

**Rigorous credit selection
with an aim to deliver
better risk adjusted returns**

Maintain optimum balance of yield, safety & liquidity.



ICICI Prudential

Medium Term Bond Fund

ICICI
PRUDENTIAL 
MUTUAL FUND

TARAKKI KAREIN!

What are Medium Duration Funds?



Medium Duration Fund as per SEBI - Scheme Categorisation

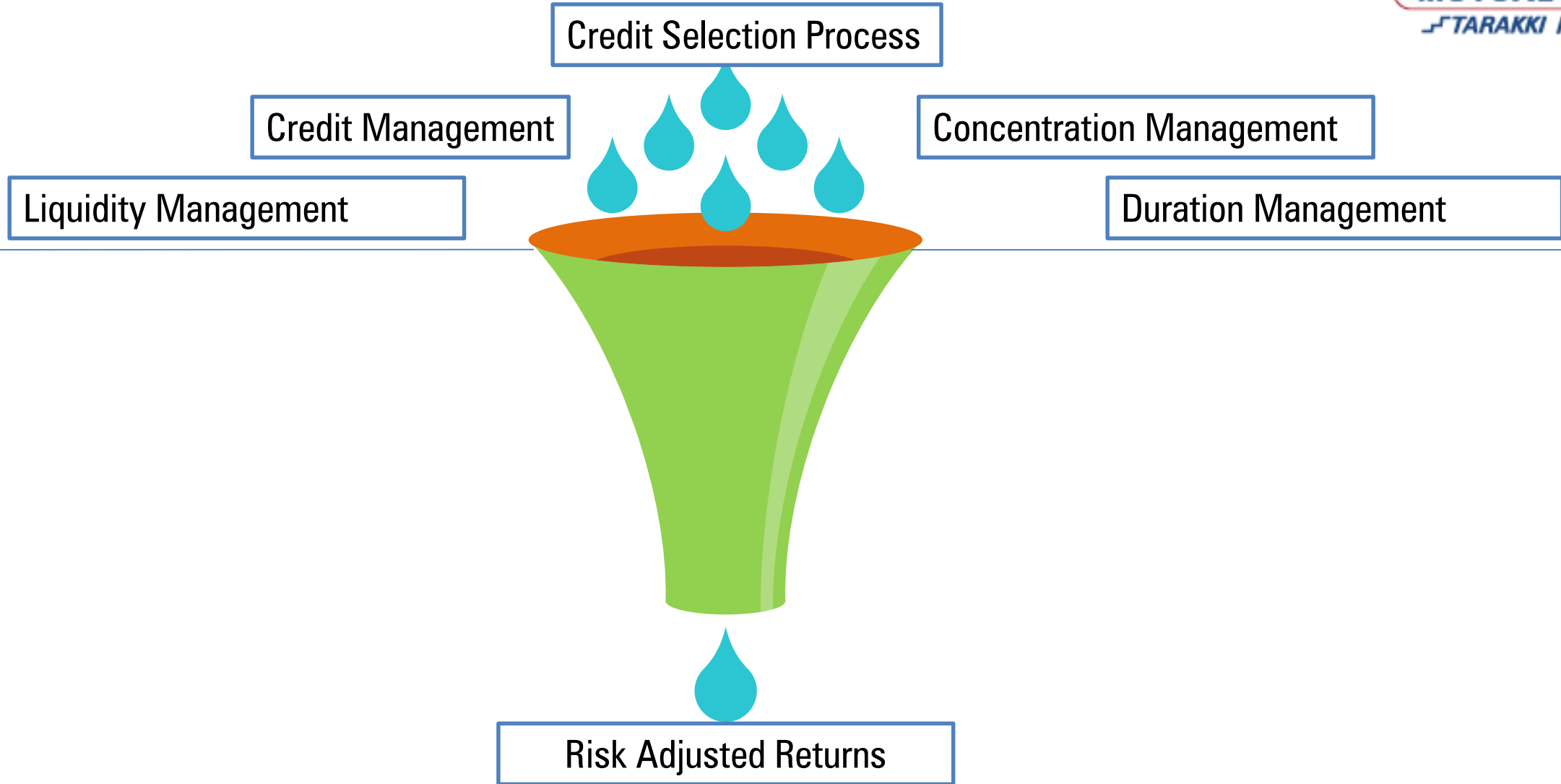
This category of schemes would endeavour to have a portfolio Macaulay Duration[#] between 3 Years and 4 Years under normal circumstances*.

Asset allocation of ICICI Prudential Medium Term Bond Fund [^]

| Particulars | Allocation (% of Corpus) |
|--------------------------------|--------------------------|
| Debt Instruments | 40 -100% |
| Money Market Instruments | 0-50% |
| Units issued by REITs & InvITs | 0-10% |

[^] Asset Allocation as per SID. [#]The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. *Under adverse circumstances, the Macaulay duration of the portfolio would be between 1 Year and 4 Years. REITs – Real Estate Investment Trust, InvITs – Infrastructure Investment Trust
The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. The Asset Allocation & investment strategy will be as per the SID

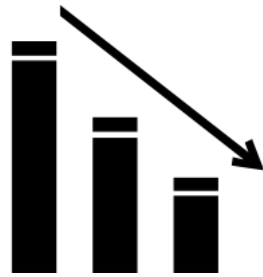
Importance of Risk Adjusted Returns in Medium Duration Fund



So, why ICICI Prudential Medium Term Bond Fund Now?



Valuations are attractive

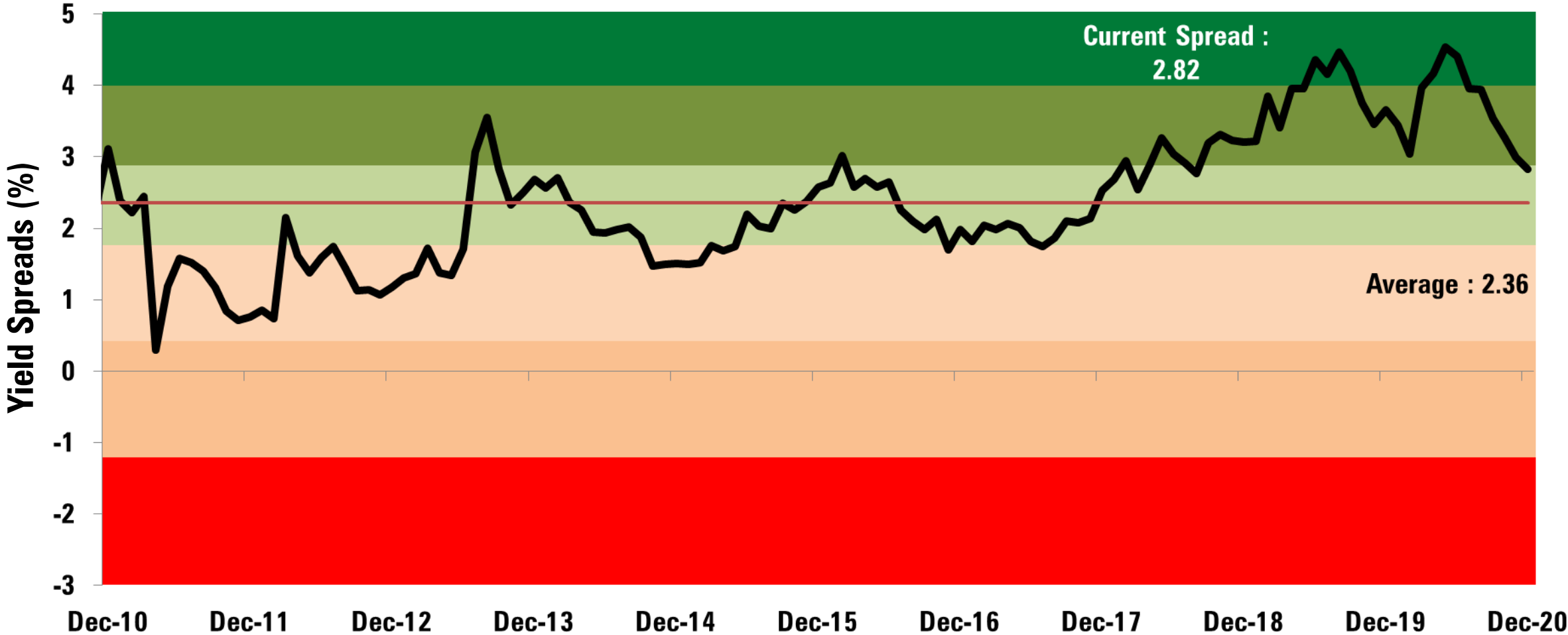


Industry Flows are slowing down



Narrative associated with category is negative

ICICI Prudential Medium Term Bond Fund— Spread Over Repo (Last 10 Year Trend)



Data as on Dec 31, 2020. YTM values taken for the last 10 years. Source: MFI Explorer, Past performance may or may not be sustained in the future. This graph is used to indicate current valuations and does not indicate in any manner performance of the scheme. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit <http://www.icraonline.com/legal/standard-disclaimer.html>

Why ICICI Prudential Medium Term Bond Fund?



**Investment
Philosophy**

**Robust
Investment
Process**

**Robust Credit
Selection
Process**

**Better Risk
Adjusted
Returns**



01

Safety

Liquidity

02

03

Returns

The investment team seeks to achieve **Safety, Liquidity and Returns (SLR)** in order of priority for managing variety of our fixed income schemes.

Focus on Security Selection



Past track record of the company

Asset Quality

Cash Flows

Assessment of Management
Risk & Business Risk

Credit Due Diligence



COMPANY SHORTLISTED FOR INVESTMENT



TARGET LIST FILTERS

- Independent research team
- Internal Credit Analysis
- External credit rating

- Decision making is not concentrated to one person

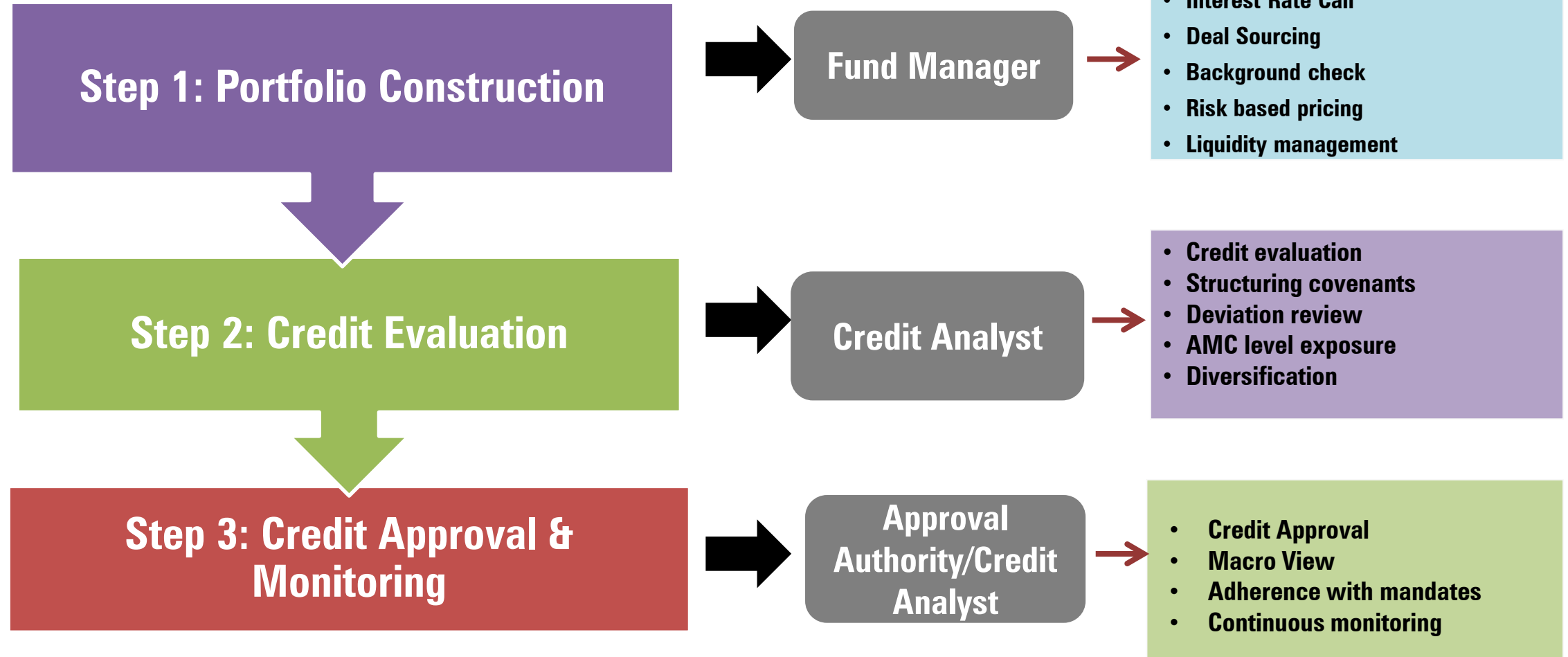
- Independent evaluation by Risk team

- Focus not just on credit and liquidity risk but also on diversification

CREDIT SELECTION

All target credit investment proposal face multiple checks

Solid Credit Selection Process – Our Approach



Solid Credit Selection Process – Test Match Way



“Our approach is similar to how test cricket is played, selecting only those instruments which pass through our credit evaluation filters and leaving those where the risk reward is not favourable ”

Better Risk Adjusted Returns – Managing Various Risks



Data as of Dec 31, 2020. 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. TREPS – Tri Party Repos; *Only includes Corporate Securities and Pass Through Certificates; Excludes Government Securities, TREPS & Net Current Asset,, \$ - Includes TREPS & Net Current Assets and G-Sec



Liquidity Management – by carefully analysing the liability side of the portfolio with the below mentioned filters

Concentrated AUM

Scheme AUM contributed by Top 5 Channel partners & Top 5 Investors

Time Sensitive AUM

% of AUM outside exit load

Potentially Vulnerable AUM

Split of AUM between investors having : More than INR 5 Crore AUM, between INR 1 Crore and 5 Crore AUM and less than 1 Crore

Institutional AUM

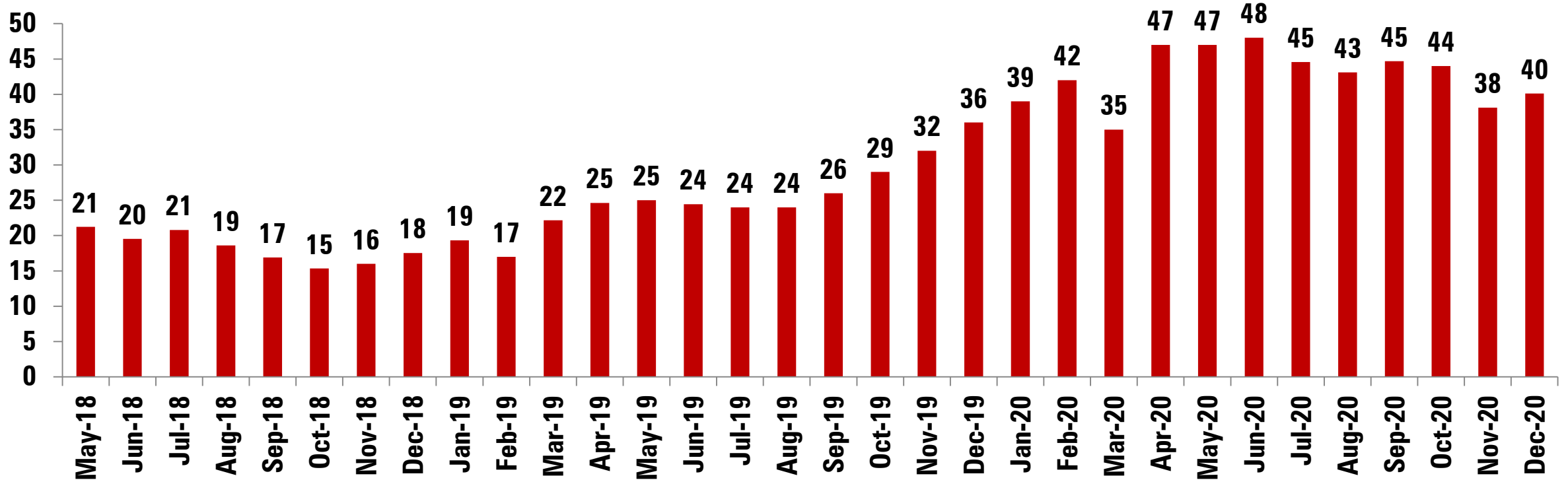
Scheme AUM contributed by institutional investors

Better Risk Adjusted Returns – Portfolio Construction



Having adequate exposure to high quality papers at all points in time to cater to redemption

AAA & Equivalent* (% to AUM)

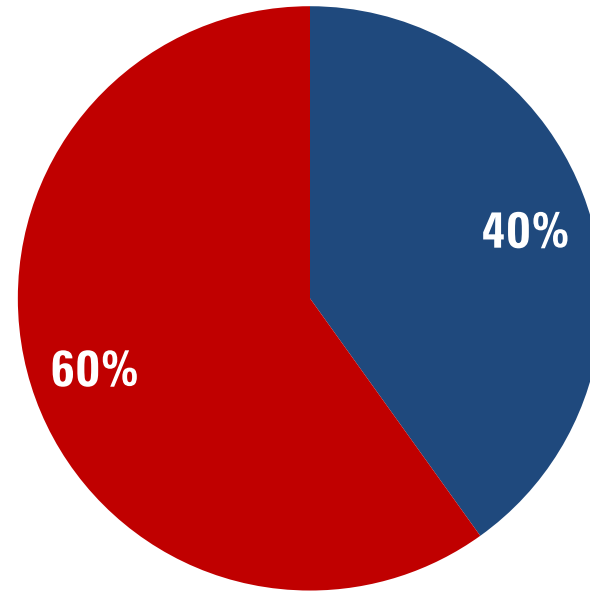


Data as of Dec 31, 2020. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors * Equivalent includes TREPS and net current assets. Source : MFI Explorer. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit <http://www.icraonline.com/legal/standard-disclaimer.html>



Credit Management – Exposure across various credit ratings

Portfolio Quality (% to AUM)



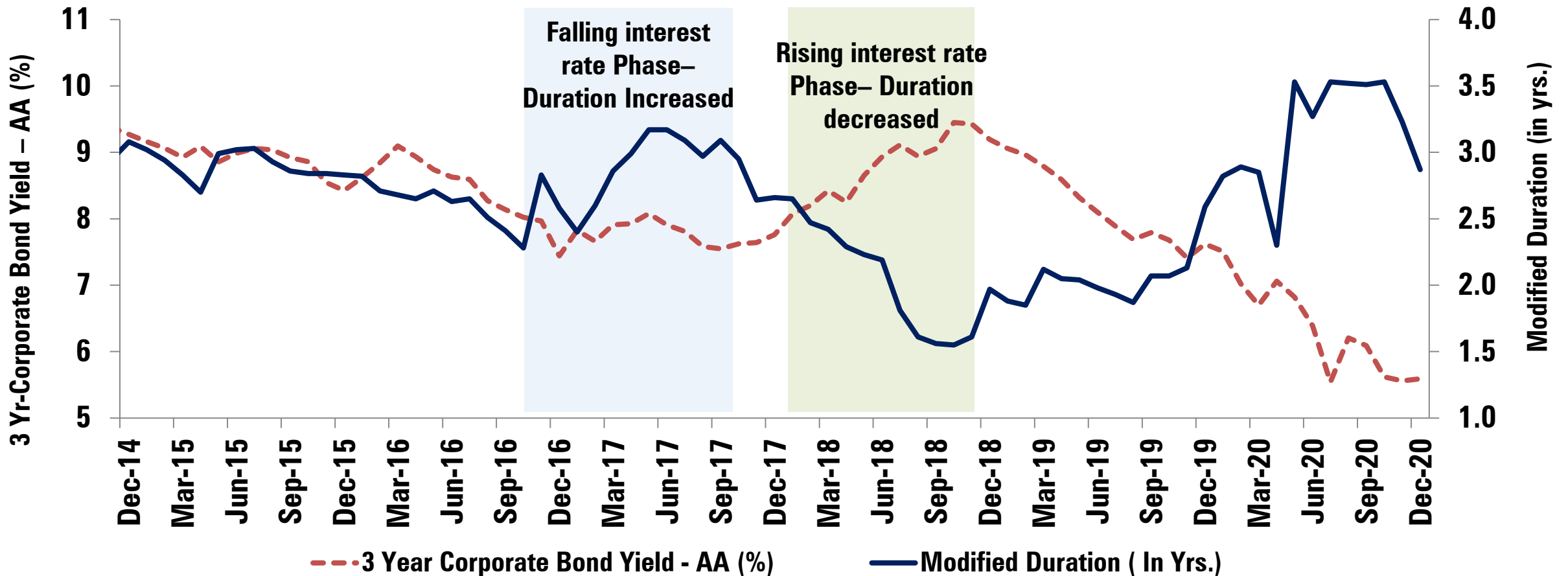
■ AAA and Equivalent ■ AA

Data as of Dec 31, 2020. AAA & Equivalent includes TREPS & Net Current Assets, and G-Sec. 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. Source : MFI Explorer. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit <http://www.icraonline.com/legal/standard-disclaimer.html>

Better Risk Adjusted Returns – Portfolio Construction

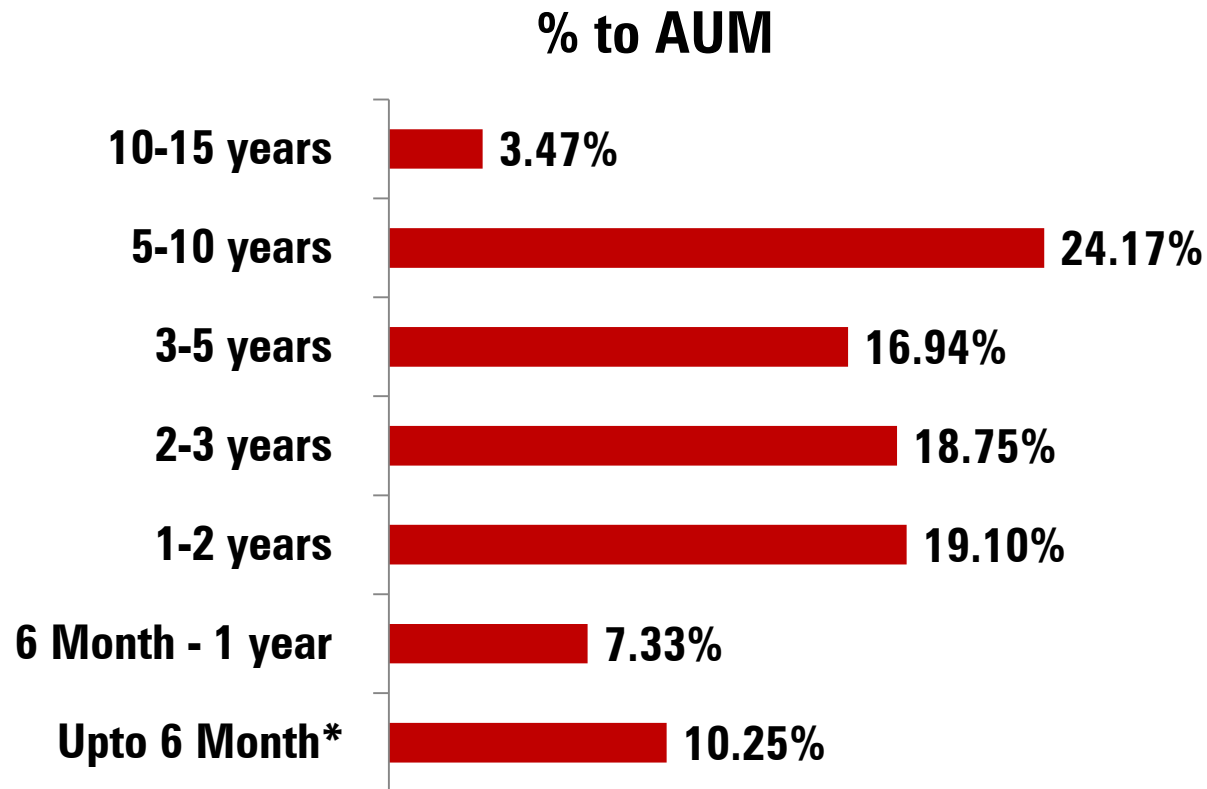


Duration Management – mitigating interest rate volatility





Duration Management – diversified portfolio across various maturity buckets



Laddered Approach (Investment across maturity buckets) :

- Not overexposed to any one segment of yield curve
- Reduces interest rate and reinvestment risks
- Helps in managing liquidity risk
- Investors are able to reinvest a portion regularly

Better Risk Adjusted Returns – Asset & Liability Focus



| Assets (Portfolio Construction) | Liabilities (Investor Concentration & Trend) |
|--|---|
| Avoidance of Concentration Risk | Maximum investment limit per investor is Rs.100crores* |
| Independent Credit evaluation process for securities | Having adequate mix of highly liquid securities to meet any unforeseen redemption request |
| Independent Investment and risk team to avoid conflicts | Review and monitoring of purchase and redemption in the scheme |
| Accrual Focus – to endeavour to generate consistent returns | Monitoring ageing of investors for any redemption requests |
| No Exposure to G-Sec and conservative duration to reduce interest rate sensitivity | Monitoring of partner-wise concentration in the scheme |

However, AMC may accept beyond Rs.100crores, provided, aggregate investment by all investors holding more than Rs.100crores do not exceed 15% of total AUM (asset under management) of the scheme and maximum investment amount per investor does not exceed 5% of AUM which is declared on the last day of preceding calendar quarter.

Summary of our Credit Selection Process



- Risk weighted
- Better post tax returns than Traditional Investment Avenue
- Pure Play Credit

- Self-Origination
- Rating Migration
- Duration
- Timing Entry/ Exit

- Different Capabilities
- Structuring
- Resolution



- Credit
- Concentration – Sector/ Issuer
- Liquidity
- Duration

- Segregation of Risk
- Signing Authority
- Resource Pool

- Granularity
- Exit Load
- Investor Concentration



Scheme Statistics

| | |
|--------------------------------|------------------------|
| Closing AUM | Rs. 6,207.3 crs |
| Average Maturity | 3.81 years |
| Modified Duration | 2.87 years |
| Macaulay Duration | 3.02 years |
| Yield To Maturity (YTM) | 6.82% |

Data as of Dec 31, 2020; The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

*The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.



- **The spread assets (non-AAA Corporate Bond space) are currently providing better carry and margin of safety**
- **Going forward, we expect accrual income to form a significant component of the return for bond investors and returns from capital appreciation may take a back seat**
- **We continue to focus on risk adjusted returns, rather than focusing only on YTM's**
- **With our credit selection process we have been able to avoid any major credit stress/event on our portfolio**
- **We continue to remain cognizant of managing liquidity, concentration, credit and duration in our fixed income schemes to provide better risk adjusted returns**

Scheme Features



| | |
|---------------------------------------|---|
| Type of Scheme | 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 |
| Plans/Options | ICICI Prudential Medium Term Bond Fund & ICICI Prudential Medium Term Bond Fund – Direct; Options: Growth & Dividend (with Quarterly, Half yearly and Annual frequencies) (Dividend payout* and re-investment facility available) |
| Minimum Application Amount | Rs. 5000 (plus in multiples of Re. 1) |
| Minimum Additional Application Amount | Rs. 1000 (plus in multiples of Re. 1) |
| Minimum Redemption Amount | Any amount |
| Exit Load | 10% of units within 1 Year from the date of allotment – Nil. More than 10% of units, within 1 Year from the date of allotment – 1% of applicable NAV; More than 1 Year from the date of allotment – Nil |
| Fund Manager | Manish Banthia and Shadab Rizvi are fund managers of the scheme. Manish Banthia has been managing this scheme since Nov 2016 & has 16 years of experience overall. Shadab Rizvi has been managing this scheme since Jun 2017 and has over 15 years of experience. |
| Benchmark Index | CRISIL Medium Term Debt Index |
| SIP / STP / SWP | Available |

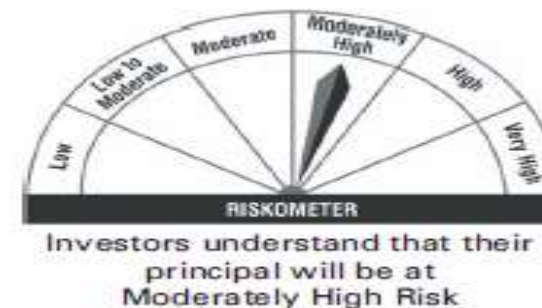
*In case the unit holder has opted for dividend payout option, the minimum amount for dividend payout shall be 100 (net of dividend distribution tax and other statutory levy, if any), else the dividend would be mandatorily reinvested.
Macaulay Duration - The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.



ICICI Prudential Medium Term Bond Fund 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 maximise income while maintaining optimum balance of yield, safety and liquidity.

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



The Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. Please refer <https://www.icicipruamc.com/news-and-updates/all-news> for more details

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

All figures and other data given in this document are dated. The same may or may not be relevant at a future date. The AMC takes no responsibility of updating any data/information in this material from time to time. The information shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Prudential Asset Management Company Limited. Prospective investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of ICICI Prudential Mutual Fund. Data source: Bloomberg, except as mentioned specifically.

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