

ICICI Prudential PMS Value Portfolio

A series under "Deep Value" Portfolio



Investment Philosophy: ICICI Prudential PMS Value Portfolio (the Portfolio) aims to follow a value investment style and intends to offer a diversified portfolio of stocks that have a high potential but are quoting at a discount to their

Investment Strategy*:

The core investment philosophy of value investing is based on the belief that stocks cannot continue to quote at values that are significantly below their fair values over the long term. At some point in time, the markets are likely to recognize the extent of undervaluation of these companies. The same could lead to a rerating/appreciation in the company's stock price.

There are various reasons why stocks tend to quote at low valuations. Some of these include:

- ✓ An irrational market sentiment that drives down the price of a stock to a level lower than justified by fundamentals. This could occur as an overreaction to negative news or as result of market pessimism on corporate/industry fundamentals. Markets also often tend to ignore certain stocks/sectors that appear to have low growth or non-exciting stories.
- ✓ Valuations not factoring in all aspects of the companies earning potential: Companies may have certain hidden assets on their books or assets whose actual value may not be factored in by the markets. This could include surplus land, equity holdings, cash on balance sheets, trademarks etc. The markets are also at times slow to factor in company developments such as operational or financial restructuring, entry in to new markets, capacity expansions, introduction of new products, change in management etc. that could potentially add significant value to the networth of the business. During cyclical downturns, a number of companies are often valued based on bottom cycle earnings, which can look very attractive as the industry cycle improves.

The Portfolio Manager aims to find a good business at a reasonable price and not a mediocre business at a bargain price. The Portfolio Manager endeavors to invest in securities with:

- Favourable long-term prospects;
- Effective management;
- Scalable businesses; Sustainable competitive edge; and
- Available at an attractive/reasonable price

The Portfolio aims to follow a 'buy and hold' strategy in order to fully capitalise on the true underlying value of the business potential which gets 'unlocked' over a period of time. However, the portfolio may be actively managed to take advantage of certain market trends, with an endeavour to enhance returns.

Investment Style of the Portfolio:

1. Value approach based on quantitative parameters-

The Portfolio intends to invest primarily in stocks that are significantly undervalued i.e. a stock which trades at valuations that are significantly below the estimated fair value of the company. The degree of undervaluation of the stock may be judged by various quantitative valuation parameters including, but not limited to, price/earnings, price/book, dividend yield, price/cash flow, replacement cost, sum-of-part valuation etc.

2. Capture Special Situations and contra calls

The Portfolio Manager may use a contra investing strategy, which involves selection of stocks that are not popular at the moment but have the potential to do well over time because of factors such as strong fundamentals, future turnaround in the business cycle and revival in economic growth.

3. Bottom-up approach

The Portfolio Manager aims to follow a bottom-up approach to identify value stocks across market capitalizations that are likely to transform into tomorrow's market leaders resulting in potential capital appreciation over time.

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Market cap strategy: Multi-cap with a bias towards Mid-Caps

Investment style: Value

Investment Suitability:

The Portfolio is suitable for investors:

- ✓ seeking to invest for a fairly long term with an aim to benefit from the full investment cycle
- ✓ with an investment horizon of atleast 3 years and above

Portfolio Features

Minimum Ticket Size	Rs. 50 Lacs
Investment Horizon	3 years and above
Portfolio Term	Open-Ended
Benchmark	S&P BSE Mid-Cap
Fees and charges	Please Refer Schedule II- CLIENT FEES & CHARGES

*The investment strategy, portfolio composition and portfolio features described herein involves risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy, portfolio composition and portfolio features as stated herein is only indicative in nature and is subject to change within the provisions of the disclosure document and client agreement without any prior notice to investors. Please refer to the disclosure document & client agreement for details and risk factors.

Declaration by investor relating to ICICI Prudential PMS Value Portfolio (A series under “Deep Value” Portfolio)

I / We confirm that I / We have read and understood the provisions relating to this portfolio to this agreement, including the Disclosure Document, and the Risk factors relating to the Portfolio (A series under “Deep Value” Portfolio). I / We further confirm that we have agreed to make an investment in the Portfolio (A series under “Deep Value” Portfolio) only after satisfying ourselves on the terms and conditions governing this agreement, the risk factors and all the relevant documents pertaining to the Portfolio (A series under “Deep Value” Portfolio) and shall be bound by the same. I / We agree and understand that, this note forms an integral part of the Agreement entered into between myself/ ourselves and Portfolio Manager.

Date:

Place:

First Applicant

Second Applicant

Third Applicant

Risks associated with Equity investments:

1. Investors may note that dividend is due only when declared and there is no assurance that a company (even though it may have a track record of payment of dividend in the past) may continue paying dividend in future. As such, there can be instances where investments in securities may not earn dividend or where lesser dividend is declared by a company in subsequent years in which investments are made. As the profitability of companies are likely to vary and have a material bearing on their ability to declare and pay dividend, the performance of the portfolio may be adversely affected due to such factors.
2. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk. Within the Regulatory limits, the Portfolio Manager may choose to invest in unlisted securities. This may however increase the risk of the portfolio.

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- The success of the Portfolio Manager's investment strategy could be significantly impacted by changing external economic conditions in India. The stability and sustainability of growth may be impacted by various activities including terrorism or acts of war. Changing economic conditions could potentially adversely impact the valuation of Portfolio Investment.
- Operational risk can arise out of some operational difficulties, such as failure of electricity or computers, and communication systems failures, due to which it becomes difficult to operate in the market.

Risk description specific to equity investment	Risk mitigants/Management Strategies
<p>Concentration Risk Concentration risk represents the probability of loss arising from heavily skewed exposure to a particular group of sectors or securities.</p>	The Portfolio Manager will endeavour to mitigate this risk by investing in large number of companies so as to maintain optimum diversification and keep stock-specific concentration risk relatively low.
<p>Market Risk The portfolio is exposed to volatility of prices of investments made, which could have an impact on the performance of the portfolio</p>	Market risk is a risk which is inherent to investing in equities. The Portfolio Manager would conduct rigorous financial analysis to try to keep the risks of investing to the minimum.
<p>Liquidity risk The liquidity of the Portfolio's investments is inherently restricted by trading volumes in the securities in which it invests.</p>	As such the liquidity of stocks that the Portfolio invests into could be relatively low. The Portfolio Manager will try to maintain a proper asset-liability match to ensure redemption / Maturity payments are made on time and not affected by illiquidity of the underlying stocks.

Risks associated with debt and money market mutual fund schemes:

The investment in debt and money market schemes exposes the portfolio to risk inherent in investments in debt and money market securities. The following are the risk and mitigants for investment in debt and money market securities which would affect the NAV of the mutual fund scheme(s) impacting the value of the portfolio.

Risk description specific to debt and money market investment	Risk mitigants/Management Strategies
<p>Market Risk/ Interest Rate Risk As with all debt securities, changes in interest rates may affect the Scheme's Net Asset Value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer duration securities generally fluctuate more in response to interest rate changes than shorter duration securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.</p>	The investment manager will undertake the active portfolio management as per the investment objective to reduce the market risk. In a rising interest rates scenario the Portfolio will increase its investment in money market securities whereas if the interest rates are expected to fall the allocation to debt securities with longer maturity will be increased thereby mitigating risk to that extent.
<p>Liquidity or Marketability Risk Debt and money market securities may lack a well-developed secondary market, which may restrict the selling ability of the scheme leading to the scheme incurring losses till the security is sold.</p>	The Portfolio may invest in government securities, corporate bonds and money market instruments. While the liquidity risk for government securities, money market instruments and short duration corporate bonds may be low, it may be high in case of medium to long duration corporate bonds. Liquidity risk is today characteristic of the Indian fixed income market. The Portfolio will however, endeavour to minimize liquidity risk by investing in securities having a liquid market.
<p>Credit Risk Credit risk or default risk refers to the risk that an issuer of a fixed income security may default on its obligation (i.e., will be unable to make timely principal and/or interest payments on the security).</p>	Management analysis will be used for identifying company specific risks. Management's past track record will also be analysed. In order to assess financial risk a detailed assessment of the issuer's financial statements will be undertaken to review its ability to undergo stress on cash flows and asset quality. A detailed evaluation of accounting policies, off-balance sheet exposures, notes, auditors' comments and disclosure standards will also be made to assess the overall financial risk of the potential borrower.

Risk Factors & Disclaimers:

- Investing in securities including equities and derivatives involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would achieve. The value of the portfolios may

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fluctuate and can go up or down. Prospective investors are advised to carefully review the Disclosure Document, Client Agreement, and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under this Portfolio, before making an investment decision. The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios may or may not have any future positions in these Stock(s)/Sector(s).

- The composition of the portfolio is subject to changes within the provisions of the disclosure document. The benchmark of the portfolios can be changed from time to time in the future. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for securities would result, at times, in potential losses to the portfolio. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns. The AMC may be engaged in buying/selling of such securities. Please refer to the Disclosure Document and Client Agreement for portfolio specific risk factors.
- Individual returns of Clients for a particular portfolio type may vary significantly from the data on performance of the portfolios as may be depicted. This is due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters, which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the performance depictions and individual portfolio performance. Neither the Portfolio Manager nor ICICI Prudential Asset Management Company Ltd. (the AMC) its Directors, Employees or Sponsors shall be in any way liable for any variations noticed in the returns of individual portfolios.
- The Client shall not make any claim against the Portfolio Manager against any losses (notional or real) or against any loss of opportunity for gain under various PMS Products, on account of or arising out of such circumstance/ change in market condition or for any other reason which may specifically affect a particular sector or security, including but not limited to disruption/prohibition/ discontinuation/ suspension of trading in a particular Security including any index or scrip specific futures/ options or due to any act of Company, Market Intermediary by SEBI or any other regulatory authority which may result in trading in such security(ies) being completely or partially affected, to which the Portfolio Manager has taken exposure/ proposed to take exposure and is unable to take additional exposure/ restrain him from taking any position in a particular equity or related derivative instruments etc. due to any reason beyond the control of the Portfolio Manager resulting in unhedged positions or losses due to unwinding of certain positions or losses due to any reason or related to any of the aforesaid circumstances.
- The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security subject to the Agreement and as stated in the Disclosure Document and make such changes in the investments and invest some or all of the Client's investment amount in such manner and in such markets as it deems fit would benefit the Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Clients' account is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines and notifications in force from time to time.
- By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The recipient(s) alone shall be fully responsible/are liable for any decision taken on the basis of this material. 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. The investments discussed in this may not be suitable for all investors. Financial products and instruments are subject to market risks and yields may fluctuate depending on various factors affecting capital/debt markets. There is no assurance or guarantee that the objectives of the portfolio will be achieved. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns. The AMC may be engaged in buying/selling of such securities. Please refer to the Disclosure Document and Client Agreement for portfolio specific risk factors.
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- The Portfolio Manager/ the AMC take no responsibility of updating any data/information in this material from time to time. The Portfolio Manager and the AMC (including its affiliates), 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, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner.