

Market Overview

Flows	Oct-16	Sep-16	Aug-16
FII (Net Purchases / Sales) (Rs cr)	-4,990	9,336	9,786
MFs (Net Purchases / Sales) (Rs cr)	8,106	3,842	2,717
Domestic Markets	Oct-16 (%)	Current PE	10 Yr. Avg.
S&P BSE Sensex	0.2	20.3	18.6
NSE Nifty	0.2	21.3	18.1
S&P BSE Auto	(0.2)	23.3	16.0
S&P BSE Bankex	1.5	26.2	15.0
S&P BSE Consumer Durables	3.0	37.7	19.4
S&P BSE FMCG	0.6	39.3	27.6
S&P BSE Healthcare	1.8	31.6	24.6
S&P BSE IT	(1.9)	16.2	19.9
S&P BSE Mid Cap	2.3	31.8	19.4
S&P BSE Oil & Gas	8.3	12.9	14.1
S&P BSE PSU	6.3	29.0	12.6
S&P BSE Realty	2.9	53.3	21.7
S&P BSE Teck Index	(1.9)	18.1	22.1
Global Markets	Oct-16 (%)	Current PE	10 Yr. Avg.
US	(0.9)	17.2	15.4
UK	0.8	46.8	16.8
Japan	5.9	21.9	20.6
Hong Kong	(1.6)	12.4	11.4
Singapore	(1.9)	12.0	12.3
China	(0.2)	8.1	9.9
Earnings Growth (%)	FY16	FY17E	FY18E
Sensex	3	9	20

Macro Indicators	Latest Value	Last Reading
GDP (YoY%)	7.1	7.9
IIP (YoY%)	(0.7)	(2.5)
Crude (\$ bbl)	47.4	47.9
Core Sector Growth (YoY%)	5.0	3.2
Trade Deficit (\$ mn)	-8,340	-7,674
Current Account Deficit (\$ bn)	(0.3)	(0.3)
FII Holding in Indian Equities (%)#	22.5	22.2

Note: # FII hldg includes ADR/GDR (BSE500 Index); ^ Mcap = Current Mcap & GDP = Nominal GDP (Jun-16); Data Source: Bloomberg

Global Market Update

According to the International Monetary Fund (IMF), global economic growth is expected to remain subdued following a slowdown in the US, and Britain's vote to leave the European Union (EU). Global growth is projected to slow in 2016.

Uncertainty over the US Federal Reserve's (Fed's) rate hike continues to weigh on global sentiment. While the Fed maintained status quo on rate hike in the September 2016 meeting, its minutes showed that many committee members feel the rate hike would be needed relatively soon.

The UK economy grew 2.3% in July-September compared with 2.1% in April-June. The European Central Bank (ECB) kept interest rates unchanged at a record low and reaffirmed plans to maintain its quantitative easing program at 80 billion euro until March 2017 or beyond if needed.

China's GDP grew 6.7% year on year in July-September 2016 after witnessing same growth in April-June 2016 owing to strong government spending and as a booming property market offset weak exports.

The Bank of Japan (BoJ) maintained its optimistic view on most of the country's nine regions in its quarterly report, signalling confidence that a tightening job market will gradually push up wages and reinforce steady economic recovery.

Source: CRISIL

Indian Market Update

Indian equity indices regained strength in October 2016 with benchmarks, Nifty 50 and S&P BSE Sensex rising 0.17% and 0.23%, respectively. The market rose after the RBI cut the repo rate by 25 bps to 6.25% on October 4, 2016 and the easing of domestic retail and wholesale price inflation. The benchmarks also rallied on intermittent FII buying amid prospects of an accommodative stance by the US Fed, ECB keeping the interest rate and quantitative easing program unchanged, and positive Chinese economic cues. S&P BSE Midcap index and S&P BSE SmallCap index rose 2.33% and 6.28%, respectively.

Further gains were capped owing to lackluster earnings from index majors, non-performing asset (NPA) woes, and concerns after the Chairman of a large corporate group was ousted. Discouraging domestic industrial production data and reports that the special investigation team probing black money has sought more details of investments from SEBI through participatory notes (P-notes) route also impacted the indices. Intermittent weakness in the rupee against the dollar and profit booking also weighed on indices.

Majority of the S&P BSE sectoral indices ended higher in October 2016. S&P BSE Oil & Gas was the top gainer – up 8.26% following the rise in global prices of crude oil. S&P BSE PSU index rose 6.34%. S&P BSE Metal rose around 6% on rise in global metal prices. S&P BSE Realty gained 2.91%. S&P BSE BANKEX rose 1.46% on optimism that asset quality deterioration has peaked. Among the laggards, S&P BSE Auto fell 0.28% on concerns of a likely higher Goods and Services Tax (GST) rate. S&P BSE IT was the top loser, down 1.92% owing to disappointing earnings numbers and revenue guidance from some sector majors.

Source: CRISIL

Market Outlook and Triggers

We believe that India is still a bright spot in a weak global environment. As the macro-economy has stabilised and micro-numbers are expected to improve going forward. We continue to remain positive on the long term India growth story and believe that any correction would be a buying opportunity.

One of the key developments to watch out for is the US presidential election which could have not only a global impact in general but also specifically for sectors like IT and pharmaceutical which have a substantial US exposure. On the domestic side the focus will shift to July-September earnings and we believe the market will be more driven by bottom up stories in the near future.

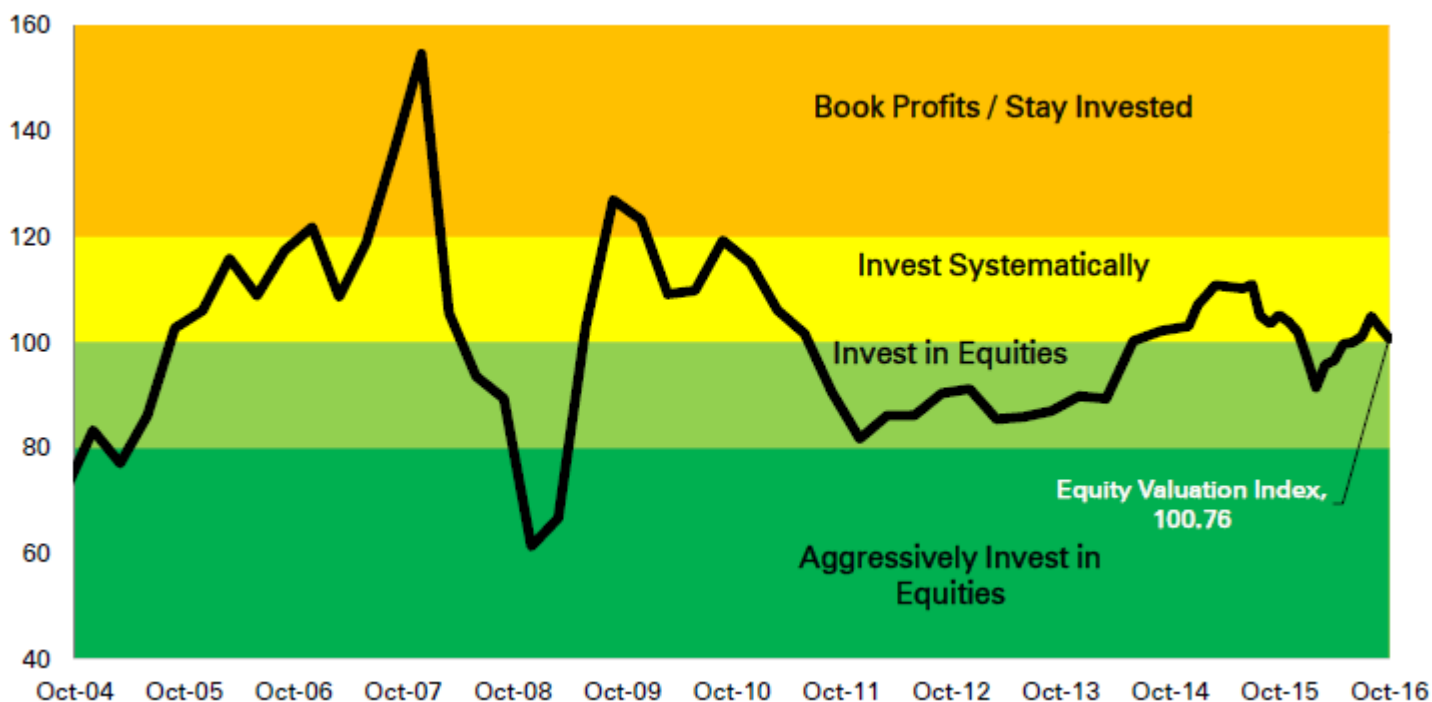
Equities are expected to do well led by earnings recovery, to be driven early by an improvement in capacity utilisation. In the medium term, we expect a gradual recovery in earnings also led by the benefits of the monsoon and the implementation of enhanced wages for government employees as the 7th Pay Commission's recommendation come through. Government spending in select infrastructure segments could also increase and lead to recovery in overall business activity.

Investors should invest incrementally through SIP (Systematic Investment Plans) in pure equity funds. Since valuations are not attractive, investors preferring lump-sum investments are recommended to invest in dynamic asset allocation funds. Investors may also consider ICICI Prudential Infrastructure Fund for lump sum investments with a long term view.

Another strategy that investors can employ is to invest lump-sum in ICICI Prudential Equity Income Fund and shift to pure equity funds when market corrects. This would allow investors to participate in equities conservatively at the same time swiftly move to pure equities whenever opportunity arises.

Equity Valuation Index

Equity market valuations as displayed by Composite Index shows that the market valuations are in the zone where investors are recommended to invest systematically in equities. Dynamic asset allocation funds could be suitable for lump-sum investment at this point in time.



-Equity valuation index is calculated by assigning equal weights to Price to equity (PE), Price to book (PB), G-Sec*PE and Market Cap to Gross Domestic Product (GDP)

Our Recommendations

Invest in pure equity funds through systematic investment plan. Volatility may continue to stay in the near term and funds that are structured with an intent to benefit from volatility are recommended for lump-sum investments. For tactical allocation, investors could consider thematic/sector funds with focus on infrastructure and banking.

EQUITY RECOMMENDATION	
Aggressive Investments	
ICICI Prudential Select Large Cap Fund	These funds are positioned aggressively to gain from recovery in the economy and commodity prices.
ICICI Prudential Top 100 Fund	
Moderate-risk Investments	
ICICI Prudential Multicap Fund	These are well diversified funds which can provide long term wealth creation.
ICICI Prudential Focused Bluechip Equity Fund	
ICICI Prudential Value Discovery Fund	
Asset Allocation / Balanced Investments	
ICICI Prudential Balanced Advantage Fund	These funds aim to benefit from volatility and can be suitable for investors aiming to participate in equities with lower volatility.
ICICI Prudential Balanced Fund	
ICICI Prudential Equity Income Fund	Invest in this fund to participate in equities conservatively at the same time swiftly move to pure equities whenever opportunity arises.
Thematic/Sector Fund	
ICICI Prudential Infrastructure Fund	For thematic/sector funds, investors should invest in them as part of tactical allocation.

ICICI Prudential Focused Bluechip Equity Fund 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

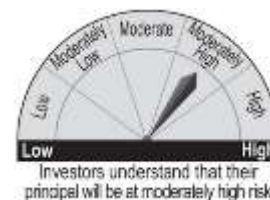
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



ICICI Prudential Select Large Cap Fund is suitable for investors who are seeking*:

- 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.

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



ICICI Prudential Top 100 Fund 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.



ICICI Prudential Value Discovery Fund 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.



Investors understand that their principal will be at moderately high risk

ICICI Prudential Balanced Fund 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.



Investors understand that their principal will be at moderately high risk

ICICI Prudential Balanced Advantage Fund 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.



Investors understand that their principal will be at moderately high risk

ICICI Prudential Multicap Fund is suitable for investors who are seeking*:

- Long term wealth creation solution
- A growth oriented equity fund that invests in equity and equity related securities of core sectors and associated feeder industries.

*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 moderately high risk

ICICI Prudential Infrastructure Fund 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.



Investors understand that their principal will be at high risk

ICICI Prudential Equity Income Fund is suitable for investors who are seeking*:

- Long term wealth creation solution
- 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.

*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 moderately high risk

Disclaimer

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

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