

← Sensex @ 18500!!!



The Globe  
Watches us!!!

Fill Flows

Corporate  
Earnings

Good Monsoons

Stable Government and  
environment

Fiscal stimulus

Monthly Sales Presentation, Sept. 2010

*\*Tarakki does not mean guaranteed future returns. All data/information used in the preparation of this material and the outlook on Markets & Products (internal view) is dated Aug 31, 2010 and may or may not be relevant any time after the issuance of this material. The AMC takes no responsibility of updating any data/information in this material from time to time. The recipient of this material is solely responsible for any action taken based on this material. All data source: Bloomberg, except as mentioned specifically. The information contained herein are strictly confidential and are meant solely for the benefit of the addressee and 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. Further, the information contained herein should not be construed as forecast or promise. The recipient of this material is solely responsible for any action taken based on this material.*

**OPPORTUNITIES**

**THE  
DOOR  
OPENS  
WIDER**





## What happened in August 2010?





## Important global events – An update

- The U.S. economy grew at a 1.6% in the second quarter. This is less than previous calculations, as companies reined in inventories and the trade deficit widened.
- Sales of existing homes plummeted to 27%. This is the lowest in a decade of record keeping and worse than the most pessimistic forecast from economists surveyed.
- The Euro – area economy grew by 1% in the second quarter largely to surging output in German. The euro area's unemployment rate remained unchanged at 10% in June. Spain has the highest unemployment of any country in the euro zone at 20%. German GDP rose by 2.2% in the quarter, an annualised rate of 9%. In France, GDP rose by 0.6%; in Italy, it rose by 0.4%; in Spain, it edged up by 0.2%.
- Japan second quarter GDP grew by 0.1%, far less than had been forecast. Japan's government debt hit a record high of more than 10 trillion dollar as at the end of June which accompanied by deflation is hindering growth



## Important local events – An update

- FII flows continued in the Indian equity markets taking the YTD figures to a record high in 16 years, the time since FII's have been allowed to invest in India.
- The first quarter GDP number is fairly strong at 8.8%.
- The divestment target for FY 11 is about Rs. 35,000 – 40000 crores. This has kick-started with Coal India's upcoming IPO.
- India's bullion demand almost doubled in the first half of the year and may cross the record 2009 demand levels despite prices having soared to record levels. Expected to go up further during the festival season.
- The government may spend an additional Rs. 683 billion this year on compensation to oil companies for under-recoveries, education etc., provisions for which was not made fully in the FY10/11 resulting in fiscal uncertainties despite windfall gain from 3G and BWA auctions.

---

---

---

---

---

---

---

---

---

---

## Important local events – An update

- The country's June trade deficit was \$10.55 billion, up from \$9.4 billion a year earlier and exports surged by 30.4% and imports by 23%.
- The industrial output rose at a less than expected rate of 7.1% in June 2010 partly attributable to a high base effect.
- The government relaxed the requirement of a minimum 25% public shareholding for listed state-run firms.
- The core sector comprising of six infrastructure industries – crude oil, petro refinery products, coal, electricity, cement and finished steel grew at 3.9% in July 2010, marginally higher than in June.



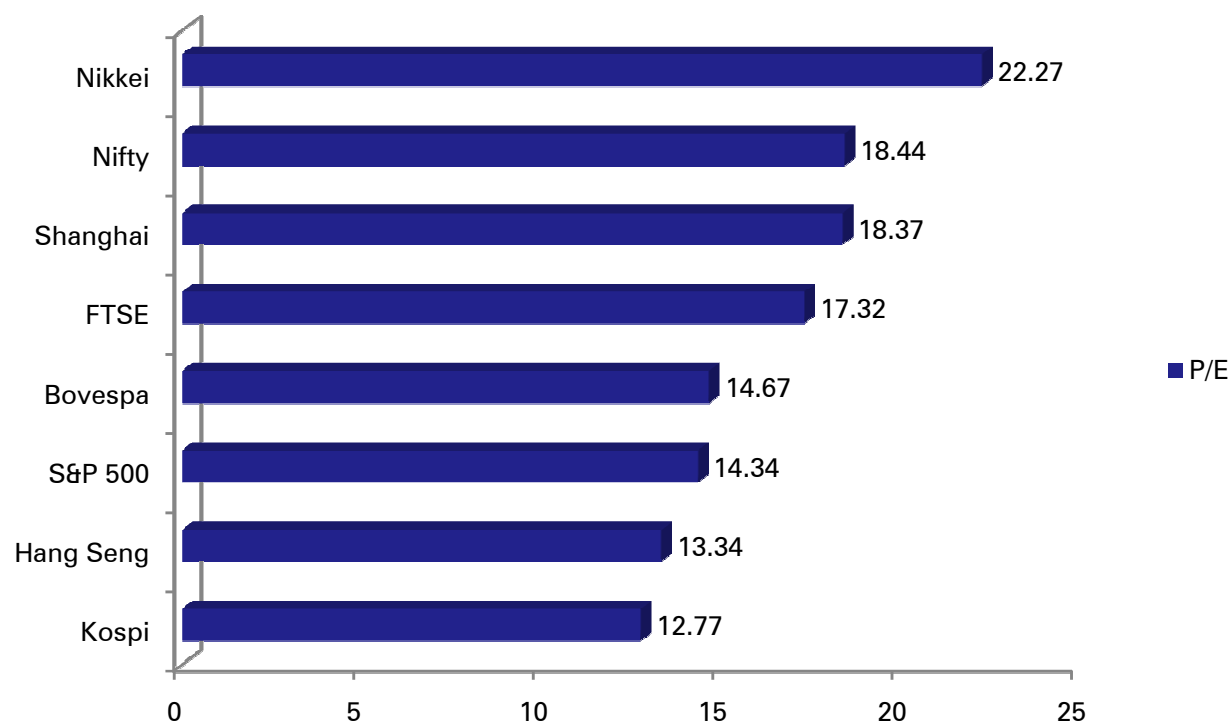
**Indian markets continue to trade at higher end of fair value plus zone!**



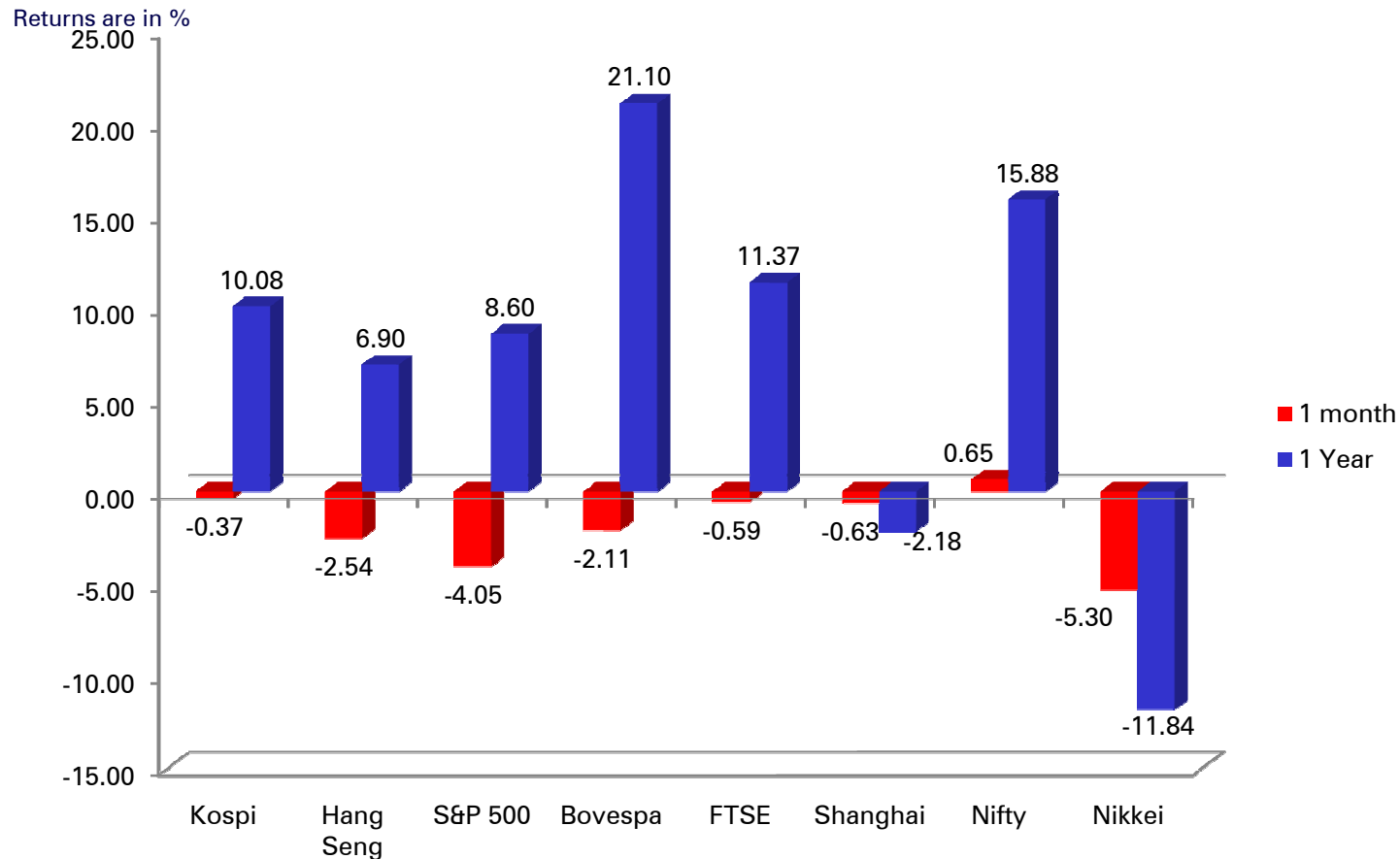
# How India looks vis-à-vis the global valuations?

*India's macro-economic story pertaining to fiscal deficit, growth, consumption, earnings demand this premium.*

P/E multiple of indices

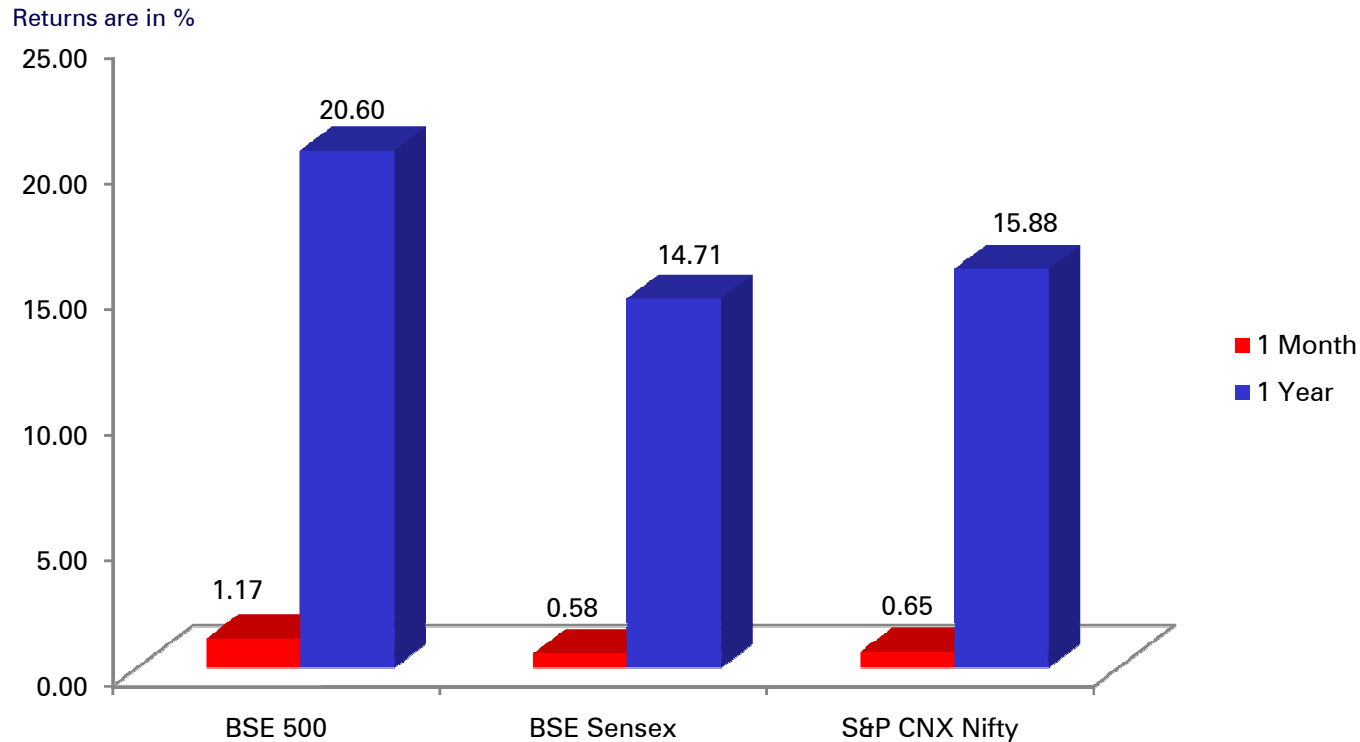


*Indian markets have out-performed its global counterparts on a 1 month basis and also on 1 year basis*



# Market returns\*

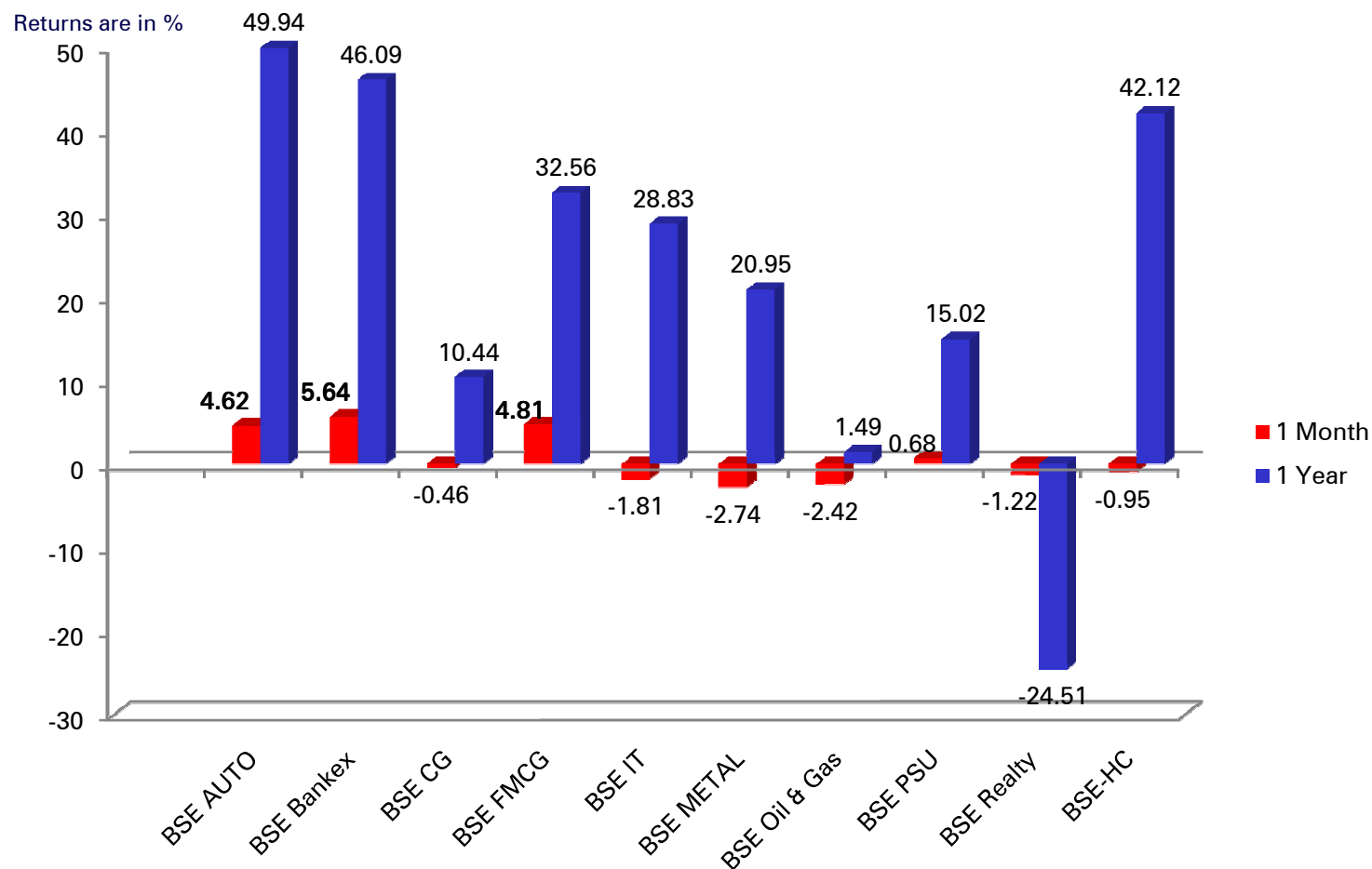
Indian markets ended positive for the month and mid-caps have out-performed the large-caps



\*As on Aug 31, 2010 – Source: MFI Explorer/ Bloomberg The graphs shown above depicts the performance of various indices over a period of time and shall not be construed to be indicative of any of the scheme(s) of ICICI Prudential Mutual Fund in any manner.

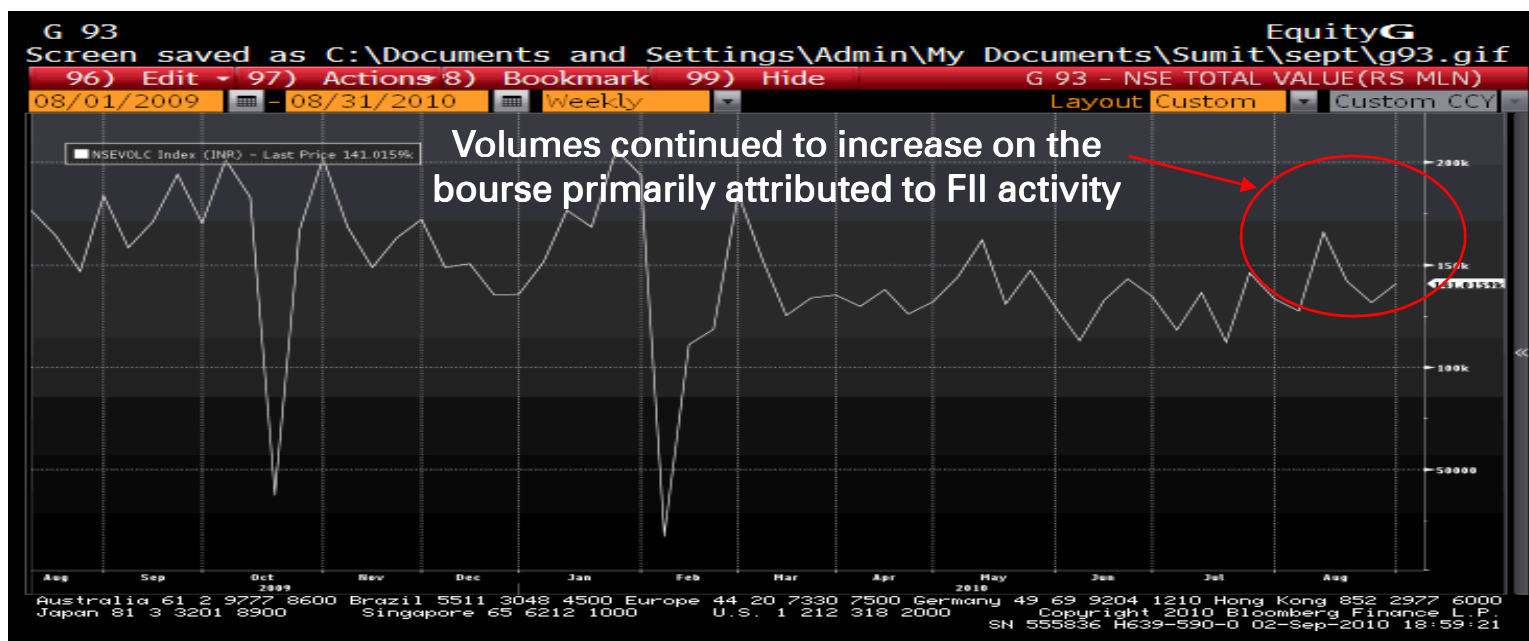
# Sectoral Indices returns\*

## Banking, FMCG and Auto stocks lead the rally for the month



\*As on Aug 31, 2010 – Source: MFI Explorer/ Bloomberg The graphs shown above depicts the performance of various indices over a period of time and shall not be construed to be indicative of any of the scheme(s) of ICICI Prudential Mutual Fund in any manner.

# NSE total volume & Advance-Decline Ratio



# Futures open interest



---

---

---

---

---

---

---

---

---

---

# Global markets - Outlook

- Poor economic data from most economies has resulted in dim outlook for developed economies.
- The growth in the 2<sup>nd</sup> half of CY10 in the U.S is expected to be lower than the 1<sup>st</sup> half. There will be increasing pressure on the U.S government to boost economy as the unemployment rate has not improved significantly .
- The Fed may adopt quantitative easing like buying long term treasuries to provide stimulus to the economy thereby preventing it from going into deflation.
- Slowing global economy to keep monetary policy at ease implying low interest rates globally .
- On the other hand few Asian economies and BRIC nations have high interest rates and higher growth rates which may result in fund flows from developed nations to these strong emerging economies of which India & China will be the largest beneficiary.



# Indian markets - Outlook

- There are key four things determining the outlook of Indian equity markets.
  - India is trading at a reasonable premium i.e. highest when compared to BRIC and Asian economies.
  - FII flows have been the highest ever on a YTD basis and may slowdown in the last 3 months of the calendar year.
  - There is a divestment target of Rs. 30,000-Rs.40,000 crores that may be kicked off with Coal India's IPO which may suck some liquidity from the markets.
  - Regulatory changes on the insurance side may result in slowdown of flows into equity markets by them.
  - All these factors may result in correction in either of two forms – Price correction or Time correction
- Price correction – There is a possibility of correction in the prices of 5-10% and such correction should be viewed as good opportunity to enter the markets.
- Time correction – Markets may remain range bound for next 3 months.

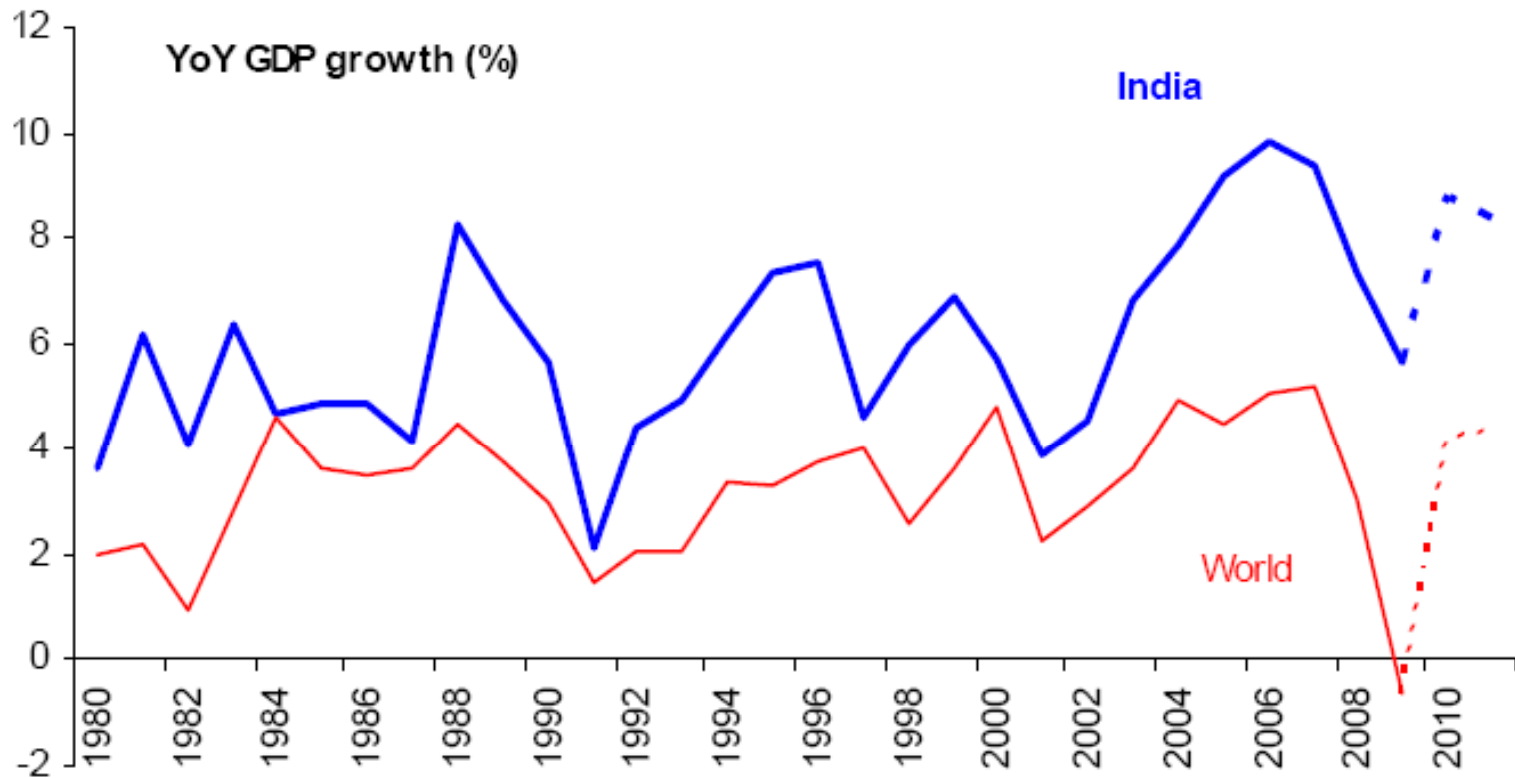


## Indian markets - Outlook

- An excellent Monsoon season may help in a bumper crop and will help in reducing food inflation.
- The onset of festive season may boost further growth for most consumer related sectors.

# Justifying fair value plus valuations!!!

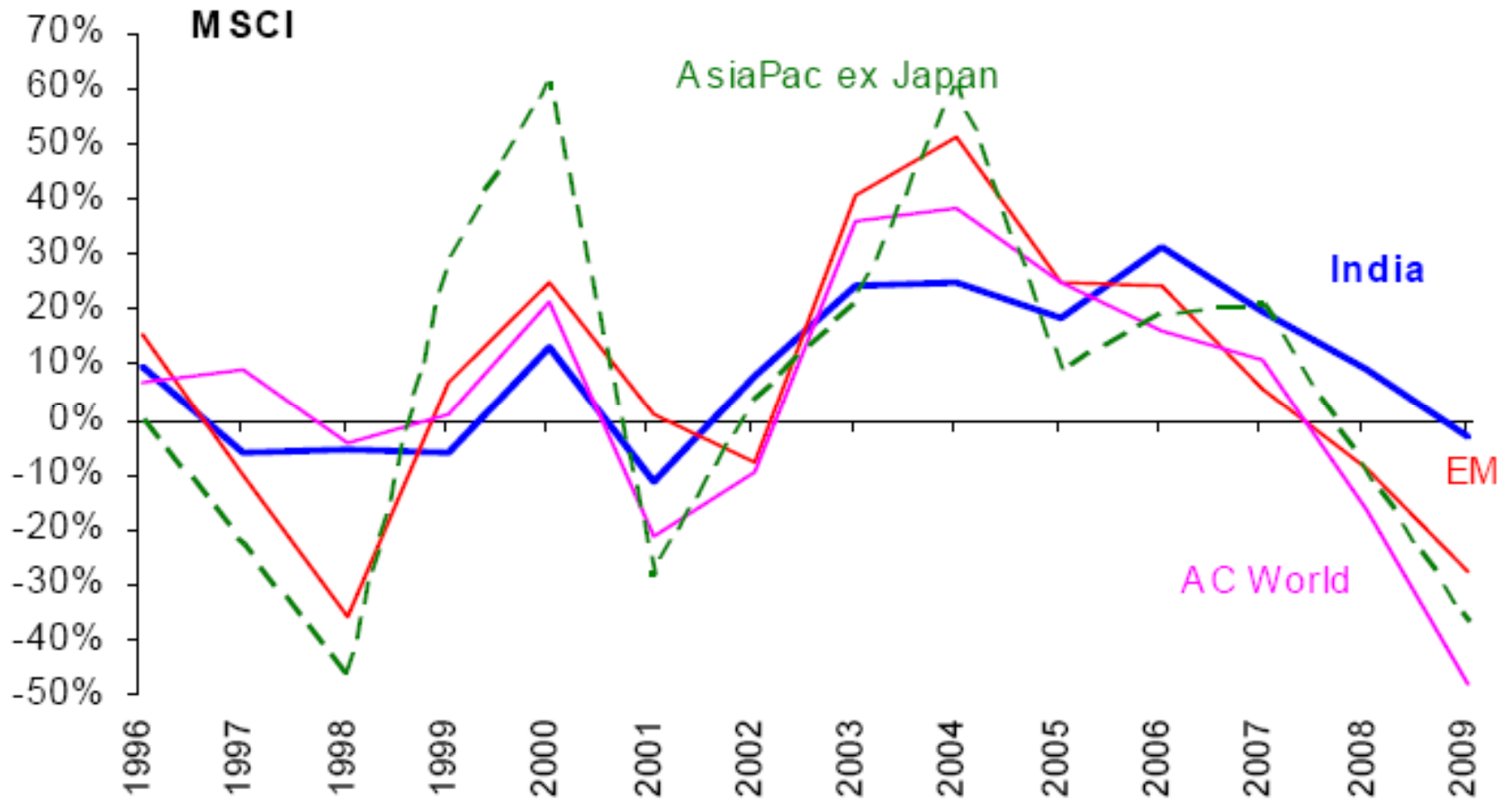
India's Superior and Balanced Growth Likely to Continue



Source: CSO, IMF Estimates, Morgan Stanley Research

# Justifying fair value plus valuations!!!

India's Earnings: Lower Cyclicalilty

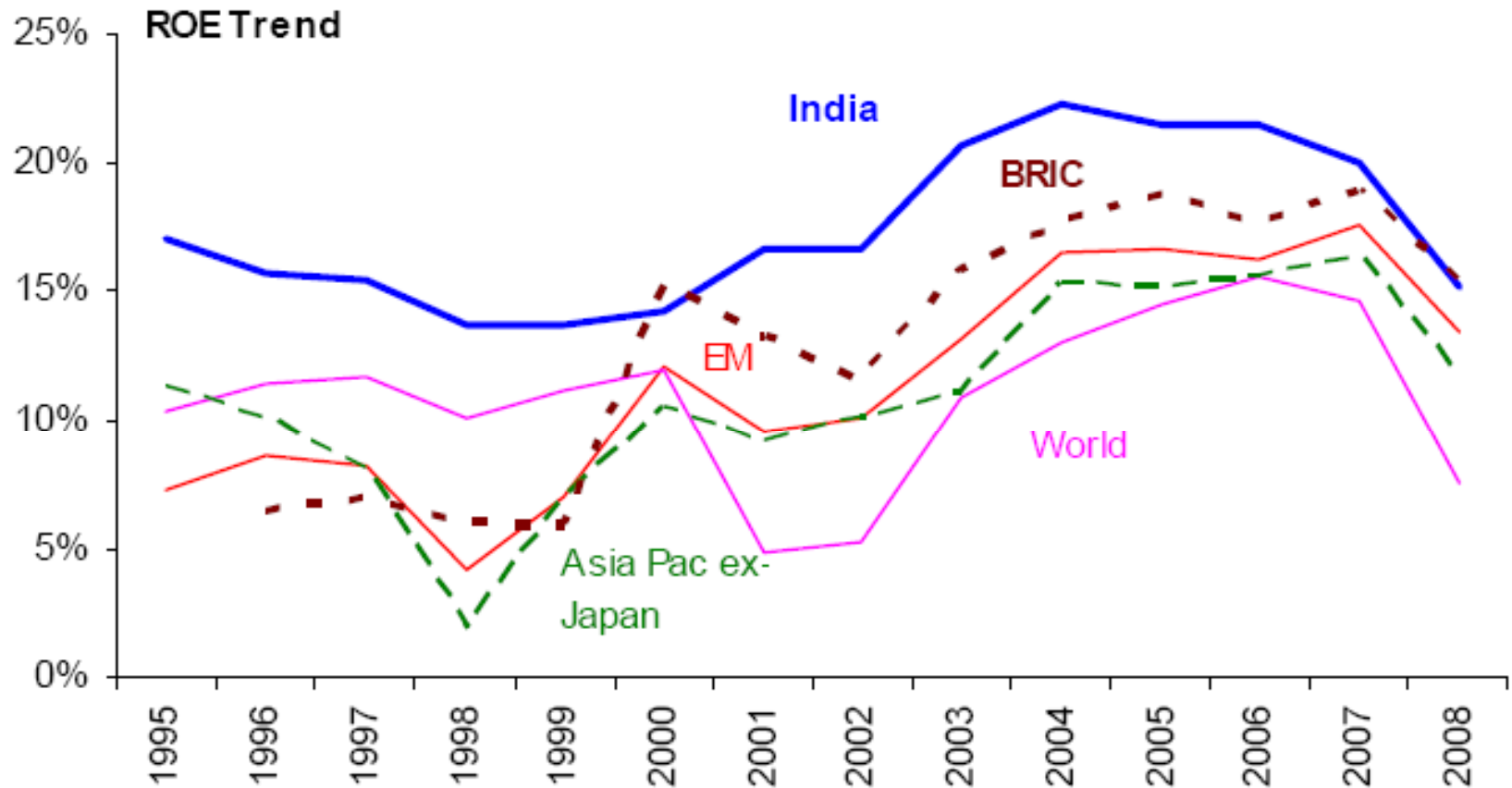


Source: Worldscope, FactSet, Morgan Stanley Research

A C World – All Country World  
EM – Emerging Markets

# Justifying fair value plus valuations!!!

India's ROE Superiority vs. the Globe

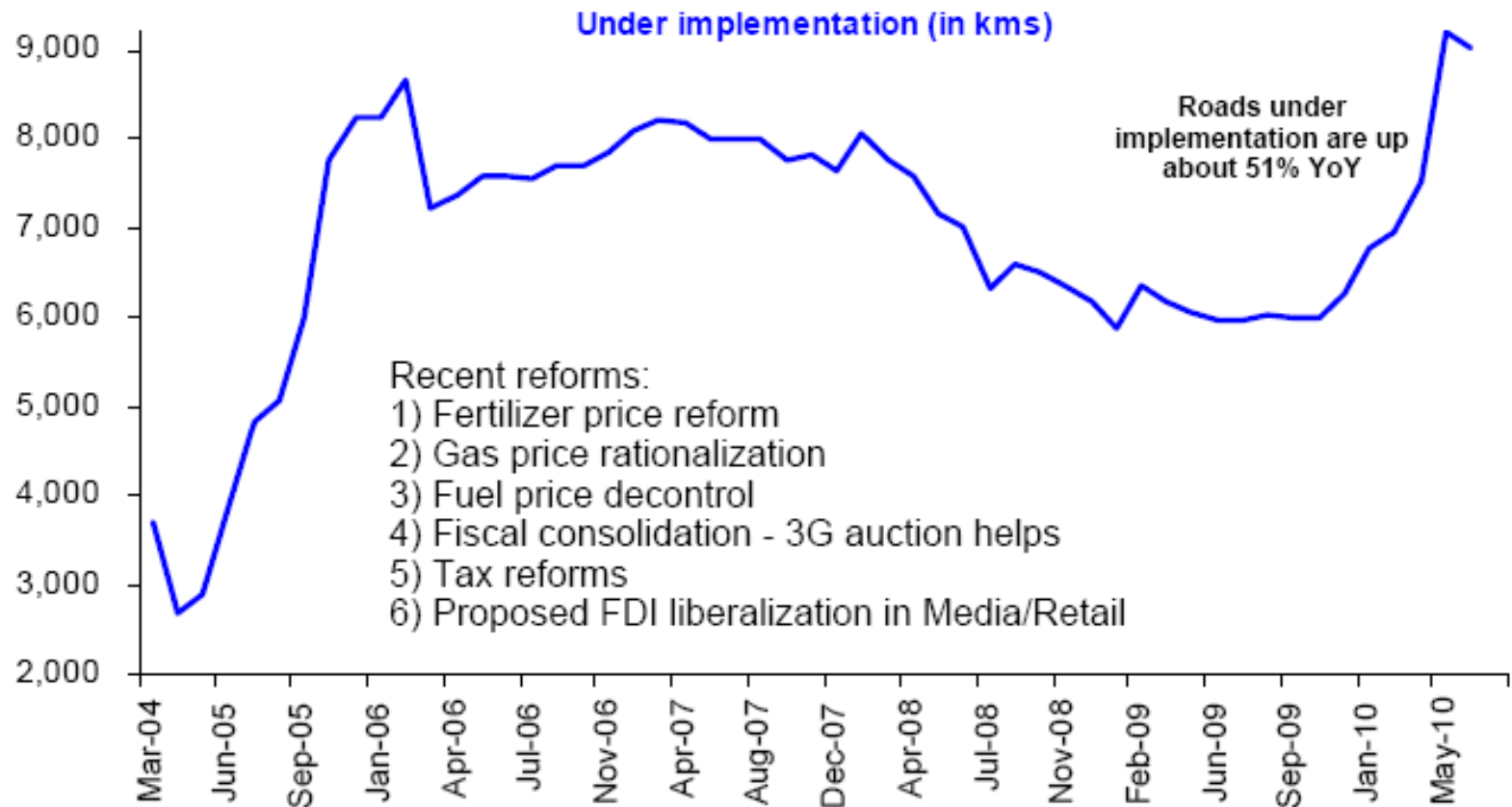


Source: Worldscope, FactSet, Morgan Stanley Research

BRIC – Brazil, Russia, China & India  
EM – Emerging Markets

# Justifying fair value plus valuations!!!

Road Investments: Inflexion Point



Source: NHAI, Morgan Stanley Research

# *India, a country of*

**OPPORTUNITIES.**

*FII's*

**THE  
DOOR  
OPENS  
WIDER**

The only economy

- *Growing at 8% plus on a sustainable basis.*
- *Where inflation is coming down.*
- *Where interest rates are range bound.*
- *Where currency is likely to appreciate.*
- *Where corporate earning growth is steady.*
- *Demand is not an issue.*



# Recommendations

- We recommend investors
  - To invest via the SIP route rather than timing the markets.
  - Maintain a neutral allocation to equity.
  - Maintain a neutral allocation between large-cap and mid-caps.
  - Increase equity allocations at every correction.
- Product Recommendations:
  - ICICI Prudential Dynamic Plan.
  - ICICI Prudential Focused Bluechip Equity Fund.
  - ICICI Prudential Infrastructure Fund.
  - ICICI Prudential Discovery Fund

Please refer to the Scheme Information Document for investment strategy, risk factors and more details.

***WE'RE OFF "ONCE AGAIN"***

***INDIAN SHORT TERM  
INTEREST RATES***



---

---

---

---

---

---

---

---

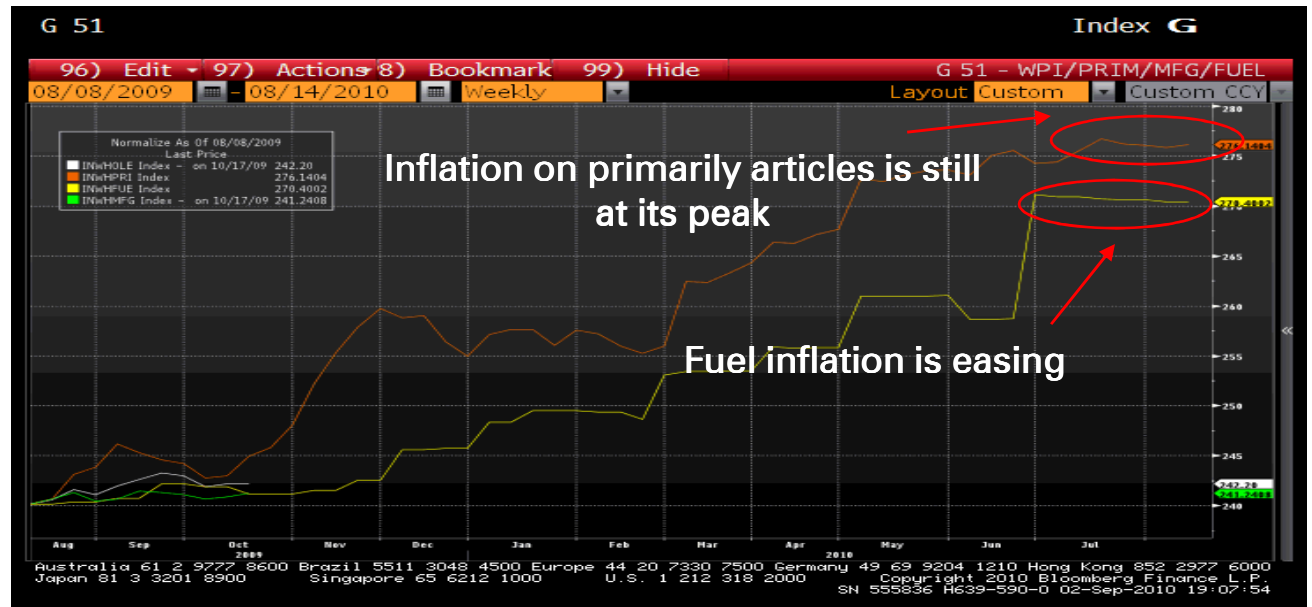
---

---

# Important events relating to Debt markets

- India's WPI fell to a single digit to 9.97% year-on-year in July 10 following the 10.55% rise in June 10.
- Food inflation is still high however, the fuel inflation fell on account of a drop in global crude prices.
- August has been a more liquid month than in July however, that did not deter rates from rising.
- Rates on a 3 Year Commercial Paper (CP's) touched a new one year high in the month as Corporates continued to borrow via this route rather than borrowing loans linked to the benchmark prime lending rate (BPLR).
- The rate hikes and tight liquidity resulted in spike in short term rates and also one year CD rates are around 7.85% .
- Yields on the 10 year G-Sec kept rising through the month on account of the rate hikes and rose to around 8% for the month.

# WPI Inflation & WPI Components

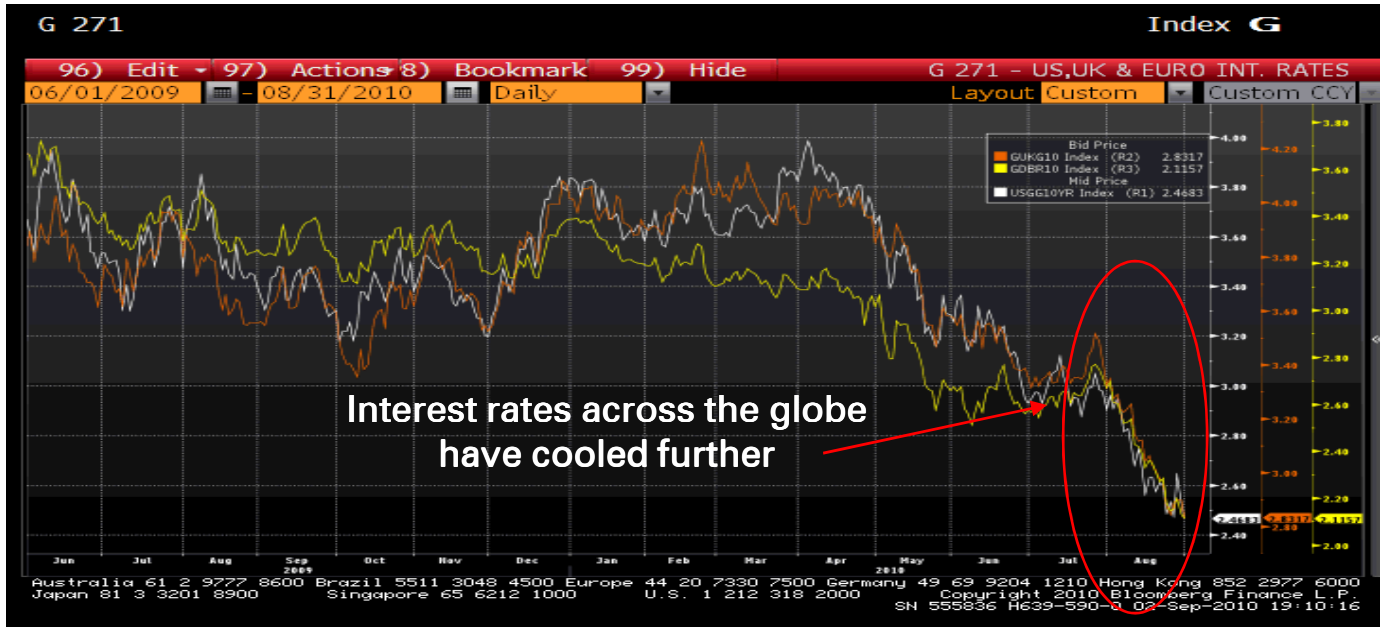


25 (Source: Bloomberg dated Aug 31, 2010)

# Crude Oil & Commodity Prices

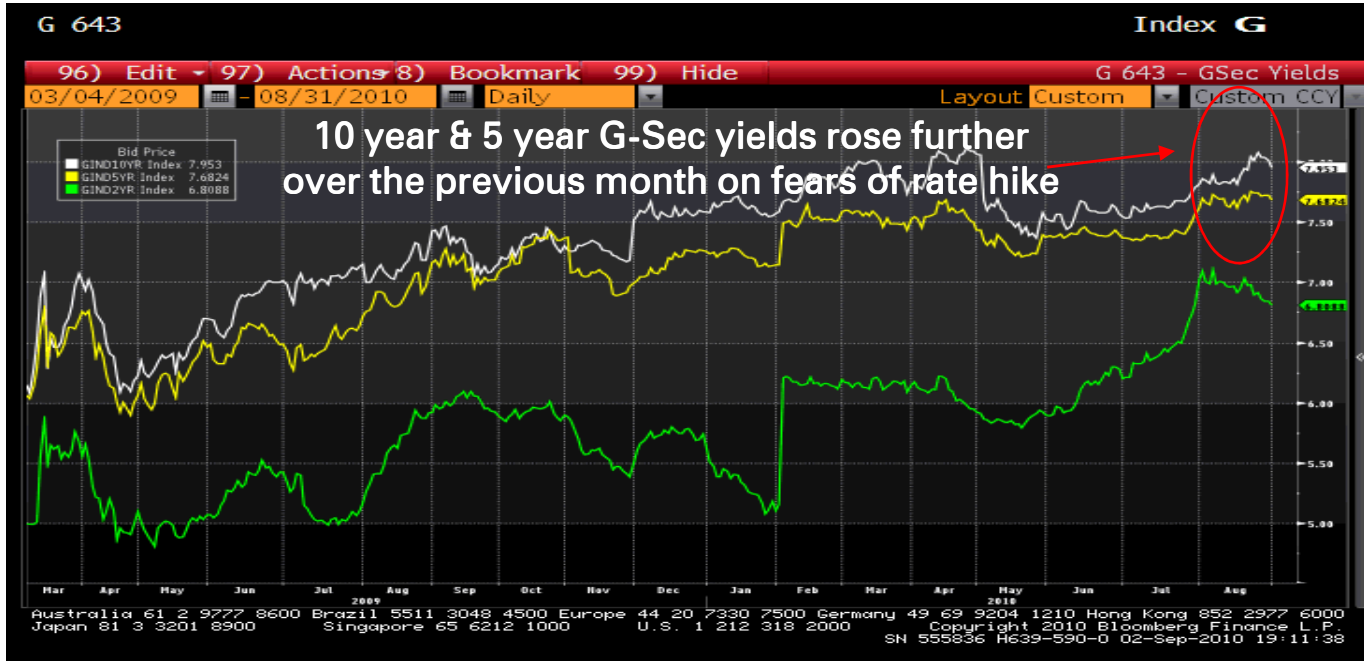


# Global Interest Rates



27 (Source: Bloomberg dated Aug 31, 2010)

# Domestic Interest Rates



---

---

---

---

---

---

---

---

---

---

## Market outlook and recommendation

- Liquidity is expected to remain tight from mid-September to December and may keep the short term rates high primarily owing to:
  - Advance tax out-flows which may reduce currency in circulation to the tune of Rs. 30,000-35,000 crores.
  - The festive season which has already begun in most parts of the country may further reduce the currency in circulation by another Rs. 50,000 – 60,000 crores
- The G-sec yield is expected to be in the range of 8% and occasionally spiking to 8.25% but not expected to fall below 7.5% on account of government borrowing.
- Also the gap between the 10 year US treasury and G-sec yield is at a higher level keeping a pressure on Indian G-sec yields
- RBI may also hike rates in mid-quarter monetary review on September 16<sup>th</sup> or in the next monetary policy on 2<sup>nd</sup> November

---

---

---

---

---

---

---

---

---

---

# Market outlook and recommendation

- To benefit from attractive short term yields, we recommend investors to invest in 3 months, 6 months and 1 Year FMP's / Interval Plans .
- ICICI Prudential Long Term Plan and ICICI Prudential Long Term Floating Rate fund , currently positioned to capture the spike in one year CD rates.
- Investors can consider investing in ICICI Prudential Ultra-Short Term and ICICI Prudential Short Term Fund as a trading call from September to January / February 2011.
- Investors can consider investing in ICICI Prudential Income and ICICI Prudential Gilt Funds by spreading investments over the next 4 months when 10 year G-sec yield is around 8% and plus with time horizon till April-May 2011. We think in January-February with slowdown in inflation and probably liquidity pressures easing off one could see some rally in 10-year yield falling and another rally in April and May 2011 when government needs to kick-start its borrowing program for FY12.

Please refer to the Scheme Information Document for investment strategy, risk factors and more details.

---

---

---

---

---

---

---

---

---

---

# Statutory Disclaimers and Risk Factors

**Statutory Details:** ICICI Prudential Mutual Fund (the Fund) was set up as a Trust sponsored by Prudential plc (through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) and ICICI Bank Ltd. ICICI Prudential Trust Limited (the Trust Company), a company incorporated under the Companies Act, 1956, is the Trustee to the Fund. ICICI Prudential Asset Management Company Ltd (the AMC), a company incorporated under the Companies Act, 1956, is the Investment Manager to the Fund. ICICI Bank Ltd and Prudential Plc (acting through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) are the promoters of the AMC and the Trust Company. **Risk Factors: All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market and there can be no assurance that the fund's objectives will be achieved** Past performance of the Sponsors, AMC/Fund does not indicate the future performance of the Schemes of the Fund. The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes beyond the contribution of an amount of Rs.22.2 lacs, collectively made by them towards setting up the Fund and such other accretions and additions to the corpus set up by the Sponsors.

**ICICI Prudential Dynamic Plan\$** (An open-ended Equity Fund. Objective is to generate capital appreciation by actively investing in equity and equity related securities and for defensive consideration in debt / money market instruments), Entry Load: Nil, Exit Load: ##

**ICICI Prudential Discovery Fund\$** (An open-ended Equity Fund. Objective is to generate returns through a combination of dividend income and capital appreciation by investing primarily in a well-diversified portfolio of value stocks)

**ICICI Prudential Infrastructure Fund\$** (An open-ended equity scheme. Objective is to generate capital appreciation and income distribution to unitholders by investing predominantly in equity/equity related securities of the companies belonging to the infrastructure industries and balance in debt securities and money market instruments), Entry Load : Nil, Exit Load: ##

**ICICI Prudential Focused Bluechip Equity Fund** (An open-ended equity scheme that seeks to generate long-term capital appreciation and income distribution to unitholders from a portfolio that is invested in equity and equity related securities of about 20 companies belonging to the large cap domain and the balance in debt securities and money market instruments. The Fund Manager will always select stocks for investment from among Top 200 stocks in terms of market capitalization on the National Stock Exchange of India Ltd. If the total assets under management under this scheme goes above Rs. 1000 crores the Fund Manager reserves the right to increase the number of companies to more than 20, Entry Load: Nil; Exit Load: Exit Load :##; **Investment in the scheme may have concentration risk as the scheme invests in about 20 stocks.**

**ICICI Prudential Ultra Short Term Plan\$** (An open-ended income fund that intends to generate regular income through investments in a basket of debt and money market instruments of very short maturities with a view to providing reasonable returns, while maintaining an optimum balance of safety, liquidity and yield.

**ICICI Prudential Short Term Plan\$** (An open-ended Income Fund. is an additional Plan under the existing ICICI Prudential Income Plan with characteristics similar to ICICI Prudential Income Plan. The objective of the Plan is to generate income through investments in a range of debt and money market instruments of various maturities with a view to maximising income while maintaining the optimum balance of yield, safety and liquidity

---

---

---

---

---

---

---

---

---

---

# Statutory Disclaimers and Risk Factors

**ICICI Prudential Long Term Floating Rate Plan\$** – Option A, B & C (An open-ended Income Fund. Objective is to generate income through investments in a range of debt and money market instruments of various maturities with a view to maximizing income while maintaining the optimum balance of yield, safety and liquidity)

**ICICI Prudential Long Term Plan\$** (An open-ended Income Fund. Objective is to generate income through investments in a range of debt and money market instruments of various maturities with a view to maximising income while maintaining the optimum balance of yield, safety and liquidity.

**ICICI Prudential Income Plan\$** (An open-ended Debt Fund. Objective is to generate income through investments in a range of debt and money market instruments of various maturities with a view to maximizing income while maintaining the optimum balance of yield, safety and liquidity

**ICICI Prudential Gilt Fund - Treasury Plan** (An open-ended short-term Gilt Fund. Objective is to generate regular returns through investments made in gilts of various maturities); **ICICI Prudential Gilt Fund - Investment Plan:** (An open-ended medium-term Gilt Fund. Objective is to generate income through investments in gilts of various maturities); **ICICI Prudential Gilt Fund Investment Plan - PF Option** (An open-ended Medium Term Gilt Fund. Objective is to generate income through investments in Gilts of various maturities); **ICICI Prudential Gilt Fund Treasury - PF Option** (An open-ended Gilt Fund. Objective is to generate income through investments in Gilts of various maturities securities/debt instruments normally maturing in line with the time profile of the Plan.

Investment in the equity oriented schemes may be effected by trading volumes, settlement periods, volatility, price fluctuations, liquidity risk, derivatives risk, market risk, currency risk, for units in foreign securities, lending and borrowing risks, risk associated with investing in securitised debt, credit and interest rate risks relating to debt instrument. Significant risk factors for debt oriented schemes Investments in the Scheme(s) may be affected by risks relating to trading volumes, settlement periods, interest rate, liquidity or marketability, credit, reinvestment, regulatory, investment in unlisted securities, default risk including the possible loss of principal, derivatives, investment in securitised instruments and risk of Co-mingling etc, Significant risk factors for equity oriented schemes: Investments in the scheme may be affected by trading volumes, settlement periods, volatility, price fluctuations and risks such as liquidity, derivative, market, currency, lending & borrowing, credit & interest rate.

The above are only the names of the Schemes and do not in any manner indicate either the quality of the Schemes or their future prospects and returns. Mutual Fund investments are subject to market risks. Please read Statement of Additional Information and Scheme Information Document carefully before investing.

---

---

---

---

---

---

---

---

---

---

# Statutory Disclaimers and Risk Factors

**Disclaimer:** The stock (s)/sectors mentioned in this presentation do not constitute any recommendation of the same and the schemes of the Fund may or may not have any future position in these stock(s)/sectors. In the preparation of the material contained in this document,

ICICI Prudential Mutual Fund (the Fund) has used information that is publicly available, including information developed in-house. Some of the material used in the document may have been obtained from members/persons other than the Fund and/or its affiliates and which may have been made available to the Fund and/or to its affiliates. Information gathered and material used in this document is believed to be from reliable sources. The Fund however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. All recipients of this material should before dealing and or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice and carefully read the scheme information document. We have

included statements/opinions/recommendations in this document, which contain words, or phrases such as “will”, “expect”, “should”, “believe” and similar expressions or variations of such expressions, that are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry. All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. ICICI Prudential Asset Management Company Limited takes no responsibility of updating any data/information in this material from time to time. ICICI Prudential Asset Management Company Limited (including its affiliates), the Fund and any of its officers directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. The recipient alone shall be fully responsible/are liable for any decision taken on the basis of this material.

For Scheme Information Document and Key Information Memorandum, contact your financial advisor or log onto [www.icicipruamc.com](http://www.icicipruamc.com) or visit any of the branches of the AMC.

All figures, indicative yields, tax rates, returns, indexation cost and other data assumed in the preparation of this document is dated. The same may or may not be relevant at a future date Prospective investors are therefore 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 the schemes of ICICI Prudential Mutual Fund .

ICICI Prudential Asset Management Company Limited (including its affiliates), the Fund and any of its officers directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. The recipient alone shall be fully responsible/are liable for any decision taken on the basis of this material



**Thank You**