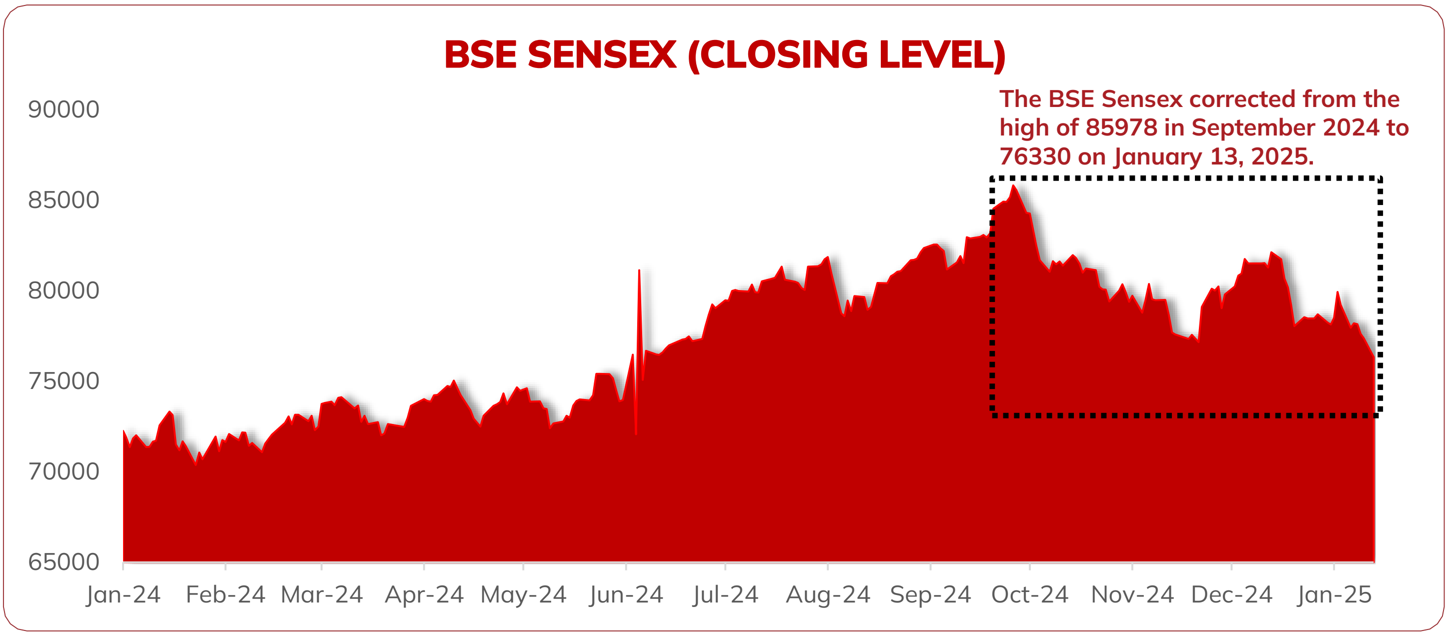
IPRU SNIPPETS

Unfolding the Market Drama

The Headlines That Kept Investors on the Edge

What a rocky start to the year for the Indian Equity Markets! Whether you flipped through the newspapers or tuned into business channels on January 13, 2025, you must have noticed the headlines shrieking – 'The BSE Sensex plunges, drenched in a sea of red'.

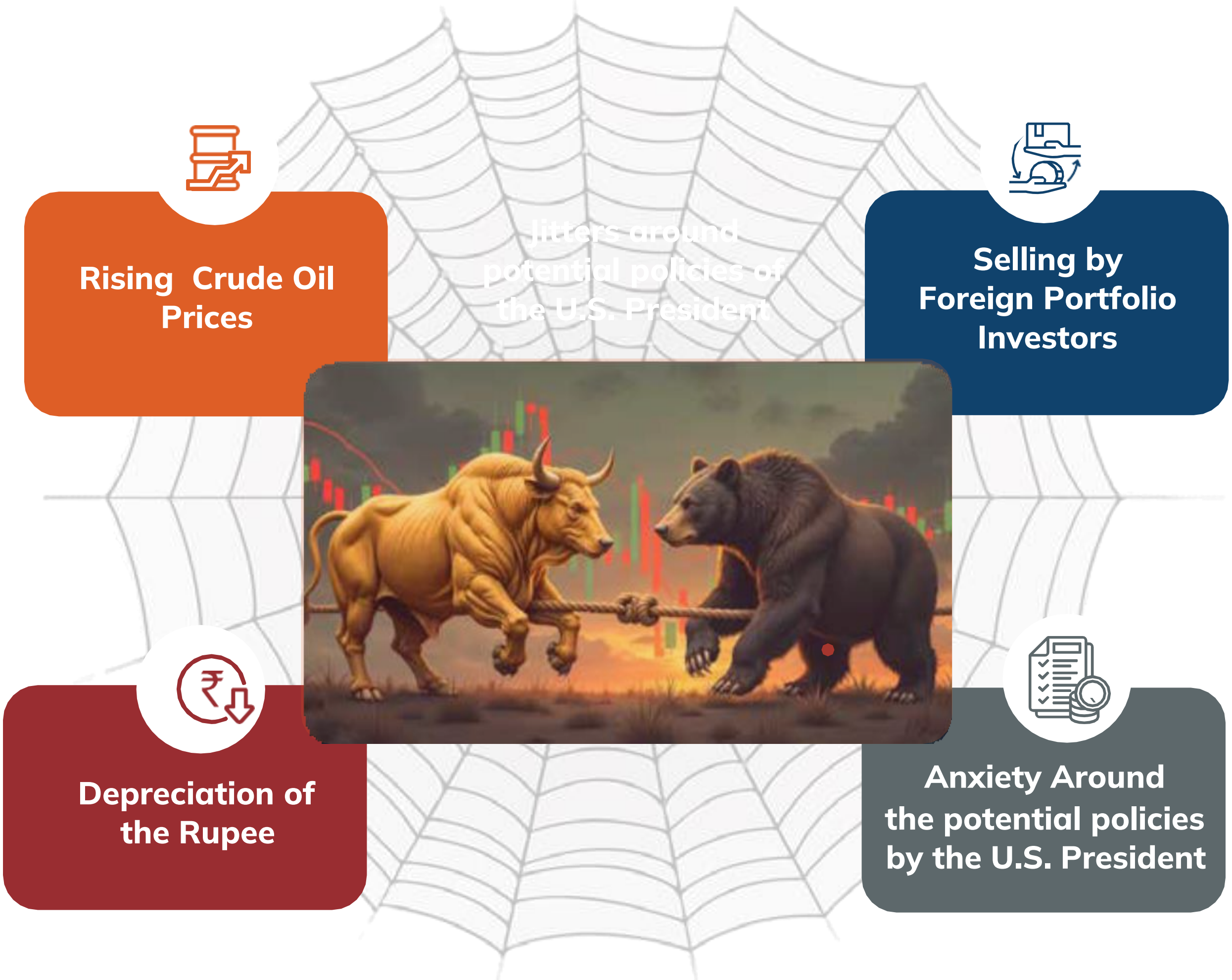
The bulls struggled to regain lost ground as the bears tightened their grip on the market.



Source: BSE. Past performance may or may not sustain in future. Data as on January 13, 2025

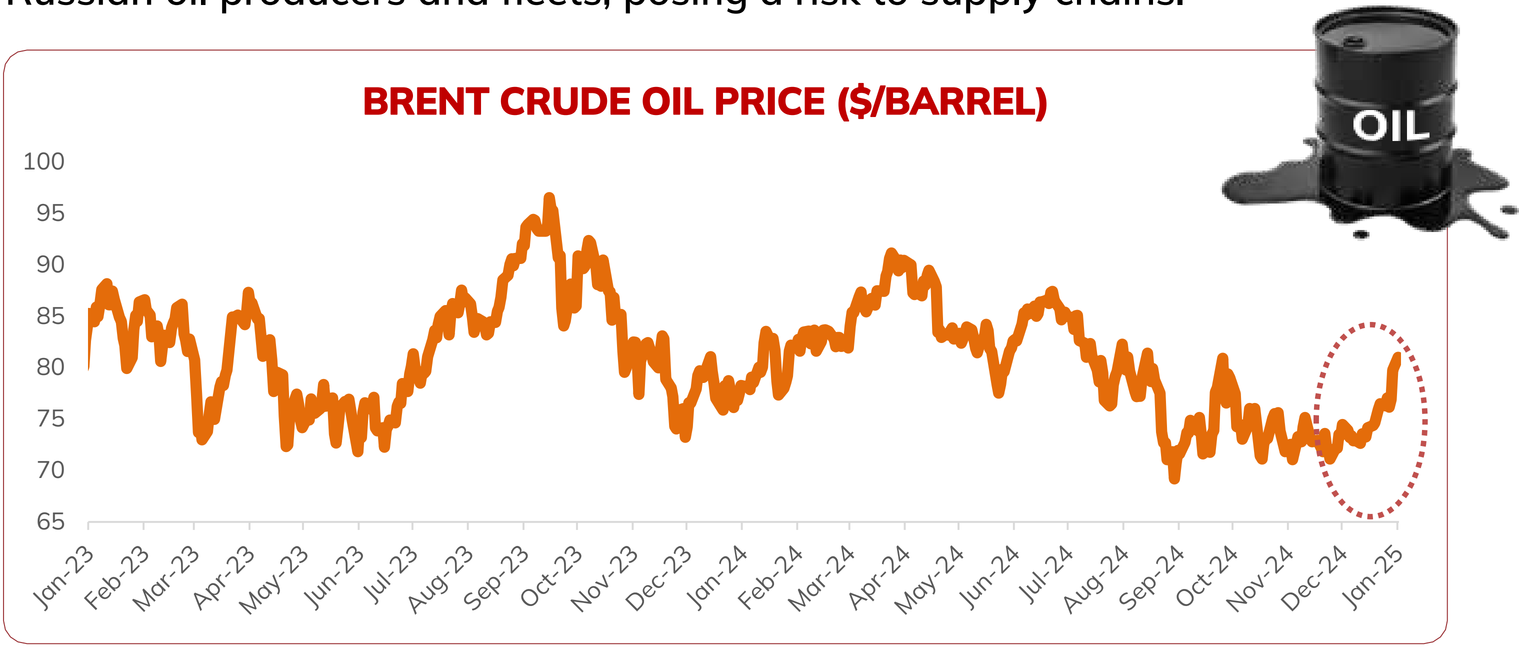
The Burning Question Is – Who is to Blame for the Market Chaos?

Relentless foreign portfolio outflows from Indian equities and a sliding rupee, alongside global headwinds such as climbing crude oil prices, geopolitical conflicts coupled with jitters around the potential policies by the U.S. president has weaved a web of challenges for the markets.



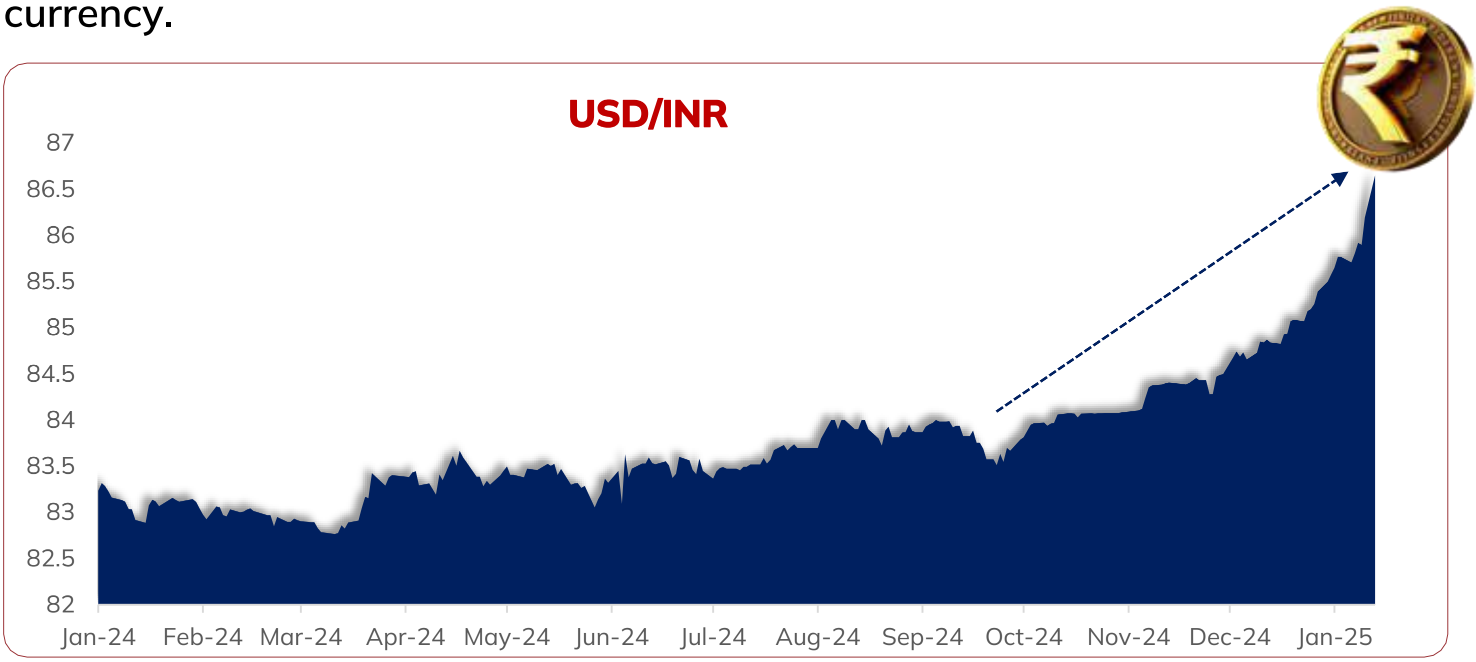
Who is to Blame for the Market Chaos?

1) Oil on the boil: Crude oil prices surged from $73/barrel in December 2024 to around $81/barrel on January 13, 2025, driven by fresh U.S. sanctions on Russian oil producers and fleets, posing a risk to supply chains.



Source: Reuters. Data as on January 13, 2025

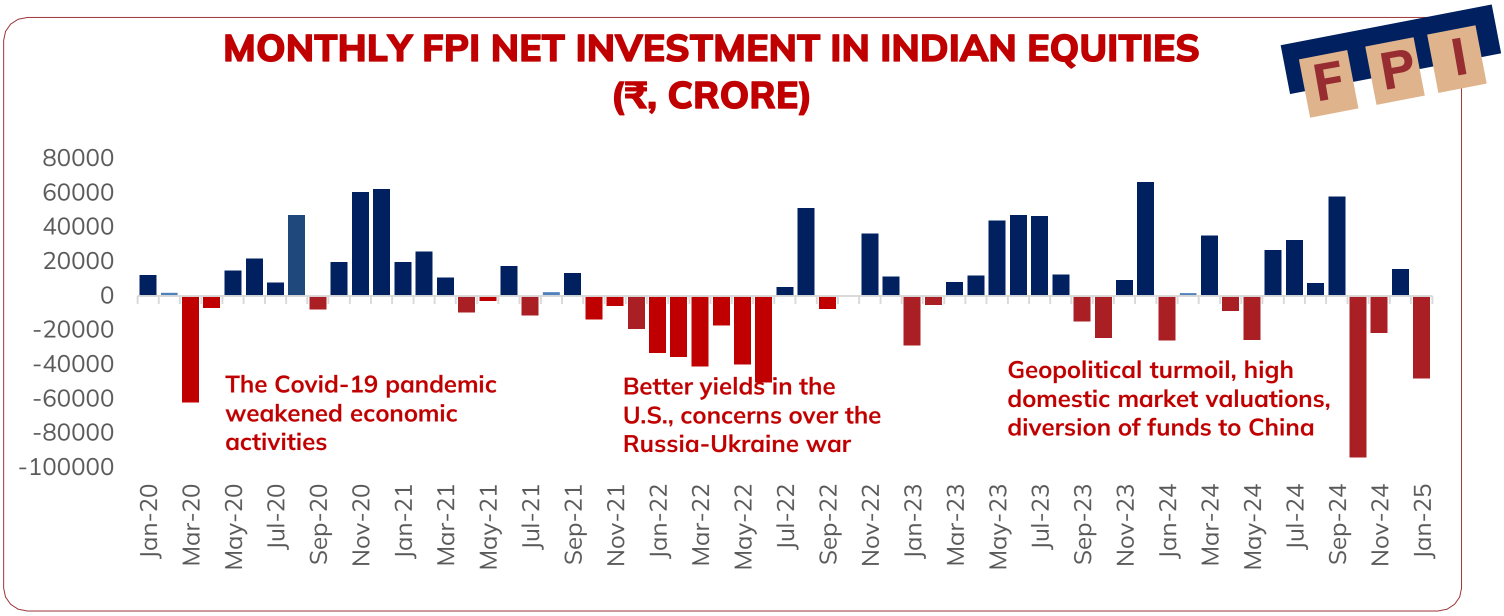
2) Indian Rupee on a slippery path: The rupee plummeted to a low of around 86.65 against the dollar as rising crude oil prices and a strong U.S. Dollar index supported by rising U.S. bond yields weighed on the domestic currency.



Source: Reuters. Data as on January 13, 2025. USD: U.S. Dollar. INR: Indian Rupee

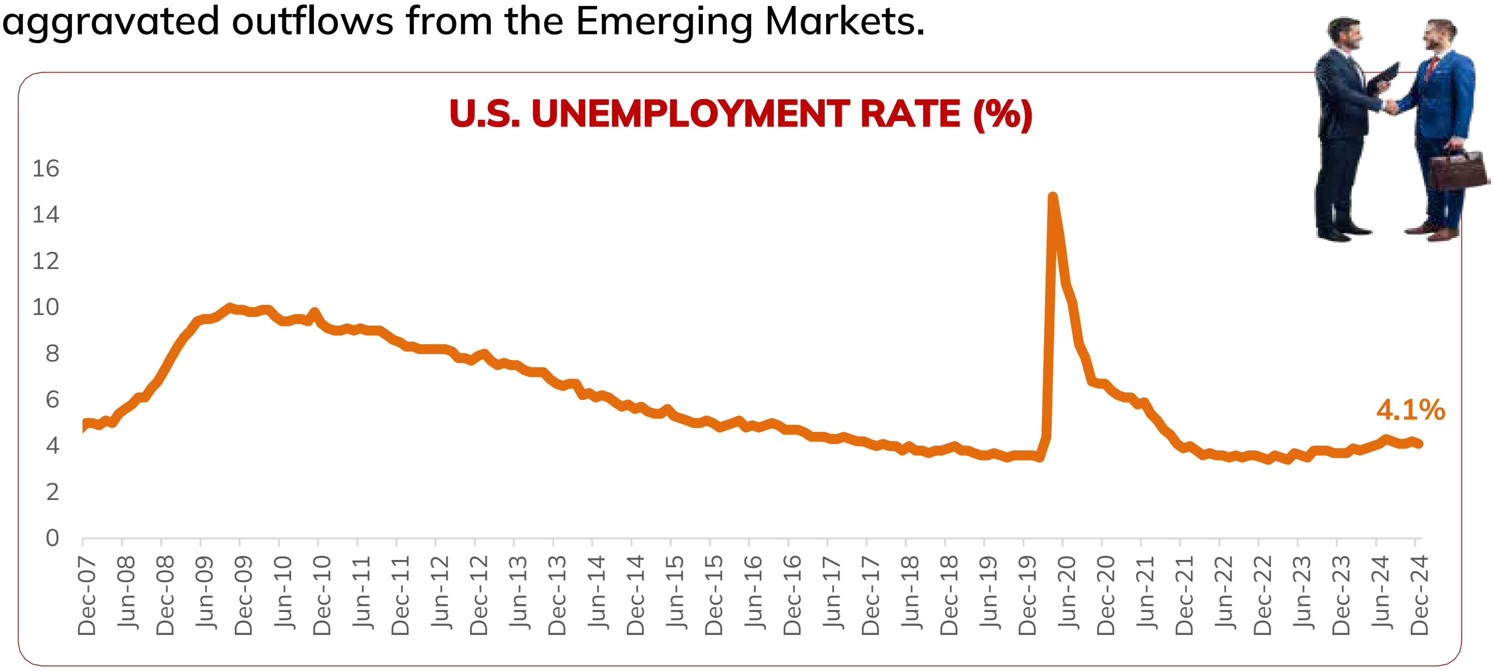
Who is to Blame for the Market Chaos?

3) Foreign Portfolio Investors (FPIs) Offloading Indian equities: Making market participants jittery, Foreign Portfolio Investors sold Indian equities worth ₹48,023 crore in January 2025*, owing to relatively high valuations, anticipation of a lacklustre Q3FY25 earnings season and flaring geopolitical tensions.



Source: National Securities Depository Limited (NSDL). *January 2025 data is up to January 20, 2025.

4) Grim Hopes of Interest Rate Cut by the U.S. Federal Reserve: The U.S. unemployment rate fell to 4.1% in December 2024 as U.S. employers added 256,000 jobs, surpassing expectations. A strong U.S. economy coupled with better labour market conditions has reduced the expectations of a rate cut in the near-term. The U.S. 10-Year Treasury yields nearing 5% has further aggravated outflows from the Emerging Markets.



Source: U.S. Bureau of Labor Statistics, Latest data as on December 2024. U.S.: United States

Who is to Blame for the Market Chaos?

5) Anxiety looms around the 2025 Union Budget Outcome: The Ministry of Statistics & Programme Implementation (MOSPI), projected India's Gross Domestic Product (GDP) at 6.4% in FY25, lower than the 8.2% growth recorded in FY24. While concerns on economic growth intensified, all eyes are now on the Union Budget for government measures supportive of growth, potential tax policies and welfare schemes.

GROWTH BY EXPENDITURE (% YOY)

	FY20	FY21	FY22	FY23 (FRE)	FY24 (PE)	FY25 (FAE)
Government Final Consumption Expenditure	3.9	-0.8	0	9	2.5	4.1
Private Final Consumption Expenditure	5.2	-5.3	11.7	6.8	4	7.3
Gross Fixed Capital Formation	1.1	-7.1	17.5	6.6	9	6.4
GDP (At Constant Prices)	**3.9**	**-5.8**	**9.7**	**7**	**8.2**	**6.4**

Source: Ministry of Statistics & Programme Implementation (MOSPI), FRE: First Revised Estimates, PE: Provisional Estimates, FAE: First Advance Estimates. YOY: Year-on-Year. GDP: Gross Domestic Product

6) Jitters around the economic policies that could be implemented by the U.S. President: The political comeback of the Republican party sparked discussions about potential tariff proposals, unresolved trade tensions, rising public debt levels and the impact on inflation.

7) Emergence of HMPV cases in India triggers sell-off sentiment: Human metapneumovirus (HMPV) cases have been detected in a few states of India. Investor sentiment dampened as concerns about a potential health emergency created waves of panic.

The Dilemma of Investors

Amidst the market chaos thick with anxiety, your phone may have buzzed with calls from concerned peers, all grappling with the dilemma:

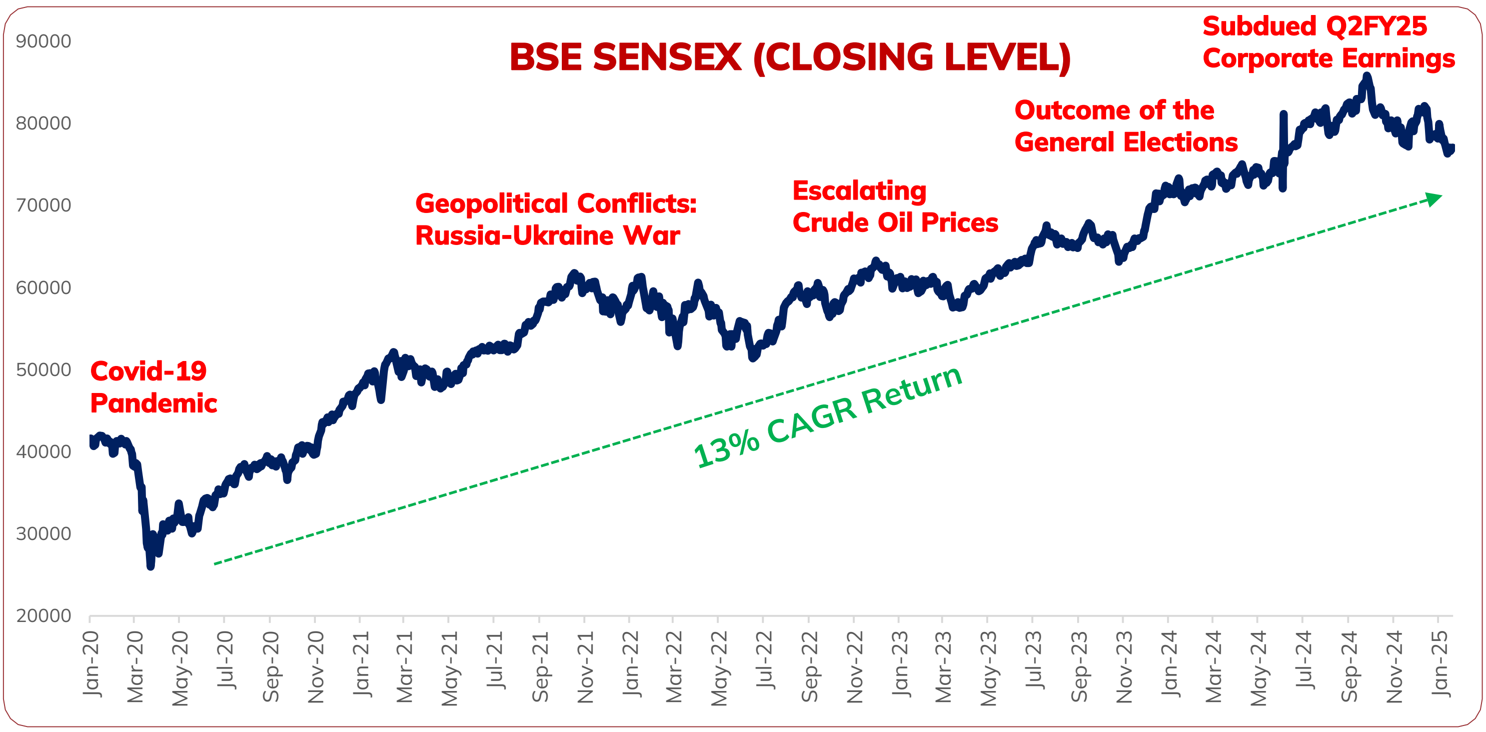
"Should we hold onto our investments or cut our losses?"

The Truth

Whether you pluck the petals of a rose, toss a coin or gaze into a crystal ball, the fact remains – No one can predict the markets with certainty!

Equity markets are inherently volatile – During the last 5 years, the markets grappled with the Covid-19 pandemic; when economies began to recover from the black swan event, geopolitical conflicts such as the Russia-Ukraine war added layers of uncertainties; elevated crude oil prices and global supply chain disruptions posed several challenges. The 2024 General Election outcome came as a surprise. Moreover, the subdued Q2FY25 corporate earnings dampened investor sentiment.

Most market participants would have expected the markets to deliver muted returns amidst several setbacks. However, despite the chaos, the markets (BSE Sensex) delivered 13% CAGR returns in the past 5 years, rewarding those who remained invested for the long term.



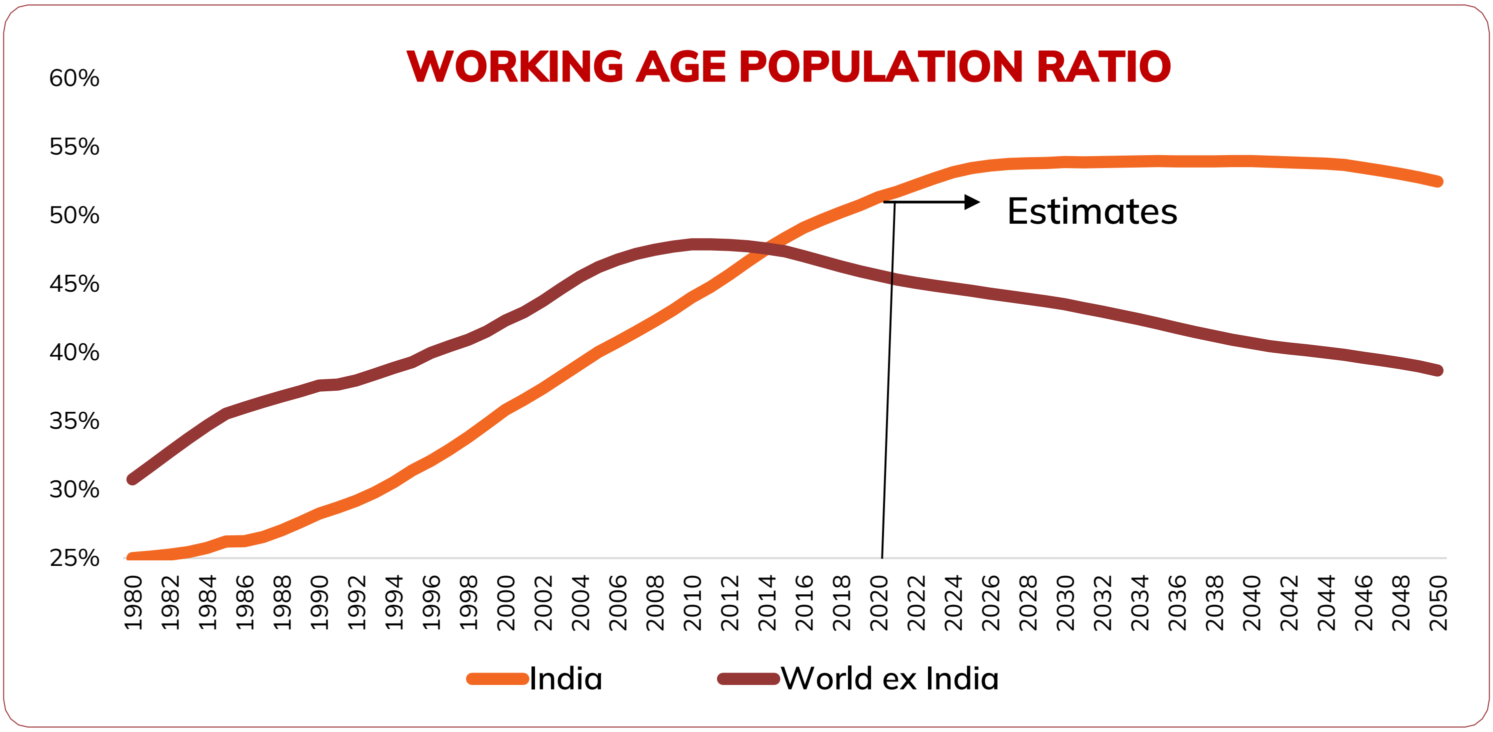
Source: BSE Sensex. Data as on January 20, 2025. Past performance may or may not sustain in future. CAGR: Compound Annual Growth Rate. CAGR returns calculated from January 01, 2020 to January 20, 2025.

IPRU SNIPPETS

Do Not Worry – Believe in India's Long-Term Structural Story

India has a relatively young population mix with a median age of 28.4 years, providing a competitive workforce advantage. India's strong demographic dividend is poised to facilitate innovation and boost manufacturing activities, driving economic growth.

Young Population → Contribute → Innovative Strategies → Boosts → Manufacturing Activities = Drives Growth

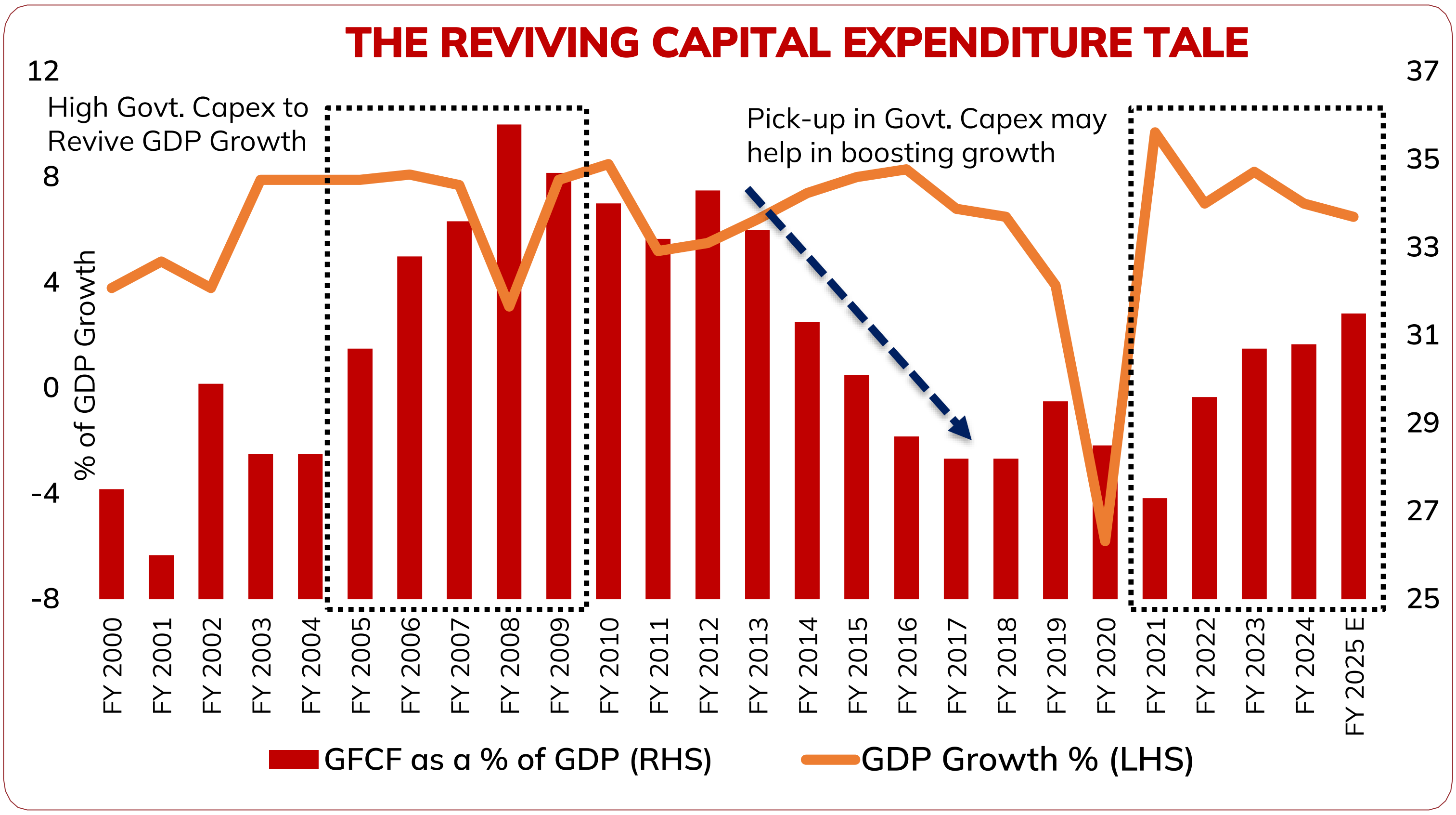


Data Source: Morgan Stanley Research

Do Not Worry – Believe in India's Long-Term Structural Story

As you walk down streets, you may have often seen construction ongoing for development of new metro lines and highways. Indeed, travelling is bound to become more convenient once these infrastructure projects are complete.

After a decade of decline in capital formation from 2011 to 2021, Government capital expenditure has picked up steam – better infrastructure, enhanced public services and a resultant increase in employment opportunities provides an impetus for economic growth.



Data Source: Jefferies Research and IMF. GFCF: Gross Fixed Capital Formation, GDP: Gross Domestic Product, FY: Financial Year, Capex: Capital Expenditure, Govt.: Government, E: Estimates, RHS: Right Hand Side, LHS: Left Hand Side

Do Not Worry – Believe in India's Long-Term Structural Story

Gone are the days when our homes were equipped only with an electric bulb, a television and gas stove. Today, our living spaces includes a wide array of modern appliances such as refrigerators, microwaves, electric stoves and more.

An increase in the purchasing power and aspiration for premium products would further bolster domestic demand dynamics.

	Premium Products Growth		Normal Products Growth	
	Sub category	10 Yr CAGR (%)	Sub category	10 Yr CAGR (%)
Cleansing	Body Wash / Liquid Soaps	15.8	Bar Soap	8.1
Haircare	Premium Hair care	14.7	Mass Hair Care	7.1
Tea	Green Tea	26.3	Normal Tea	9.4
Deodorant	Premium Deodorant	18.9	Mass Deodorant	12
Beverages	Nutrition Drink	7.1	Non alcoholic beverages	9.2
Homecare	Air care	10.1	Dishwashing	9.9
Footwear	Sports Footwear	16.1	Normal Footwear	9.2




The Indian market is currently underpenetrated, presenting vast opportunities for expansion.

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%

Source: Avendus Spark and CLSA Research. Data for white goods consumption is for Calendar Year 2021. Data for Premium & Normal Products is as on March 2024. Yr: Year. Past performance may or may not sustain in future.

So, What is the Way Out?

One thing is evident – India's long-term structural story remains intact. However, we can't disregard volatility in the global landscape owing to various factors, such as geopolitical conflicts and political developments. What is also concerning is the relatively high valuations of the Indian equity market.

So, what is the effective way to navigate market volatility?

a) Consider investing a good amount in asset allocation schemes

b) Consider schemes with a flexible mandate – the flexibility to invest across various sectors/themes and market capitalizations.

A Sneak Peek into the Benefits of Different Asset Classes

Equity
May perform well during economic growth periods, facilitating long-term capital appreciation

Debt
Can provide reasonable stability during economic downturns

Gold/Silver ETFs
Potential hedge against market uncertainties and high inflation environment

REITs/InvITs
Opportunity to enhance the portfolio yield

InvITs: Units of Infrastructure Investment Trusts, REITs: Units of Real Estate Investment Trust, ETFs: Exchange Traded Funds.

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Presenting Our Asset Allocation/Hybrid/Fund of Funds schemes that can invest in various asset classes

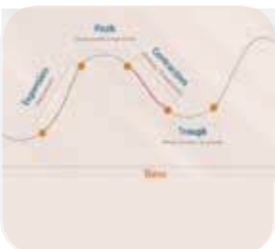
Scheme	Asset Class				Taxation
	Net Equity Range	Equity	Debt	Gold	
ICICI Prudential Equity & Debt Fund	65-80%	✓	✓		Equity
ICICI Prudential Multi-Asset Fund	10-80%	✓	✓	✓	Equity
ICICI Prudential Balanced Advantage Fund	30-80%	✓	✓		Equity
ICICI Prudential Equity Savings Fund	15-50%	✓	✓		Equity
ICICI Prudential Asset Allocator Fund (FOF)^	0-100%*	✓	✓	✓	12.5% Taxation with 24 months holding period

Data as on December 31, 2024. The net equity exposure is calculated net of stock futures and options (Notional Exposure of Index Put Options only). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information document of the scheme. Please refer to the SID for investment pattern, strategy and risk factors. The asset allocation and investment strategy will be as per Scheme Information Document. ^Investors may please note that they will be bearing the recurring expenses of this Scheme in addition to the expenses of the underlying Schemes in which this Scheme makes investment. *Please note that total Non Debt Allocation of the scheme will be 35-100%. Non Debt allocation includes Equity & Gold. Consult your tax advisor for further details on taxation and applicability based on your tax structure and regime. FOFs: Fund of Funds.

Presenting Our Other Schemes with a Flexible Mandate

ICICI Prudential Business Cycle Fund

Aims to navigate business cycles with the flexibility to invest across sector/themes and market caps



ICICI Prudential Flexicap Fund

Invests across a diversified basket of large, mid and small cap stocks

ICICI Prudential Thematic Advantage Fund (FOF)

Aims to invest in emerging opportunities across various sectors & themes

ICICI Prudential India Opportunities Fund

Aims to generate long-term capital appreciation by investing in opportunities presented by special situations

ICICI Prudential Equity Minimum Variance Fund

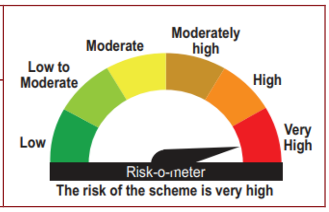
Aims for lower volatility than the benchmark (Nifty 50 TRI) by investing in Equity and Equity related instruments through a diversified basket

Please refer to the SID for investment pattern, strategy and risk factors. The asset allocation and investment strategy will be as per Scheme Information Document.

Riskometers

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

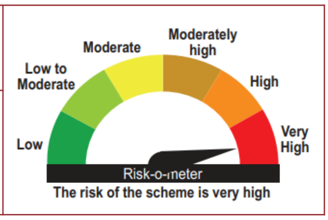
- Long term wealth creation
- An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles



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

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



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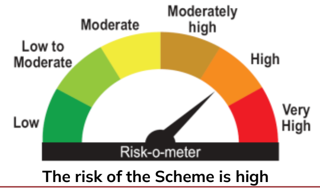
ICICI Prudential Multi-Asset Fund (An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives/units of Gold ETFs/units of Silver ETFs/units of REITs & InvITs/Preference shares) is suitable for investors who are seeking*:

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



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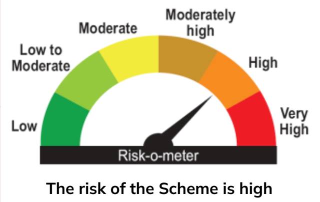
ICICI Prudential Asset Allocator Fund (FOF) (An open ended fund of funds scheme investing in equity oriented schemes, debt oriented schemes and gold ETFs/schemes) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended fund of funds scheme investing in equity oriented schemes, debt oriented schemes and gold ETF/schemes.



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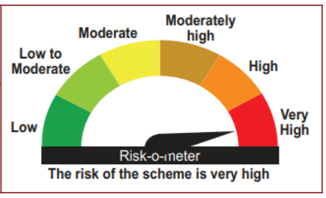
ICICI Prudential India Opportunities Fund (An open ended equity scheme following special situations theme) is suitable for investors who are seeking*:

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



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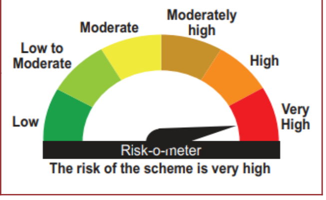
ICICI Prudential Equity & Debt Fund (An open ended hybrid scheme investing predominantly in equity and equity related instruments) is suitable for investors who are seeking*:

- 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



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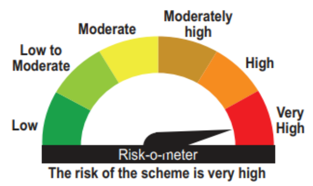
Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometers are as on Dec 31, 2024. Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

Riskometers

ICICI Prudential Thematic Advantage Fund (FOF) (An open ended fund of funds scheme investing predominantly in Sectoral/Thematic schemes) is suitable for investors who are seeking*:

- Long term wealth creation
- An open ended fund of funds scheme investing predominantly in Sectoral/Thematic equity oriented schemes.



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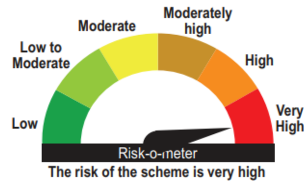
ICICI Prudential Balanced Advantage Fund (An open ended dynamic asset allocation fund) is suitable for investors who are seeking*:

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



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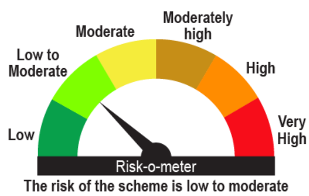
ICICI Prudential Equity Savings Fund (An open ended scheme investing in equity, arbitrage and debt) is suitable for investors who are seeking*:

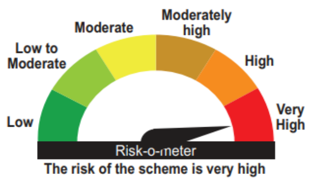
- Long term wealth creation
- An open ended scheme that seeks to generate regular income through investments in fixed income securities, arbitrage and other derivative strategies and aim for long term capital appreciation by investing in equity and equity related instruments.



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

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

- Long term wealth creation
- To generate long term capital appreciation by investing in Equity & Equity related instruments through a diversified basket with an aim to minimize the portfolio volatility.



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Disclaimer

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

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