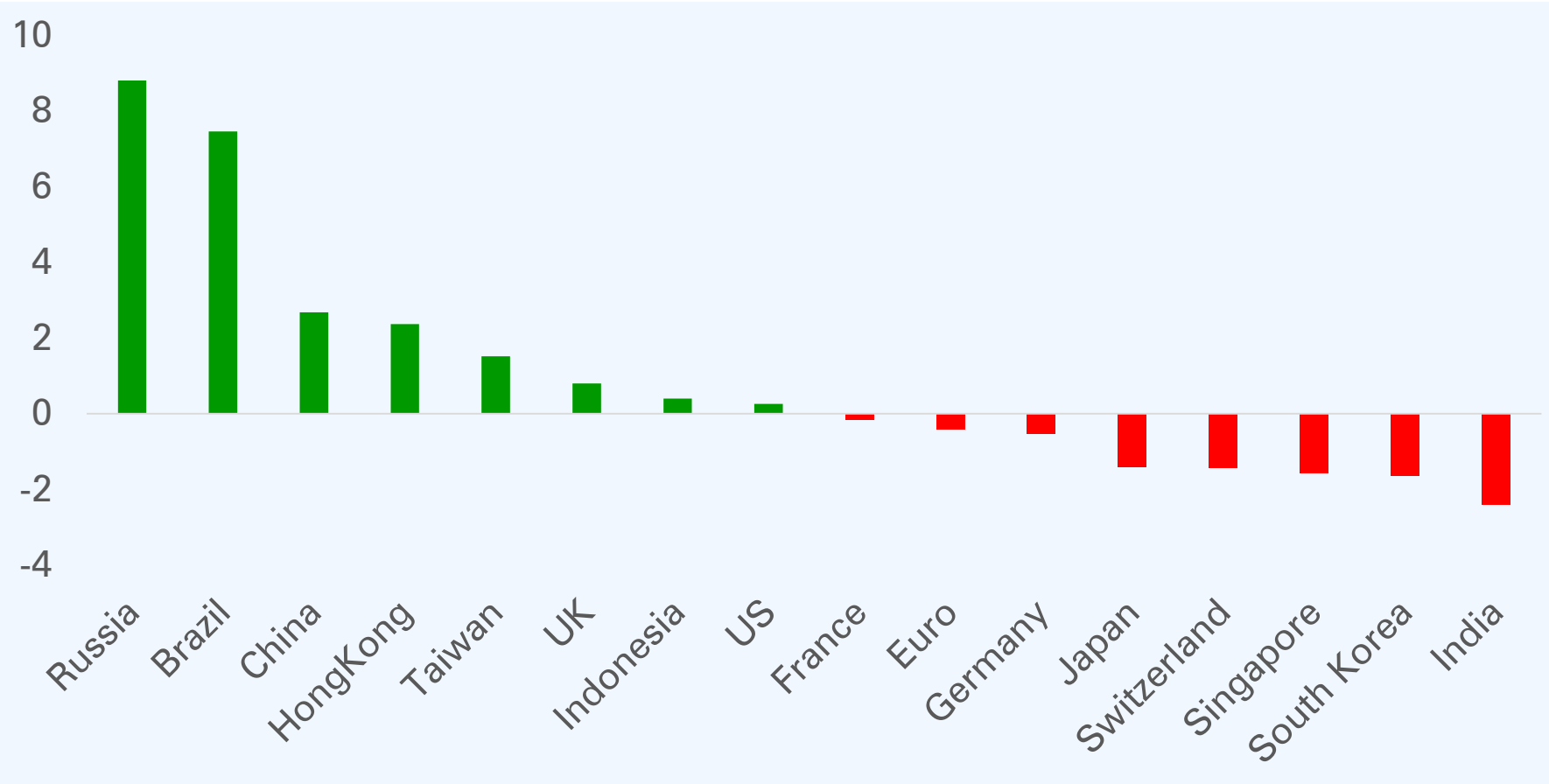


Monthly Market Outlook September 2017

Equity: A case for building equity portfolio now

Fixed Income: Case for Investments remains

World Index (1 Month Return in %)

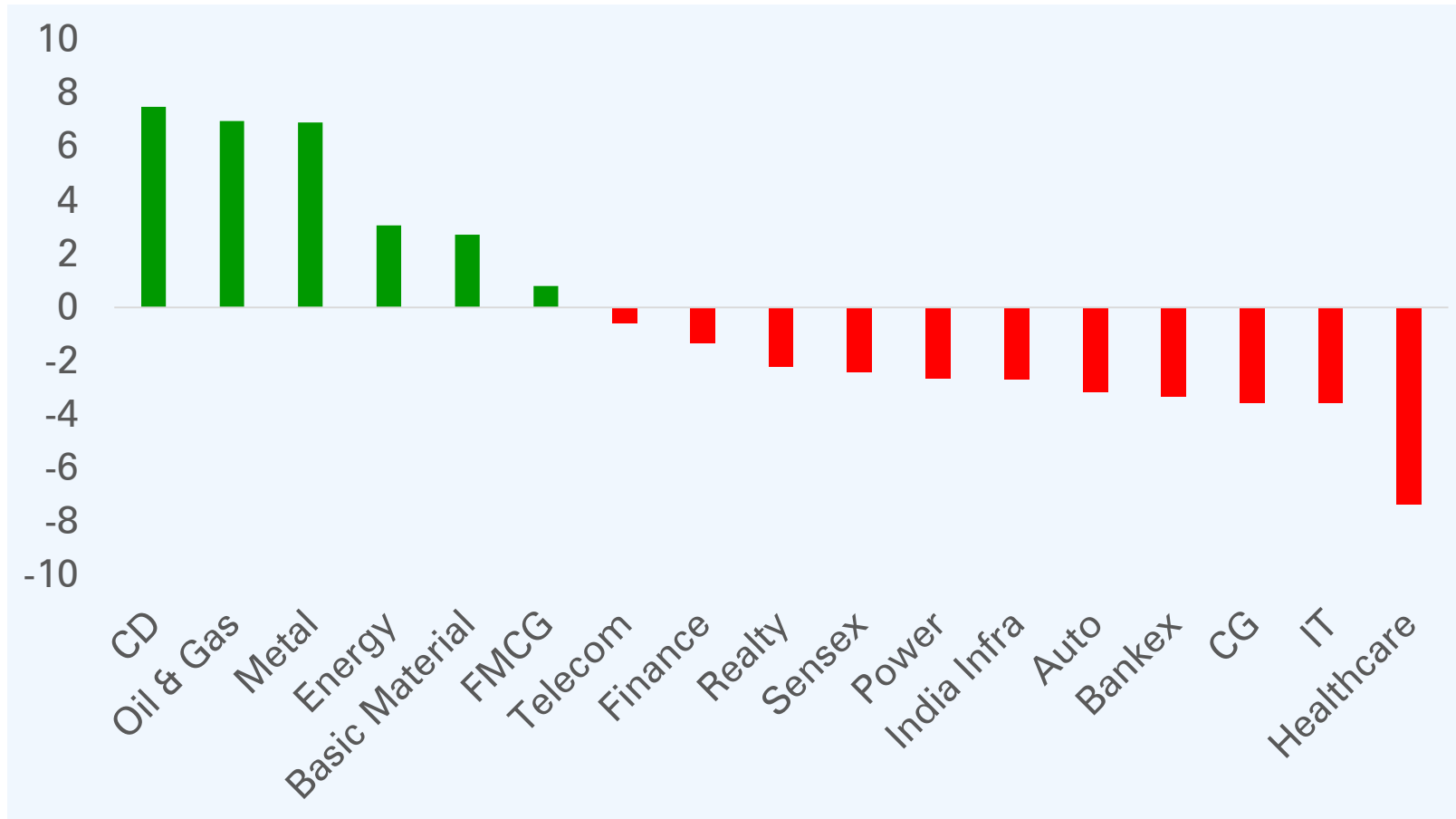


The top 3 performing indices belonged to emerging markets – Russia, Brazil, China.

China posted higher than expected GDP growth of 6.9% year-on-year in the Apr-Jun quarter, driven by improvements in industrial production and domestic consumption. Manufacturing PMI remained above 51, signaling further expansion.

Germany - DAX Index; China - SSE Composite Index; France - CAC 40 Index; Japan - Nikkei; Europe - Euronext 100; Hong Kong - HangSeng; USA - Dow Jones; Singapore - Strait Times; Russia - RTS Index; U.K. - FTSE; South Korea - Kospi; Brazil - Ibovespa Sao Paulo Index; Indonesia – Jakarta Composite Index; Switzerland – Swiss Market Index; Taiwan – Taiwan Weighted Index; India – S&P BSE Sensex

Sector Index (1 Month Return in %)



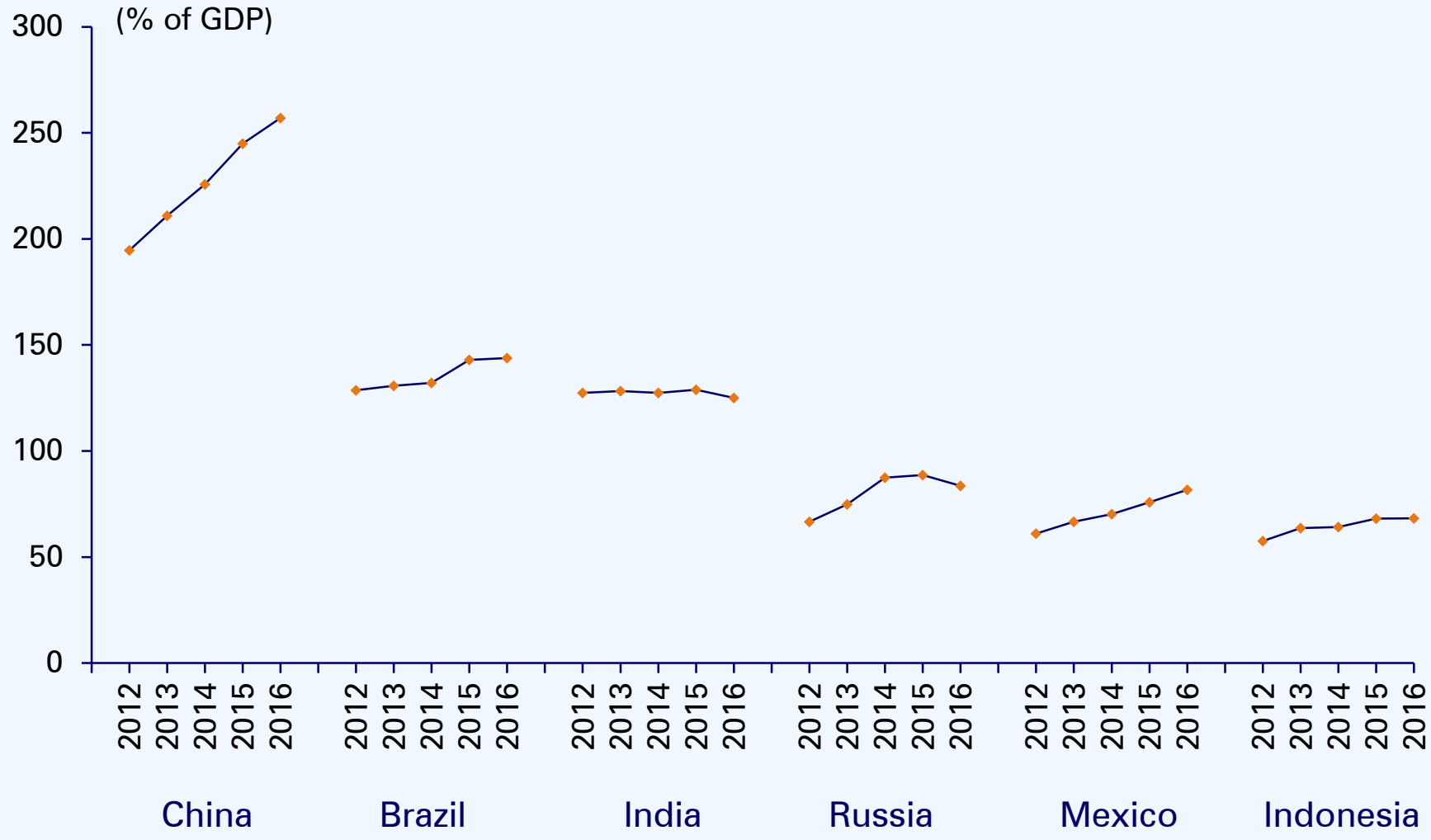
S&P BSE Metal index rose owing to positive economic cues from China.

Meanwhile, Auto stocks fell after the GST Council recommended hiking the ceiling for compensation cess on motor vehicles.

Index	1 Month (%)
S&P BSE Mid Cap	0.98
S&P BSE Small Cap	-0.63
S&P BSE Sensex	-2.41

All indexes are of S&P BSE; Bankex - S&P BSE Bank; CD - S&P BSE Consumer Durables; CG - S&P BSE Capital Goods; FMCG - S&P BSE Fast Moving Consumer Goods; Infra. - S&P BSE India Infrastructure; IT - S&P BSE Information Technology;

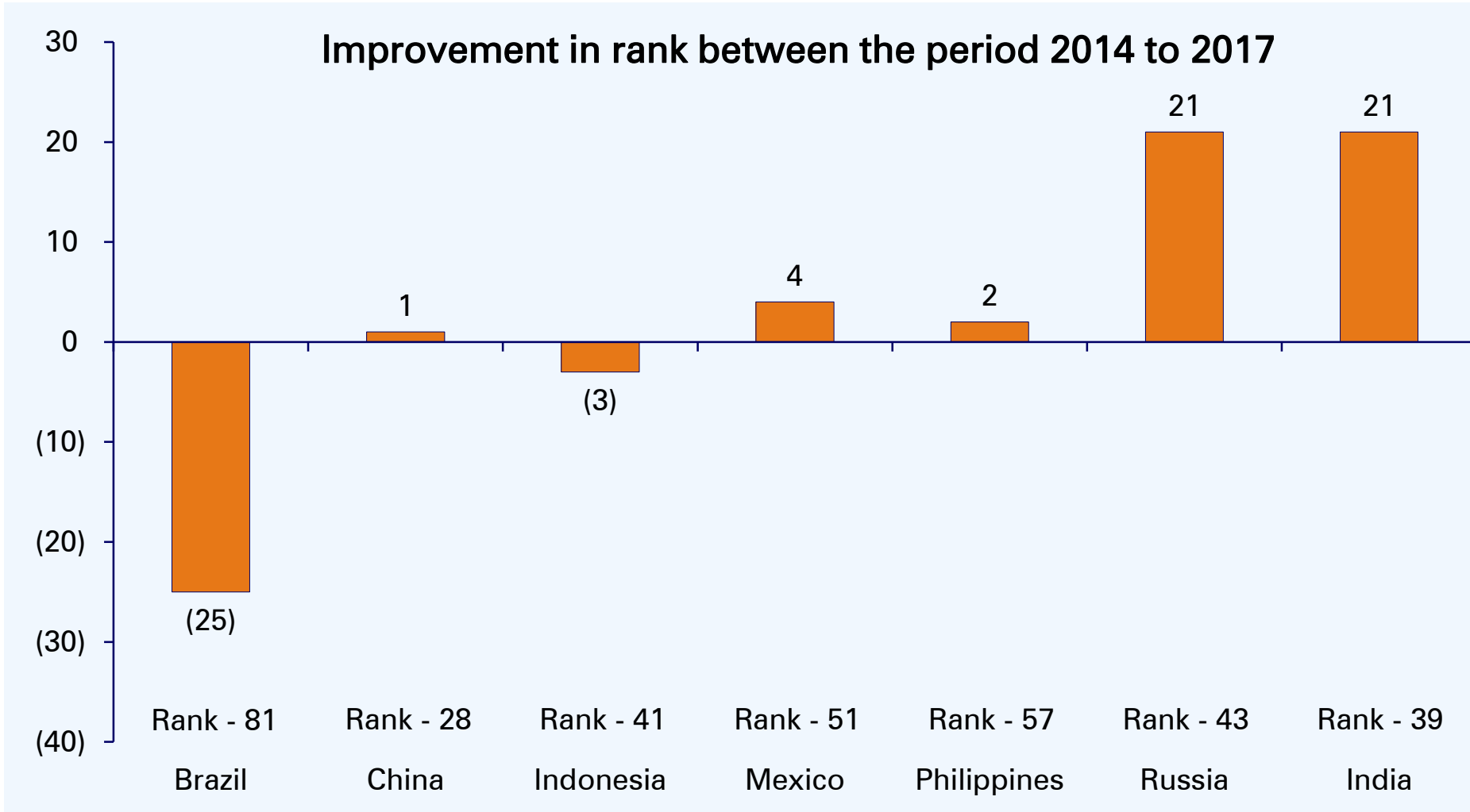
Non-Financial Sector Debt-to-GDP Ratio



Among some of the major emerging markets, India is the only country that has witnessed a fall in Debt to GDP ratio between 2012-16.

This reflects deleveraging of the corporate sector, which can lead to lower interest payments and strengthening balance sheets. This could benefit the corporates during an up-cycle.

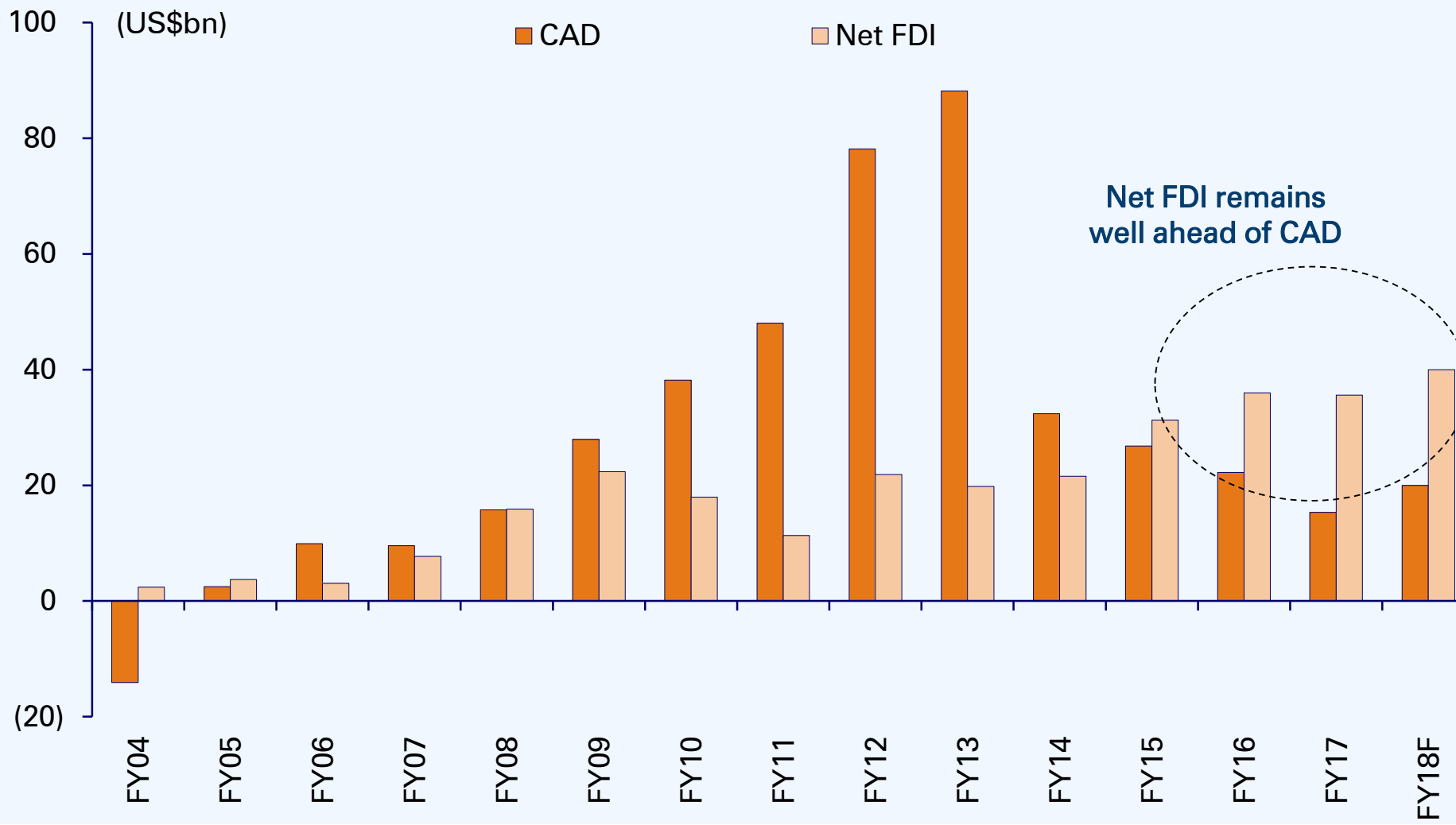
Global Competitiveness Index



India saw the highest improvement in the Competitiveness Index among Emerging Markets over 2014-17

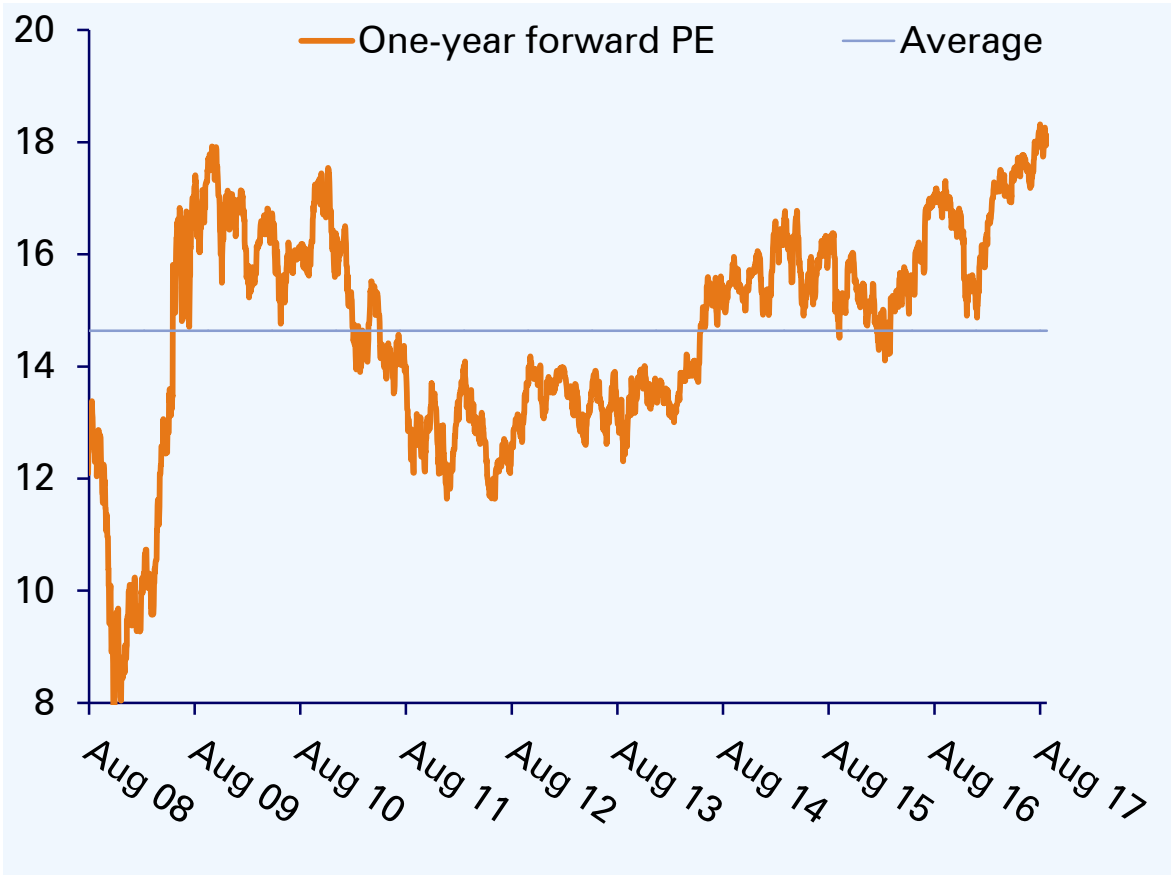
A factor that could attract attention of global investors.

Favourable Current account balance

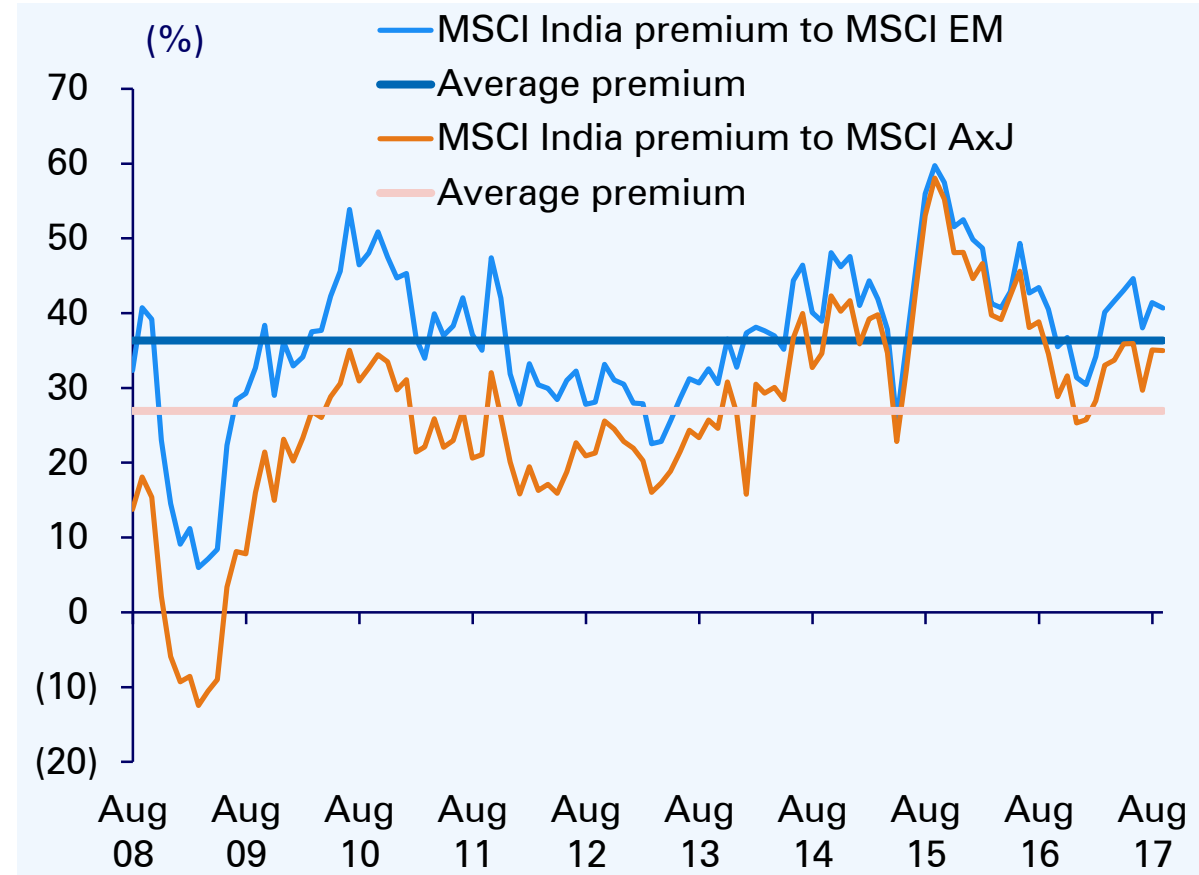


Stable crude prices and favourable long term economic prospects of India has kept the current account payment range bound.

Valuations Paradox



**Nifty 50 PE is off the charts;
but it is based on low-earnings cycle**

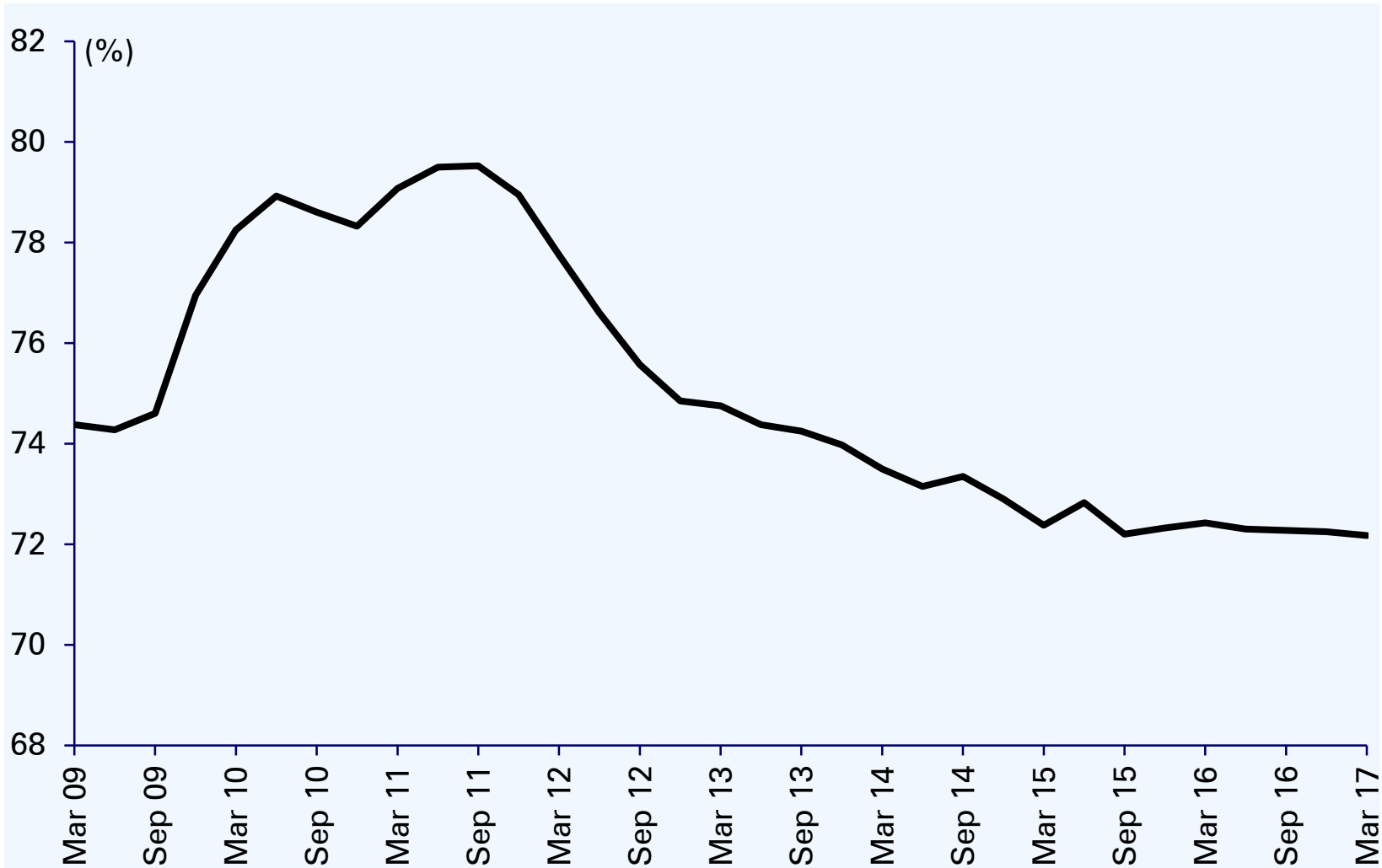


**But valuation is a global issue;
India's relative valuation close to global peers**

Equity

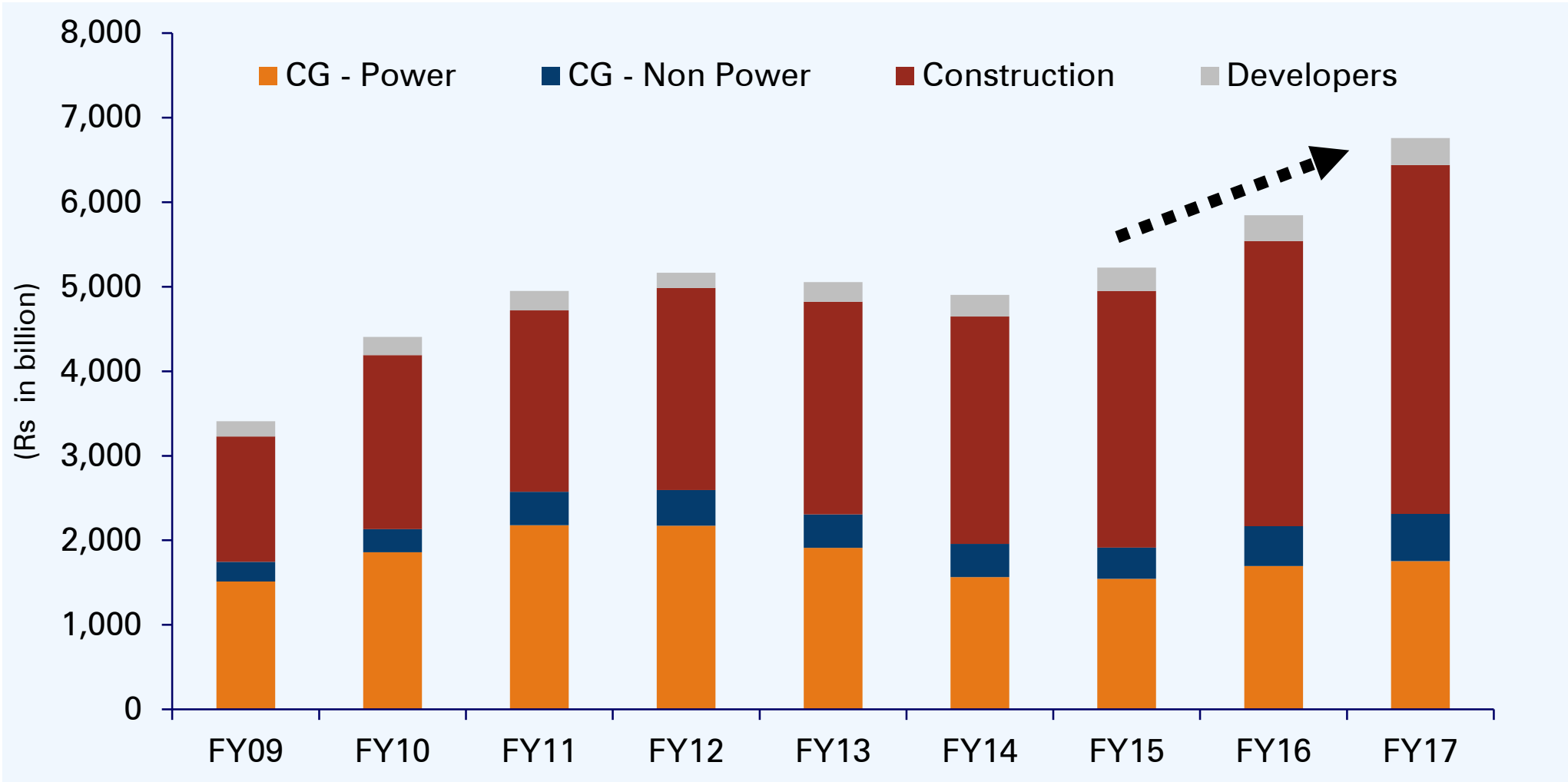
A case for building equity portfolio now

Capacity Utilisation as per RBI



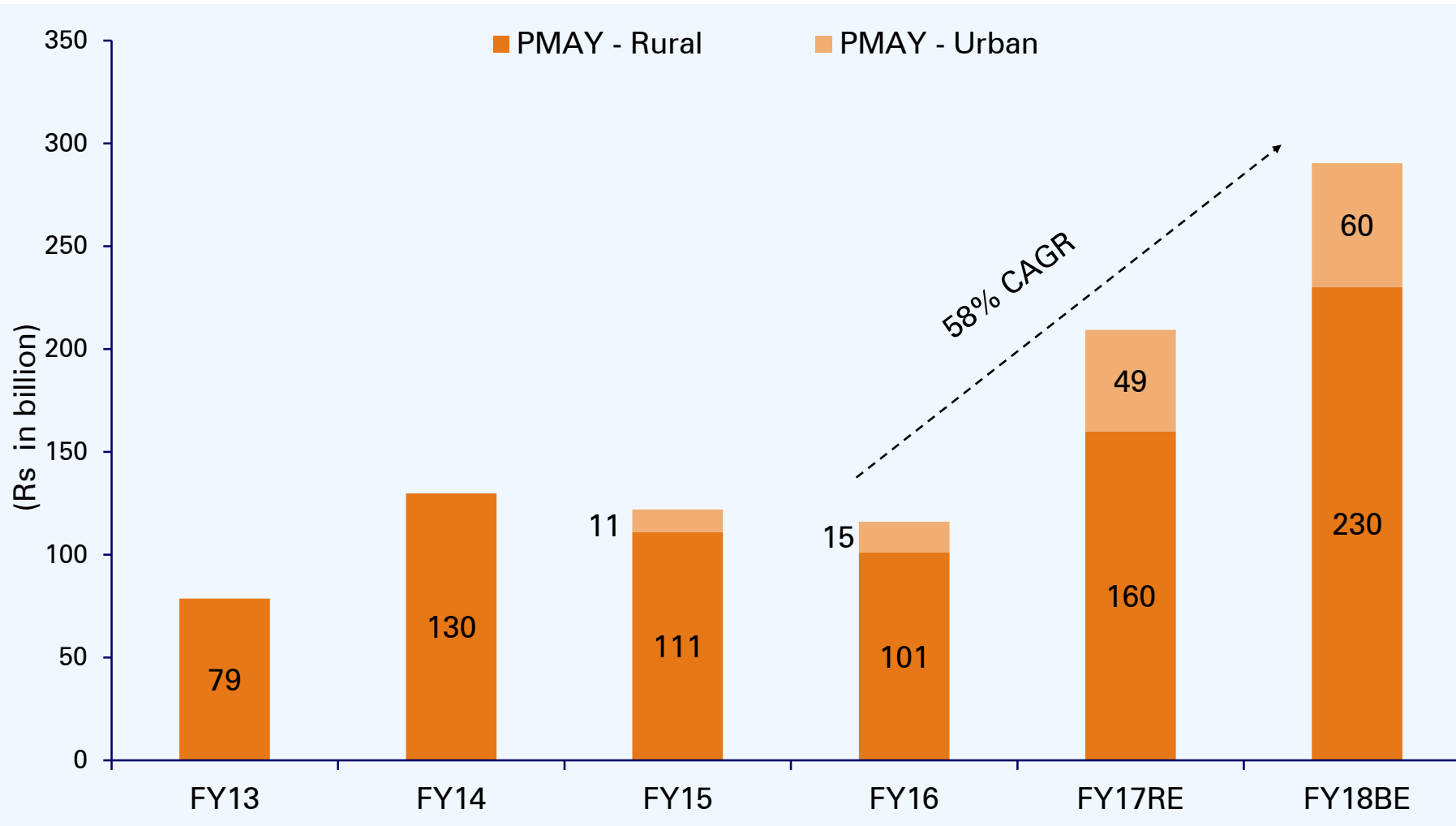
According to the Reserve Bank of India, capacity utilisation is close to bottoming out and housing-growth revival could raise capacity utilisation for various sectors.

Sector order backlog



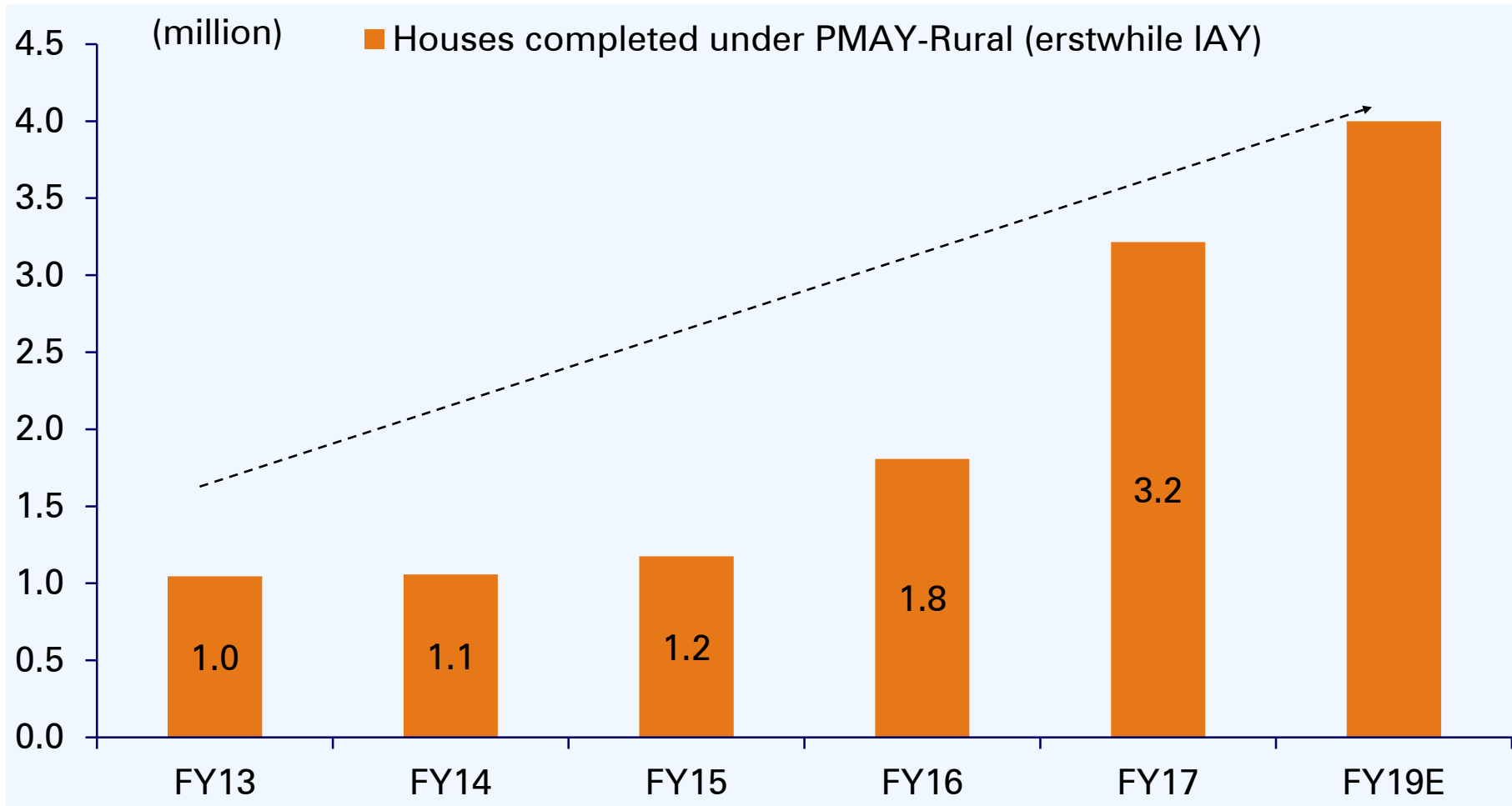
Order backlog in the capital-goods segment has seen a revival in the past three years

Government budget for housing schemes



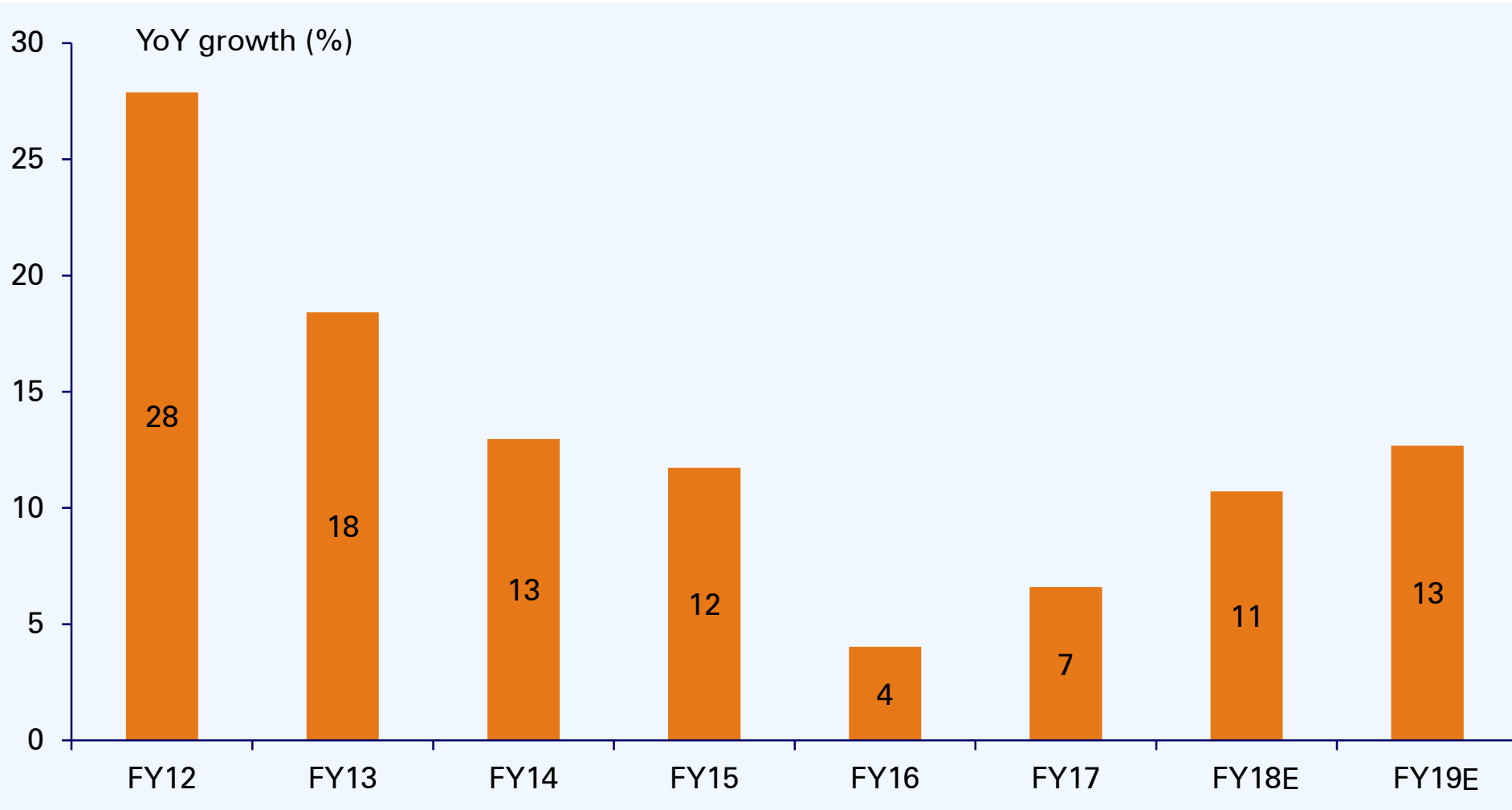
Government is supporting housing construction through its budget and further growth is expected

Rural progress seen



PMAY- Rural Scheme is already resulting in increasing housing construction in rural areas and the growth is expected at a similar pace

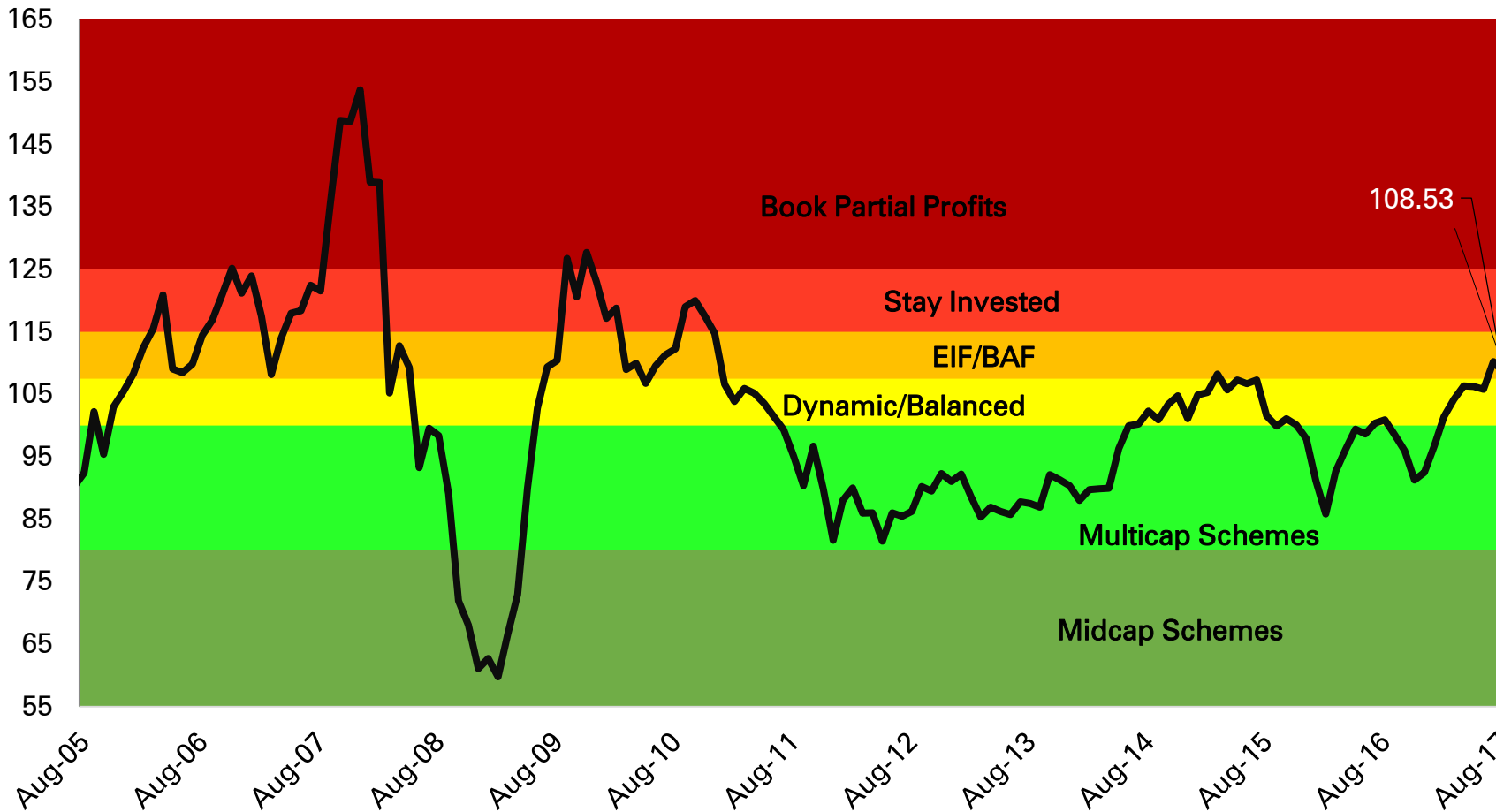
Revenue Growth for Domestic Companies



Revenue growth has bottomed out and could improve

- ❑ Equity markets saw consolidation over the past month given domestic reasons such as muted quarterly earnings and downward earnings revisions, and sharp fall in an index heavyweight.
- ❑ However, the good news is that there are early signs of expansion of tax base post implementation of GST and that nominal GDP has accelerated post demonetisation. This could potentially result in higher tax revenues and support GDP growth.
- ❑ Easing monetary conditions and reforms to address the twin deficit problems could help the economy achieve its full potential sooner.
- ❑ We continue to believe that the economy is not over heated and the equity market still remains in the mid-cycle as parameters like credit growth, earnings growth and capacity utilization appear to be close to cyclical lows.
- ❑ In this mid-cycle, investors are recommended to invest in dynamic asset allocation schemes as they are well-positioned to benefit from market-cycles over long-term.
- ❑ Investors looking to take exposure in pure-equity schemes for long-term could also consider investing systematically in ICICI Prudential Value Discovery Fund. For thematic exposure, investors could consider ICICI Prudential Infrastructure Fund.

Equity Valuation Index



Our equity valuation index indicates that investors could consider ICICI Prudential Equity Income Fund and ICICI Prudential Balanced Advantage Fund

Investors with high risk appetite could consider investing lumpsum amounts in large-cap oriented schemes and in thematic funds such as ICICI Prudential Infrastructure Fund.

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. G-Sec – Government Securities. GDP – Gross Domestic Product

EIF: ICICI Prudential Equity Income Fund; BAF: ICICI Prudential Balanced Advantage Fund; Dynamic: ICICI Prudential Dynamic Plan; Balanced Fund: ICICI Prudential Balanced Fund. None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to consult their financial advisors before investing.

Our Equity Scheme Recommendations



Pure Equity Schemes

- ICICI Prudential Value Discovery Fund
- ICICI Prudential Top 100 Fund
- ICICI Prudential Multicap Fund
- ICICI Prudential Focused Bluechip Equity Fund
- ICICI Prudential Select Large Cap Fund

Asset Allocation Schemes

- ICICI Prudential Balanced Advantage Fund
- ICICI Prudential Balanced Fund
- ICICI Prudential Dynamic Plan
- ICICI Prudential Equity Income Fund

Theme-based Schemes

- ICICI Prudential Infrastructure Fund

None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to consult their financial advisors before investing.

Feeling Left Out Of The Bull Run?

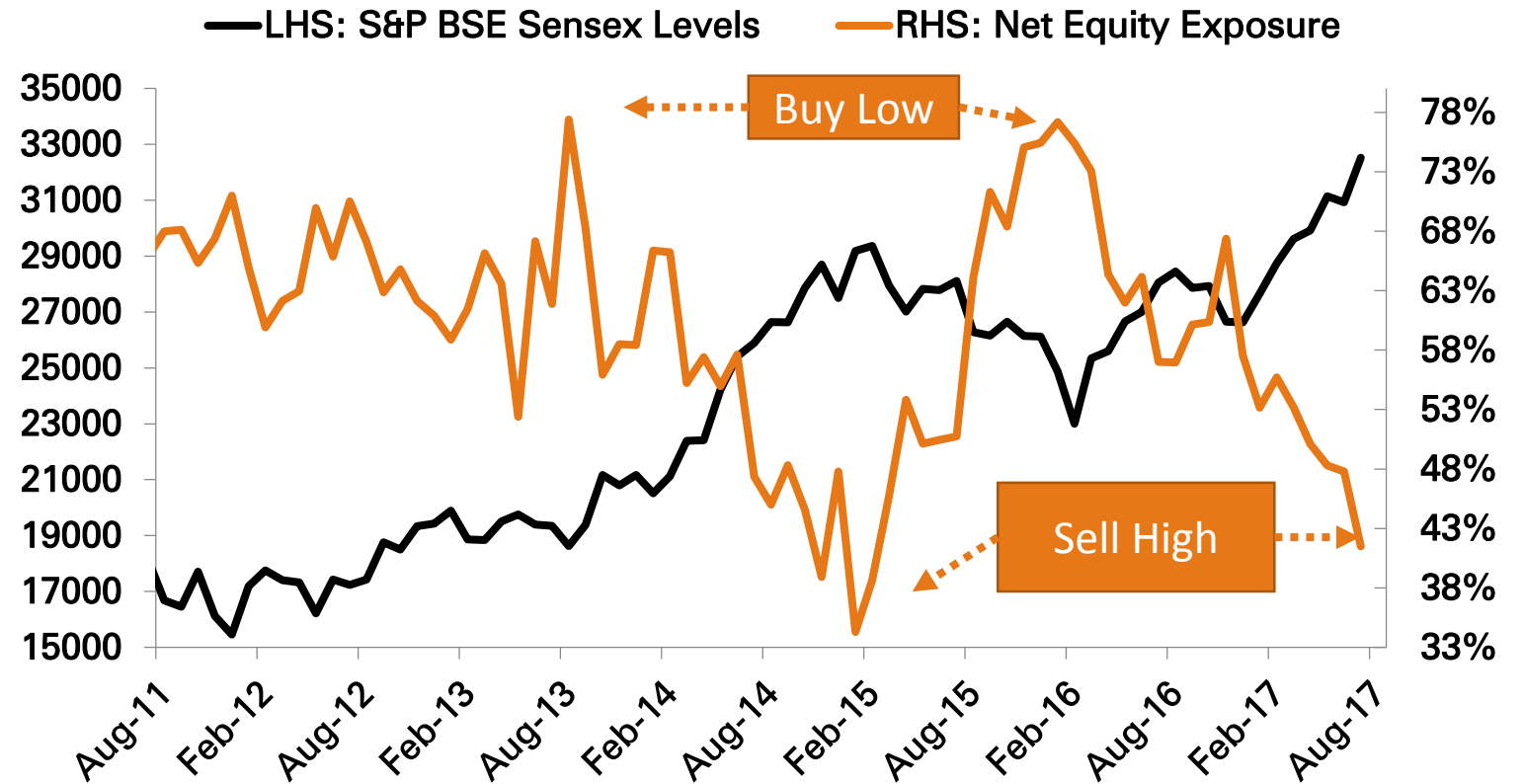


You can participate in equity through ICICI Prudential Balanced Advantage Fund.

The Scheme seeks to follow dynamic asset allocation strategy based on an in-house valuation model.

It aims to reduce the portion of equity assets in its portfolio when markets are expensive & vice versa.

S&P BSE Sensex vs. ICICI Prudential Balanced Advantage Fund's net equity level

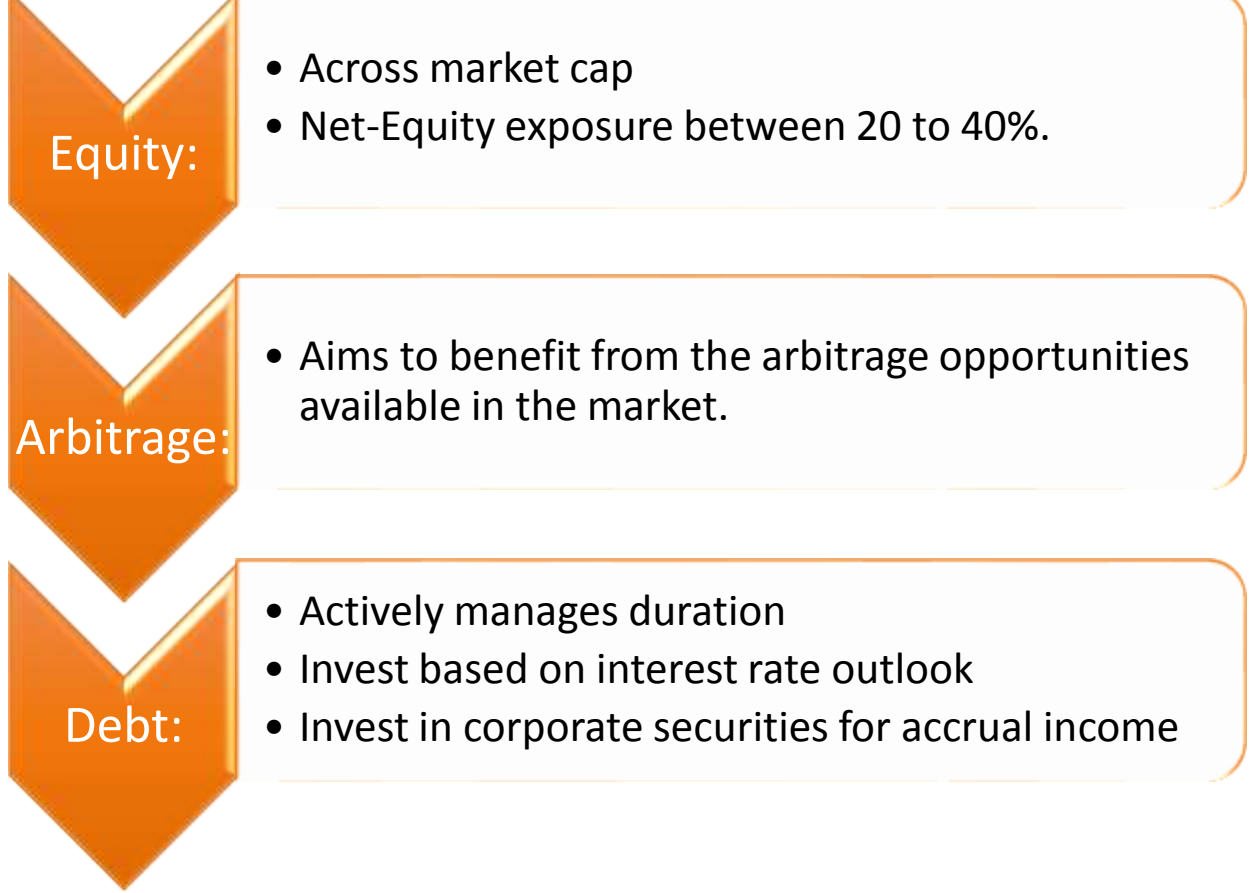


Data Source: MFI, Internal; Data As on: Aug 31, 2017: The asset allocation and investment strategies will be as per the Scheme Information Document of the Scheme. Net Equity level has been calculated by adding long positions and adjusting short positions from the net asset value. The gross equity exposure is maintained between 65-100% of the portfolio.

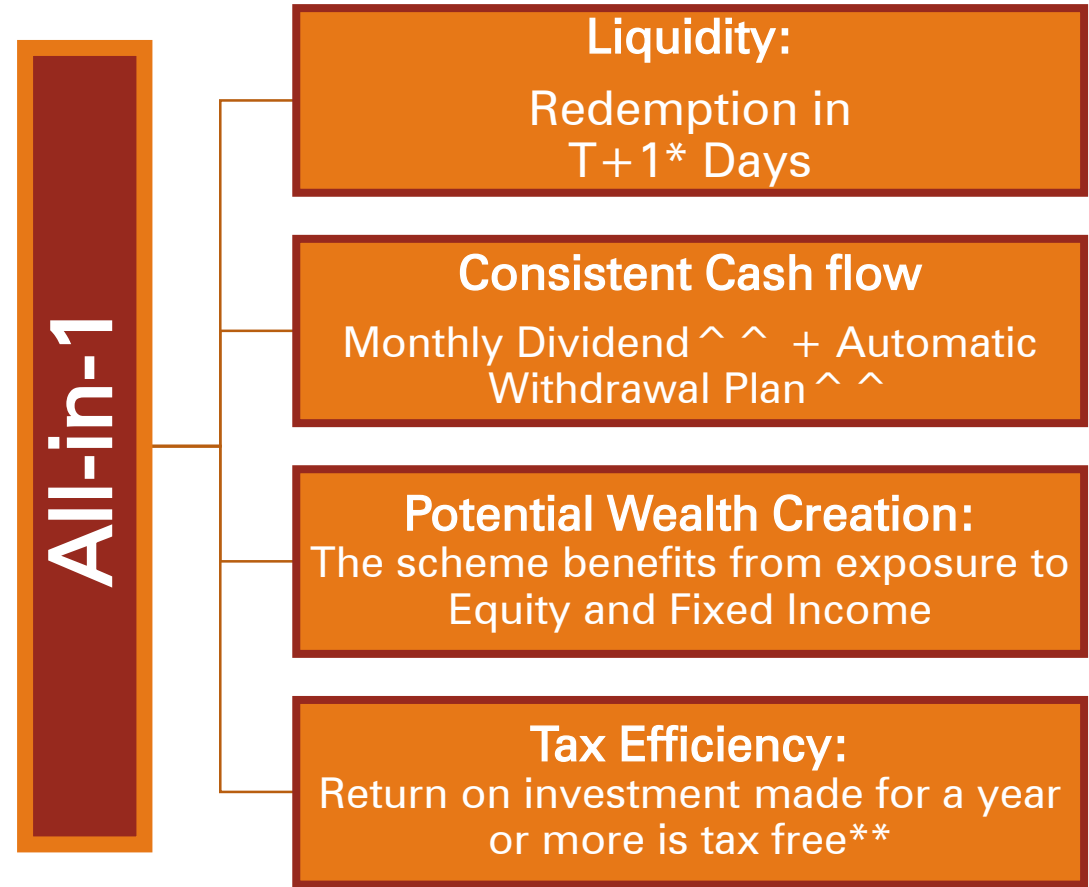
ICICI Prudential Equity Income Fund



Where does the scheme invest?



Benefits of ICICI Prudential Equity Income Fund?



^^ Dividend is subject to availability of distributable surplus and approval of Trustees. It should be noted that pursuant to payment of dividend, the NAV of the plan/dividend option of the Scheme would fall to the extent of dividend payout and statutory levy, if any. Automatic Withdrawal Plan (AWP) feature will allow investors to redeem a fixed sum of money periodically at the prevailing Net Asset Value (NAV) depending on the option chosen by the investor. ** According to prevailing tax laws. Dividend Distribution Tax & Long Term Capital Gains (LTCG) Tax is Nil for Equity Mutual Fund Schemes as per Finance Act 17. No LTCG if holding is for more than one year, basis prevailing tax laws. *Kindly note that SEBI prescribed time limit for redemption payment is 10 business days. It is necessary to consult tax/financial advisor before making investment in mutual fund. The asset allocation and investment strategies will be as per the Scheme Information Document of the scheme. The abbreviation T+1 refers to the settlement date of security transactions and denote that the settlement occurs on a transaction date plus one day.

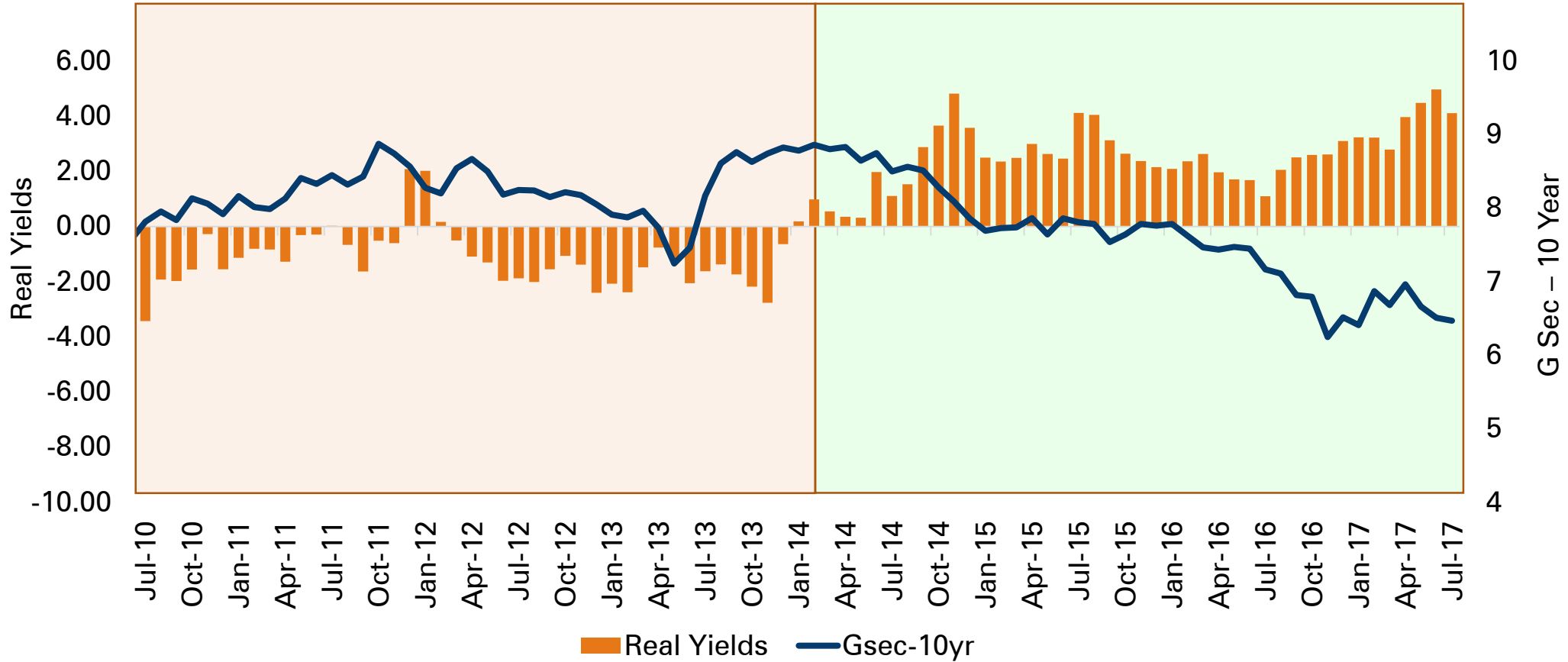
Fixed Income

Case For Investment Remains

Real Interest Rates



Real Interest Rate in Positive Territory



Real Interest Rates = 10 Year G-Sec Yield – CPI Inflation

Source: Internal; CPI - Consumer Price Index Data as of July 2017

Negative Real Interest Rates Phase



Negative real interest rate phase witnesses higher economic activities.

Potential gainers in this phase include investors in Physical Assets

Potential losers in this phase include investors in Financial Assets

Positive Real Interest Rates Phase



Positive real interest rate phase sees slower economic activities.

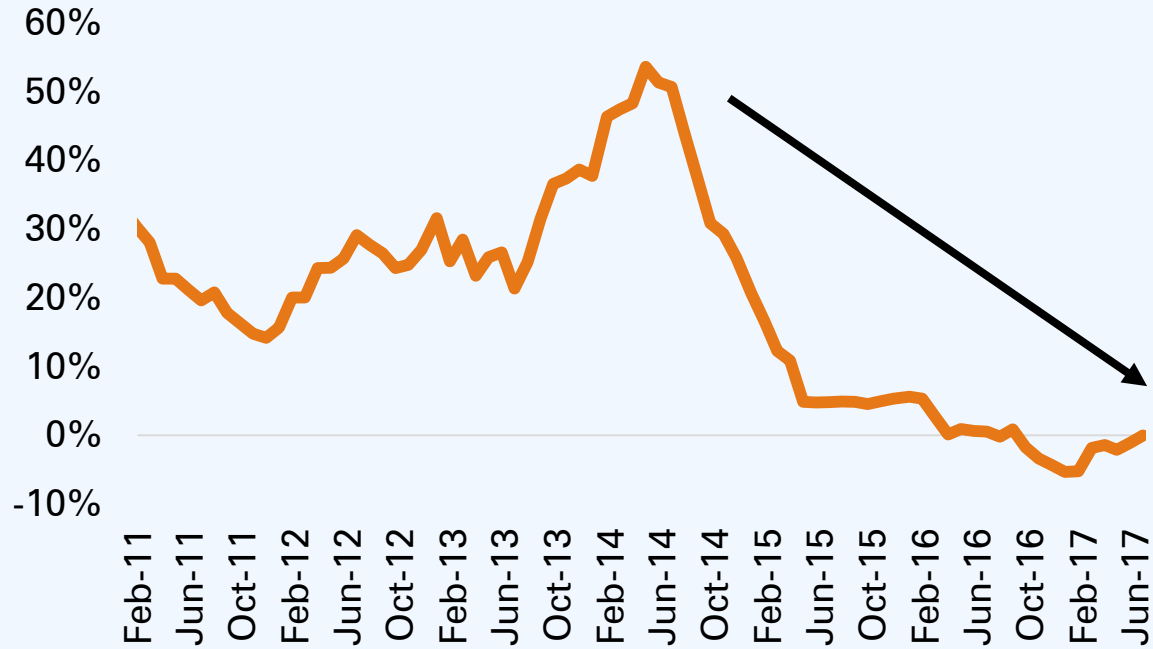
Potential gainers in this phase include investors in Financial Assets

Potential losers in this phase include investors in Physical Assets

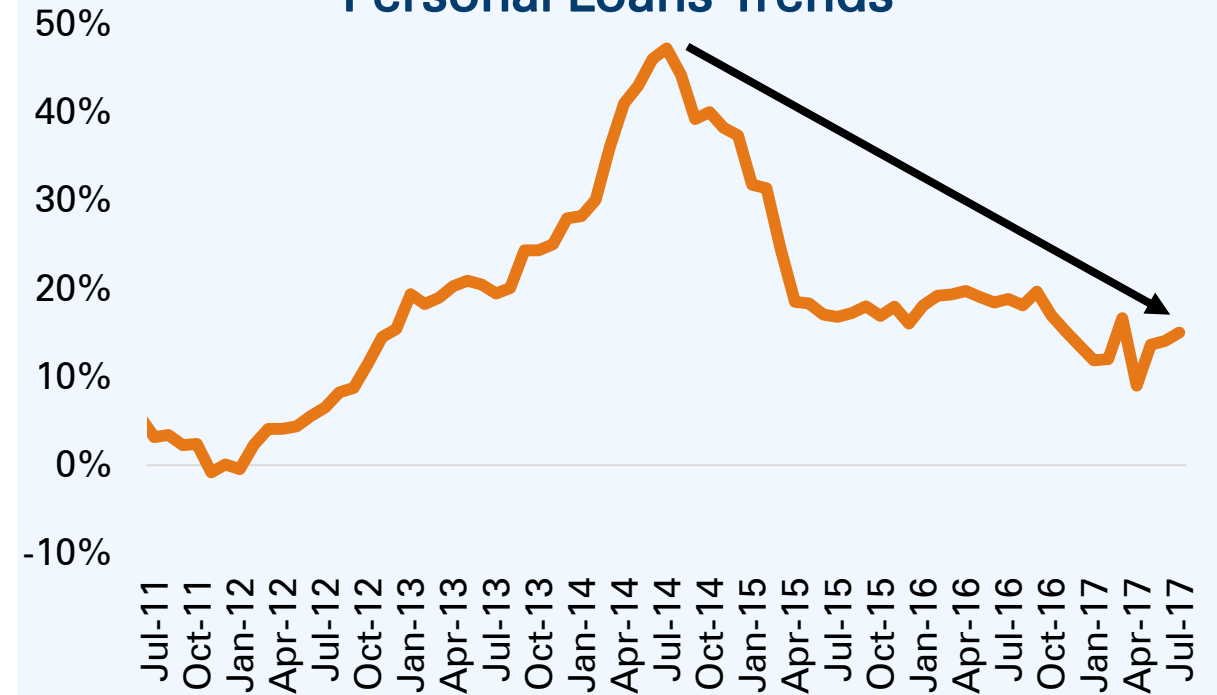
Headroom For Further Rate Cut: Private Sector Capex not in Sight; Retail Credit also Slowing



Industry Credit

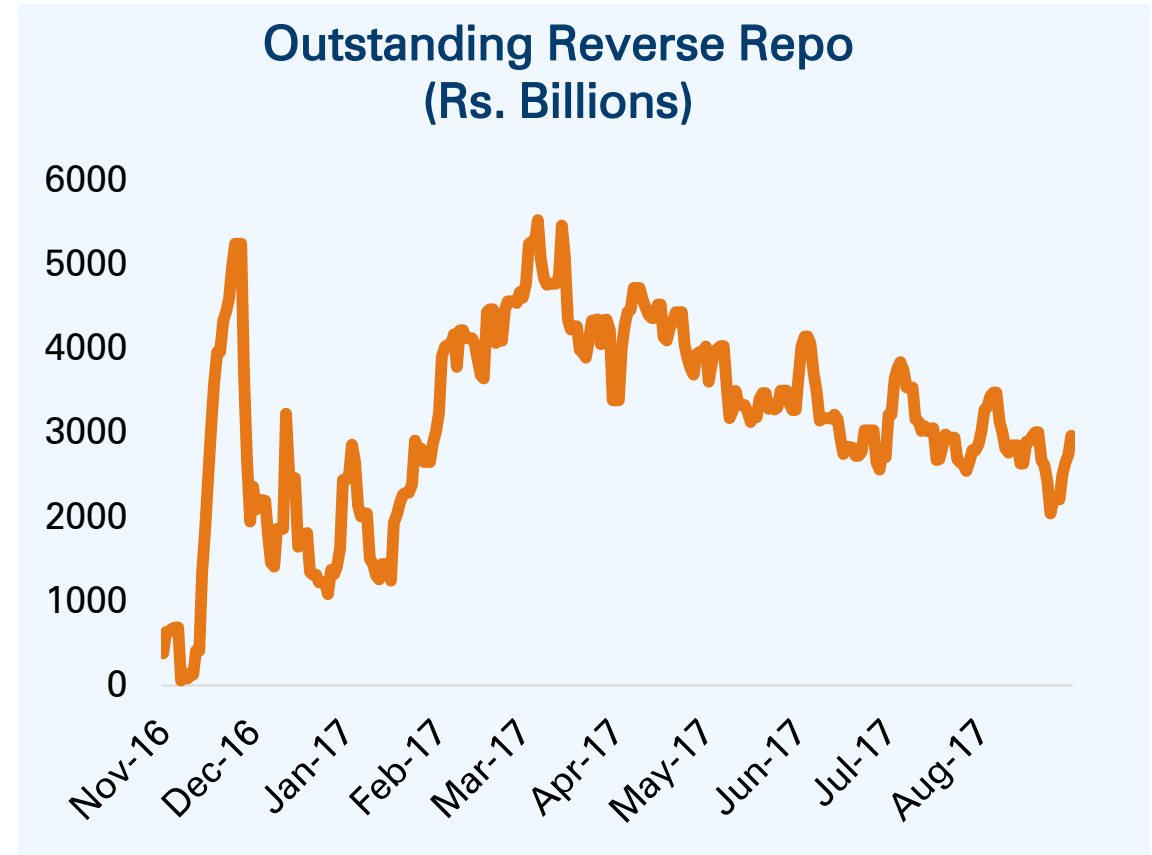
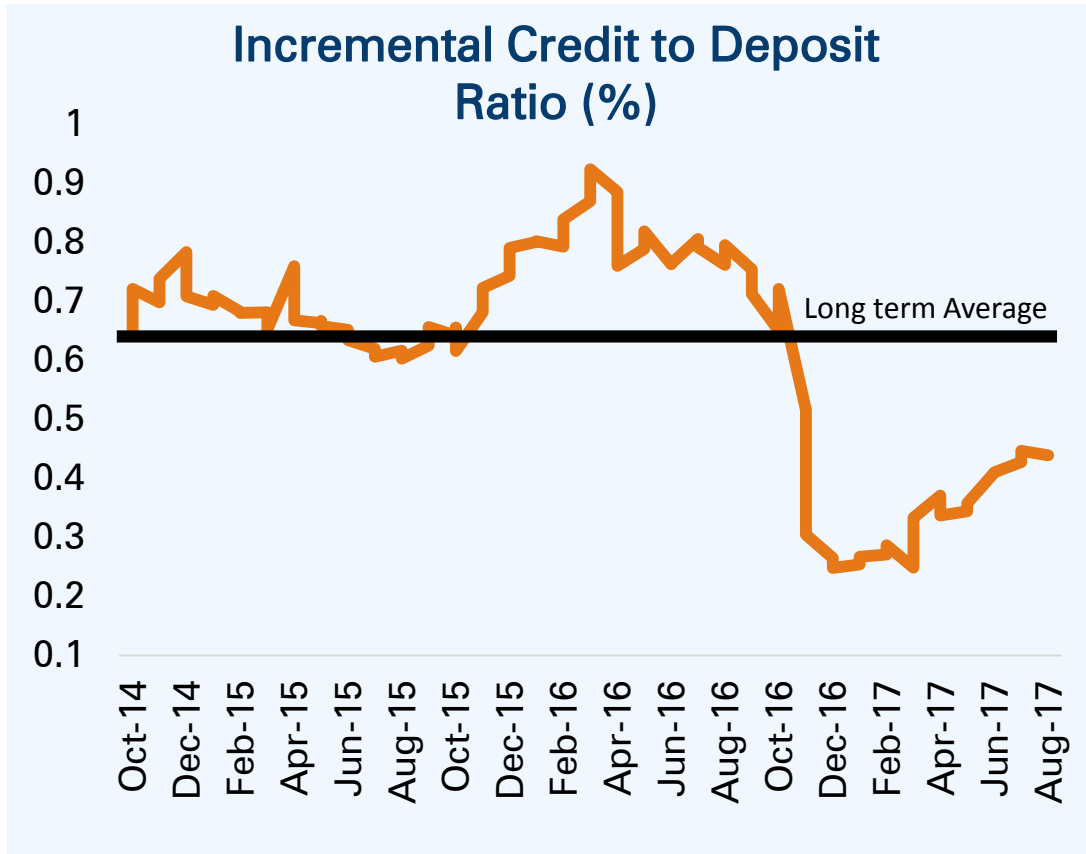


Personal Loans Trends



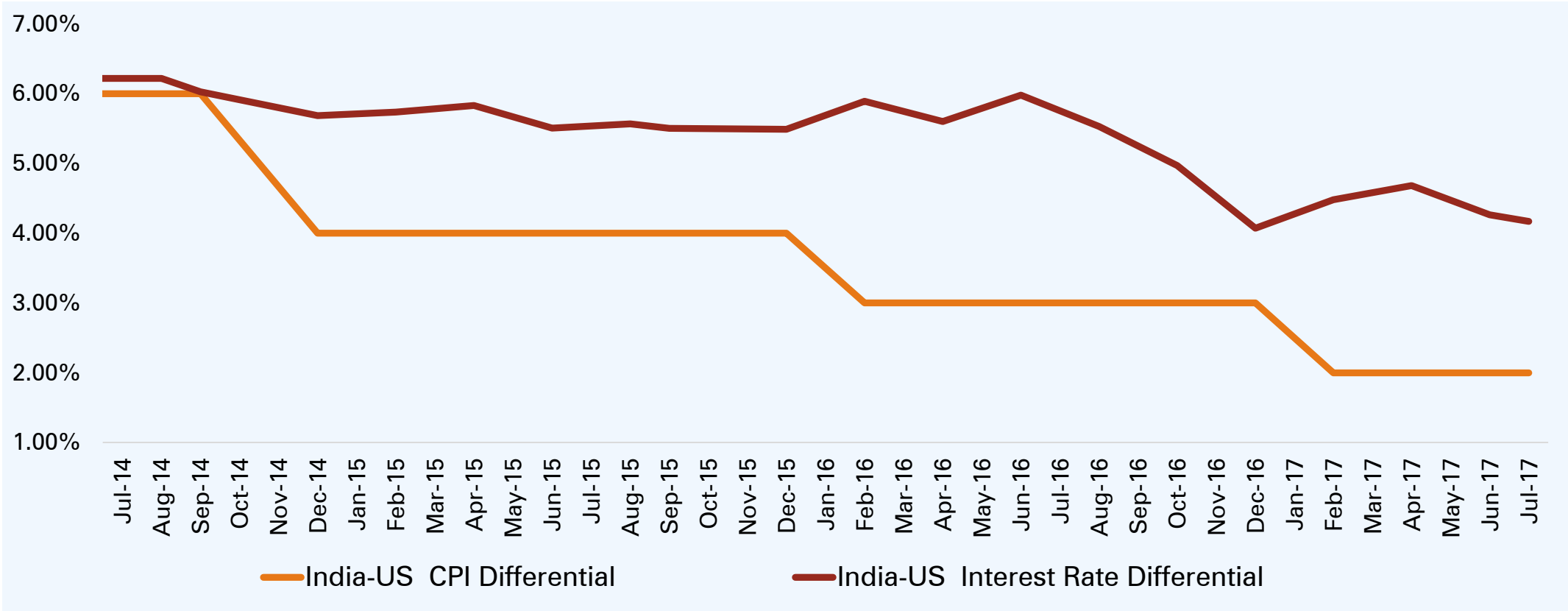
Lack of private investment and low capacity utilization is expected to keep the credit growth low in the near-medium term

Headroom for Further Rate Cut: Banks Left with Excess Liquidity post Demonetisation



**Demonetisation has resulted in substantial increase in financial savings.
Even after re-monetisation, banks are left with excess deposits**

Headroom for Further Rate Cut: US - India Target Inflation and Interest Rate Differential – Case for lower spreads



With the target inflation gap expected to be lower ~2% (Target Inflation by both Central Bankers: India 4% & US 2%), spread in yields between US and India is expected to narrow.

Macro Indicators Improved significantly in last 5 years



Indicators	June 2013	June 2015	NOW
CPI inflation	9.52	5.4	2.36*
Fx Reserves (USD Mn)	2,80,162.9	3,55,221.8	3,92,868`
CAD (% of GDP)	5.1%	1.2	0.6`
Oil Prices USD/bbl	102.57	61.18	46.35 ^
RBI policy rates	7.25%	7.25%	6.00% ^
10yr G-Sec	7.5%	7.9%	6.53 ^
Fiscal Deficit (% of GDP)**	4.8%	4.1%	3.5%
Political Scenario	Uncertain	Stable	Stable

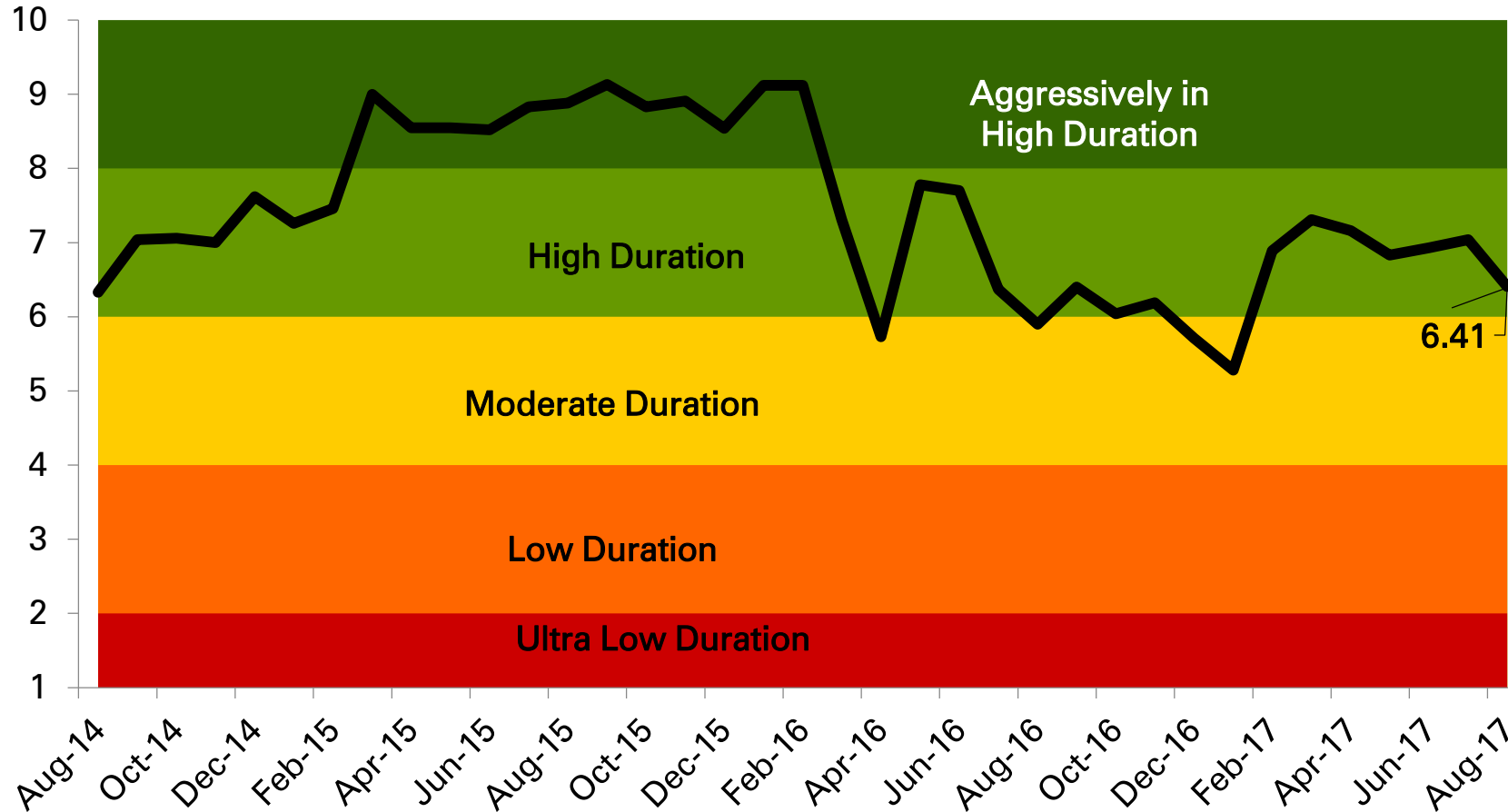
Source: RBI, Internal, MOSPI. *July 2017, ^ August 2017, ** All figures are as per respective Fiscal Year: FY13, FY15, FY17; ` -FY17; G-Sec – Government Securities; GDP – Gross Domestic Product; USD/bbl –USD per barrel; CAD – Current Account Deficit; RBI – Reserve Bank of India. Fx: Foreign Exchange.

To Summarise Our Outlook For Fixed Income



- ❑ GDP growth for the first quarter of this fiscal year came in at 5.7%, which was below RBI's and government's forecast of over 7%. If growth estimates are to be held, GDP growth would have to clock closer to 8% over the next three quarters.
- ❑ RBI's tight monetary policy with high real rates has resulted into higher FPI inflows in the recent months. RBI intervention in the foreign exchange markets by adding to foreign exchange reserves has resulted in the appreciation of currency over the past 6 months.
- ❑ Also, destocking on account of GST implementation has hit inventory levels and resulted in short term growth.
- ❑ The above mentioned factors have mainly contributed to the slowdown in GDP growth, particularly evident in consumption, manufacturing and exports.
- ❑ As the demand in the economy has been weak, core inflation has remained low.
- ❑ We believe that weak growth, low inflation and high capital flows all suggest that the RBI has room to cut interest rates further over the next 2-3 quarters, the timing and quantum will depend on further incoming data prints.
- ❑ Based on the factors mentioned above, we continue to hold a moderately bullish stance on yields and recommend investors to invest in short to medium duration, dynamic duration and accrual schemes.

Debt Valuation Index



We recommend investors to invest in Moderate Duration schemes or ICICI Prudential Long Term Plan, a model-based scheme that aims to offer reasonable risk-adjusted returns.

Long-term investors in debt are recommended to invest in Dynamic Duration schemes as they have flexibility to change duration stance.

Debt Valuation Index considers WPI, CPI, Sensex YOY returns, Gold YOY returns and Real estate YOY returns over G-Sec yield, Current Account Balance and Crude Oil Movement for calculation.

WPI – Wholesale Price Index; CPI – Consumer Price Index. None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to consult their financial advisors before investing.

Fixed Income Scheme Recommendations



Accrual / Short Duration Schemes

- ICICI Prudential Corporate Bond Fund
- ICICI Prudential Regular Savings Fund
- ICICI Prudential Regular Income Fund:
An open-ended income scheme. Income is not assured and is subject to the availability of distributable surplus.
- ICICI Prudential Savings Fund

Medium Duration Schemes

- ICICI Prudential Dynamic Bond Fund

Model-Based Duration Schemes

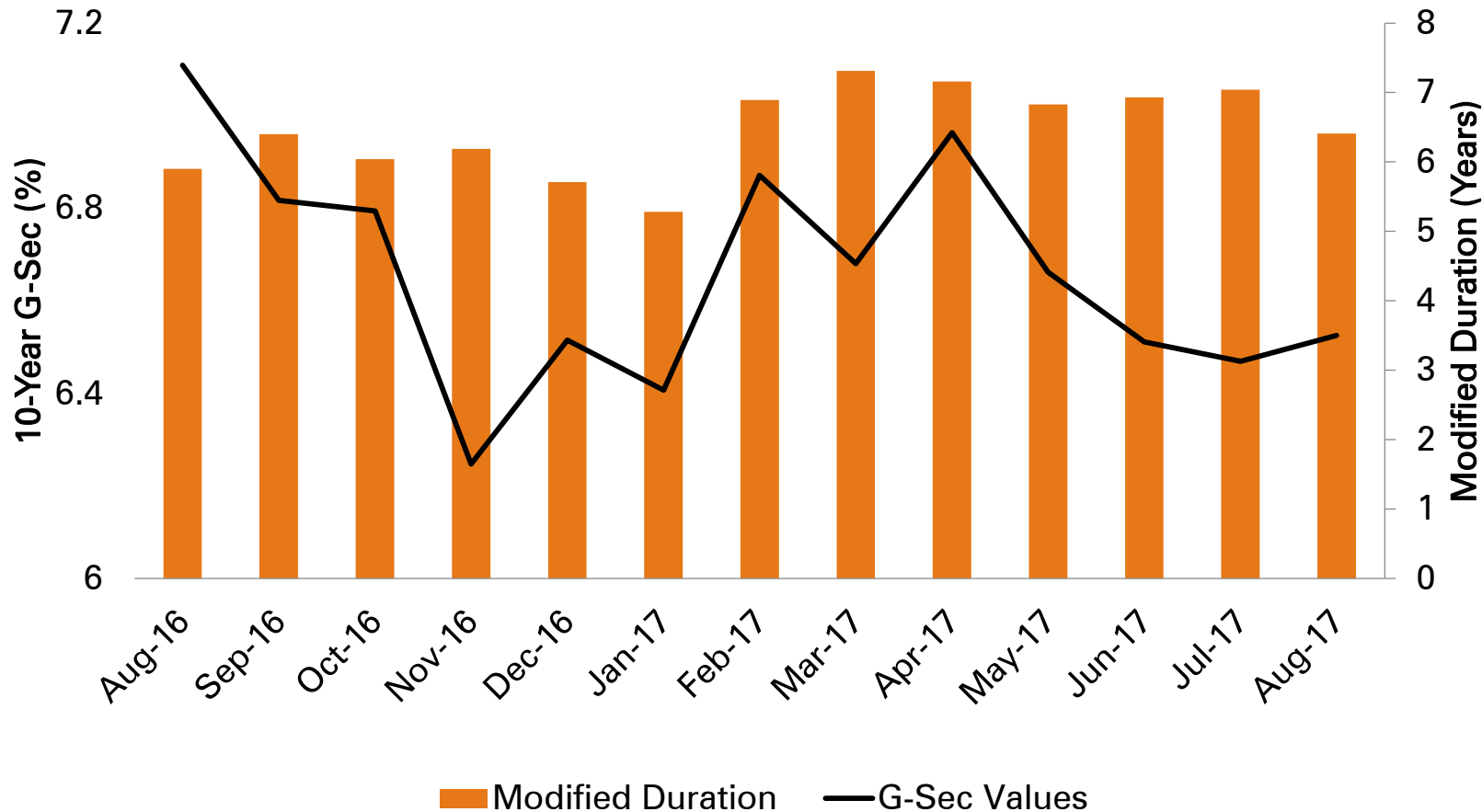
- ICICI Prudential Long Term Plan

None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to consult their financial advisors before investing.

About ICICI Prudential Long Term Plan



Dynamic Duration Management



In-house Current Account Deficit Model

Model-based Duration Calls

Aim to benefit from different kinds of interest rate scenarios

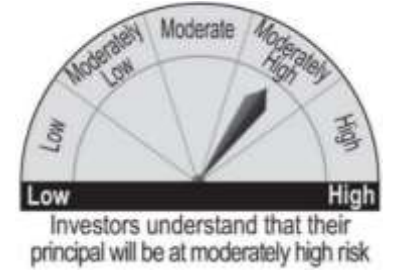
The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Source: MFI Explorer. Past performance may or may not be sustained in future. Data as of Aug 31, 2017. Performance in CAGR (compound annualised growth rate) terms.

Riskometers

ICICI Prudential Dynamic Plan is suitable for investors who are seeking*:

- Long term wealth creation solution
- A diversified equity fund that aims for growth by investing in equity and debt (for defensive considerations)

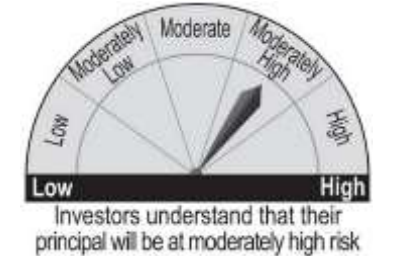
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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.

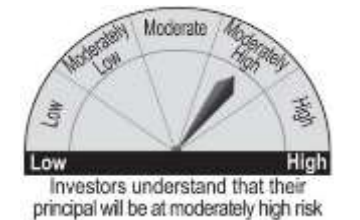
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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.

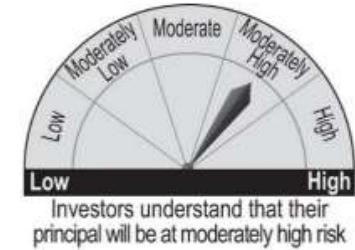
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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.

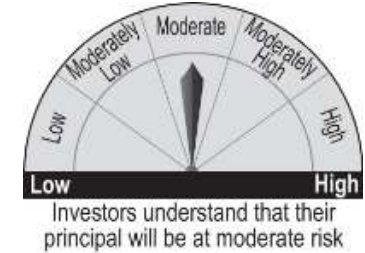
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



ICICI Prudential Long Term Plan is suitable for investors who are seeking*:

- Medium term savings solution
- A Debt Fund that invests in debt and money market instruments with a view to maximise income while maintaining optimum balance of yield, safety and liquidity.

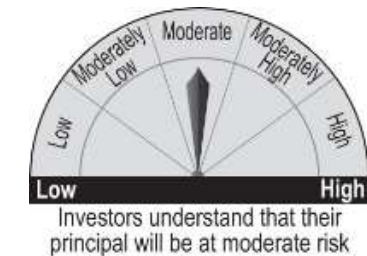
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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

- Medium term wealth creation solution
- A debt fund that invests in Debt and money market instruments with a view to provide regular income and growth of capital.

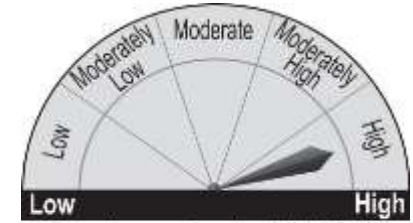
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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

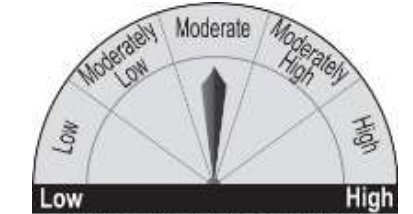


Investors understand that their principal will be at high risk

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

- Short term savings solution
- A debt fund that invests in debt and money market instruments of various maturities with an aim to maximise income while maintaining an optimum balance of yield, safety, and liquidity.

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

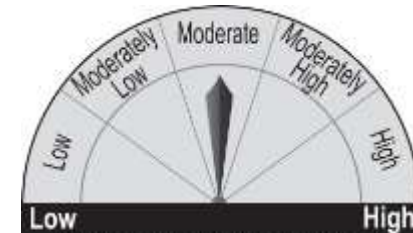


Investors understand that their principal will be at moderate risk

ICICI Prudential Regular Income Fund (An open-ended income scheme. Income is not assured and is subject to the availability of distributable surplus.) This scheme is suitable for investors who are seeking*:

- Medium term regular income solution
- A hybrid fund that aims to generate regular income through investments primarily in debt and money market instruments and long term capital appreciation by investing a portion in equity.

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



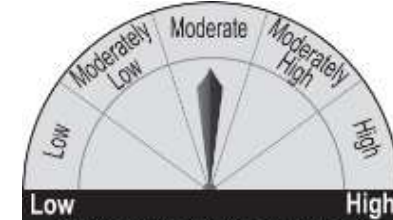
Investors understand that their principal will be at moderate risk

Riskometers

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

- Medium term savings solution
- A debt fund that aims to deliver consistent performance by investing in a basket of debt and money market instruments with a view to provide reasonable returns while maintaining optimum balance of safety, liquidity and yield.

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

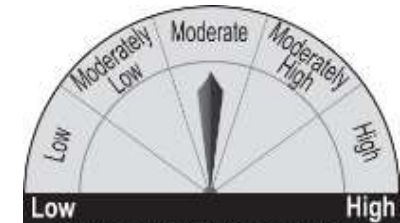


Investors understand that their principal will be at moderate risk

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

- Long term savings solution
- A debt fund that invests in debt and money market instruments of various maturities with a view to maximise income while maintaining optimum balance of yield, safety and liquidity.

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

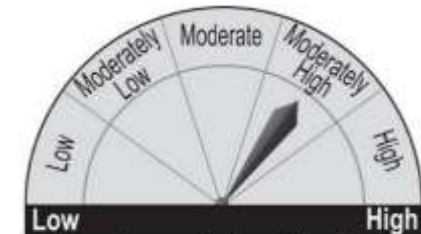


Investors understand that their principal will be at moderate risk

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

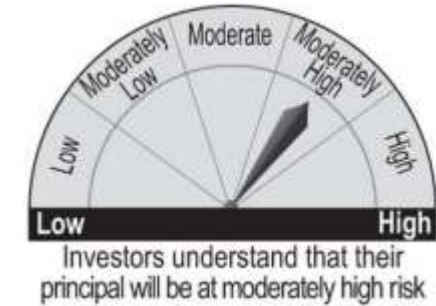


Investors understand that their principal will be at moderately high risk

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

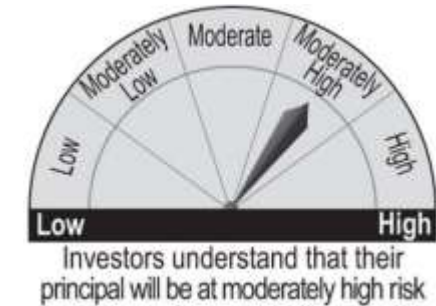
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



ICICI Prudential 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

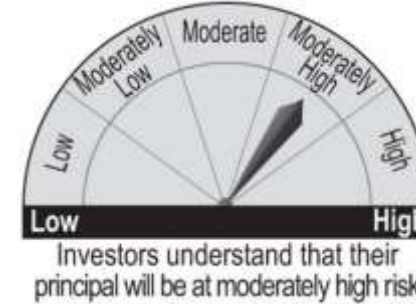
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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

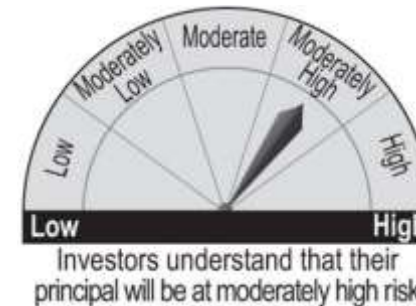
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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



Disclaimer for Mutual Funds



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

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