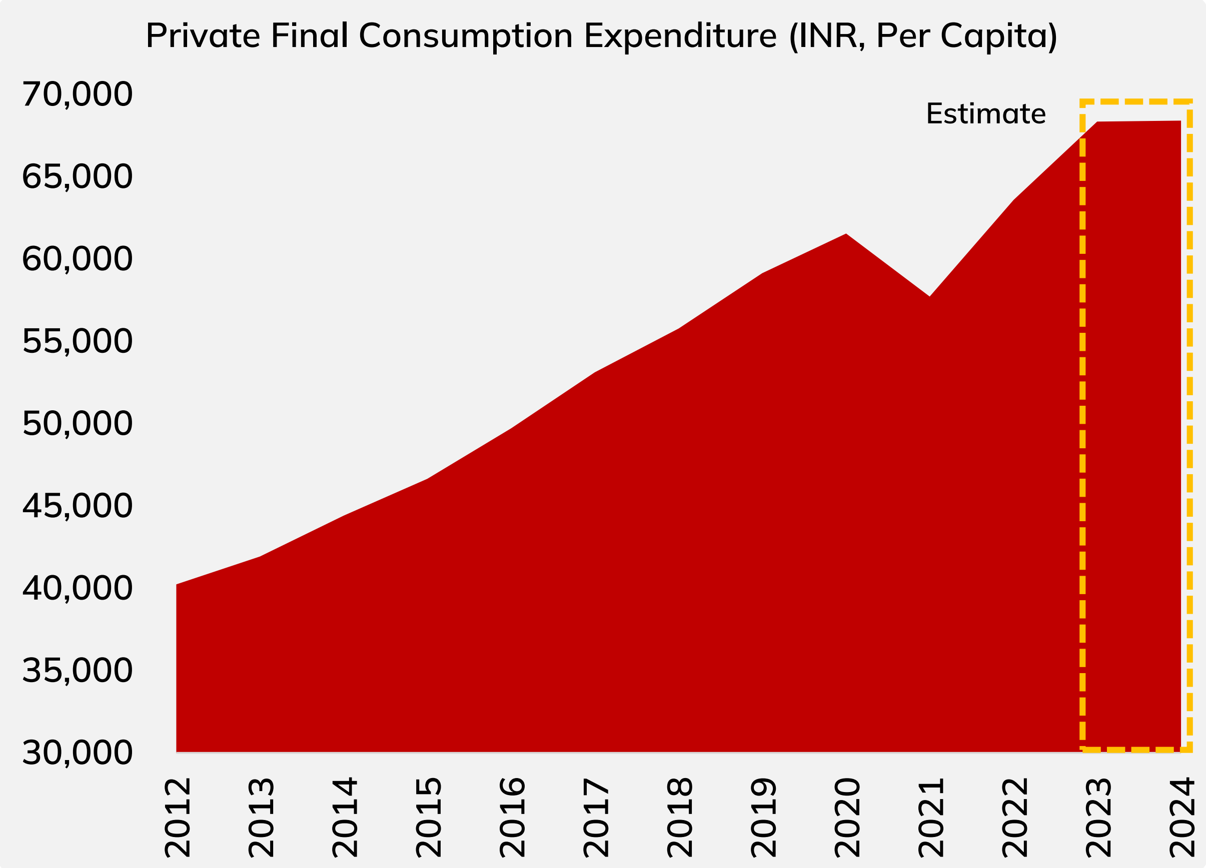


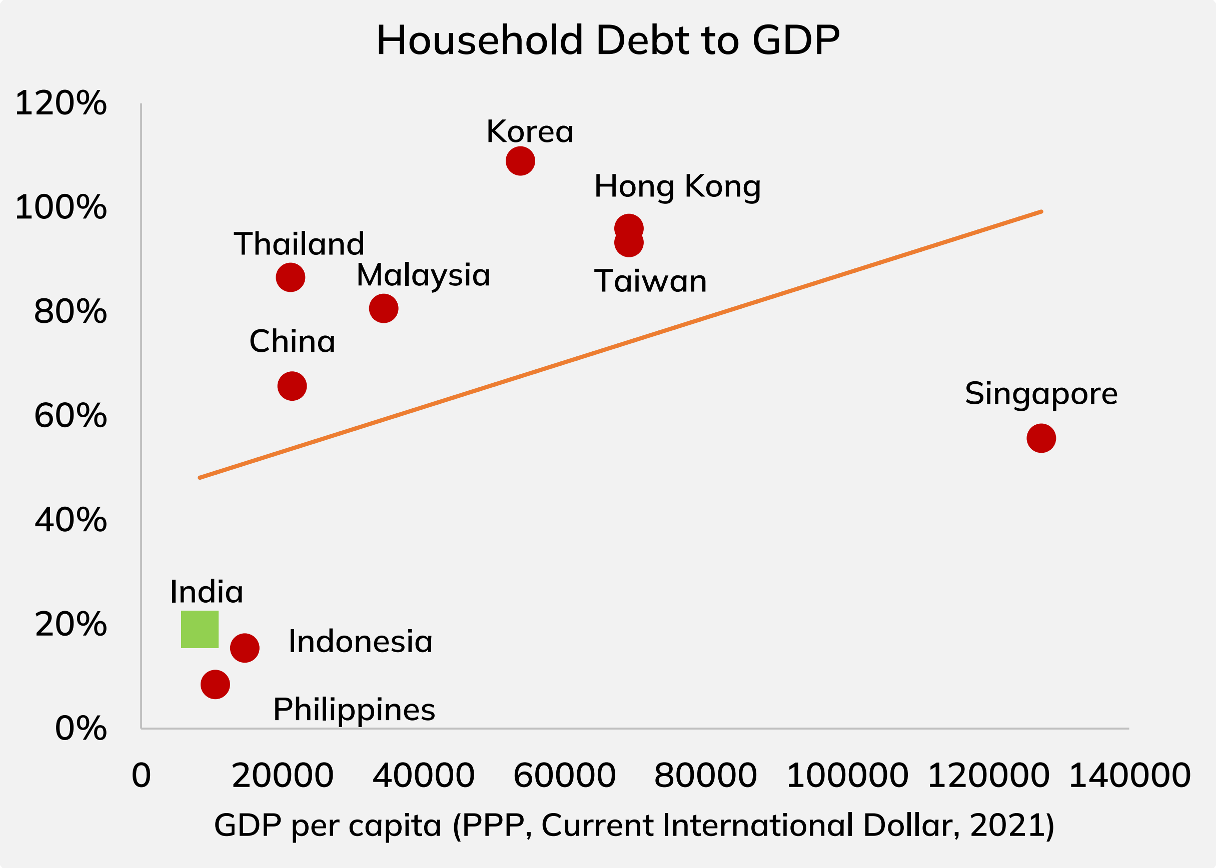


Data is as on March 31,2023. Data Source: Morgan Stanley and Avendus Spark. F: Financial Year. FY: Financial Year. E: Estimates. GDP: Gross Domestic Product. Past performance may or may not sustain in future.

Key Players holding their ground – Household

Expanding wallets of the households with less leveraged balance sheet bodes well for uptick in household consumption





Data for Consumption Expenditure is Financial Year data. Data for Household Debt is calendar year data. Data Source: Equirus Research and Morgan Stanley. Past performance may or may not sustain in future.

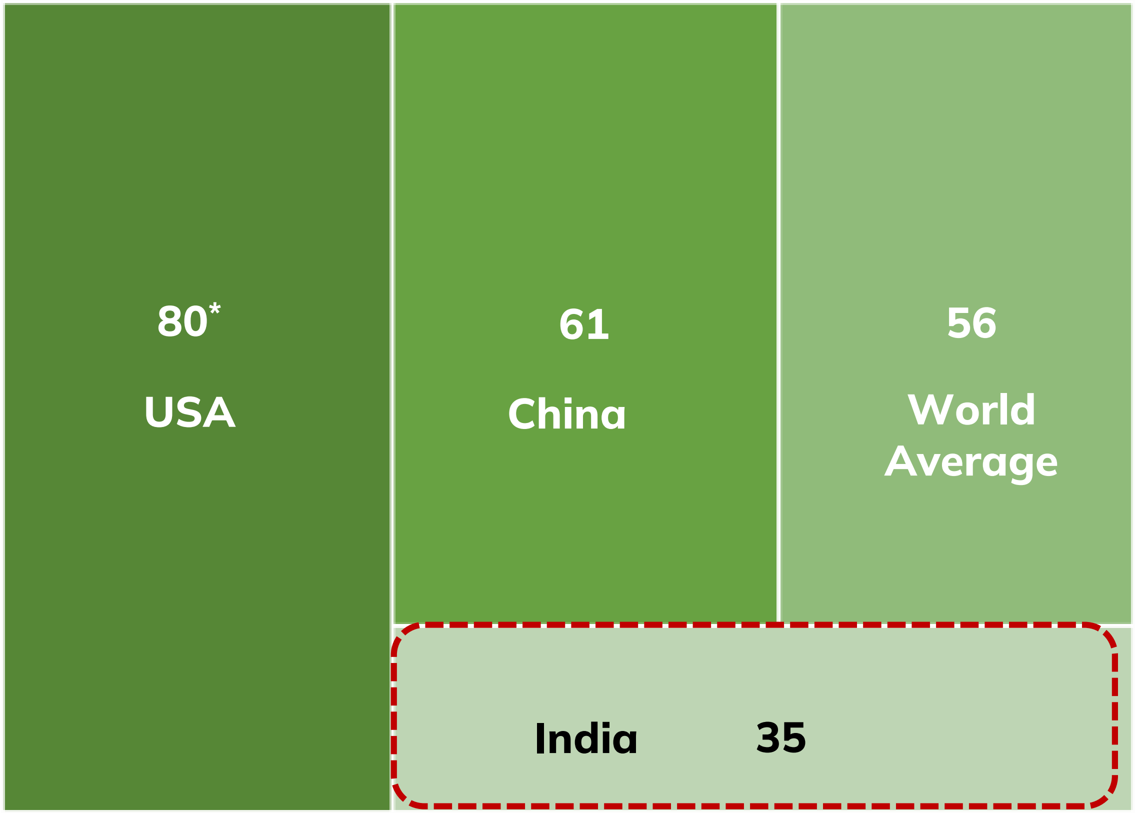
Demand – Untapped Potential

India has a wider scope of penetration in goods consumption and increased urbanization trends can further fuel the discretionary spending

India has larger scope to penetrate in white goods consumption with Rising income levels

Products	India	China	USA
Auto	4%	15%	81%
Outbound Trips	6%	9%	42%
Air Conditioners	8%	60%	90%
Refrigerators	18%	94%	100%
Smartphone Users	37%	54%	83%
Internet Users	58%	60%	95%

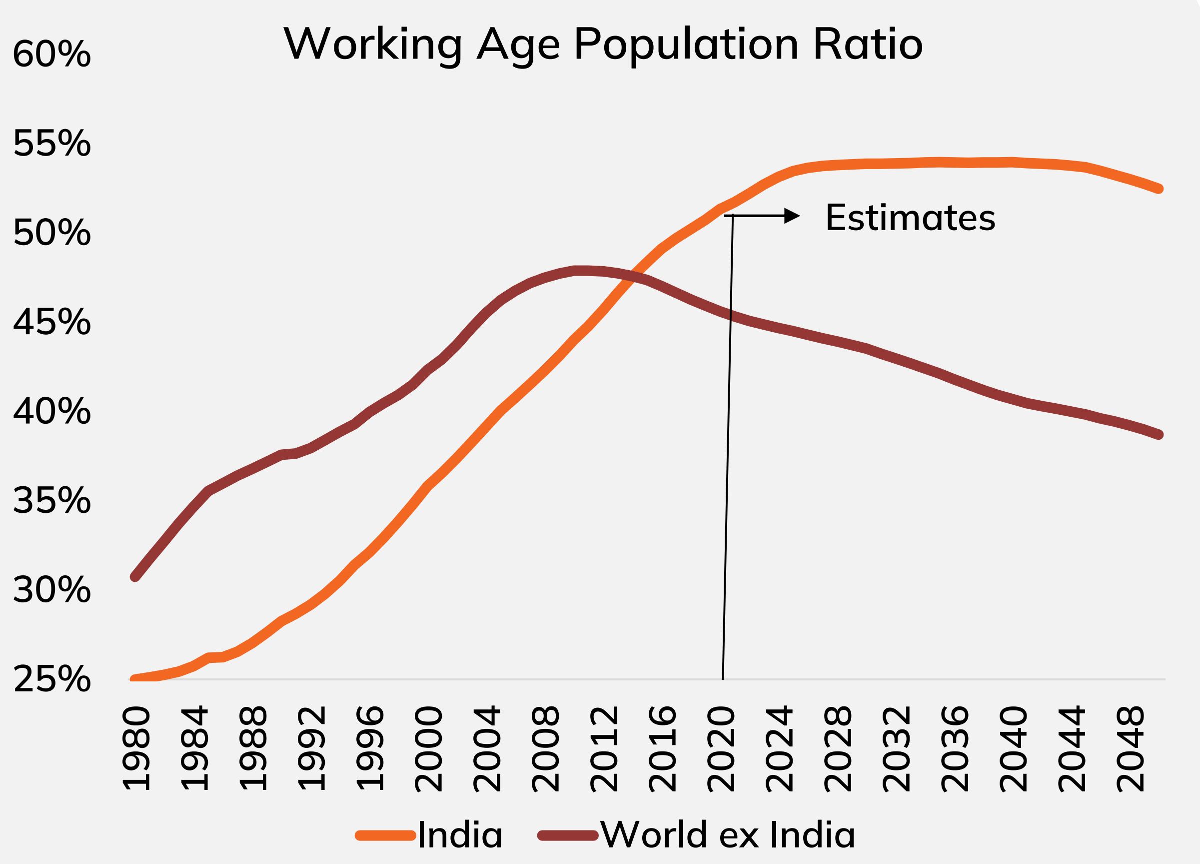
Share of Urban Population (2020E, as a % of Total Population)



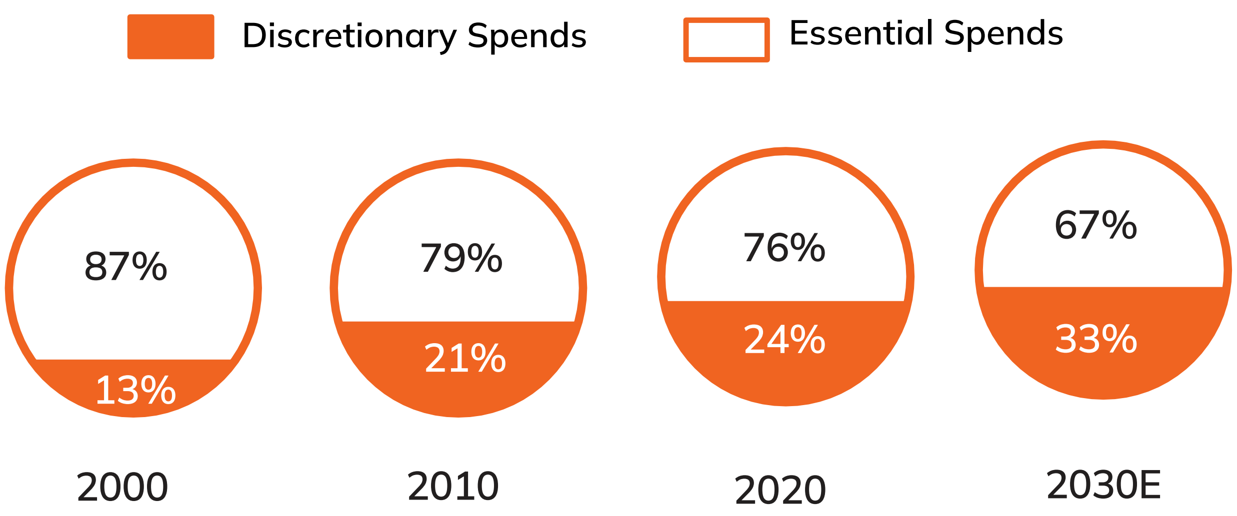
Data Source: Avendus Spark and Macquarie Research. E: Estimates. Data for white goods consumption is for Calendar Year 2021. Past performance may or may not sustain in future. *Source: https://www.census.gov/newsroom/press-releases/2022/urban-rural-populations.html

Demand – Untapped Potential

Domestic demand is likely to rise with increasing working age population and changing consumption patterns



Average Household Consumption Spend



Data Source: Morgan Stanley and Macquarie Research. Data is shown for calendar year, E: Estimates

Reform Rush

Indian economy is likely to benefit from the zeal of Govt.'s reform rush

PRODUCTION LINKED INCENTIVE (2020)

To boost domestic manufacturing. Outlay of 1.97 Lakh Cr announced for 14 key sectors[&]

REAL ESTATE REGULATION AUTHORITY (2016)

Regulating Real Estate Sector & protecting home buyers

INSOLVENCY & BANKRUPTCY CODE (2016)

Aiming for insolvency resolution in time bound manner *(191% realization to financial creditors^)*

PM GATI SHAKTI (2021)

Multi-Modal Infrastructure Connectivity *(Evaluated more than 300 projects worth Rs 11.58 Lakh Crore*)*

GST & CORPORATE TAX CUTS (2017 and 2019)

One tax system removing cascading and corporate rate cuts to improve profitability

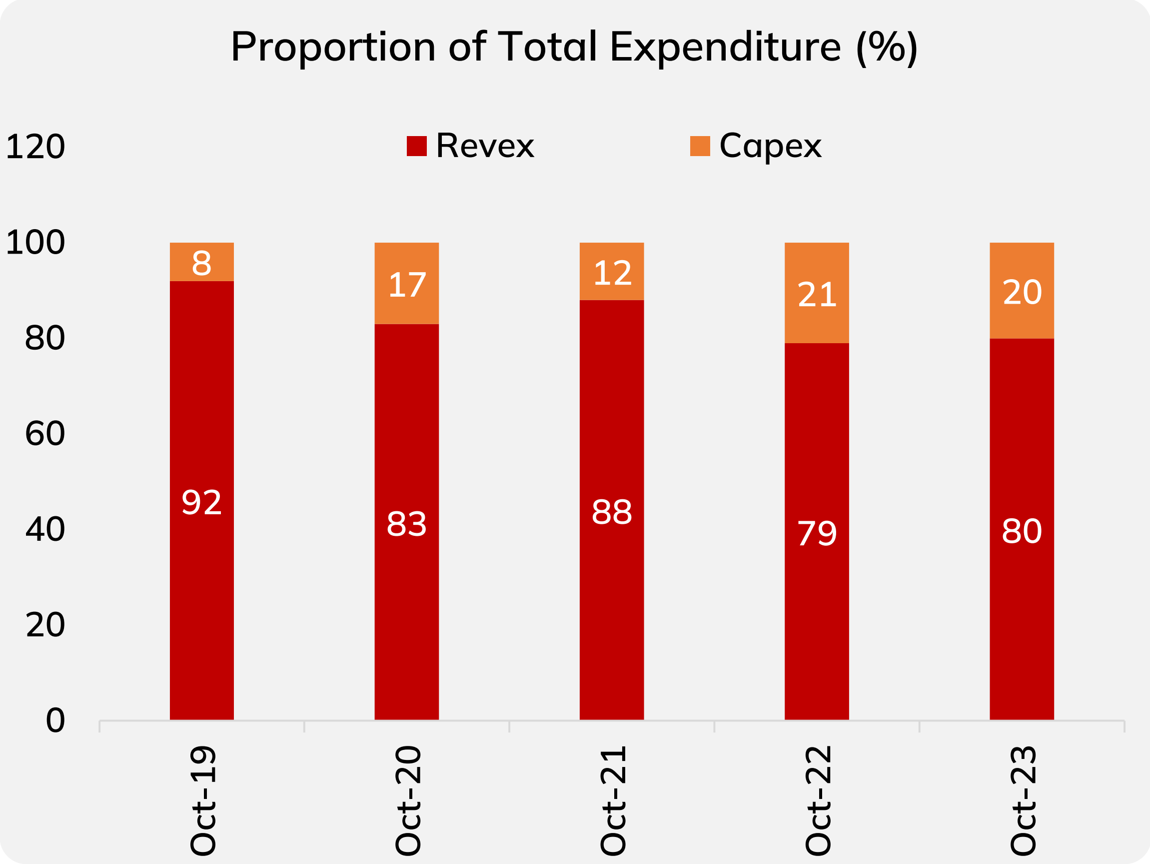
UPI (2016)

Facilitating Digital Transactions *(Represents 62% of digital transactions in FY22-23[#] Approx Value: 126 Tn[#])*

^Data is sourced from (https://thedailyguardian.com/merits-of-the-insolvency-and-bankruptcy-code-2016/). #Data of CY 22 Source: (https://en.wikipedia.org/wiki/Unified_Payments_Interface#Market_share). *Source: (https://economictimes.indiatimes.com/news/economy/infrastructure/report-card-on-2nd-anniversary-pm-gati-shakti-gives-gati-to-11-58-lakh-cr-infrastructure-projects/articleshow/104381021.cms. &: Data Source: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1882145#:~:text=These%20include%20introduction%20of%20Goods,Manufacturing%20Programme%20(PMP)%2C%20to UPI: Unified Payments Interface, PM: Pradhan Mantri, Govt.: Government, Tn: Trillion, GST: Goods & Service Tax.

Reform Rush – Capex gaining priority

Govt.'s high quality expenditure towards Capex forms a strong bedrock for future sustainable growth



Segments	Central Govt. Spends (INR Bn)				
	FY20	FY21	FY22	FY23	7M FY24
Capex	3,356	4,256	5,921	7,363	5,469
Road	673	874	1,133	2,060	1,716
Railways	678	1,093	1,173	1,593	1,567
Defense	1,111	1,344	1,380	1,429	703
Water	183	160	663	597	387
Housing	193	103	259	237	123

Data is as on Oct 31,2023. Data Source: JM Financial and Avendus Spark Capital. FY: Financial Year. 7M: Seven Months, Govt.: Government. Capex: Capital Expenditure , Govt.: Government, Revex: Revenue Expenditure, Bn: Billion

Reform Rush – Manufacturing in focus

Manufacturing Sector is now getting much needed impetus due to Govt.'s steadfast commitment towards reforms

Initiatives taken by Govt. to support Manufacturing

Make in India

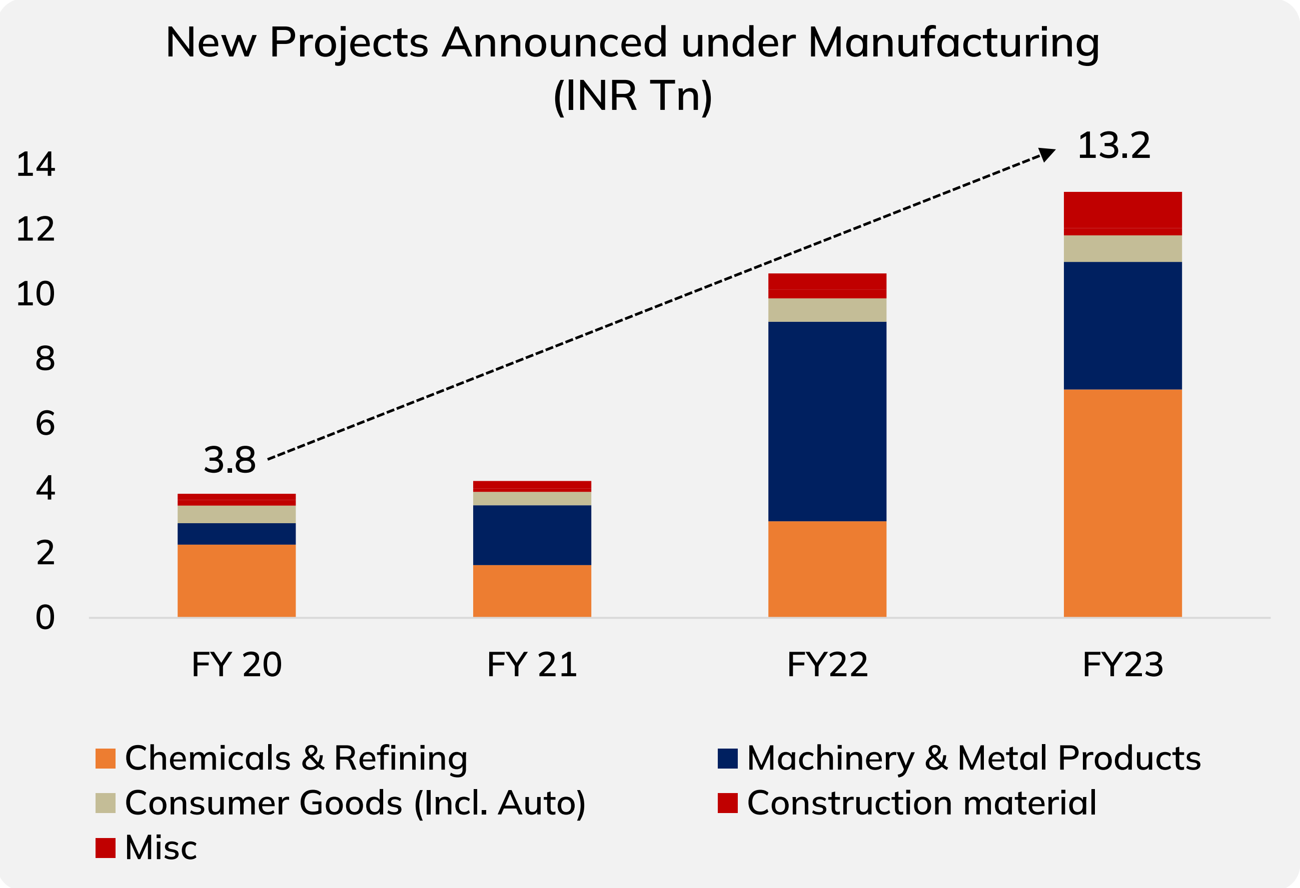
Vocal for Local initiative to promote Indian Manufacturing

PLI

Incentive schemes for key sectors to boost production and exports

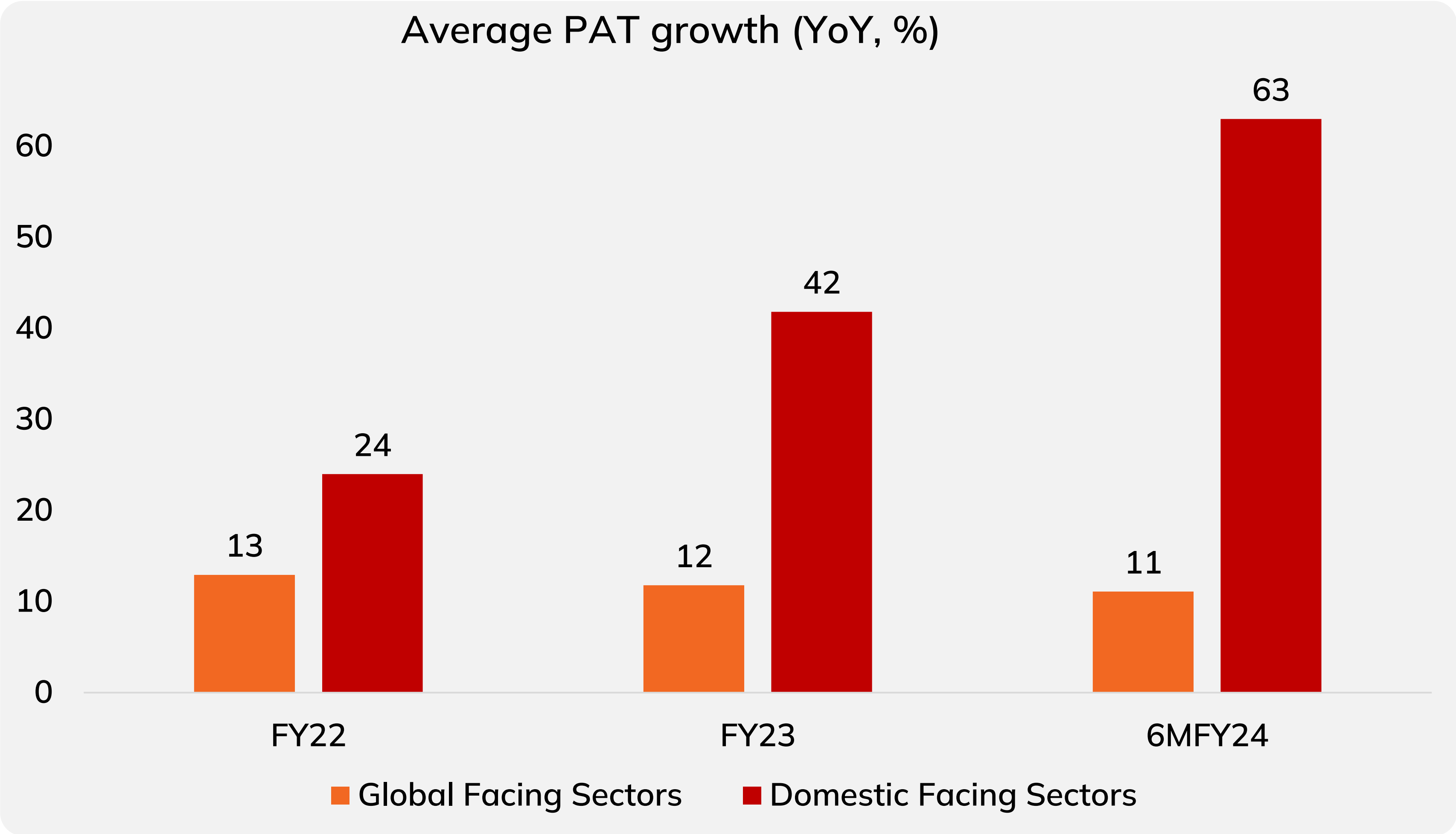
National Logistics Policy

Aiming to lower the logistics cost to improve cost efficiency & profitability



Data Source: Macquarie Research and (https://pib.gov.in/) . Misc includes Textiles and Food industry as well, FY: Financial Year, Tn: Trillion. PLI: Production Linked Incentive Scheme

Paradigm Shift – Strong domestic vs Weak Global business cycle



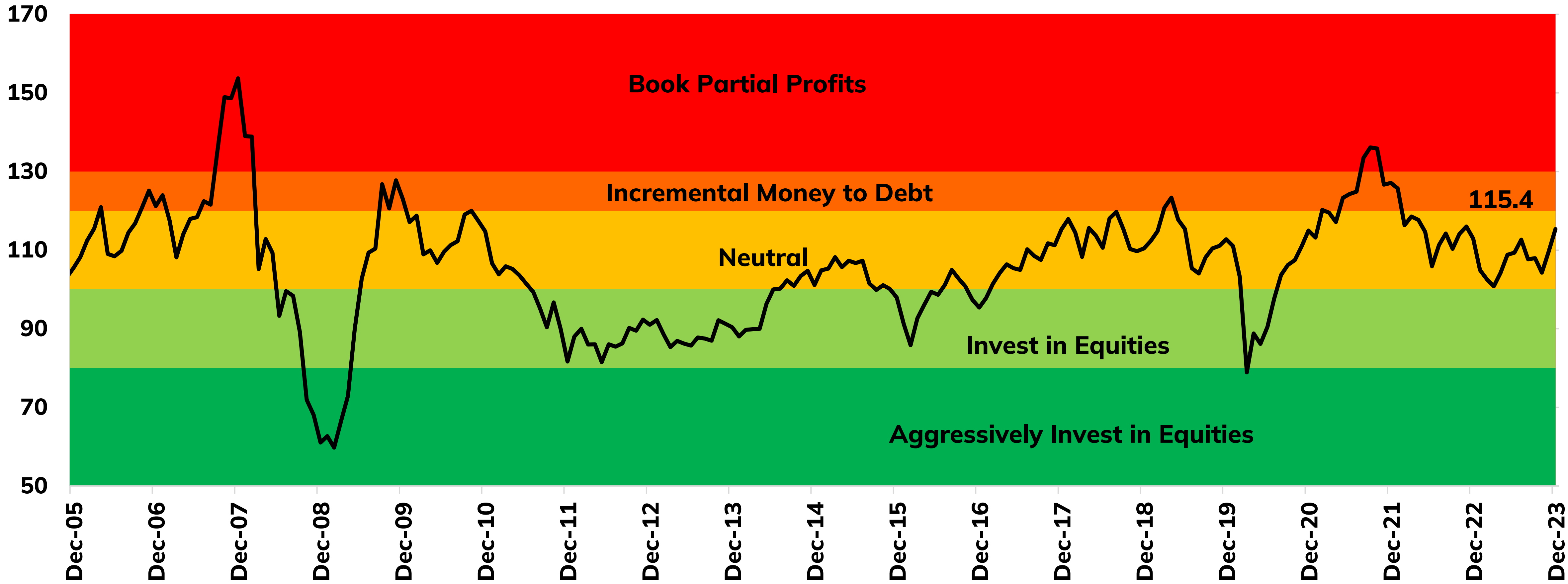
India's Macros and growth remains much stronger compared to the world and the same is evident in the corporate profitability of Domestic facing sectors

Source: DAM Capital. Data is as of Sep 30, 2023. NSE 200 sectoral adjusted Profit After Tax (PAT) is considered. Select sectors from NSE 200 considered. Global facing sectors considered – Information Technology and Healthcare. Domestic facing sectors considered – Automobiles & Auto components, Banks, NBFCs, Capital Goods, Construction & Materials, Consumer Durables. Past performance may or may not sustain in future

PARADIGM SHIFT –
Valuations and Sentiments

Paradigm Shift – Verifying Valuations

Our in-house Equity Valuation Index continue to remain in the neutral zone highlighting that market valuations are not cheap



Data as on Dec 22,2023 is considered. Equity Valuation index is calculated by assigning equal weights to Price-to-Earnings (PE), Price-to-Book (PB), G-Sec*PE and Market Cap to GDP ratio and any other factor which the AMC may add/delete from time to time.. G-Sec – Government Securities. GDP – Gross Domestic Product, Data as on November 30, 2023 has been considered. Equity Valuation Index (EVI) is a proprietary model of ICICI Prudential AMC Ltd. (the AMC) used for assessing overall equity market valuations. The AMC may also use this model for other facilities/features offered by the AMC.

Paradigm Shift – Verifying Valuations

Pre-election rally have historically witnessed lower starting point
But this time valuations are on the higher side

Particulars	5 months prior to 2004	5 months prior to 2009	5 months prior to 2014	5 months prior to 2019	5 months prior to 2024
Market Cap (INR Tn)	10.7	28.2	68.1	142.9	323.4
P/E	18.3	11.8	18.5	26.3	21.7
P/B	3.6	2.3	3.0	3.4	3.6
Indian market cap to GDP	39	52	62	76	114
Returns till General Elections	8.4	29.7	7.7	8.0	??

P/E, P/B and Market Returns are calculated for Nifty 50 Index. Data Source: MFIE, NSE & Nuvama Research Past performance may or may not sustain in future. Returns have been calculated from Dec 01,2003 to April 30,2004, Dec 01,2008 to April 30,2009, Dec 01,2013 to April 30,2014 and Dec 01,2018 to April 30,2019. 5 Months prior indicate beginning of December of the relevant previous year. Market cap of actively traded companies is considered.

Paradigm Shift – Verifying Valuations

Valuations of Large-cap stocks look relatively cheaper leaving more headroom for margin of safety

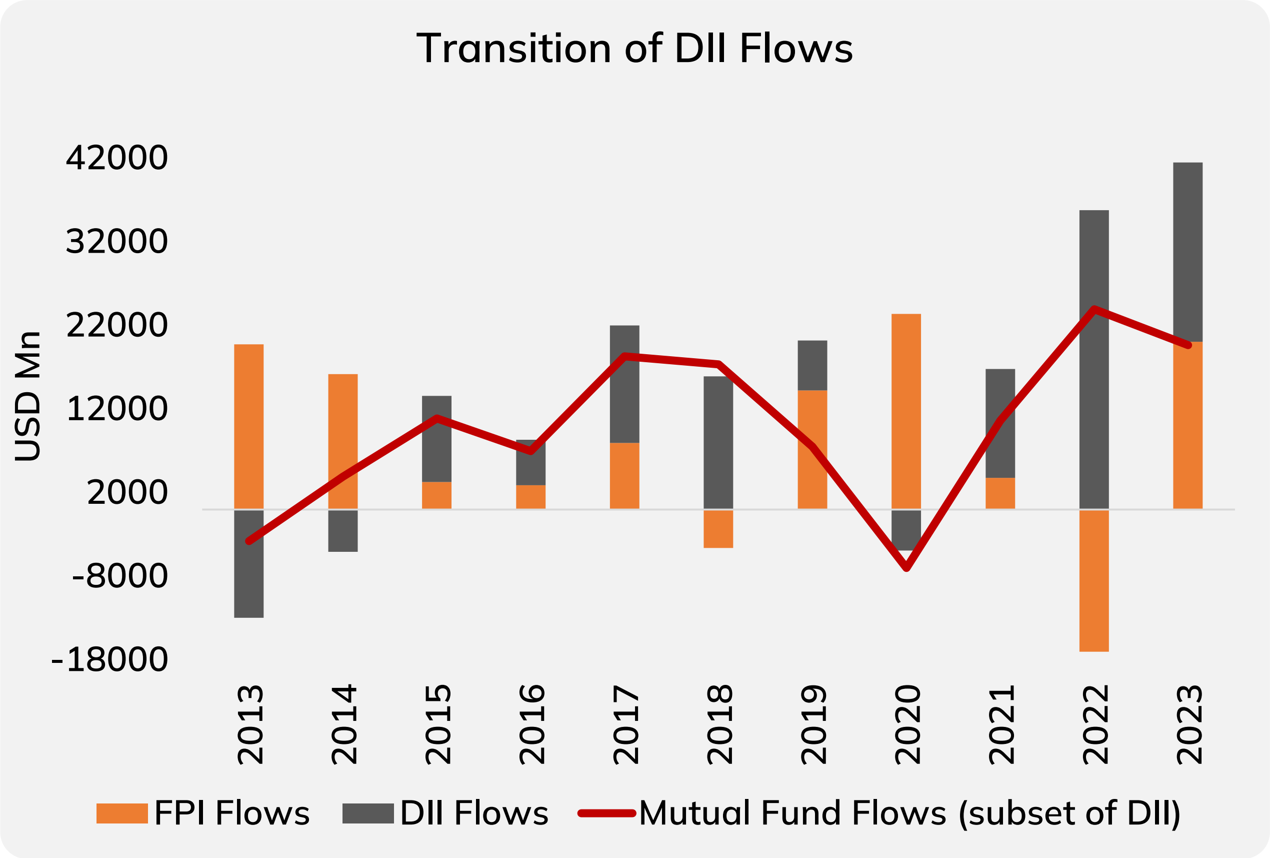
Period	As a % of Total Market Cap			
	Large Cap	Midcap	Smallcap	Sum of Mid & Small cap
2013	80.3	12.4	7.2	19.6
2014	76.8	14.1	9.1	23.2
2015	73.8	15.2	11.0	26.2
2016	72.9	15.3	11.8	27.1
2017	68.1	17.3	14.6	31.9
2018	72.0	16.3	11.7	28.0
2019	74.9	15.6	9.5	25.1
2020	74.2	15.5	10.2	25.7
2021	68.7	16.8	14.5	31.3
2022	69.2	16.1	14.7	30.8
2023^	64.0	18.0	18.1	36.1

Source: NSE. ^Data as on Nov 30,2023. Data is on calendar year basis. Past performance may or may not sustain in future. Red indicates high valuations, Amber indicates neutral valuations and Green indicates attractive valuations.

Paradigm Shift – Sentiments Scan

Investors continued to flock towards Midcap & smallcap schemes due to past returns. Overall sentiments remained positive due to strong FPI and DII flows

Category	Net Flows into Mutual Funds (INR Bn)				Growth in count of Folios (CYTD)
	2021	2022	2023	CYTD	
Large Cap Funds	29	137	-30	-26	2%
Midcap Funds	106	205	189	214	23%
Smallcap Funds	38	198	335	373	58%
Other Funds	794	1071	797	929	11%



Data till November 30,2023 is considered. Data Source: AMFI and Kotak Institutional Research. FPI: Foreign Portfolio Investment, DII: Domestic Institutional Investors. For DII: Only Mutual Fund Houses have been considered. CYTD: Calendar Year Till Date. Other Funds include categories like Flexicaps, Multicaps, ELSS, Value, Sectoral and Large & Midcap Funds. Mn: Million. For 2023, Data is considered till Dec 22,2023

Summary and Our View

- Currently seeing 'A Paradigm Shift' – Developed Economies getting weaker & Indian economy getting stronger

- Although India's Macros looks robust, valuations are not cheap. This warrants an investment approach in hybrid and multi-asset allocation schemes which can dynamically manage exposure to various asset classes

- 2024 is expected to be a challenging year with valuations climbing higher due to front-ended returns. Hence in outlook for 2024 **our key recommendation for new investors for lumpsum remains Hybrid and Multi Asset allocation schemes** which can be opportunistic in reducing equity exposure or moving to other attractive asset classes

- **For existing investors, we would recommend to stay invested as India's long-term story remains intact**. For investors who wish to add equity should focus on schemes that has flexible investment mandate to move between Market cap & Sectors

- To conclude, we believe that the Paradigm Shift is likely to result in dynamic macros and this may lead to Hybrid & Multi Asset Allocation schemes outperforming in coming years

Annual Fixed Income Outlook

A Paradigm Shift

In 2023, the markets focused on the RBI and its policy actions to manage the economy

MONETARY

FISCAL

After rate hikes and various measures, we believe the focus is expected to shift to fiscal policy in 2024.

Recap of Outlook 2023

WHAT WE SAID LAST YEAR?

India is in a moderate growth and moderate inflation environment. RBI is expected to move into a neutral zone as the growth and inflation is in moderate zone.

With RBI hiking rates aggressively, the whole yield curve has shifted upwards, making the yield on the fixed income space attractive.

Our model turned cautious on long-duration as the term premium remains low coupled with less probability of rate cuts. Hence low to moderate duration is preferred.

That accrual income may drive returns going forward. Hence, we recommend schemes with higher exposure to spread assets

RBI's Key Measures So Far

May 2022
Hiked CRR to 4.50%

FY2022-23
Lifted Repo Rate to 6.5% from 4.0% in six consecutive meets

May 2023
Withdrew ₹2,000 denomination banknotes from circulation

Aug 2023
Introduced I-CRR to absorb excess liquidity

Sep 2023
Positive changes to rules on investment portfolio of banks

Nov 2023
Tightened lending norms on unsecured loans

Dec 2023
Allowed reversal of liquidity facilities under SDF and MSF

Source – rbi.org.in. CRR – Cash Reserve Ratio rate; I-CRR – Incremental Cash Reserve Ratio rate; SDF- Standing Deposit Facility; MSF- Marginal Standing Facility

Monetary
Transmission of RBI's Policy

	Before Rate Hikes (Apr 30, 2022)	At the end of 2022 (Dec 31, 2022)	Change (in basis points)	Current Rates (Dec 28, 2023)	Change (in basis points)	Remarks
Repo Rate	4.00%	6.25%	225	6.50%	25	*RBI hiked rates aggressively in 2022*
Lending Rate	8.72%	9.50%	78	9.80%	30	*Rate hike transmission was front-ended*
Deposit Rates	5.03%	5.78%	75	6.80%	102	*Rate hike transmission was back-ended*
182-day T-Bill	4.39%	6.73%	234	7.12%	39	*Short term rates rose faster in response to hikes. Longer end rates were immune to rate hikes*
10-year G-Sec	7.14%	7.33%	19	7.21%	-12	
3-year AAA	6.52%	7.65%	113	7.70%	5	*Accrual space transmission happened incrementally*
3-year AA	7.12%	8.33%	121	8.45%	12	

Data as on Dec 28, 2023. Source: rbi.org.in.

Why we think we are in Expansion Phase?

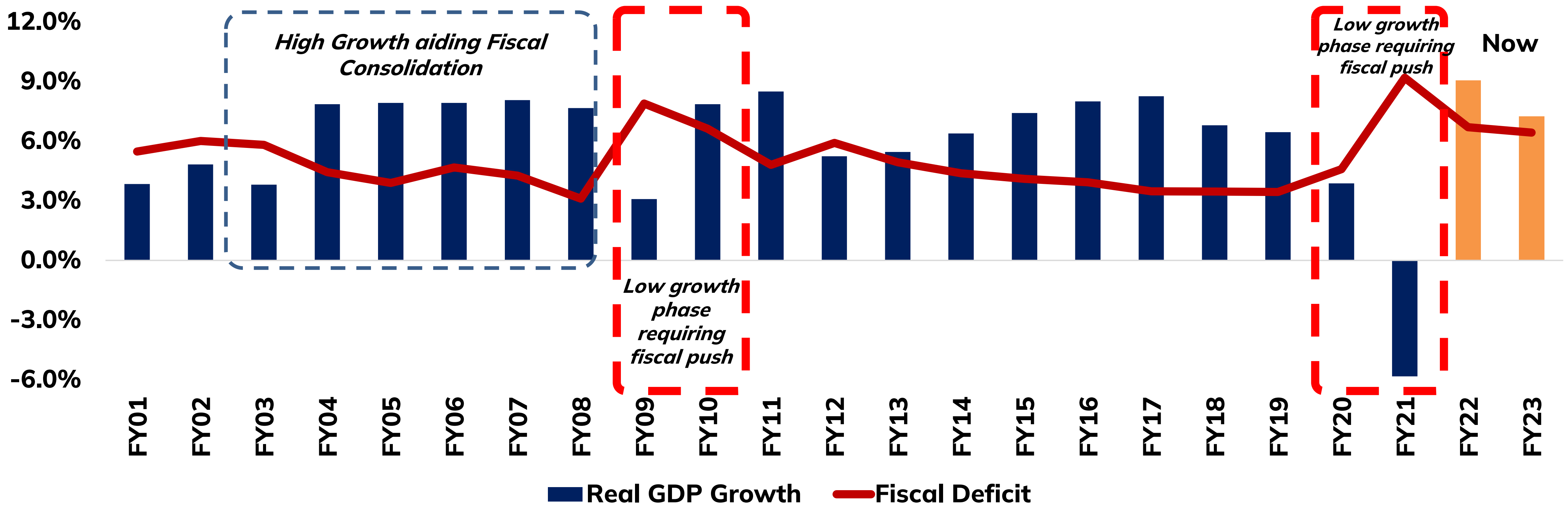
Indicator	Value	Signals
GDP Forecast for FY24	7.0%	Among the fastest globally
Inflation Forecast for FY24	5.4%	Within tolerable range
Capacity Utilization (Q1-FY23-24)	74%	At Long Term Average
Credit Growth (Dec 2023)	>15% YoY	Above Recovery Levels
G-Sec Yield Curve Change (Mar 31, 2022 to Dec 28, 2023)	+245 bps (1Y); +36 bps (10Y)	Steep to Flattish
Corporate Earnings Growth (Sep 30, 2023)	41% YoY	Strong Growth

Economic growth conditions are in a better shape and inflation is also in a tolerable range. This is an indication of being in the **Expansion Phase**. If growth-inflation dynamics remain favorable then there is a **Low Probability of Rate Cuts.**

Data as on Dec 28, 2023. Source: rbi.org.in; NSE- National Stock Exchange; CMIE- Centre for Monitoring Indian Economy

The 2003-08 period is a good example of fiscal deficit consolidation in the face of strong economic growth. Vice-versa, higher fiscal spending is better reserved for times of low growth. Such a counter-cyclical approach is suitable for fiscal prudence. In the current period, fiscal deficit gap has remained wide despite high tax collection and economic growth.

Fiscal Deficit Across Different Growth Phases



Data source: RBI; CGA. Source: cga.nic.in. RE – Revised Estimates. BE – Budget Estimates.

Outlook on Fixed Income

On monetary policy, we see a low chance of shift in policy stance as the impact of past rate hikes works its way through the economy. The RBI's intervention is needed only if growth-inflation dynamics diverge unfavorably.

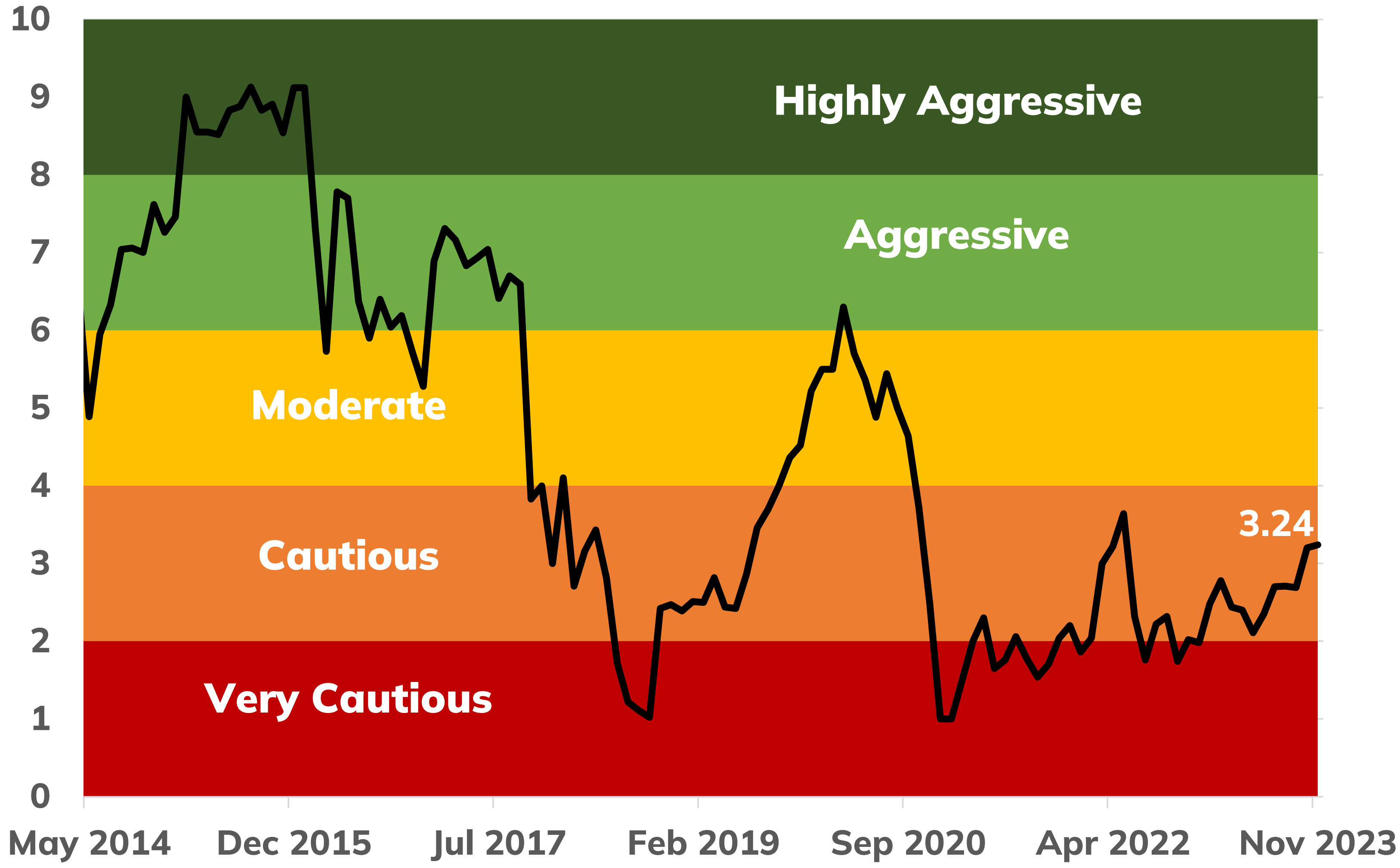
We believe that monetary policy has done the heavy-lifting in managing the economy and the baton is now passed on to the fiscal side where the deficit gap needs to be narrowed.

Global cues are expected to impact domestic macros bringing in a mixed bag - with optimism, fueled by a dovish US Fed, and caution, as China stages recovery.

We expect liquidity conditions to remain tight as credit growth continues to expand.

Accruals may become attractive as corporates tap the bond market for capital. Active duration management is also required as global cues impact domestic macros and long-term yields.

Fixed-Income Approach



Due to elevated bond yields, our model suggests adding some duration tactically.

Overall, however, our stance remains **CAUTIOUS** towards duration.

This means **ACCRUALS + Limited Duration** seems suitable in the current scenario.

Data as on Nov 30, 2023. Debt Valuation Index considers WPI, CPI, Sensex returns, Gold returns and Real estate returns over G-Sec yield, Current Account Balance, Fiscal Balance, Credit Growth and Crude Oil Movement for calculation. RBI – Reserve Bank of India. Debt Valuation Index is a proprietary model of ICICI Prudential AMC Ltd. (the AMC) used for assessing overall debt valuations. The AMC may also use this model for other facilities/features offered by the AMC and any other factor which the AMC may add/delete from time to time.

Our Current Portfolio Positioning

Low to Moderate Duration + Accruals

Scheme Name	Cash & Sovereign (% Holding)	AAA & Equivalent (% Holding)	AA & Below (% Holding) — Spread Assets	YTM	Macaulay Duration
ICICI Prudential Ultra Short Term Fund	12.2%	70.7%	17.1%	8.00%	0.41 Years
ICICI Prudential Savings Fund	27.1%	66.4%	6.5%	7.97%	0.94 Years
ICICI Prudential Floating Interest Fund	65.6%	21.0%	13.4%	8.24%	1.23 Years
ICICI Prudential Corporate Bond Fund	26.2%	73.8%		8.00%	1.88 Years
ICICI Prudential Credit Risk Fund	26.4%	11.7%	61.9%	8.67%	2.12 Years
ICICI Prudential Banking & PSU Debt Fund	29.5%	70.5%		7.82%	2.19 Years
ICICI Prudential Short Term Fund	45.4%	38.7%	15.9%	7.96%	2.14 Years
ICICI Prudential Medium Term Bond Fund	43.7%	14.6%	41.7%	8.24%	3.19 Years
ICICI Prudential All Seasons Bond Fund	62.4%	10.5%	27.1%	7.95%	2.79 Years

Data as on Dec 15, 2023. The Yield to Maturity (YTM) mentioned is based on scheme portfolios dated Dec 15, 2023. YTM is the rate of return anticipated on a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities. Past performance may or may not be sustained in future, *Includes TREPS & Net Current Assets, ^ Includes Treasury Bills, # - Excludes REITs and InvITs.

Our Key Recommendations – Equity & Hybrid

To Summarize	
Old Investors	**New Investors**
Stay invested in Equity as India's long-term story remains intact	Invest in Hybrid and Multi Asset Allocation schemes

Category	Remarks	Top Recommendations
Lumpsum Investment		
Hybrid	Fragile Global macros and valuations not being cheap may result in dynamic market cycles, invest in hybrid schemes with multiple and dynamic asset allocation	i) IPRU Equity & Debt Fund ii) IPRU Multi-Asset Fund iii) IPRU Balanced Advantage Fund iv) IPRU Equity Savings Fund
Equity	India's long term structural story continues to remain intact, invest in flexible mandate schemes	i) IPRU Business Cycle Fund ii) IPRU Flexicap Fund iii) IPRU Innovation Fund iv) IPRU Manufacturing Fund v) IPRU Bharat Consumption Fund vi) IPRU Dividend Yield Equity Fund
Systematic Investment Plan		
1. IPRU India Opportunities Fund 2. IPRU Value Discovery Fund 3. IPRU Bluechip Fund 4. IPRU Large & Mid cap Fund 5. IPRU Multicap Fund 6. IPRU ELSS Tax Saver Fund		

IPRU – ICICI Prudential. Asset allocation and investment strategy will be as per Scheme Information Document.

Our Key Recommendations – Fixed Income

PARKING OPTION (3-12 Months)

- ICICI Prudential Ultra Short Term Fund
- ICICI Prudential Savings Fund
- ICICI Prudential Equity - Arbitrage Fund
- ICICI Prudential Equity Savings Fund

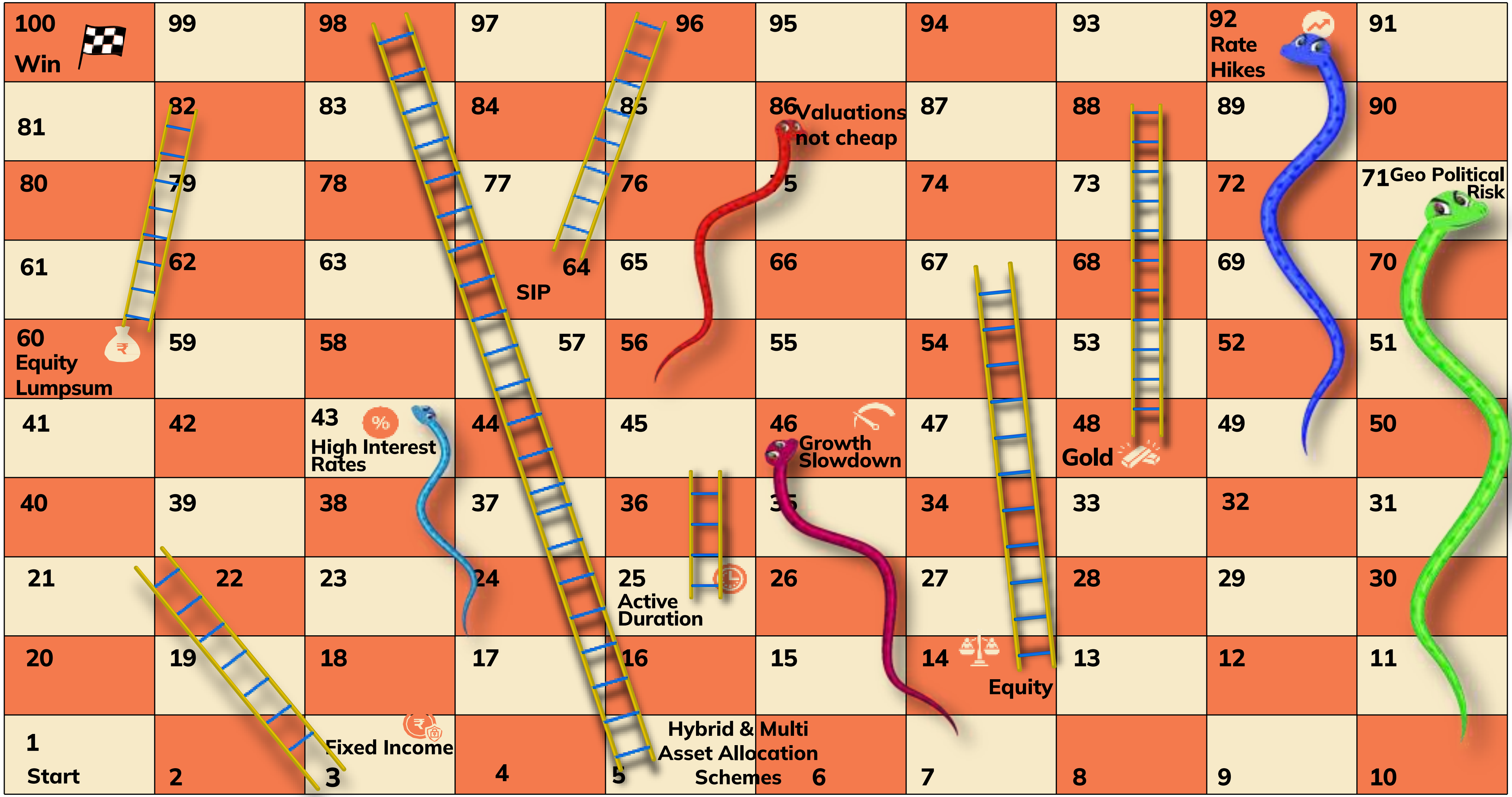
SHORT TERM (1-3 Years)

- ICICI Prudential Short Term Fund
- ICICI Prudential Corporate Bond Fund
- ICICI Prudential Banking & PSU Debt Fund
- ICICI Prudential Medium Term Bond Fund
- ICICI Prudential Credit Risk Fund

LONG TERM (More than 3 Years)

- ICICI Prudential All Seasons Bond Fund

Investment Playbook for 2024



Key Takeaways

- Hybrid & Multiple Asset Investing is important for navigating volatility
- Macros are dynamic with heightened geo-political tensions resulting in risk in each asset class
- Valuations are not cheap. Thus staggered mode of investing in schemes having flexibility to move across market cap, themes & sector is preferred

The above example is for illustrative purpose only. SIP: Systematic Investment Plan

Riskometers

ICICI Prudential Business Cycle Fund (An open ended equity scheme following business cycles based investing theme) is suitable for investors who are seeking*:

- Long term wealth creation
- An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles

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

Investors understand that their principal will be at **Very High** risk

ICICI Prudential Flexicap Fund (An open ended dynamic equity scheme investing across large cap, mid cap & small cap stocks) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended dynamic equity scheme investing across large cap, mid cap and small cap stocks

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

Investors understand that their principal will be at **Very High** risk

ICICI Prudential Multi-Asset Fund (An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives/units of Gold ETFs/units of REITs & InvITs/ Preference shares) is suitable for investors who are seeking*:

- Long Term Wealth Creation
- An open ended scheme investing across asset classes

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

Investors understand that their principal will be at **Very High** risk

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometers are as on November 30, 2023 Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

Riskometers

ICICI Prudential India Opportunities Fund (An open ended equity scheme following special situations theme) is suitable for investors who are seeking*:

- ❑ Long term wealth creation
- ❑ An equity scheme that invests in stocks based on special situations theme

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

ICICI Prudential Balanced Advantage Fund (An open ended dynamic asset allocation fund) is suitable for investors who are seeking*:

- ❑ Long term capital appreciation/income
- ❑ Investing in equity and equity related securities and debt instruments

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

ICICI Prudential Equity & Debt Fund (An open ended hybrid scheme investing predominantly in equity and equity related instruments) 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

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Riskometers

ICICI Prudential Large & Mid cap Fund (An open ended equity scheme investing in both large cap and mid cap stocks.) is suitable for investors who are seeking*:

- ❑ Long term wealth creation
- ❑ An open ended equity scheme investing in both large cap and mid cap stocks

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

ICICI Prudential Innovation Fund (An open ended equity scheme following innovation theme) is suitable for investors who are seeking*:

- ❑ Long term capital creation
- ❑ An equity scheme that invests in stocks adopting innovation strategies or themes.

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

ICICI Prudential Manufacturing Fund (An Open Ended Equity Scheme following manufacturing theme.) is suitable for investors who are seeking*:

- ❑ Long term wealth creation
- ❑ An open ended equity scheme that aims to provide capital appreciation by investing in equity and equity related securities of companies engaged in manufacturing theme

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

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometers are as on November 30, 2023 Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

Riskometers

ICICI Prudential Bharat Consumption Fund (An open Ended Equity Scheme following Consumption Theme.) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended equity scheme that aims to provide capital appreciation by investing in equity and equity related securities of companies engaged in consumption and consumption related activities

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

ICICI Prudential Dividend Yield Equity Fund (An open ended equity scheme predominantly investing in dividend yielding stocks) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended equity scheme that aims for growth by primarily investing in equity and equity related instruments of dividend yielding companies

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

ICICI Prudential Value Discovery Fund (An open ended equity scheme following a value investment strategy.) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended equity scheme following a value investment strategy

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

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometers are as on November 30, 2023 Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

Riskometers

ICICI Prudential Bluechip Fund (An open ended equity scheme predominantly investing in large cap stocks) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended equity scheme predominantly investing in large cap stocks

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

Investors understand that their principal will be at **Very High** risk

ICICI Prudential Multicap Fund (An open ended equity scheme investing across large cap, mid cap, small cap stocks) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended equity scheme investing across large cap, mid cap and small cap stocks

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

Investors understand that their principal will be at **Very High** risk

ICICI Prudential ELSS Tax Saver Fund (An open ended Equity Linked Savings Scheme with a statutory lock in of 3 years and tax benefit) is suitable for investors who are seeking*:

- Long term wealth creation solution
- An Equity Linked Savings Scheme that aims to generate long term capital appreciation by primarily investing in equity and related securities and provides tax benefit under section 80C of Income Tax Act, 1961.

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

Investors understand that their principal will be at **Very High** risk

ICICI Prudential Equity Savings Fund (An open ended scheme investing in equity, arbitrage and debt) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended 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.

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

Investors understand that their principal will be at **Moderate** risk

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometers are as on November 30, 2023

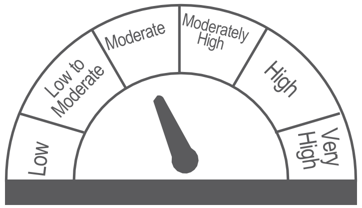
Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

Risk-o-meters

Please note that the Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. The below riskometers are as on Nov 30, 2023. Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

ICICI Prudential Banking & PSU Debt Fund

(An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal bonds. A relatively high interest rate risk and moderate credit risk.)



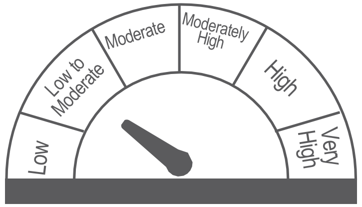
Investors understand that their principal will be at **Moderate** Risk

This product is suitable for investors who are seeking*:

- Short term savings
- An open ended debt scheme predominantly investing in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds

ICICI Prudential Savings Fund

(An open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.)



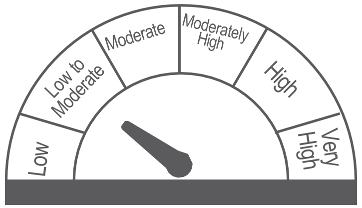
Investors understand that their principal will be at **Low To Moderate** Risk

This product is suitable for investors who are seeking*:

- Short term savings
- An open ended low duration scheme that aims to maximize income by investing in debt and money market instruments while maintaining optimum balance of yield, safety and liquidity.

ICICI Prudential Floating Interest Fund

(An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives). A relatively high interest rate risk and moderate credit risk.)



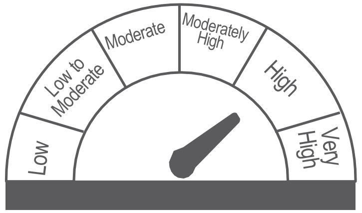
Investors understand that their principal will be at **Low To Moderate** Risk

This product is suitable for investors who are seeking*:

- Short term savings
- An open ended debt scheme predominantly investing in floating rate instruments.

ICICI Prudential Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interest rate risk and relatively high credit risk.)



Investors understand that their principal will be at **High** risk

This product is suitable for investors who are seeking*:

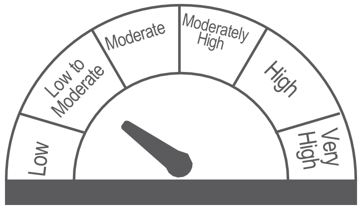
- Medium term savings
- A debt scheme that aims to generate income through investing in AA and below rated corporate bonds while maintaining the optimum balance of yield, safety and liquidity.

Risk-o-meters

Please note that the Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. The below riskometers are as on Nov 30, 2023. Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

ICICI Prudential Corporate Bond Fund

(An open ended debt scheme predominantly investing in AA+ or above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.)



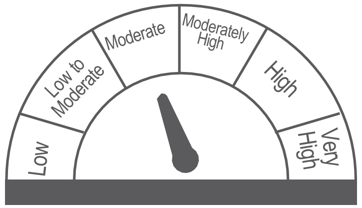
Investors understand that their principal will be at **Low to Moderate** Risk

This product is suitable for investors who are seeking*:

- Short term savings
- An open ended debt scheme predominantly investing in highest rate corporate bonds.

ICICI Prudential Short Term Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 Year and 3 Years. A relatively high interest rate risk and moderate credit risk.)



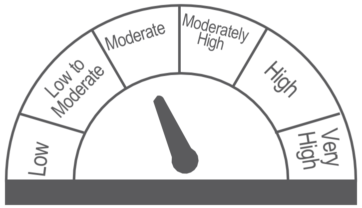
Investors understand that their principal will be at **Moderate** Risk

This product is suitable for investors who are seeking*:

- 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.

ICICI Prudential Ultra Short Term Fund

(An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months . A moderate interest rate risk and moderate credit risk.)



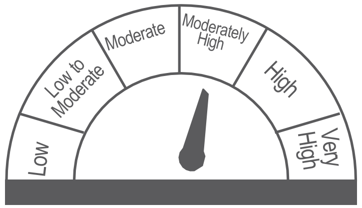
Investors understand that their principal will be at **Moderate** Risk

This product is suitable for investors who are seeking*:

- Short term regular income
- An open ended ultra-short debt scheme investing in a range of debt and money market instruments.

ICICI Prudential Medium Term Bond Fund

(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 Years and 4 Years. The Macaulay duration of the portfolio is 1 Year to 4 years under anticipated adverse situation. A relatively high interest rate risk and moderate credit risk)



Investors understand that their principal will be at **Moderately High** Risk

This product is suitable for investors who are seeking*:

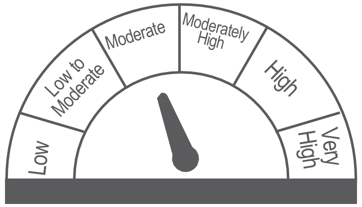
- Medium term savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity

Risk-o-meters

Please note that the Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. The below riskometers are as on Nov 30, 2023. Please refer to https://www.icicipruamc.com/news- and-updates/all-news for more details.

ICICI Prudential All Seasons Bond Fund

(An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.)



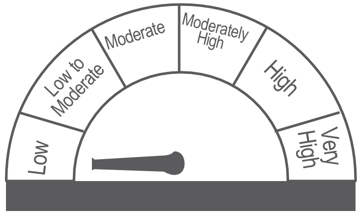
Investors understand that their principal will be at **Moderate** Risk

This product is suitable for investors who are seeking*:

- All duration savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity.

ICICI Prudential Equity-Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities.)



Investors understand that their principal will be at **Low** Risk

This product is suitable for investors who are seeking*:

- Short term income generation
- A hybrid scheme that aims to generate low volatility returns by using arbitrage and other derivative strategies in equity markets and investments in debt and money market instruments.

Potential Risk Class

The Potential risk class (PRC) matrix based on interest rate risk and credit risk.

ICICI Prudential Credit Risk Fund

Potential Risk Class			
Credit Risk→ Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)			C-III

ICICI Prudential Ultra Short Term Fund

Potential Risk Class			
Credit Risk→ Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)		B-II	
Relatively High (Class III)			

ICICI Prudential Savings Fund, ICICI Prudential Floating Interest Fund, ICICI Prudential Medium Term Bond Fund, ICICI Prudential All Seasons Bond Fund, ICICI Prudential Corporate Bond Fund, ICICI Prudential Banking & PSU Debt Fund, ICICI Prudential Short Term Fund

Potential Risk Class			
Credit Risk→ Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

YTM Disclaimer

Scheme Name	ICICI Prudential Savings Fund	ICICI Prudential Floating Interest Fund	ICICI Prudential Banking & PSU Debt Fund	ICICI Prudential Corporate Bond Fund	ICICI Prudential All Seasons Bond Fund	ICICI Prudential Short Term Fund
Description	An open ended low duration debt schem investing in instruments such that the Macaulay duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.	An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives). A relatively high interest rate risk and moderate credit risk	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal bonds. A relatively high interest rate risk and moderate credit risk.	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.	An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.	An open ended short term debt schem investing in instruments such that the Macaulay duration of the portfolio is between 1 Year and 3 Years. A relatively high interest rate risk and moderate credit risk.
Annualised Portfolio YTM*:	7.97%	8.24%	7.82%	8.00%	7.95%	7.96%
Macaulay Duration	0.94 Years	1.23 Years	2.19 Years	1.88 Years	2.79 Years	2.14 Years
Residual Maturity	2.45 Years	6.94 Years	4.13 Years	3.60 Years	4.74 Years	4.31 Years

As per AMFI Best Practices Guidelines Circular No. AMFI/ 35P/ MEM-COR/ 72 / 2022-23 dated December 31, 2022 on Standard format for disclosure Portfolio YTM for Debt Schemes, Yield of the instrument is disclosed on annualized basis as provided by Valuation agencies. *in case of semi annual YTM, it will be annualized.

The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Dec 15, 2023. YTM is the rate of return of a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities.

YTM Disclaimer

Scheme Name	ICICI Prudential Credit Risk Fund	ICICI Prudential Medium Term Bond Fund	ICICI Prudential Ultra Short Term Fund
Description	An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interes rate risk and relatively high credit risk	An Open Ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 Years and 4 Years The Macaulay duration of the portfolio is 1 Year to 4 years under anticipated adverse situation. A relatively high interest rate risk and moderate credit risk.	An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. A moderate interest rate risk and moderate credit risk
Annualised Portfolio YTM*:	8.67%	8.24%	8.00%
Macaulay Duration	2.12 Years	3.19 Years	0.41 Years
Residual Maturity	3.35 Years	4.75 Years	0.42 Years

As per AMFI Best Practices Guidelines Circular No. AMFI/ 35P/ MEM-COR/ 72 / 2022-23 dated December 31, 2022 on Standard format for disclosure Portfolio YTM for Debt Schemes, Yield of the instrument is disclosed on annualized basis as provided by Valuation agencies. *in case of semi annual YTM, it will be annualized.

The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Dec 15, 2023. YTM is the rate of return of a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities.

Disclaimer

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

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