

Aim to Sail towards **growth opportunities**

ICICI Prudential

★ ★ ★
EQUITY
OPPORTUNITIES
FUND



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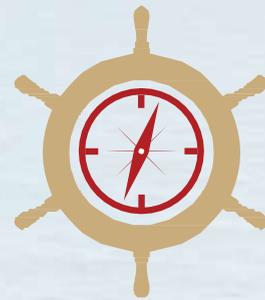
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Factors Driving Opportunities



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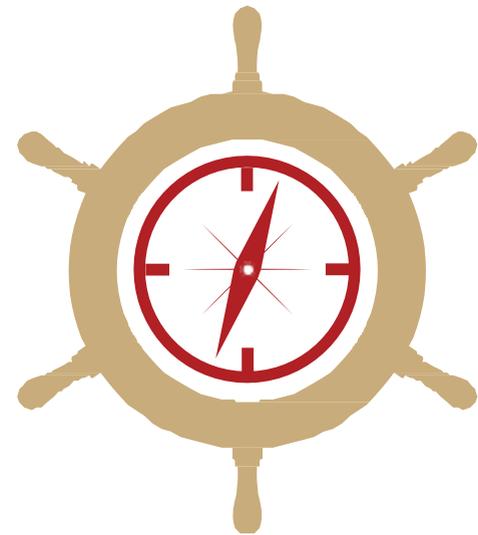
Opportunities in Equity Markets



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Introducing
ICICI Prudential Equity Opportunities Fund

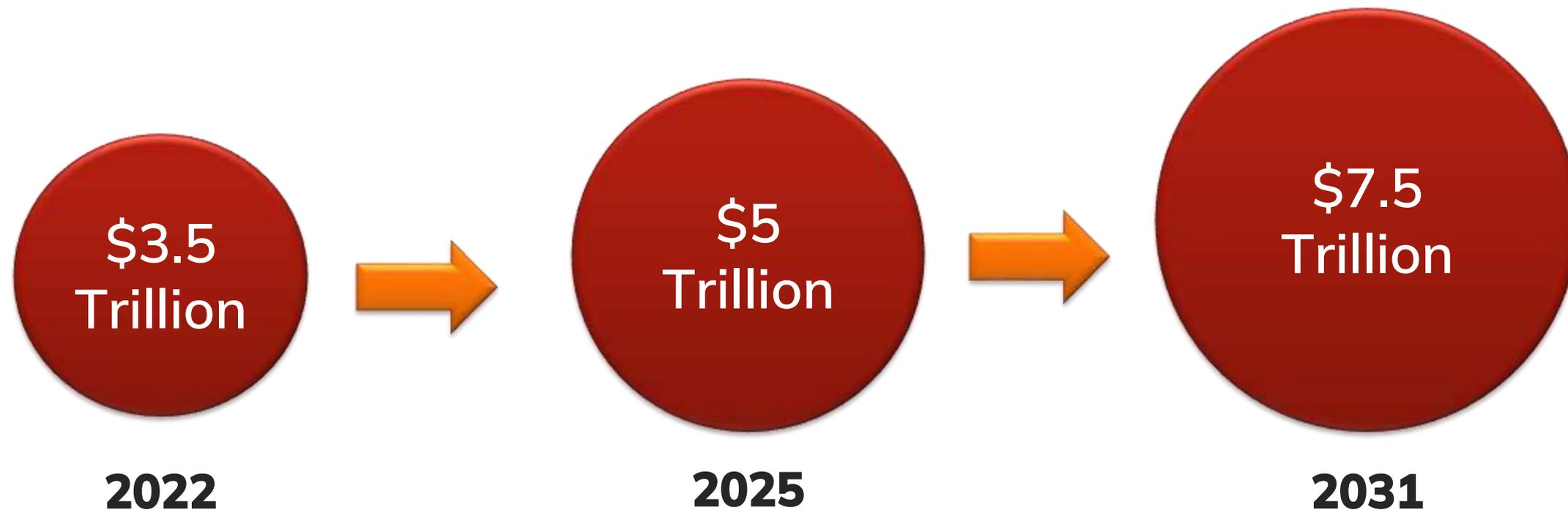




Factors Driving Opportunities In the Equity Markets

India – On a Growth Path

India's Nominal GDP



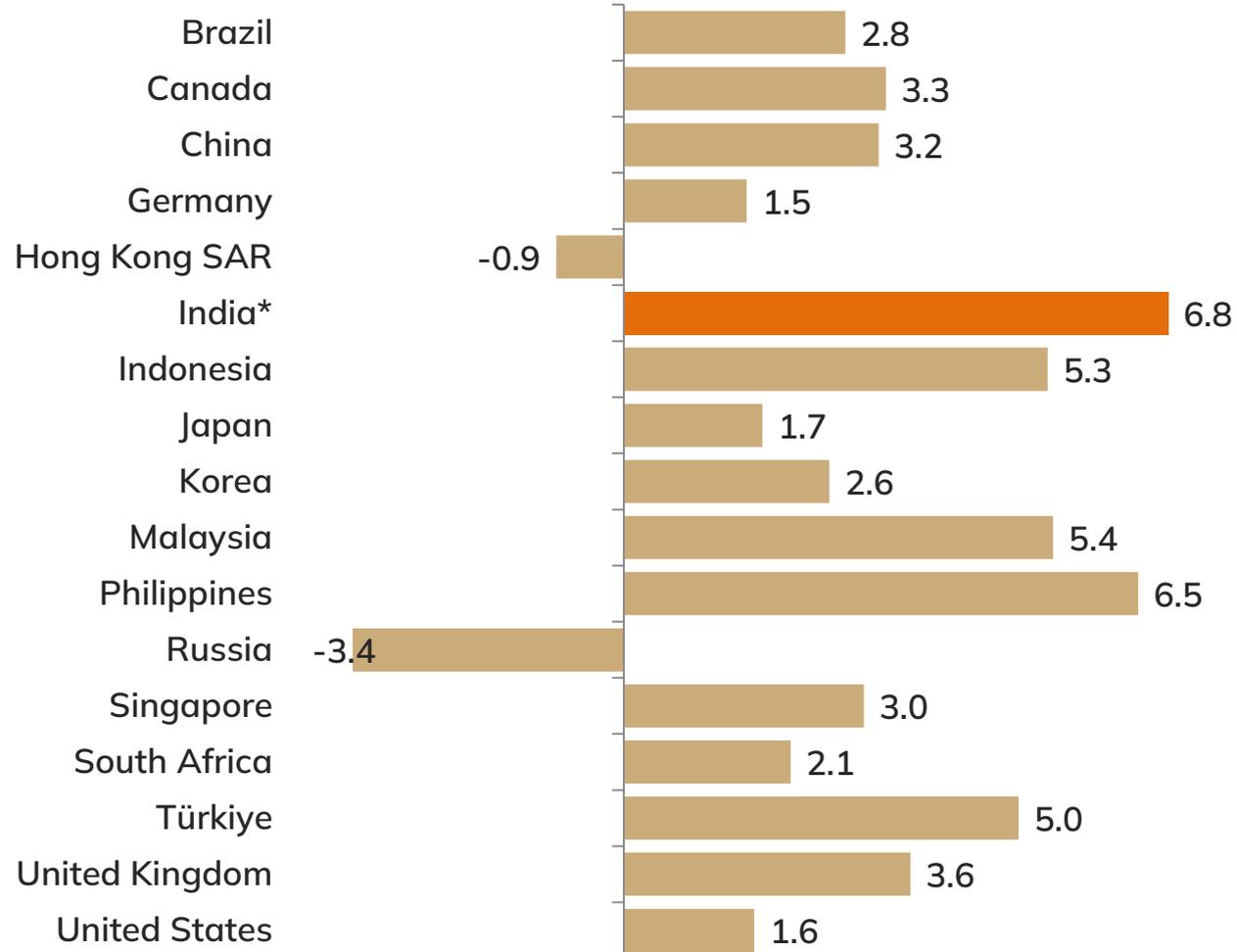
The Indian economy is pegged to growth by 7-8% over the next decade

India's Growth Story... One of the Leading Economies in the World



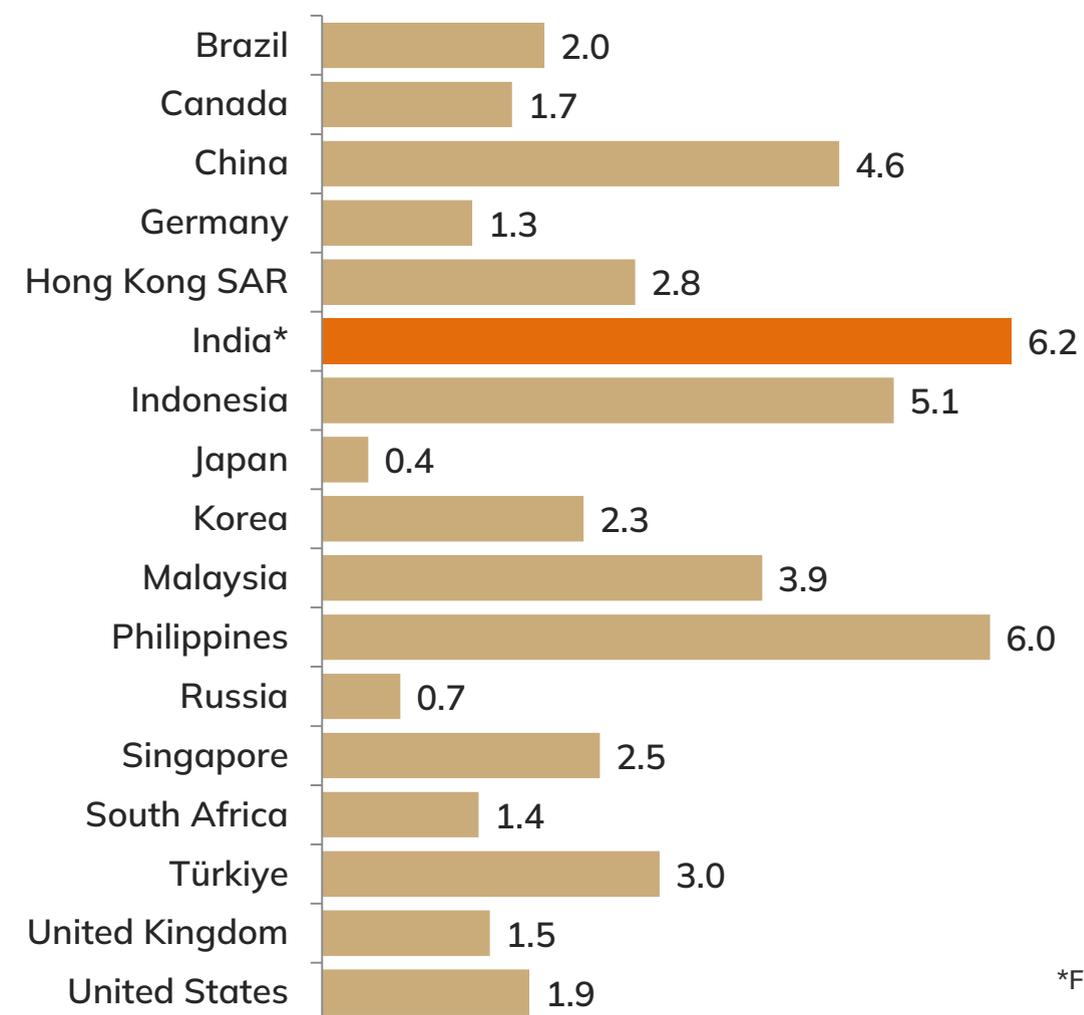
**India is set to become the third biggest economy in the world,
in terms of Nominal GDP, by 2027**

Real GDP 2022, % YoY



*India's expected FY23 growth is 6.8% YoY

Expected Real GDP 2027, % YoY

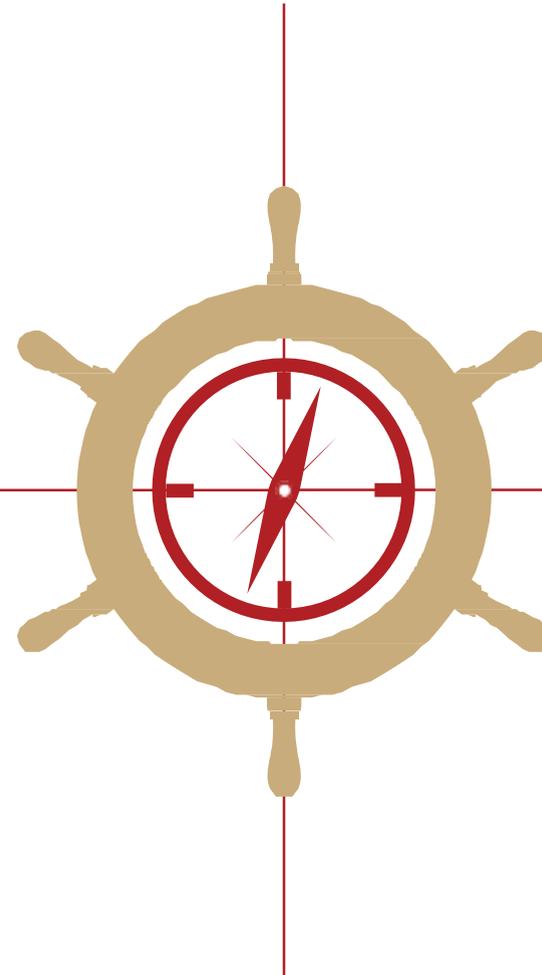


*FY28 for India

Factors Driving India's Growth



Changing Regulations / New Reforms
Leading to opportunities for specific sectors and industries

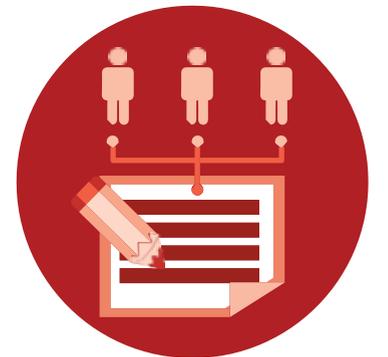


Changing Global Economic Landscape
Shifting trends in emerging market and developing economies



Improving Technology
Leading to higher productivity & connectivity

Changing Consumer Preferences
Transition leading to a divergence from past trends



Reforms over the Past Decade, Creating a Runway for the Next Decade



Inter-connected path for India to achieve sustainable growth

Reducing leakages in public delivery can curtail fiscal expenditure. Facilitating ease of doing business will add to tax buoyancy

Fiscal

- ✓ Implementation of GST
- ✓ Direct benefit transfer (DBT) schemes
- ✓ Divestment program and management of PSUs
- ✓ Rationalization of fuel subsidies

A contained fiscal deficit will help to reduce borrowings, which is expected to lead to a fall in interest rates and aid the investment cycle

Governance

- ✓ Improving Transparency
- ✓ Reducing Bureaucracy
- ✓ Reforms in Judiciary
- ✓ Creation of new regulators

Banking sector

- ✓ Financial Inclusion
- ✓ Implementation of Bankruptcy Law
- ✓ Reduction in SLR over time
- ✓ Restructuring of PSU Banks

Investment

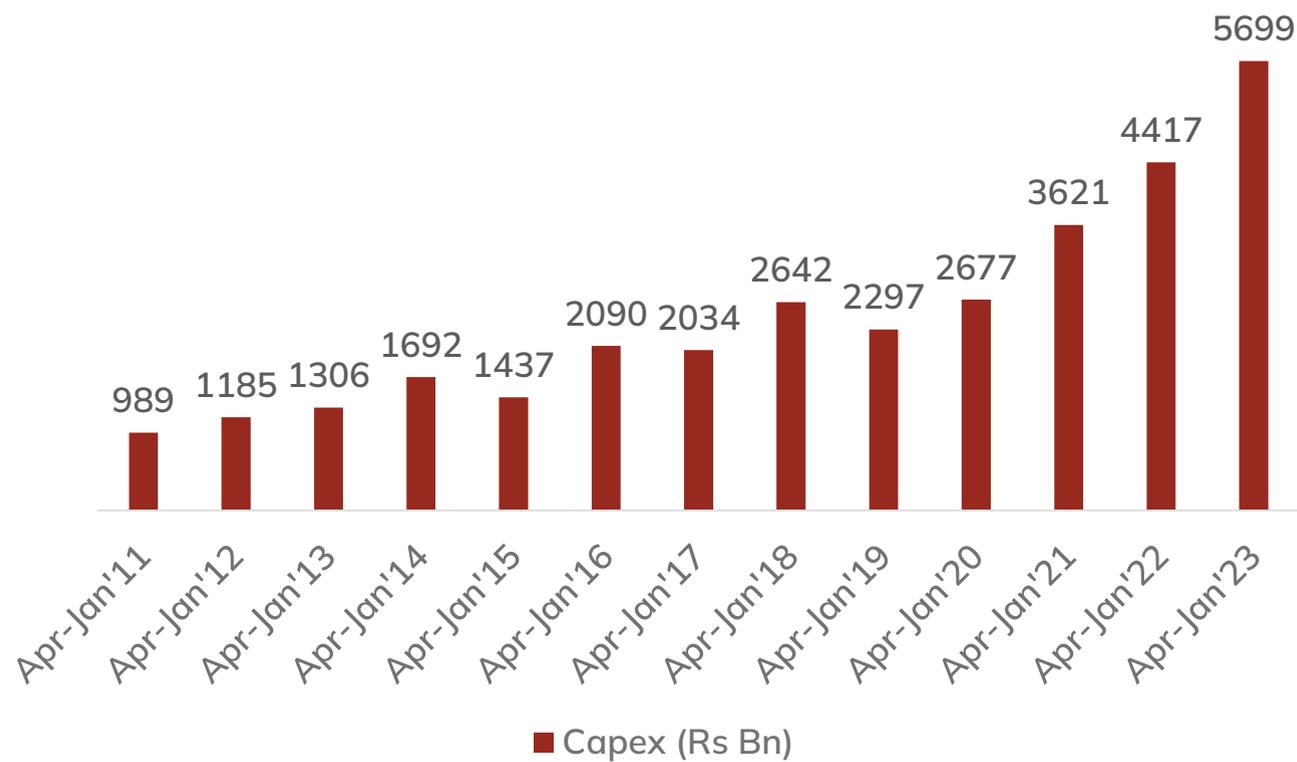
- ✓ Competitive Corporate Tax Rates
- ✓ Labour Reforms
- ✓ Land Reforms
- ✓ Make in India

Tightening credit culture via the banking system can bring about a significant change in the governance system in corporate India

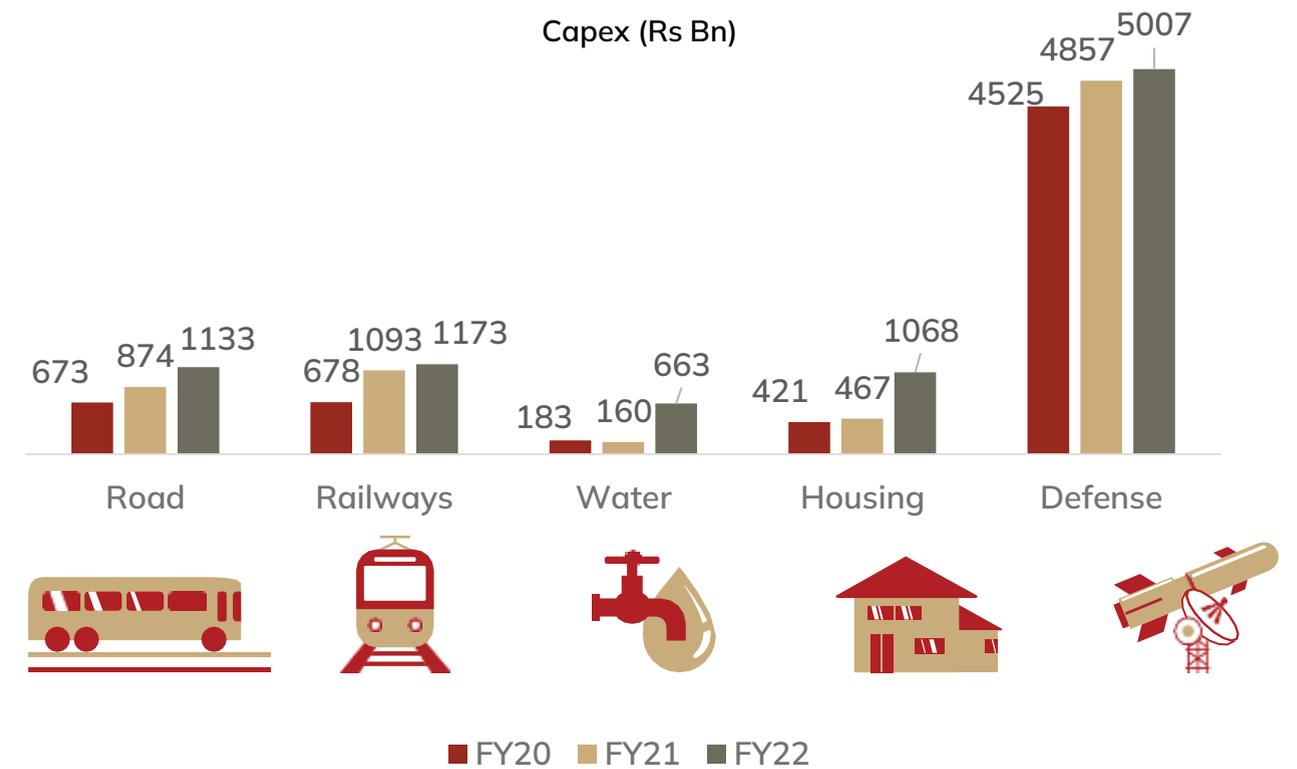
Revival of the investment cycle will improve credit off-take from the banking sector bringing in credit growth and reducing the proportion of NPAs

Improving Trends - Capex

Government capex grew by 29% y-o-y in Apr-Jan FY23 to Rs. 5.7tn from Rs. 4.4tn in Apr-Jan FY22



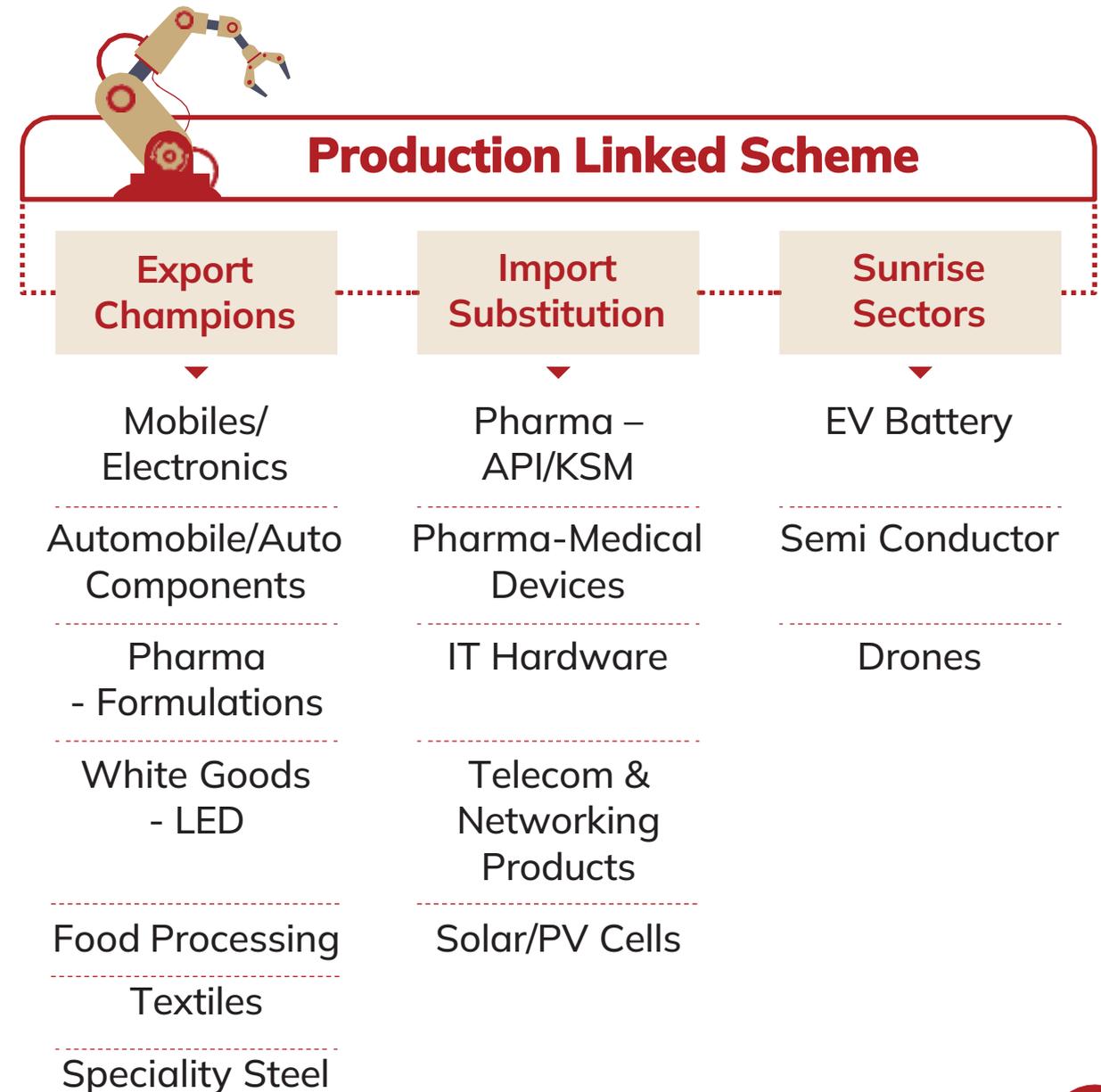
Road, Railway and Water sectors are leading the capex



Improving Trends - Production Linked Incentive

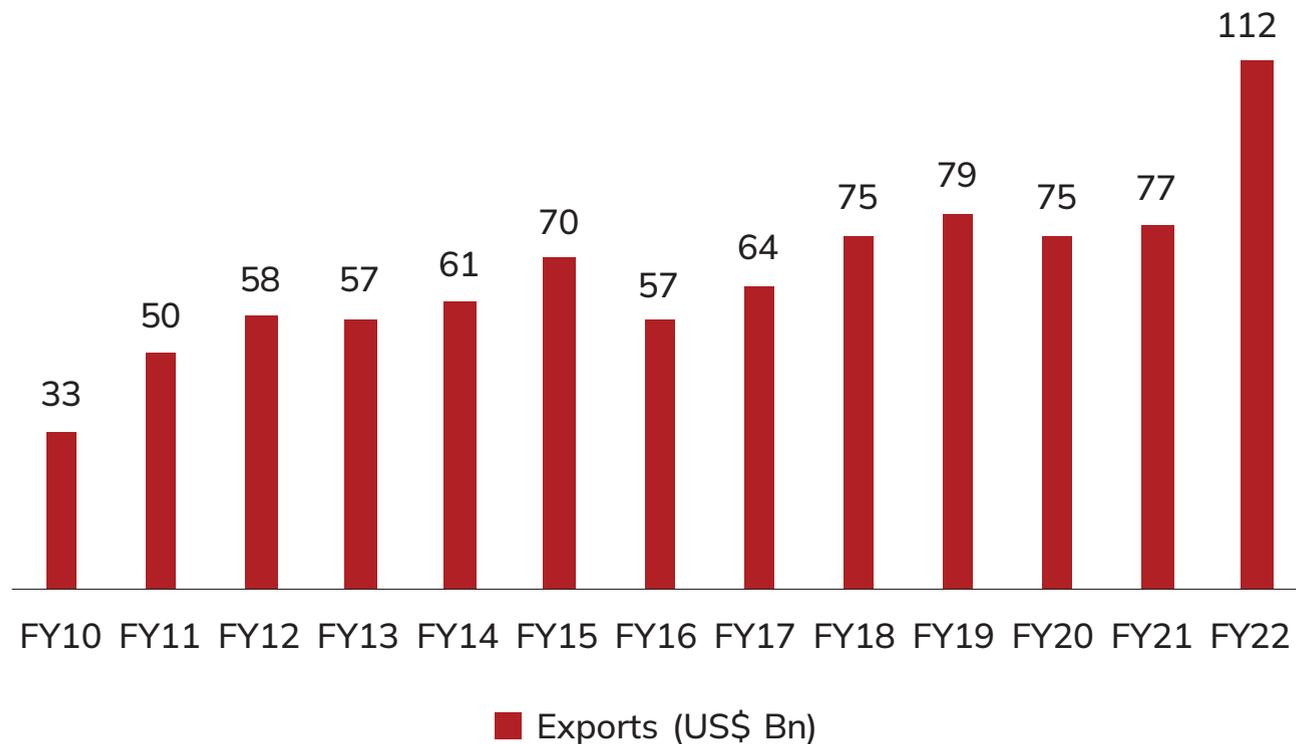
PLI has potential to garner cumulative capex of ~Rs.4.4tn over next 4-5 years

Category	Overall PLI Incentive Committed (Rs. Bn)	Committed/ Likely Investment/ Capex (Rs. Bn)
Mobiles/Electronics	410	110
Pharma (Total)	254	163
White goods & LED	62	79
Solar PV	45	175
Telecom	122	30
Food	109	61
Auto & Auto Comp.	261	425
IT Hardware	73	24
Speciality Steel	63	400
Textile	107	190
EV Battery	181	450
Semiconductor	760	2300
Total	2468	4407

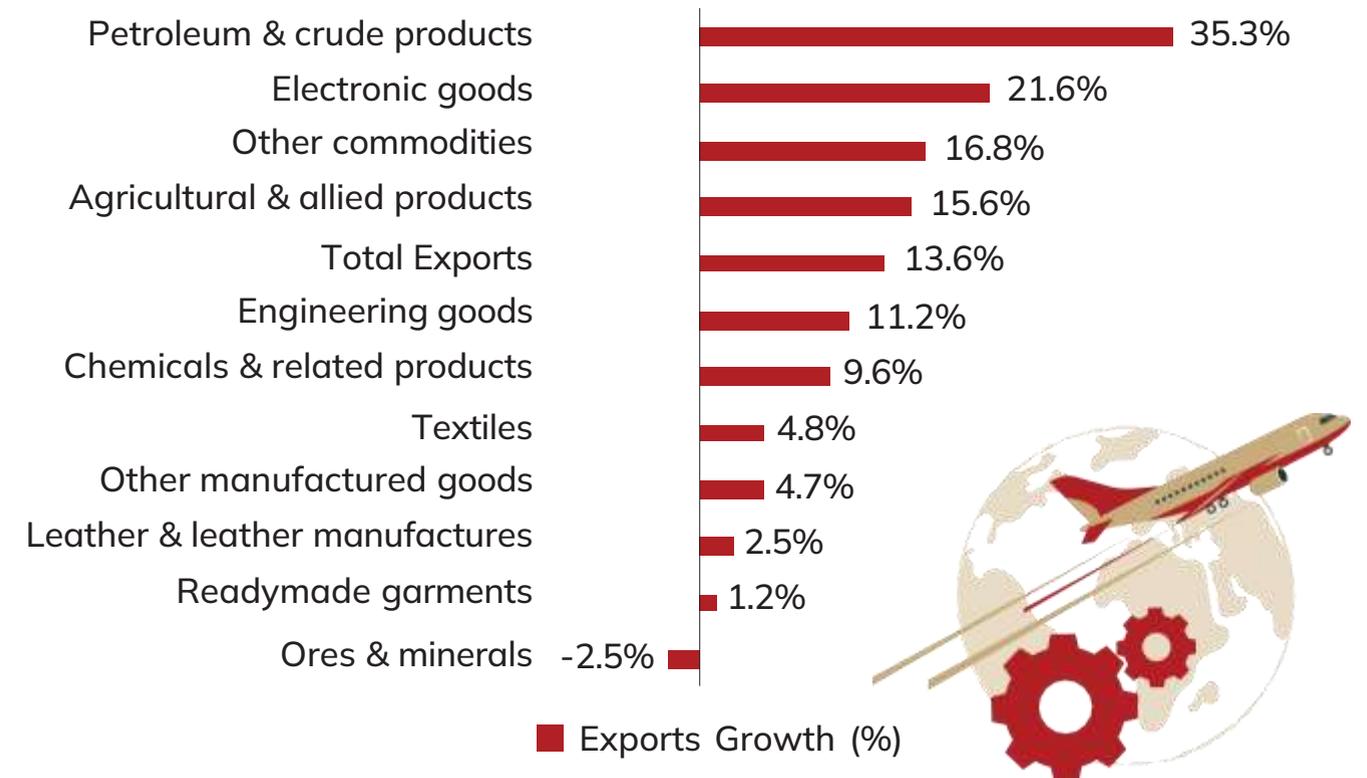


Improving Trends - Exports Growth

Engineering goods exports stood at \$112bn in FY22



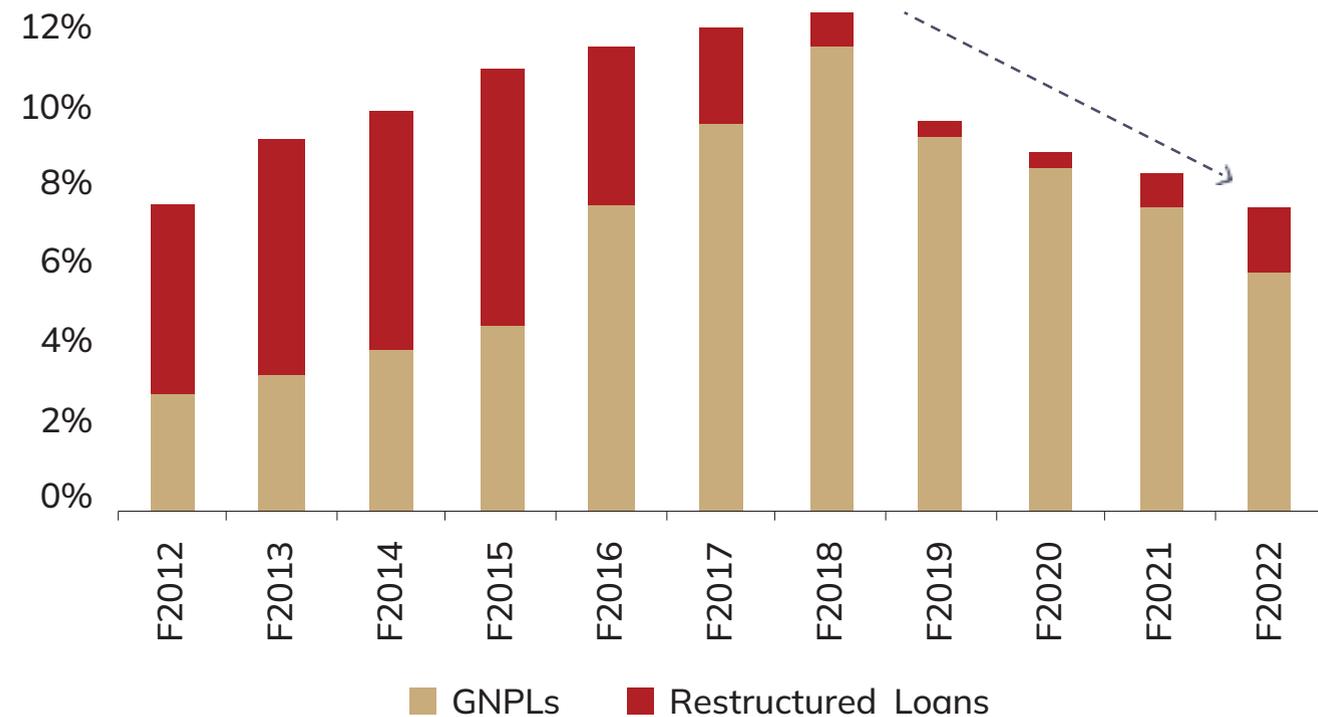
Exports Growth (3Y-CAGR) during 1H FY23



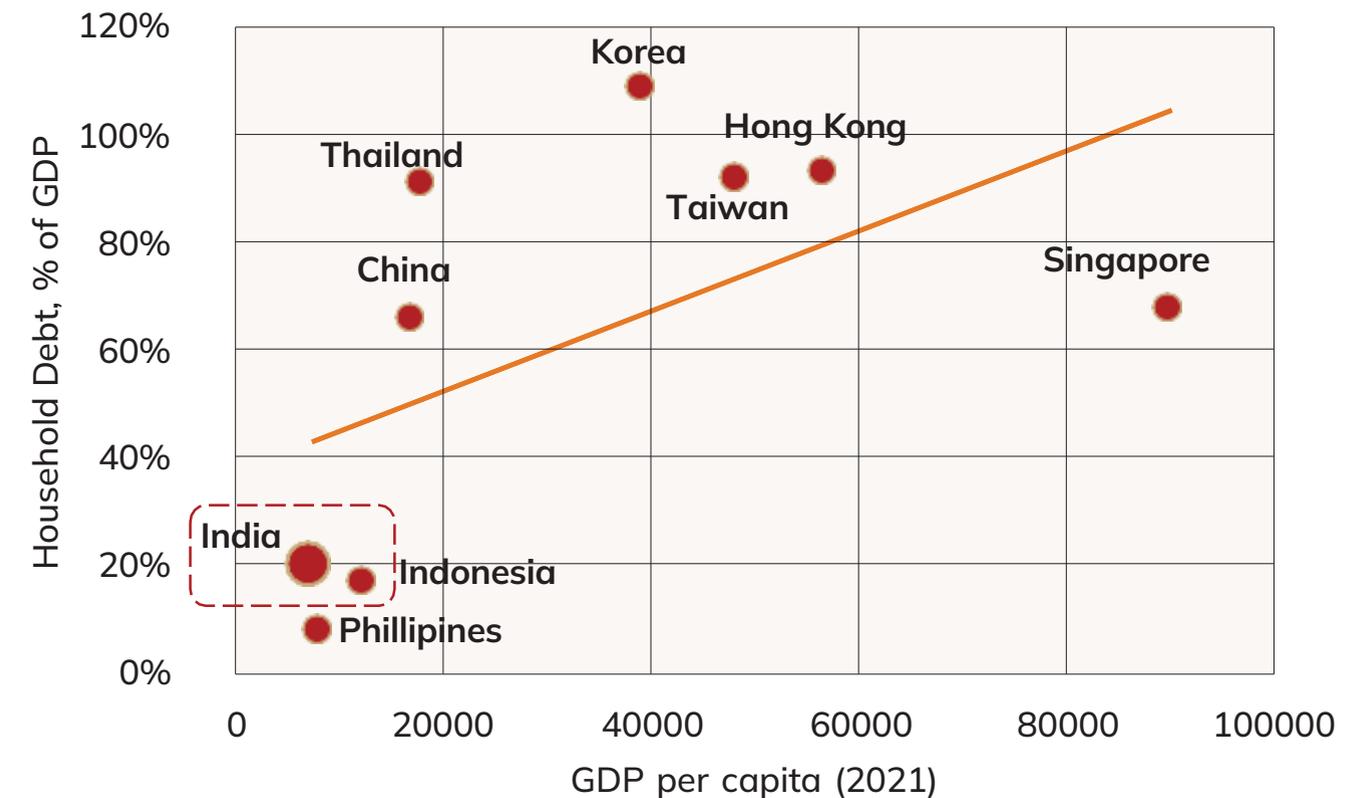
Improving Trends - Lower Stressed Assets Creating a Conducive Environment



Banks have repaired their Balance Sheets in the last few years



Household balance sheet is not leveraged compared to other countries

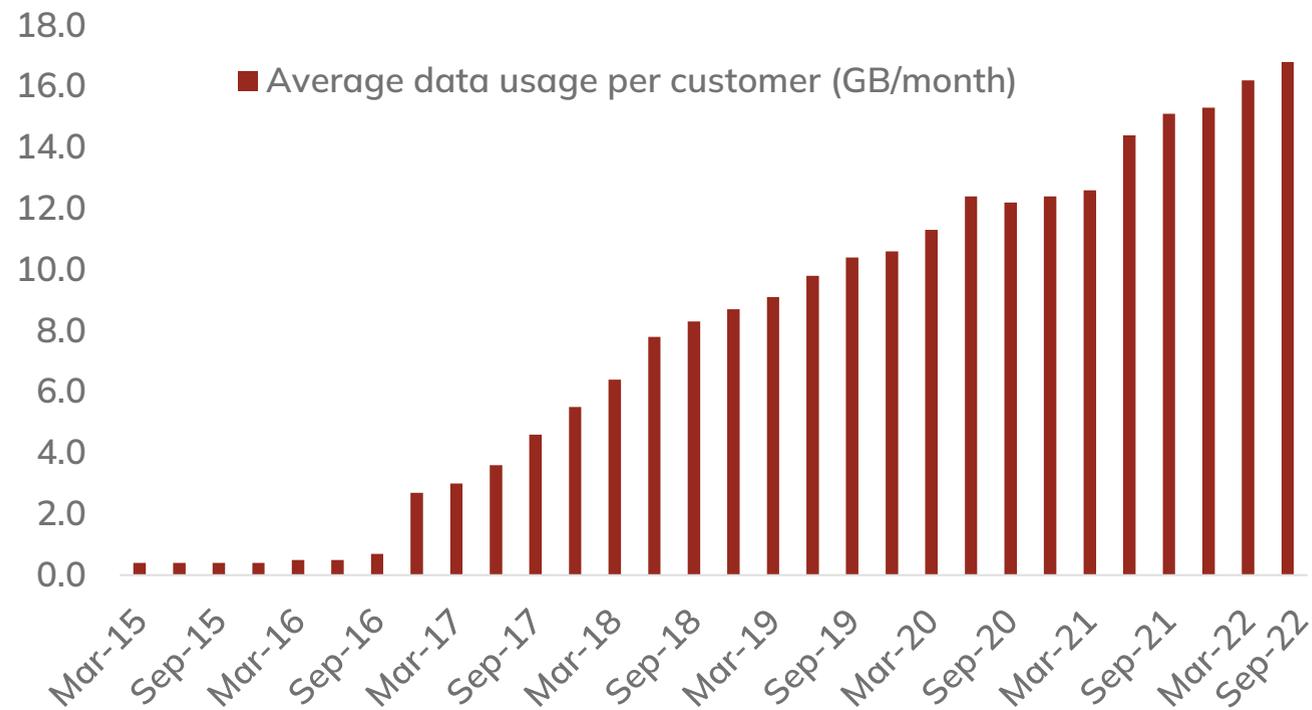


Source: Morgan Stanley. GNPL: Gross Non Performing Loans. GDP: Gross Domestic Product

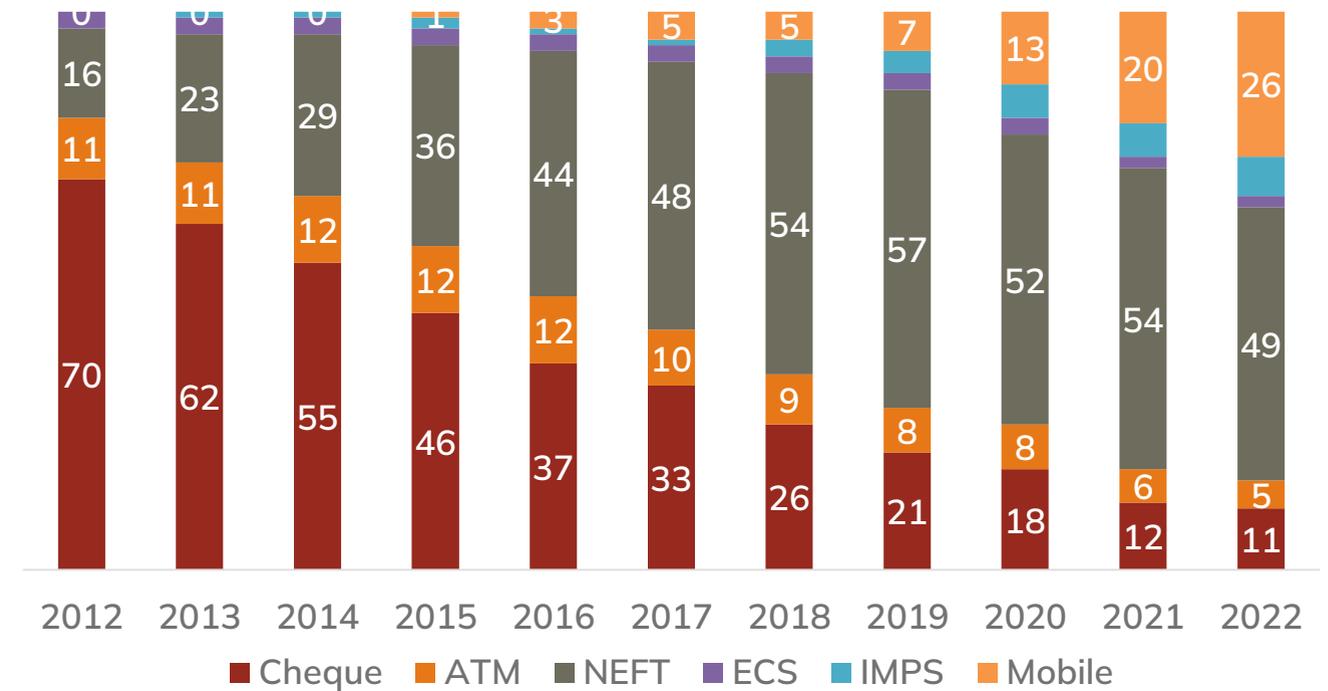
Improving Trends – Digitalization & Financialization



Data usage per customer has jumped significantly over the past few years

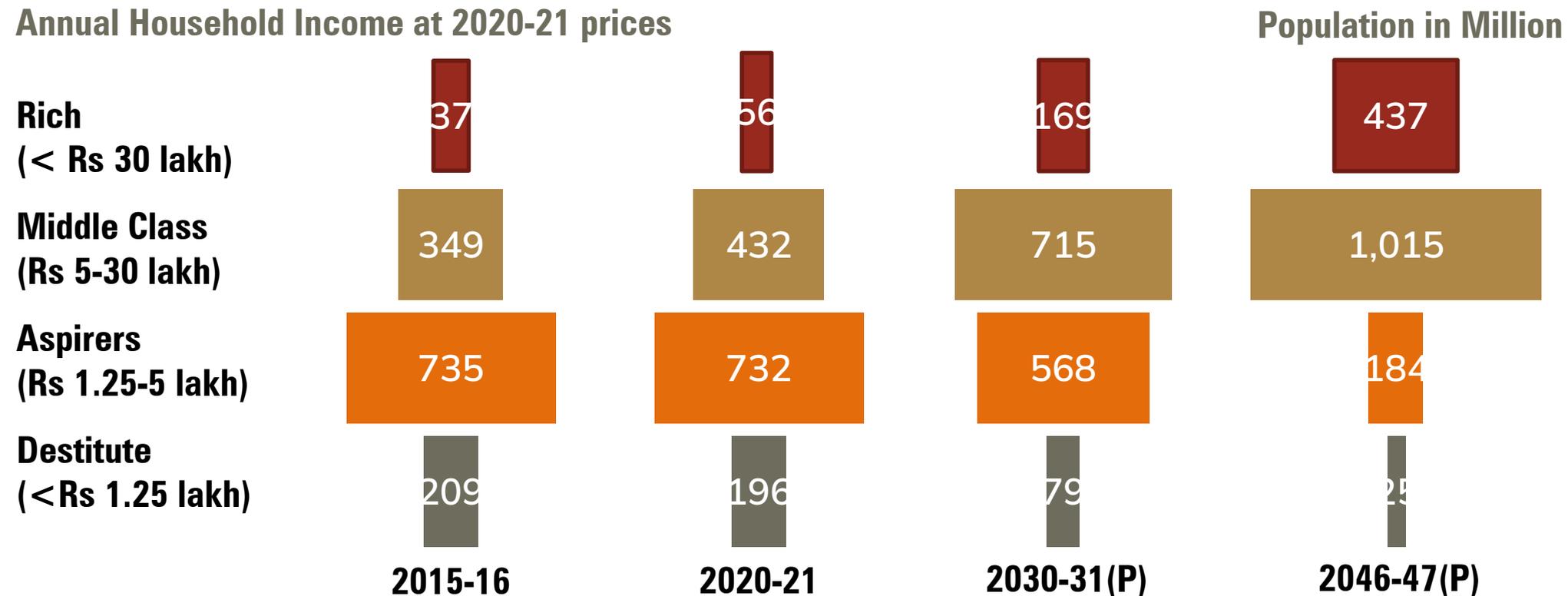


Digital formats such as NEFT & mobile banking gaining share



Digitalization & Financialization in the last few years is changing how individual spend and save

Improving Trends - Consumption



Premium consumption in India is set to multiply

A substantial 400 million premium consumers are expected to get added from now to FY31.

Trends over the past few years confirm that premium categories, and services are amongst the fastest growing consumption categories

In Equity
Markets...

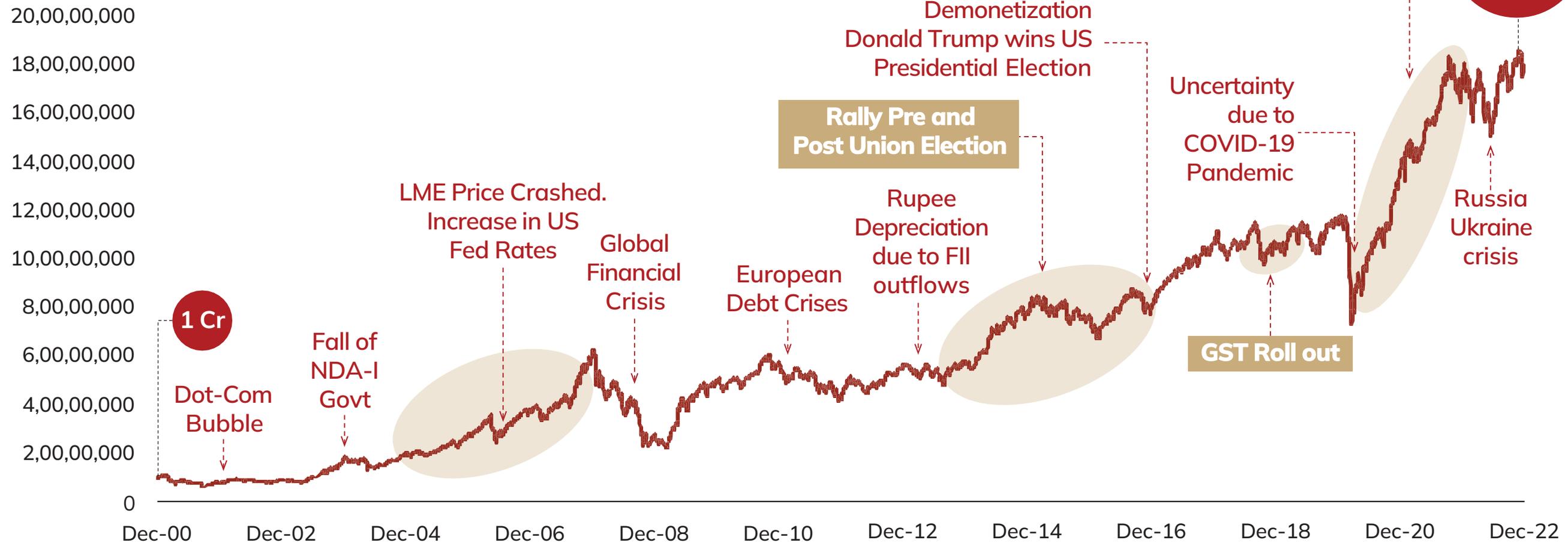
... There's Often
**A Contrarian
Opportunity**



Over the Long-term, Markets Often Move Up Despite Short-term Volatility

Growth of Rs.1,00,00,000/-

— S&P BSE 200



Companies create wealth...not Markets.



Wealth Creators vs Wealth Destroyers

Calendar Year End → No. of Top 500 Companies by Market-cap delivering >20% CAGR over 5-year periods

5-Year CAGR↓	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
>20%	179	124	53	51	209	170	155	254	275	238	81	84	144	67
0-20%	216	229	175	137	189	171	186	183	175	194	205	215	229	227
-20% to 0	90	131	203	218	89	128	128	53	45	56	169	169	118	183
<-20%	15	16	69	94	13	31	31	10	5	12	45	32	9	23
Nifty 500 Return	19%	15%	2%	-2%	16%	9%	6%	14%	15%	13%	8%	11%	17%	10%
Outperforming Nifty 500	189	181	196	215	244	264	276	306	326	304	178	157	189	159
Underperforming Nifty 500	303	311	296	277	248	228	216	186	166	188	314	335	303	333

Source for index data: www.nseindia.com; | Data as on December 31, 2022 | Past Performance may or may not sustain in future

Drivers for Price

$$\text{Price} = \text{EPS} \times \text{P/E}$$
$$\Delta \text{Price} = \left[\Delta \text{EPS} \times \Delta \text{P/E} \right]$$



In Equity Markets.....Earnings growth matters...
EPS decides the long term market direction.

Nearly 200 Companies Outperformed the Nifty 500, with Improving Earnings & RoE



Companies that have generated reasonable profit growth over time with reasonable return on equity have seen a P/E rerating

31 Dec 2007 to 31 Dec 2022		Universe of top 500 Companies by Marketcap - NSE						
15-Year CAGR ↓	No. of Companies	PAT Growth	Median ROE		Median P/E			
			2007	2022	2007	2022		
Focus to Identify	>20%	46	19.6%	17.98	19.12	19.94	42.70	PE Rerating
	10% - 20%	152	15.2%	19.28	16.16	17.91	28.74	
	0% - 10%	189	9.0%	17.29	11.02	17.50	16.43	
Aim to Eliminate	-20% - 0%	107	3.6%	16.48	2.28	20.03	6.34	PE Derating
	<-20%	6	Negative Growth	11.54	Negative Earnings	77.39	Negative Earnings	

Source for index data: www.nseindia.com; | Data as on December 31, 2022 | Past Performance may or may not sustain in future
 PAT – Profit after Tax | P/E – Price to Earnings | ROE – Return on Equity

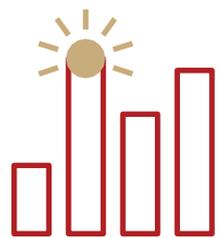
Introducing

ICICI Prudential

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**EQUITY
OPPORTUNITIES
FUND**



ICICI Prudential **Equity Opportunities Fund**



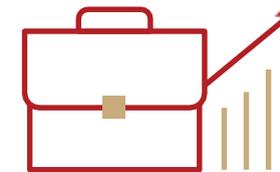
Underlying Opportunities

Contrarian opportunities, consolidation in sectors, changing consumer trends, special situations, temporary headwinds



Improving Financials & Reasonably Priced

Leading to improving growth prospects, where Businesses might be underappreciated by others



Potential Re-rating Driving Performance

Improving Sentiments on the Back of Better Business Prospects

Opportunities Within **Growing Sectors**

Industries enjoying a large profit pool which can be effectively tapped into by a company with a differentiated value proposition or strategy



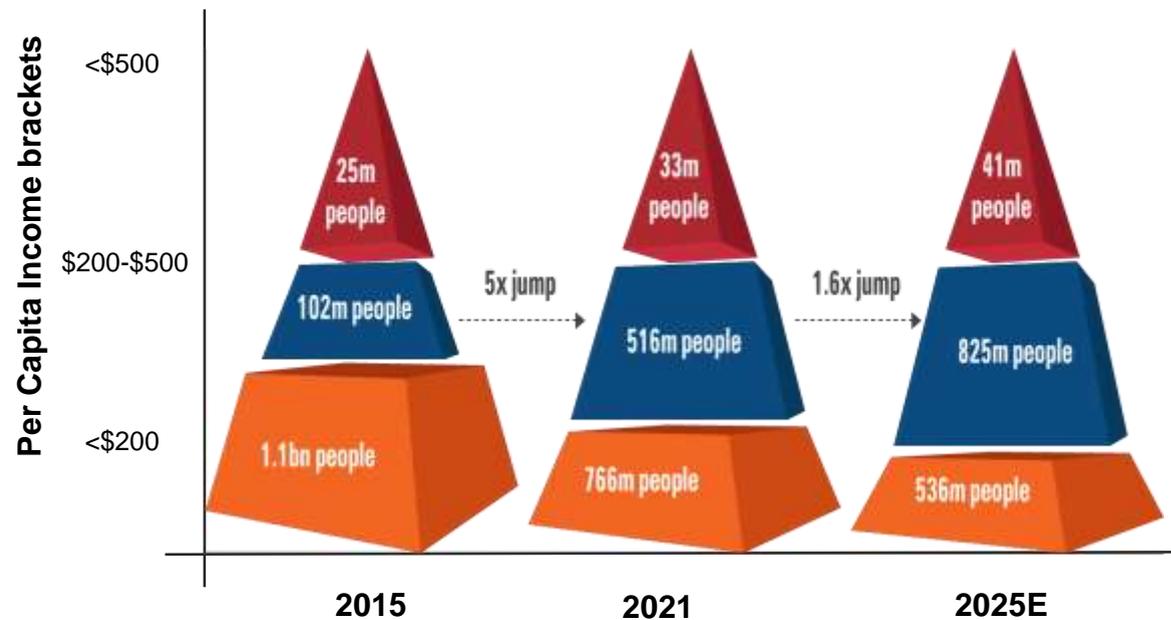
Identifying Companies in Growing/Underpenetrated Businesses



Growth Drivers

Per Capita Increasing

- 5x jump in the middle income bracket in last 6 years.



Under-Penetrated Sectors

- Density for life insurance in India is USD59 much lower than global standards (USD360).
- MF AUM is 16% of GDP compared to global average of 74% as on 31st August 2022.
- Beer consumption per capita of 5.5 ltr compared to East India and Pacific of 6.4 ltrs for FY2022

Premiumization

- Rising incomes and consumer aspirations are driving consumers to upgrade.
- The share of organized retail in India is 12% as on March 2022 (from 9% in March 2017).
- Premium beer segment has a market share greater than 30% of over all beer industry as on March 2022.

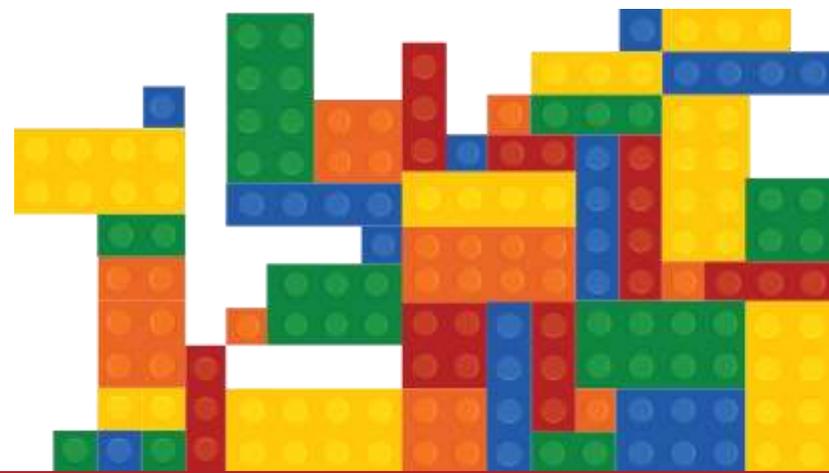
Source – National Sample Survey Office, Income Tax data, Census of India, Spark Capital Research Note: Spark Capital Projections (August 2022). E – Estimated

Opportunities Within Consolidation of Sectors

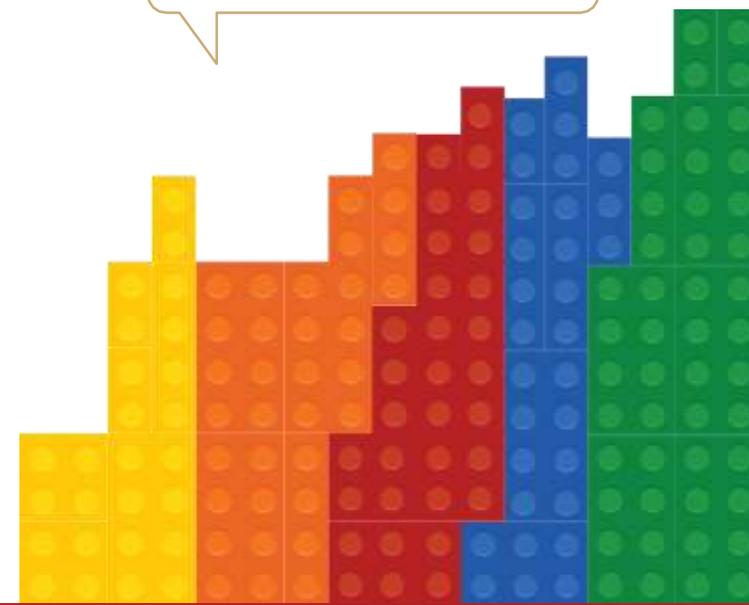
Government reforms aimed towards uniformity and simplification leading to organized players to gain market share over a period of time

Formalization of Sector

Unorganised



Organised



Improving Market Share

- Benefitting from consolidation in sector



Events/reforms over the past few years, have led to consolidation, giving an impetus to leaders

Sector	Parameter	Share of	FY10	FY17	FY21	FY22	Incremental Share FY22 Vs FY17
Bank Credit	Credit Market Share	Top 6	37.4%	43.2%	49.3%	52.2%	73.3%
Cement	Volume	Top 5	44.0%	51.3%	59.9%	62.0%	103.7%
Steel	Volume	Top 6	63.0%	56.0%	64.0%	64.0%	95.0%
Telecom	Revenue Market Share	Top 3	65.2%	66.3%	87.0%	87.0%	100%
General Insurance – Private Sector Share	Gross Domestic Premium	Top 20	42.0%	46.8%	57.2%	9.2%	76.0%

Incremental share = change in aggregate company numbers divided by change in industry numbers between FY22 v/s FY17

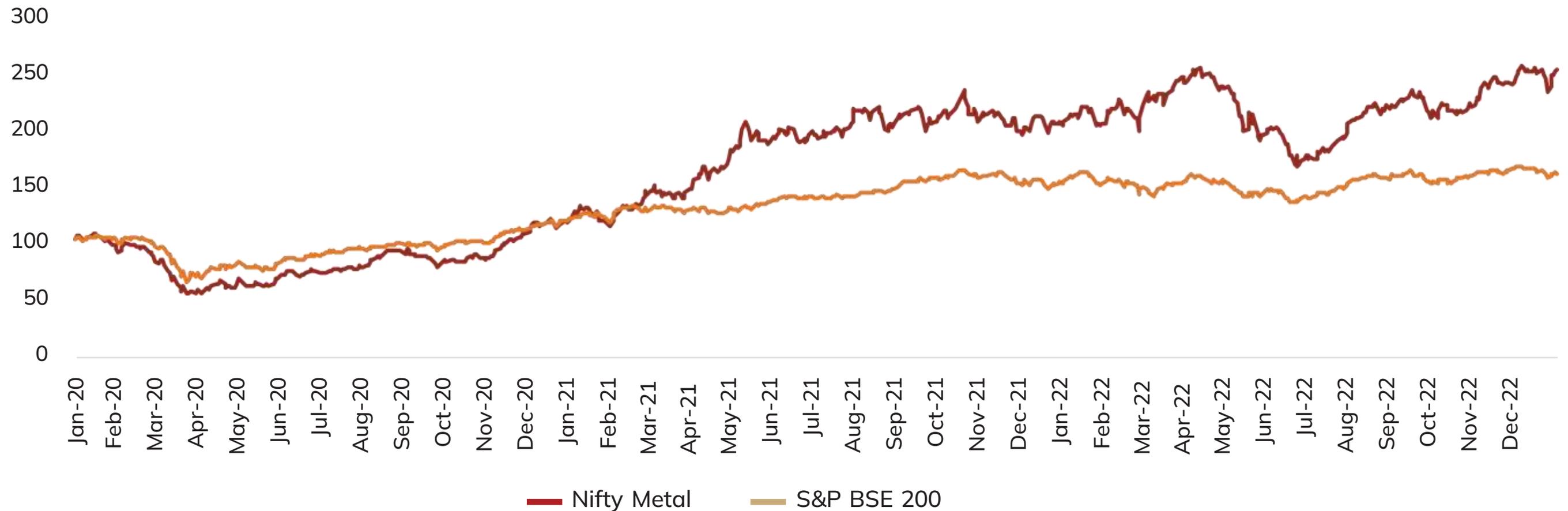
Incremental market share between FY22 v/s FY17 garnered by a few players may lead to more pricing power.

Source: Spark Capital. The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the Scheme may or may not have any future positions in these stock(s)/Sector(s).
Past Performance may or may not sustain in future.

Consolidation in the Supply Chain: Ferrous Metals

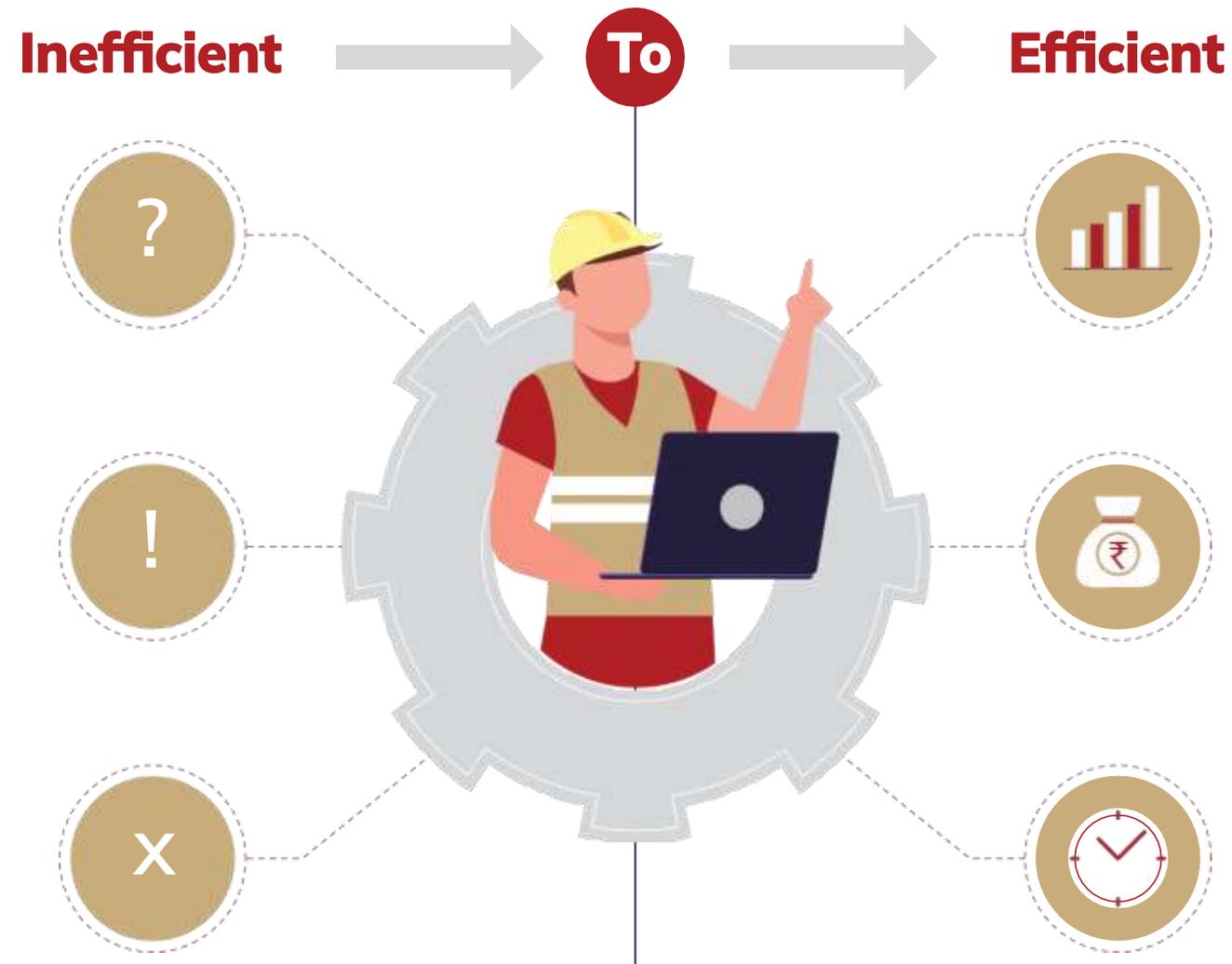


A sharp surge in global steel prices, removal of rebates in China and likely emission-led supply curtailments, led to increasing raw material prices. This helped metal companies with captive mines.



Opportunities Through **Improving Productivity**

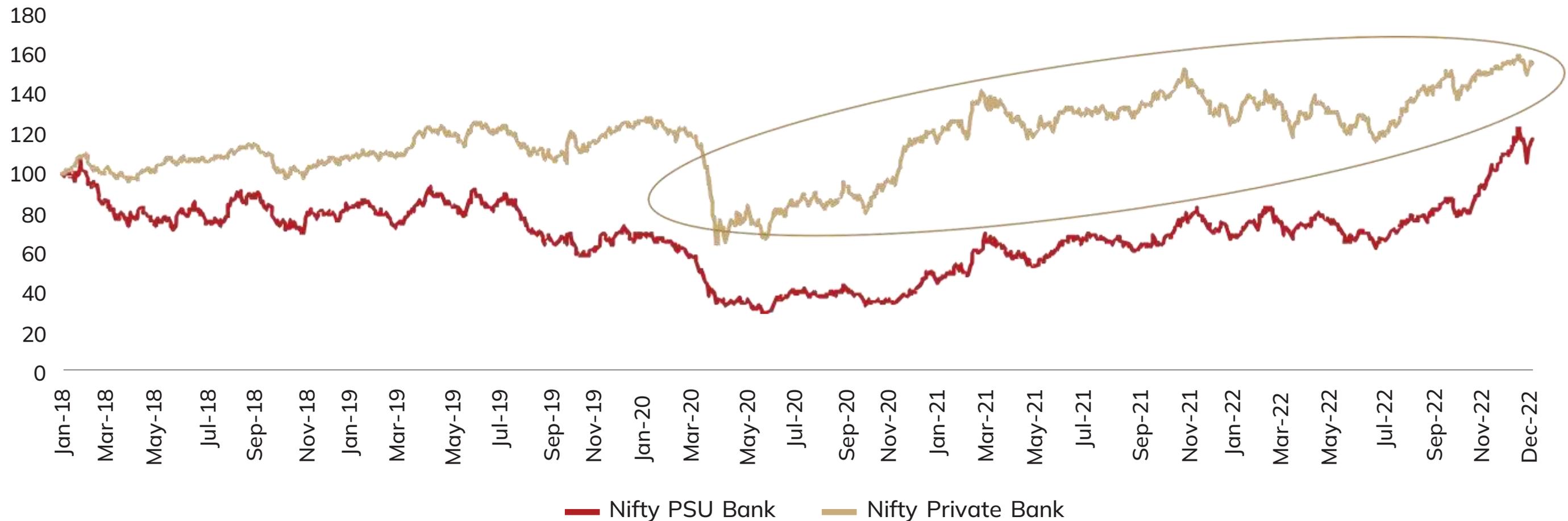
Market share migration from inefficient players to efficient players due to improving productivity and sustainable competitive advantages



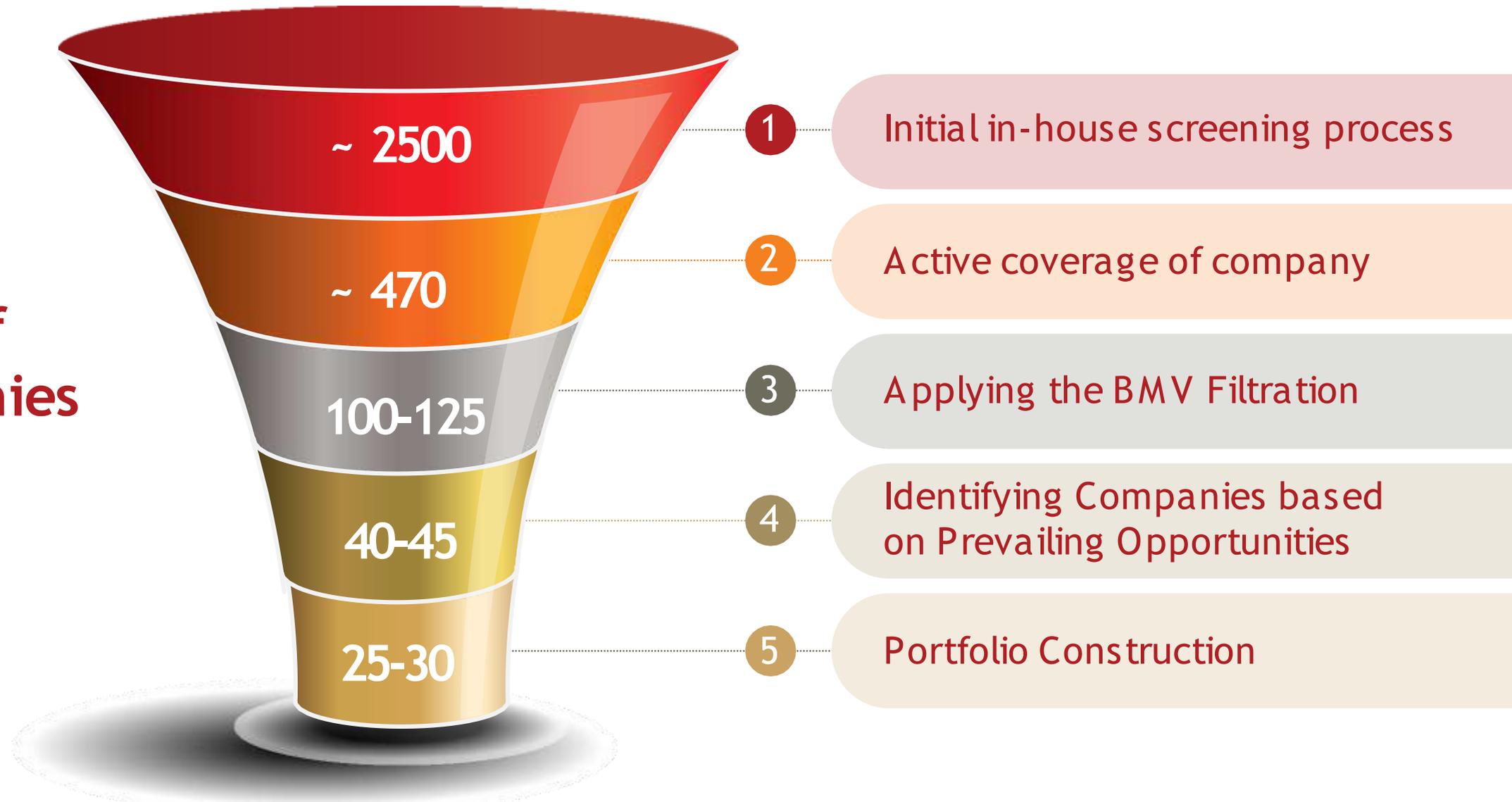
Special Situation: Leading to Market Share Gain for Private Banks



ALM concerns into NBFC sector and PCA framework imposed on some of the PSU Banks gave opportunity to private banks to gain market share, leading to earnings growth and price appreciation



Number of Companies



The aforesaid factors are only indicative. There may be other factors that may be relevant. There may be other factors that may be relevant for identification/selection of stock depending upon the varied market conditions
BMV – Business – Management – Valuation, - Filtration process

Overview of the **Strategy**



- Long-term Contrarian View
- Seeking opportunities in Longer-term contrarian views
- Benchmark Agnostic
- Focused on High Active Share vs S&P BSE 200 index
- No Style Constraints
- Focused on Company potential

The aforesaid factors are only indicative. There may be other factors that may be relevant.
Active share - Active share is a measure of the difference between a portfolio's holdings and its benchmark index.

Benefits of the AIF Structure

Defined Tenure

The Scheme has a defined tenure of 4.5 years, which can be extended by 1 year.

Potential opportunity to invest in ideas that are likely to play out within this set timeframe.

Helps the Investment Manager to focus on targeted investments

Defined Capital Raise

The Scheme has a target size of Rs 750 crore, with a greenshoe option of Rs750 crore.

With a defined size, the Investment Manager aims to focus on position-sizing for a better potential outcome

Drawdown Structure

Capital contributions will be drawn down. Multiple drawdown options[^].

Helps investments in the Scheme in a systematic manner, that aims to generate positive returns

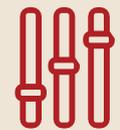
The Investment Manager may call for a drawdown at its discretion, depending on market environment, amongst other factors.

Key Risks



Risks to Recovery

Impact from subsequent disruptions may result in government resources being more focused on healthcare leading to slowdown. Global slowdown, rising inflation, crude oil, interest rates could pose as risks.



Concentration Risk

The Scheme may hold only a limited number of investments, which could mean more concentration and higher risk.



Company/ Sector Risks

Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable.



Strategy Specific Risks

There could be time periods when securities, which could include mid & small cap companies selected based on their relevancy to the contrarian investment style followed may underperform relative to other stocks or the overall markets. This could impact performance.



Valuation Risk

Emergence of roadblocks such as company specific issues, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Key Highlights of the Scheme



Name of the Scheme	ICICI Prudential Equity Opportunities Fund
Nature of the Scheme	AIF Category III (Closed Ended)
Fund Manager	Mr. Anand Shah, Mr. Chockalingam Narayanan & Ms. Geetika Gupta
Investment Objective	The Scheme aims to provide long term capital appreciation and generate returns by investing predominantly in listed equity and equity related securities across market capitalization through 'contrarian investing'. Contrarian investing also includes investing into businesses enjoying some economic moat, companies in sectors with high barriers to entry and/or undergoing special situations or in the midst of unfavorable business cycle. The Scheme aims to invest in domestic companies across all sectors that have potential for meaningful growth and which have a certain sustainable competitive advantage. The Scheme may aim to have optimal diversification across market capitalization with the opportunity to be overweight in large cap, mid cap or small cap stocks at any point of time to potentially generate higher alpha. The Scheme may invest not more than 10% (ten percent) of total assets of the Scheme in unlisted equities, as may be deemed appropriate by the Investment Manager.
Minimum Capital Commitment *	B1 & C1: >= Rs 1 crore to < Rs 3 crore B2 & C2: >= Rs 3 crore to < Rs 10 crore B3 & C3: >= Rs 10 Crore
Tenure	The Scheme is close-ended. The Term of the Scheme shall be 4 (four) years and 6 (six) months from the date of First Closing which is further extendable by 1 (One) year with the prior consent of Two-Third Majority of Contributors obtained in accordance with respective Contribution Agreements and in accordance with the provisions of the Regulations.
Drawdown and Initial Contribution[^]	<p>Drawdown means Capital Contribution made by the Contributors to the Scheme pursuant to the issuance of a Drawdown Notice or pursuant to the 'Drawdown Schedules' selected by the Contributor and shall include upfront Capital Contributions made by the Contributors at the time of a relevant Closing.</p> <p>Option I: Intended first drawdown (to be paid along with the execution of the Contribution Agreement) will be for an amount of 40% of respective Capital Commitment. Second Drawdown: 30% Final Drawdown: 30%.</p> <p>Option II: The Contributors also have the option to pay 100% of the Capital Commitment upfront.</p> <p>Option III: The Contributors under this option will be required to make Capital Contributions equivalent to 10% of their respective Capital Commitment on the date of execution of their respective Contribution Agreement. Thereafter, they shall be required to make Capital Contributions equivalent to 10% of their respective Capital Commitment in 9 equal monthly instalments (Monthly drawdown)</p>

Please refer to the PPM for detailed information on the Key investment team, fees & charges *For details on all the Class of Units, kindly refer to the PPM of the Scheme. ^For details on all the Class of Units and drawdown options, kindly refer to the PPM of the Scheme

Key Highlights of the Scheme



Exit Charge	Exit Period (from the final closing)	Exit Charge (percent of exit proceeds)						
	<=12 months	5%						
	>12 months and <=24 months	4%						
	>24 months and <=36 months	3%						
	>36 months	2%						
Liquidity	The Exit/ redemption shall be permitted only post Final Closing and upon receipt total Capital Contribution amount. The Investment Manager shall accept and process the redemption request on a weekly basis on submitting the duly completed and signed exit forms at least 3 (three) calendar days prior to the Redemption Day. Redemption shall be processed at the NAV on the Redemption Day. Redemption Day means the Friday of each week, provided it is a Business Day or such other day, as the Investment Manager may determine, to be the day on which the NAV is to be calculated and the exit can take place in accordance with the Scheme Documents. If Friday is a non-Business Day, the Investment Manager reserves the right to process the redemption the preceding/succeeding Business Day.							
Frequency of NAV dissemination	NAV shall be computed daily. However, the Investment Manager shall disclose the NAV at intervals not longer than a quarter.							
Management fee*	Class	B1	B2	B3	Class	C1	C2	C3
	Management Fee	2.50%	2.00%	1.75%	Management Fee	2.00%	1.50%	1.25%
Distribution to the Investment Manager post Hurdle Rate*	15% (applicable for C1, C2 and C3 unitholders*)							
Hurdle Rate*	10% (XIRR, post tax) (applicable for C1, C2 & C3 unitholders*)							

Risk Factors & Disclaimers



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