

**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 Fund?



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 ^

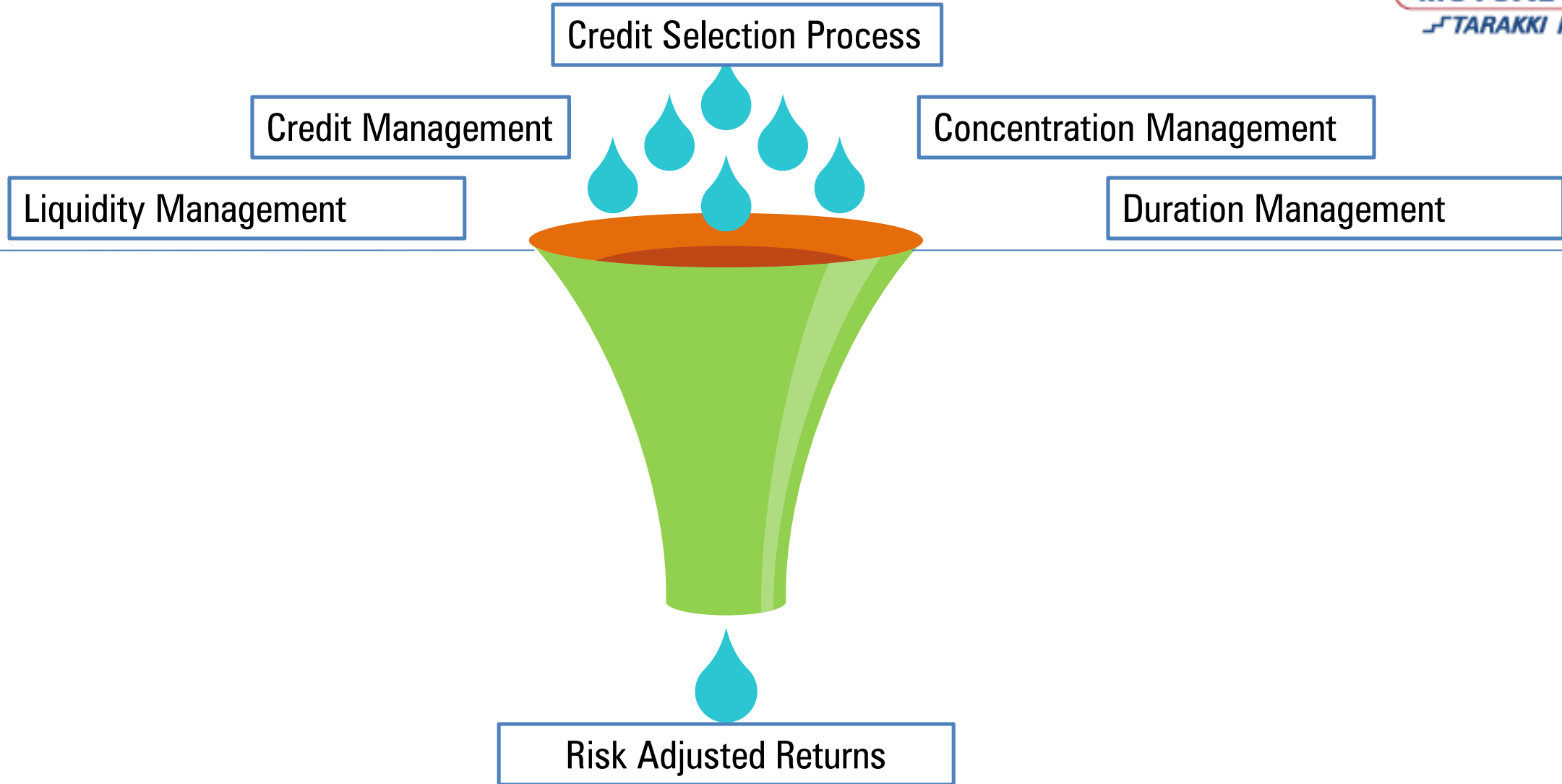
Particulars	Allocation (% of Corpus)
Debt Instruments	40 -100%
Money Market Instruments	0-50%
Units issued by REITs & InvITs	0-10%

*Under adverse circumstances , the Macaulay duration of the portfolio would be between 1 Year and 4 Years. ^ Asset Allocation as per SID

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

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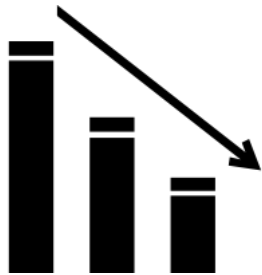
Importance of Risk Adjusted Returns in Medium Duration Fund



So, why ICICI Prudential Medium Term Fund Now?



Valuations are reasonable

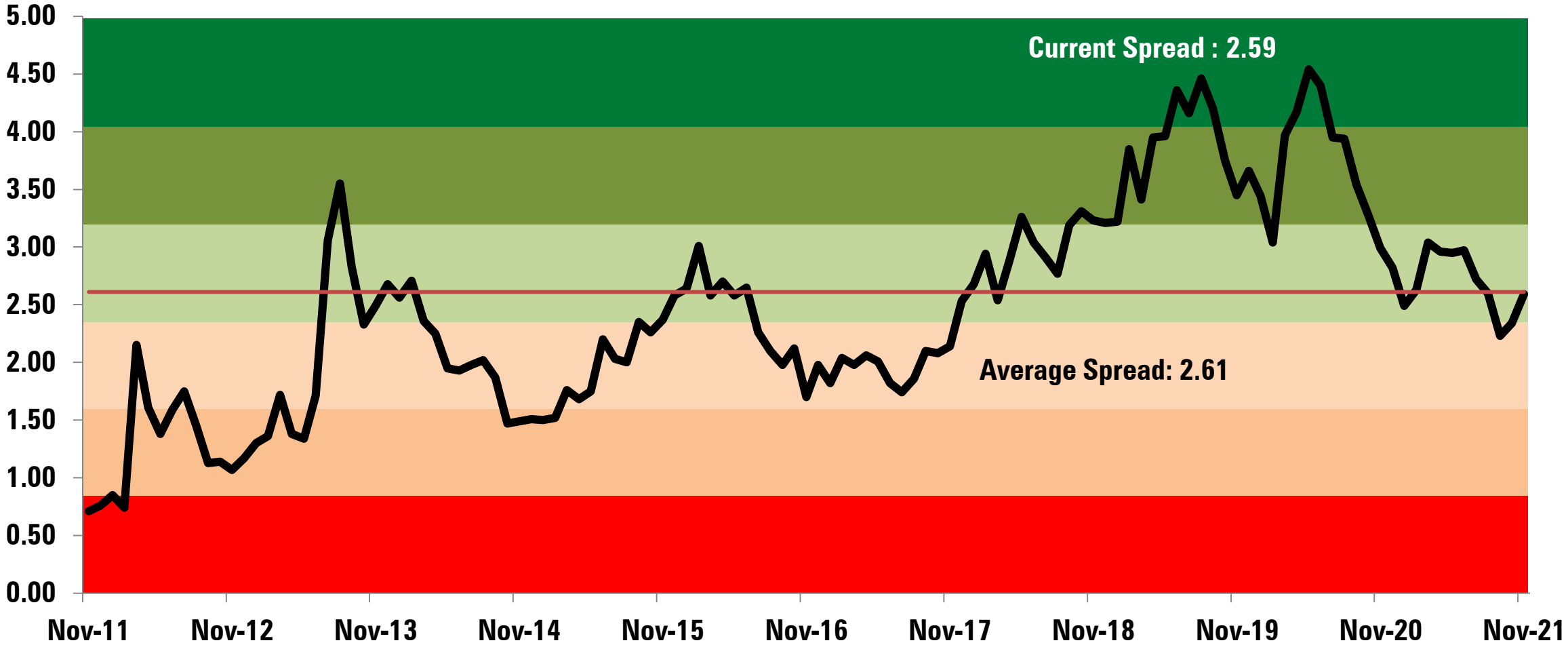


Industry Flows are moderate



Narrative associated with category is cautious

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



Data as on 30-Nov-2021, YTM values taken for the last 10 years. Source: MFI Explorer, Past performance may or may not be sustained in the future

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Why ICICI Prudential Medium Term Bond Fund?





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

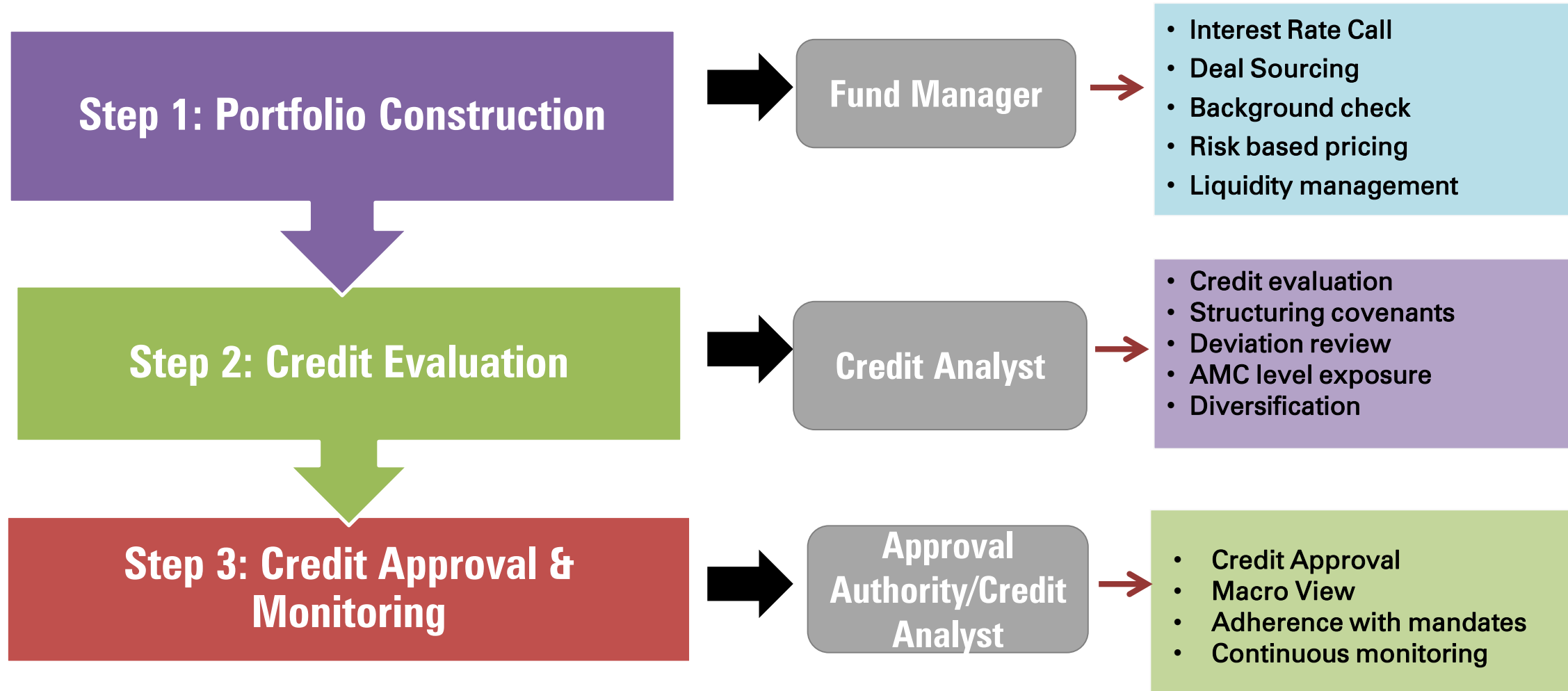
- Independent evaluation by Risk team

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



All target credit investment proposal face multiple checks

Strong Credit Selection Process – Our Approach



Strong Credit Selection Process – Test Match Way



“Our approach is similar to how test cricket is played, selecting only those Credit instruments which we are comfortable of and leaving those where the risk reward is not favourable ”

Better Risk Adjusted Returns – Managing Various Risks



Data as of Nov 30, 2021. 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 Assets, \$ - Includes Government Securities, TREPS & Net Current Assets



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

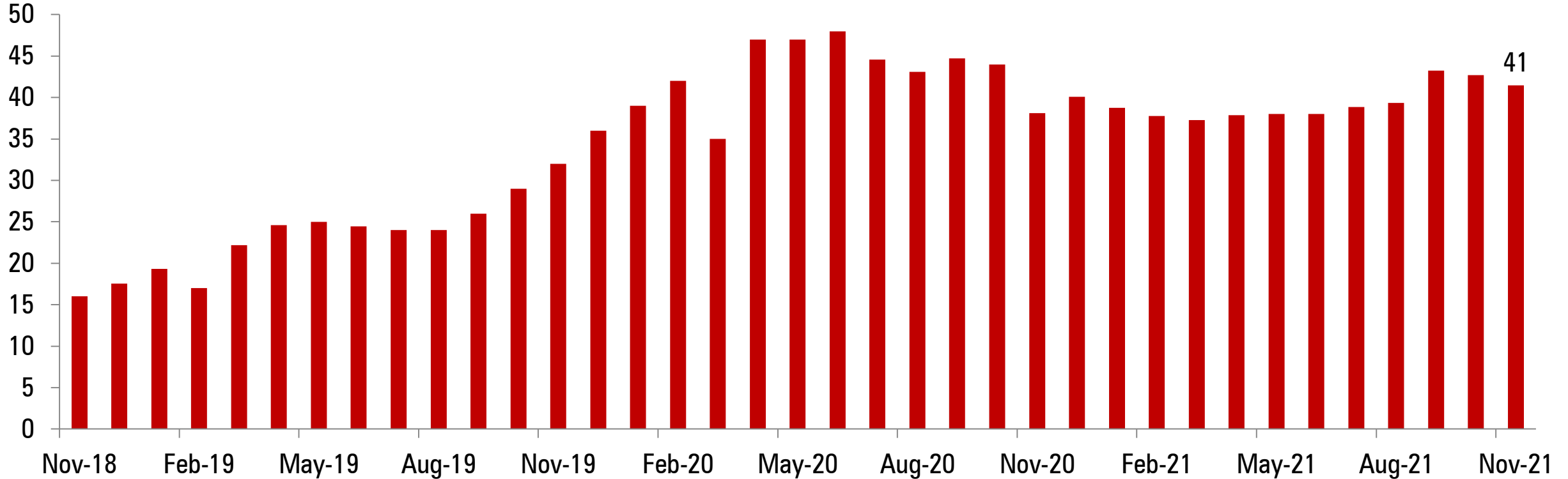
Scheme AUM contributed by institutional investors

Better Risk Adjusted Returns – Portfolio Construction



Having adequate exposure to high quality papers at all point of time to cater to redemption

AAA & Equivalent* (% to AUM)



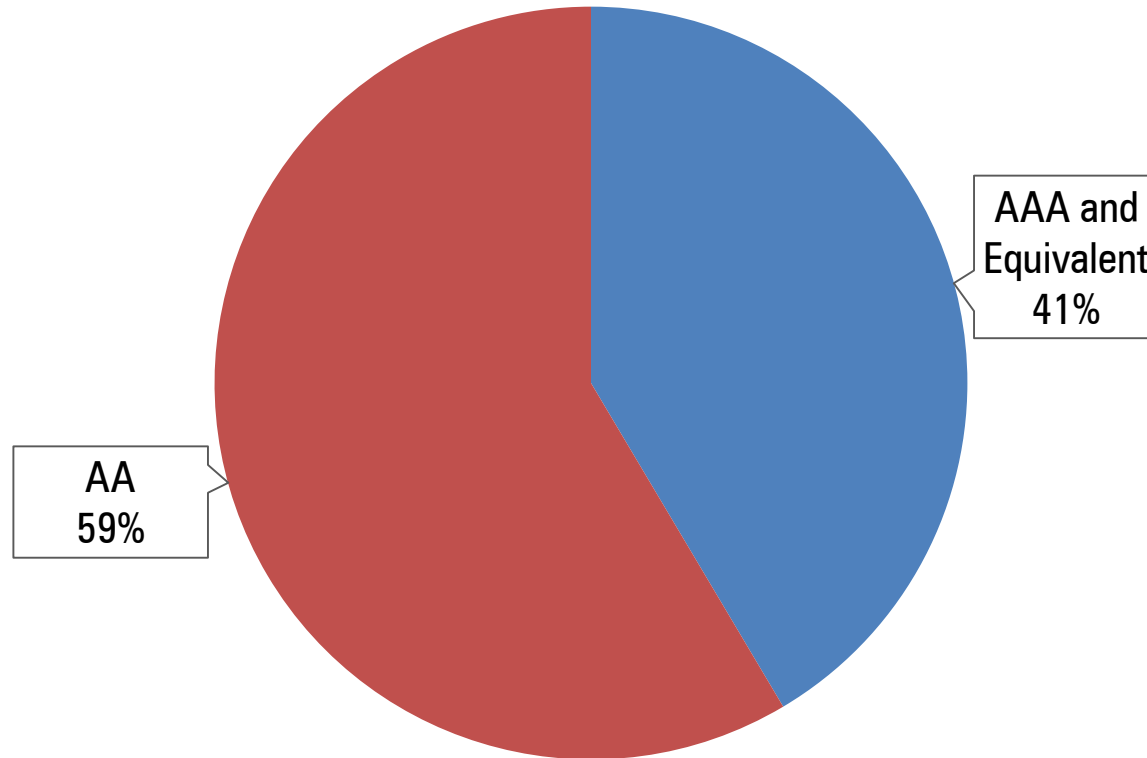
Data as of Nov 30, 2021, Source : MFI Explorer. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors * Equivalent includes TREPS and net current assets.

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Credit Management – Exposure across various credit ratings

Portfolio Quality (% to AUM)



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Concentration Management – strong checks & balances

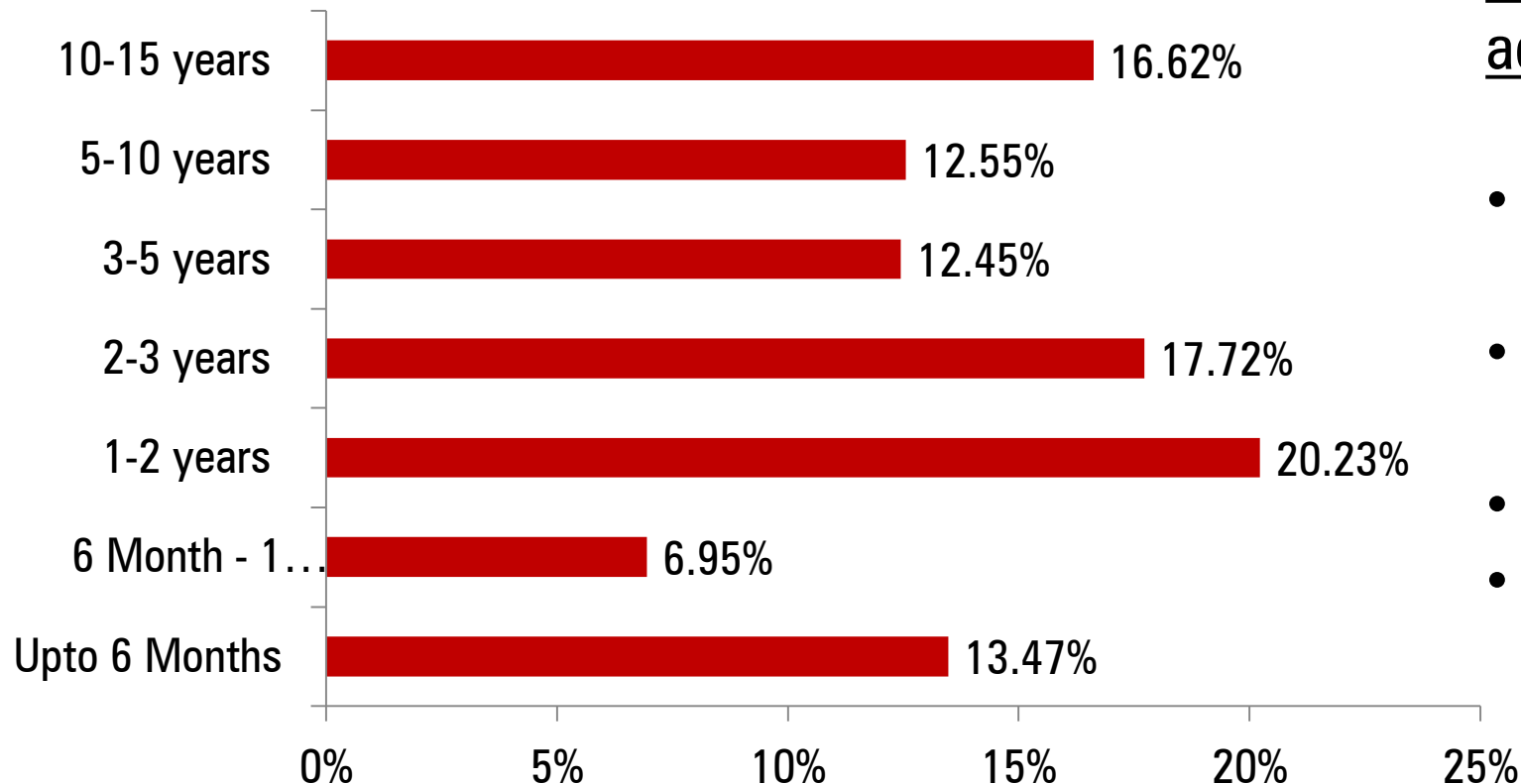
Particulars	Risk Management Strategy
No. of Securities	^ 51
Average Exposure to each securities	1.38%
Top ten holding	^ 29.71%
Number of Instrument with more than 5% exposure	0
Number of Group with more than 10% exposure	1 (Tata Group)
Investor Level concentration limit	INR 100 Crore*
Channel partner Level concentration	Regular monitoring (AUM Ageing, exposure to top 10 distributor & Investor) etc.
Credit Approval	No individual signing authority

*With effect from December 19, 2019, Maximum Investment Amount per investor including existing investment amount (based on Permanent Account Number of first holder) at the time of investment across all folios shall not exceed Rs.100crore. However, the AMC/Mutual Fund may at its discretion accept an amount greater than Rs.100crore, subject to the limits: a) The aggregate AUM of all the investors with more than Rs.100crore does not exceed 15% of the Scheme's AUM, which is declared on the last day of preceding calendar quarter. b) Maximum investment amount per investor across all folios does not exceed 5% of the Scheme's AUM, which is declared on the last day of preceding calendar quarter. ^ Only includes Corporate Securities and Pass Through Certificates; Excludes Government Securities, TREPS & Net Current Assets, The securities mentioned are a part of the scheme's portfolio as on Nov 30, 2021. The securities mentioned in this document do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future positions in the securities. The information contained herein is solely for private circulation for reading/understanding of registered Advisors/Distributors/and should not be circulated to investors/prospective investors.



Duration Management – diversified portfolio across various maturity buckets

% to AUM



Data as on 30-Nov-2021, * Including other current assets

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 ensure returns are more predictable and consistent	Monitoring ageing of investors for any redemption requests
Moderate duration to reduce interest rate sensitivity	Monitoring of partner-wise concentration in the scheme

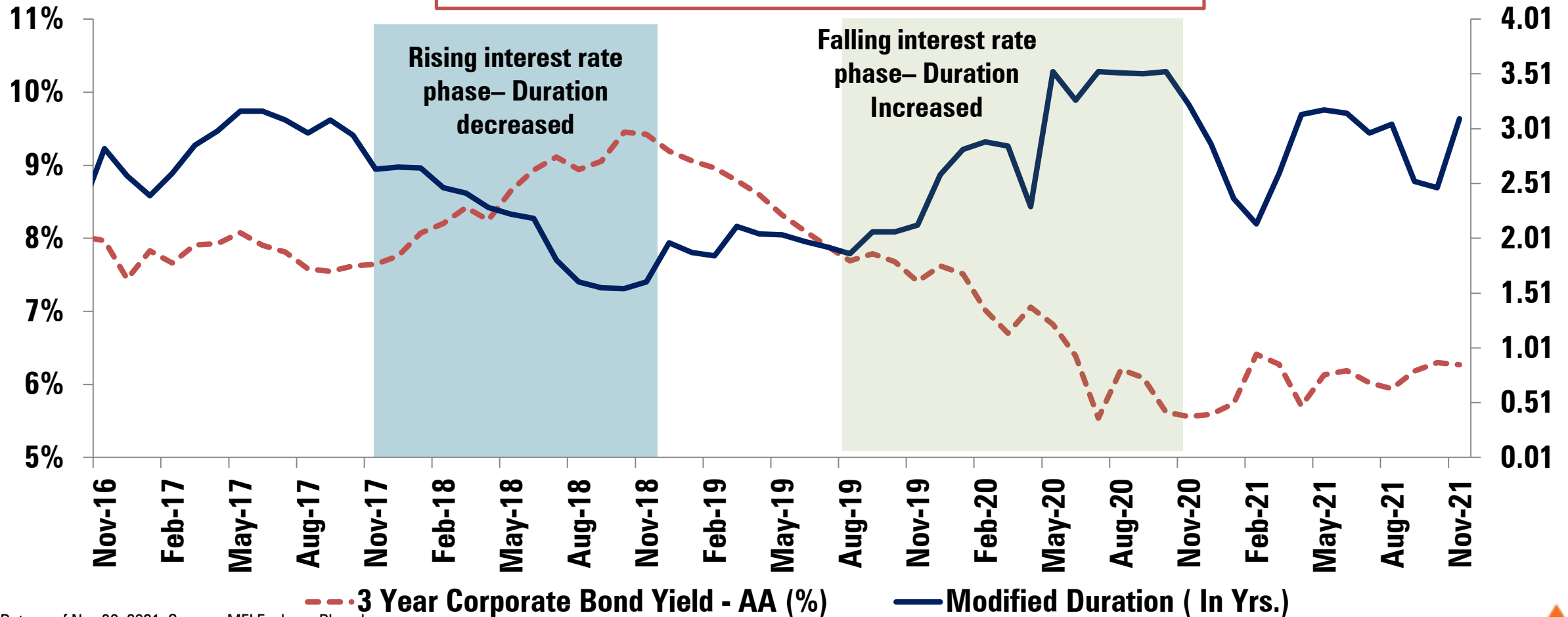
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Better Risk Adjusted Returns – Portfolio Construction



Duration Management – mitigating interest rate volatility



Data as of Nov 30, 2021, Source : MFI Explorer, Bloomberg

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Summary of our Credit Selection Process



- Risk weighted
- Consistency
- Traditional investment plus better post tax returns
- Pure Play Credit

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

- Different Capabilities
- Structuring
- Resolution

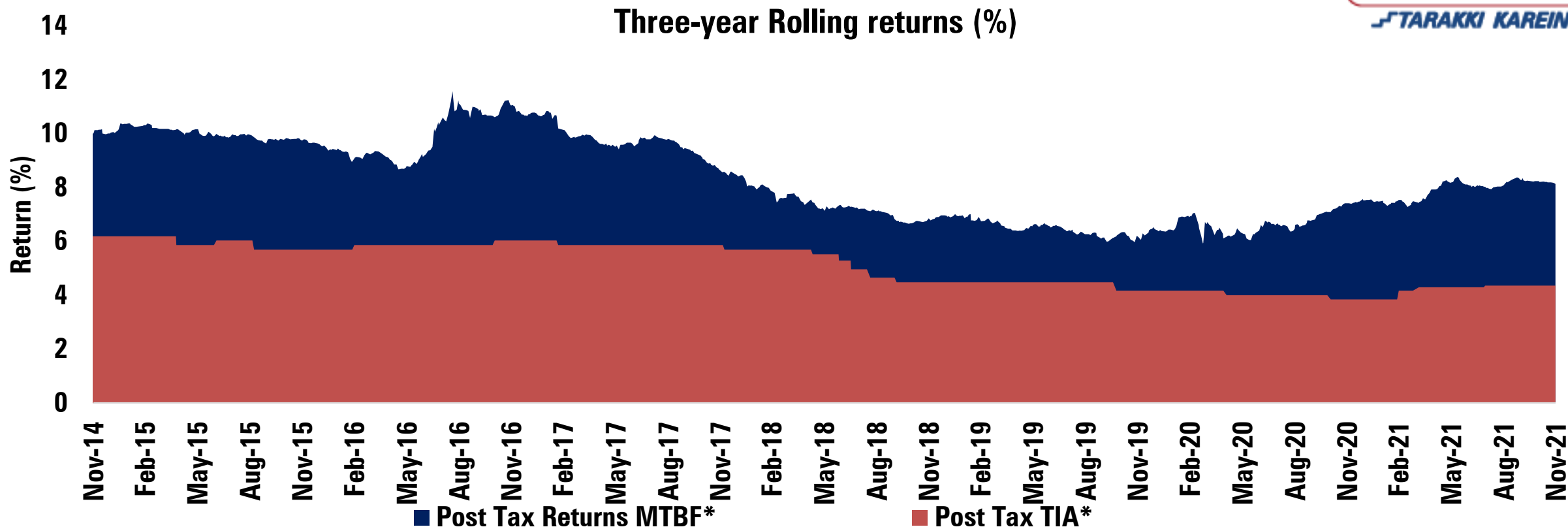


- Credit
- Concentration – Sector/ Issuer
- Liquidity
- Duration

- Segregation of Risk
- Signing Authority
- Resource Pool

- Granularity
- Exit Load
- Investor Concentration

Consistent Outperformer vs Traditional Investment Avenue



Rolling Returns (Post Tax %)	Minimum	Maximum	Average
ICICI Prudential Medium Term Bond Fund	5.9	11.6	8.3
Traditional Investment Avenue	3.9	6.2	5.1

Source: MFI; Data in CAGR % terms; Returns are calculated for the investment period between Nov 2011 and Nov 2021. Data as of Nov 30, 2021; Fund strategy was changed in Mar 2012; Traditional Investment Avenue has the highest safety for Principal invested, there is no assurance or guarantee of future performance of ICICI Prudential Medium Term Bond Fund. Past performance is no guarantee of future returns.

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Scheme Statistics

Closing AUM	Rs. 7,233.06 crs
Average Maturity	4.47 years
Modified Duration	3.10 years
Macaulay Duration	3.25 years
Yield To Maturity (YTM)	6.59%

Data as of Nov 30, 2021; The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Key Takeaways



- The spread assets (non-AAA Corporate Bond space) provide better carry and margin of safety
- We expect going forward 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

Select Instrument Rationale



Corporate Securities	About the issuer	Rating
<p>Walwhan Renewable Energy Pvt Ltd.</p>	<p>Guarantee from Tata Power Co. Ltd. The company along with the asset holding SPVs was acquired by Tata Power through its wholly owned subsidiary Tata Power Renewable Energy Limited.</p>	<p>CARE AA (CE)</p>
<p>Coastal Gujarat Power Ltd. (CGPL)</p>	<p>Guarantee from Tata Power Co. Ltd. CGPL is a fully owned subsidiary of TATA Power.</p>	<p>FITCH AA (CE)</p>
<p>Oriental Nagpur Betul Highway Ltd. (ONBHL)</p>	<p>ONBHL receives annuity payment from National Highways Authority of India (NHAI)</p>	<p>CRISIL AAA</p>
<p>Jhajjar Power Ltd.</p>	<p>JPL is a special purpose vehicle that was incorporated to build, maintain and operate a 1,320MW (2 X 660MW) coal-fired supercritical technology-based thermal power plant in Jhajjar, Haryana. JPL had liquid cash of INR235.5 million as on 4 February 2020. There is strong operational and strategic links between JPL and its sponsor CLP India Private Ltd.</p>	<p>FITCH AA+ (CE)</p>

The securities mentioned are a part of the scheme's portfolio as on Nov 30, 2021. The securities mentioned in this document do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future positions in the securities.

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Select Instrument Rationale



Corporate Securities	About the issuer	Rating
Writers & Publishers Ltd.	Secured by pledge of equity shares of Dainik Bhaskar Corp Ltd. Writers and Publishers Private Limited operates as a subsidiary of Dainik Bhaskar Corp Limited (a listed entity with a market cap of approx. 1728Cr as on Oct 06, 2021)	FITCH AA-(CE)
Patel KNR Heavy Infrastructures Ltd. (KNRCL)	KNRCL is a National Highways Authority of India Project. KNRCL receives annuity payment from National Highways Authority of India (NHAI)	CARE AA+

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Scheme Features



Type of Schemes	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.
Plans/Options	ICICI Prudential Medium Term Bond Fund & ICICI Prudential Medium Term Bond Fund – Direct; Options: Growth & IDCW (payout* and re-investment sub-options (with Quarterly, Half Yearly and Annual frequencies)
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 allotment – Nil. More than 10% of units, within 1 Year – 1% of applicable NAV; More than 1 Year – 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 17 years of experience.
Benchmark Index	CRISIL Medium Term Debt Index
SIP / STP / SWP	Available

IDCW – Income Distribution cum Capital Withdrawal Option. Payment of dividend is subject to availability of distributable surplus and Trustee approval. Pursuant to payment of dividend, the NAV of the scheme falls to the extent of dividend payout. When units are sold and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains is credited to an Equalization Reserve Account and which can be used to pay dividend. Dividend can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains.

*For investments made under IDCW payout option under Quarterly and Half yearly frequencies, the minimum amount for dividend payout shall be Rs.1000 (net of dividend distribution tax and other statutory levy, if any), else the dividend would be mandatorily reinvested.

Risk-o-meter



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. A relatively high interest rate risk and moderate credit risk.

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



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

Position in the Matrix:

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

Investors are further requested to note that PRC reflects the maximum risks (i.e., interest rate risk and credit risk) that the scheme can take. Unitholders are requested to note that any permanent change in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of schemes. Further, in case of any permanent changes in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is lower than the maximum risk specified for the chosen PRC cell, the AMC shall inform the unitholders. However, the PRC value of a scheme could change temporarily due to price movements, rating changes, investment actions, etc. Any such temporary change in the PRC cell of a scheme to a higher risk scale for either credit risk or duration risk beyond the maximum risk specified for the chosen PRC cell shall be subject to rebalancing in terms of provisions specified in the SID of the respective schemes.

Scheme Benchmark: CRISIL Medium Term Debt Index



Benchmark riskometer is at **Moderate** risk.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above risk-o-meters are as on Oct 31, 2021. Please refer to <https://www.icicpruamc.com/news-and-updates/all-news> for more details..

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

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