ICICI Prudential

Credit Risk Fund

ICICI PRUDENTIAL MUTUAL FUND

TARAKKI KAREIN!

What are Credit Risk Funds?

This category of schemes invest predominantly in AA and below rated corporate bonds which have the potential for credit rating upgrades, creating opportunities for possible capital appreciation in the Scheme

Portfolio allocation of Credit Risk Funds

Particulars	Allocation (% of Corpus)
Exposure to AA & Equivalent or below rating	65 -100%
Other Instruments*	0-35%

The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.
* Debt, money market instruments & units issued by REITs & InvITs. The scheme can invest max 10% in REITs and InvITs. REITs – Real Estate Investment Trust, InvITs – Infrastructure Investment Trust

How Credit Risk Funds make return?

ICICI PRUDENTIAL MUTUAL FUND
TARAKKI KAREIN!

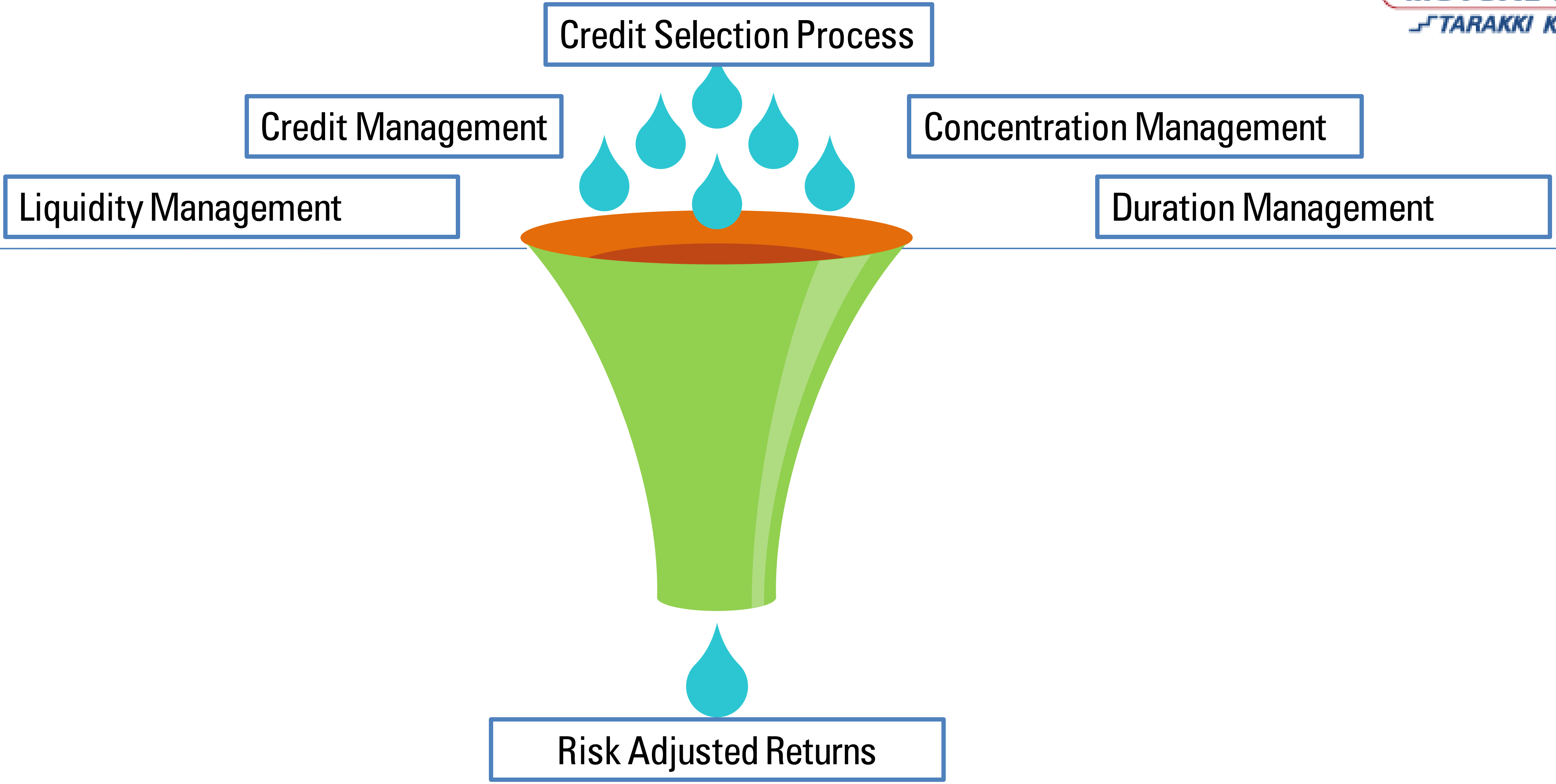
Credit Risk Funds

- Return on Interest(ROI)/ Accrual Income
- Invested time period

How is it different from Duration Fund?

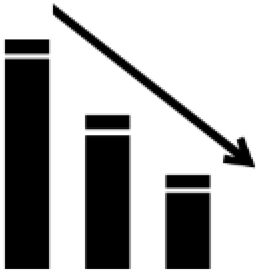
Duration Fund	Credit Risk Fund
Returns generated mainly by capital appreciation	Returns generated by Accrual income
Plays on interest rate movement	Plays on accrual income
Macro event specific impact is high	Macro event specific impact is low
Good for Tactical Allocation	Can be recommended across market cycles

Importance of Risk Adjusted Returns in Credit Risk Fund Category



So, Why ICICI Prudential Credit Risk Fund now?

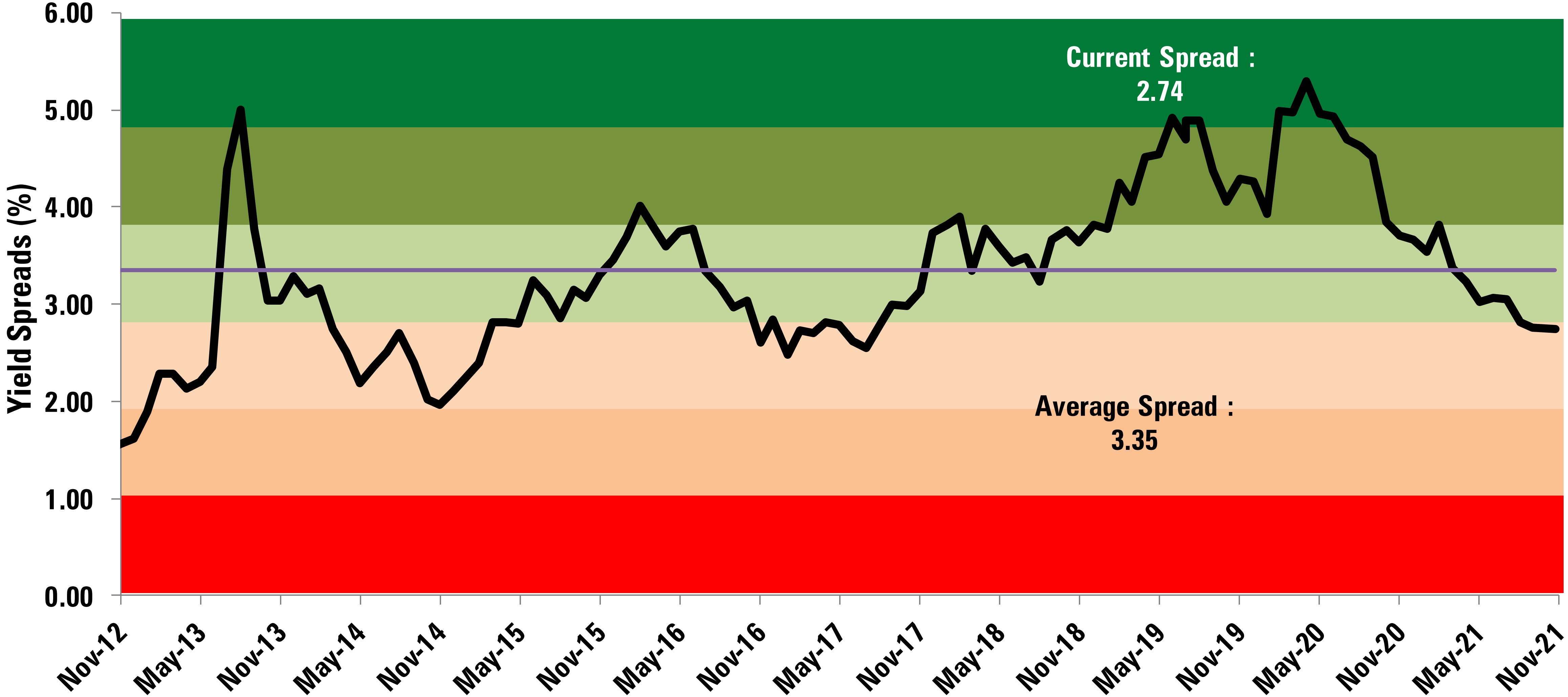
Valuations are attractive



Industry Flows are slowing down

Narrative associated with category is negative

ICICI Prudential Credit Risk Fund – Spread Over Repo



Data as on November 30, 2021, Source : MFI Explorer. YTM values taken since scheme inception. Past Performance may or may not be sustained in future. Thisgraph is used to indicate current valuations and does not indicate in any manner performance of the scheme. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit http://www.icraonline.com/legal/standard-disclaimer.html.

Why ICICI Prudential Credit Risk Fund?

1 Investment Philosophy

2 Robust Investment Process

3 Strong Credit Selection Process

4 Better Risk Adjusted Returns

Investment Philosophy

01 Safety

Liquidity 02

03 Returns

The investment team seeks to achieve **Safety, Liquidity and Returns (SLR)** in order of priority for managing variety of our fixed income schemes.

Focus on Security Selection

Past track record of the company

Asset Quality

Cash Flows

SELECT

Assessment of Management Risk & Business Risk

Credit Due Diligence

COMPANY SHORTLISTED FOR INVESTMENT

Credit Selection Process

TARGET LIST FILTERS

- Independent research team
- Internal Credit Analysis
- External credit rating

- Decision making is not concentrated to one person

- Independent evaluation by Risk team

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

All target credit investment proposal face multiple checks

Credit Selection Process – Our Approach

ICICI PRUDENTIAL MUTUAL FUND
TARAKKI KAREIN!

Step 1: Portfolio Construction → **Fund Manager** →

- Interest Rate Call
- Deal Sourcing
- Background check
- Risk based pricing
- Liquidity management

Step 2: Credit Evaluation → **Credit Analyst** →

- Credit evaluation
- Structuring covenants
- Deviation review
- AMC level exposure
- Diversification

Step 3: Credit Approval & Monitoring → **Approval Authority/Credit Analyst** →

- Credit Approval
- Macro View
- Adherence with mandates
- Continuous monitoring

Strong Credit Selection Process – Test Match Way

Our approach is similar to how test cricket is played, selecting only those instruments which pass through our credit evaluation filters and leaving those where the risk reward is not favourable.

Better Risk Adjusted Returns – Managing Various Risks

29% in AAA & equivalent$ rated debt instruments

Liquidity Management

Concentration Management

60* different securities with average exposure of around 1.32% to each individual issuer

Credit Management

Duration Management

The portfolio is well diversified and invests across various credit ratings

Conservative approach in duration management– current modified duration – 1.78 yrs

Data as of November 30, 2021. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors. The asset allocation and investment strategy will be as per Scheme Information Document. TREPS – Tri Party Repos; *Only includes Corporate Securities, Pass Through Certificates, Units of Real Estate Investment Trust (REITs) and Units of Infrastructure Investment Trusts (InvITs); Government Securities, TREPS & Net Current Assets, $ - Includes TREPS & Net Current Assets, G-Sec & T-Bills

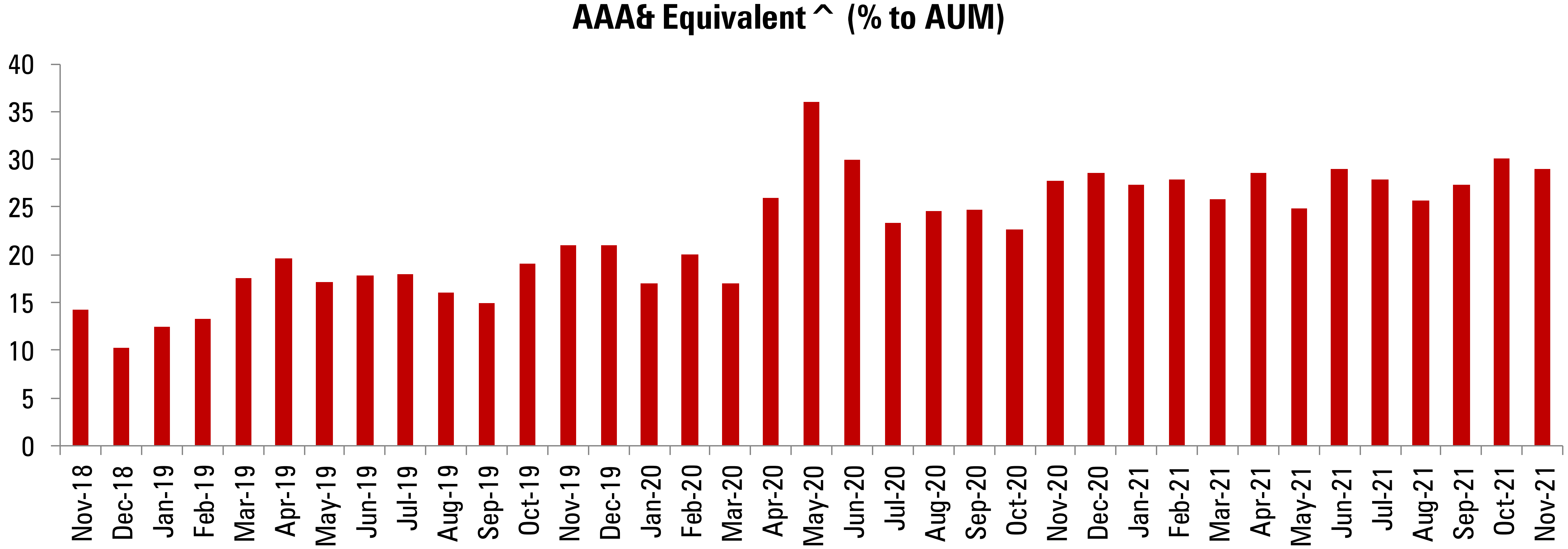
Better Risk Adjusted Returns – Portfolio Construction

Liquidity Management – by carefully analysing the liability side of the portfolio with the below mentioned filters

Concentrated AUM	Scheme AUM contributed by Top 5 Channel partners & Top 5 Investors
Time Sensitive AUM	% of AUM outside exit load
Potentially Vulnerable AUM	Split of AUM between investors having : More than INR 5 Crore AUM, between INR 1 Crore and 5 Crore AUM and less than 1 Crore
Institutional AUM	Scheme AUM contributed by institutional investors

Better Risk Adjusted Returns – Portfolio Construction

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

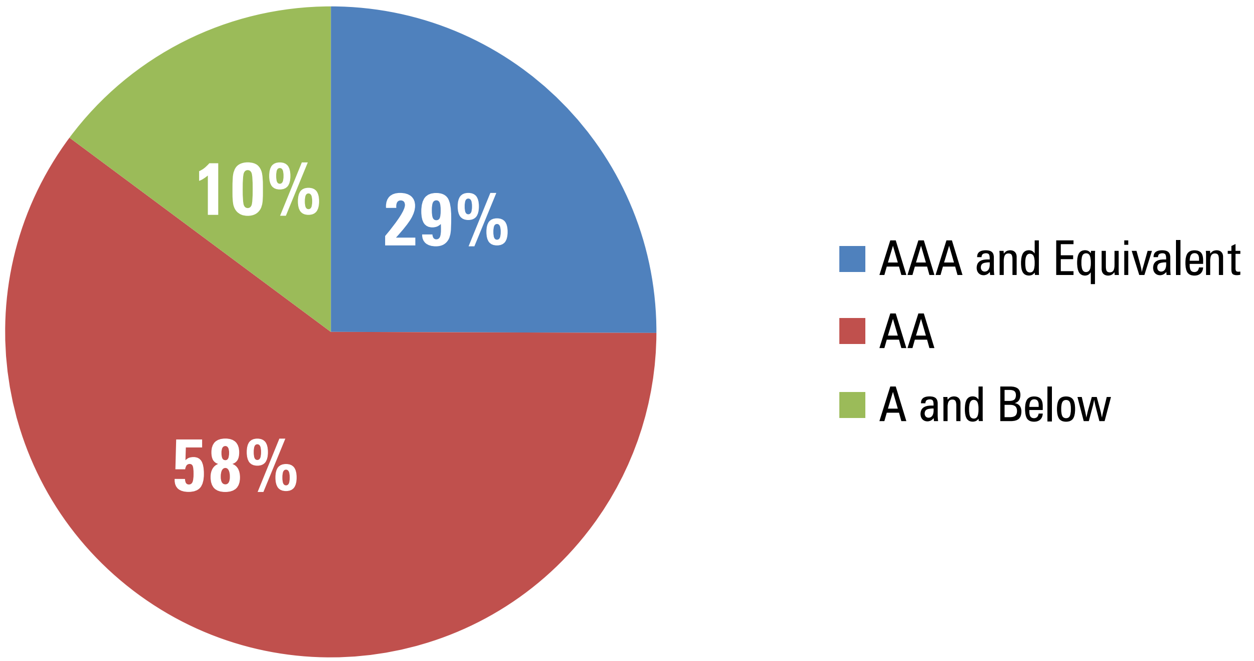


Data as of November 30, 2021. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors.
Source : MFI Explorer. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit http://www.icraonline.com/legal/standard-disclaimer.html

Better Risk Adjusted Returns – Portfolio Construction

Credit Management – Exposure across various credit ratings

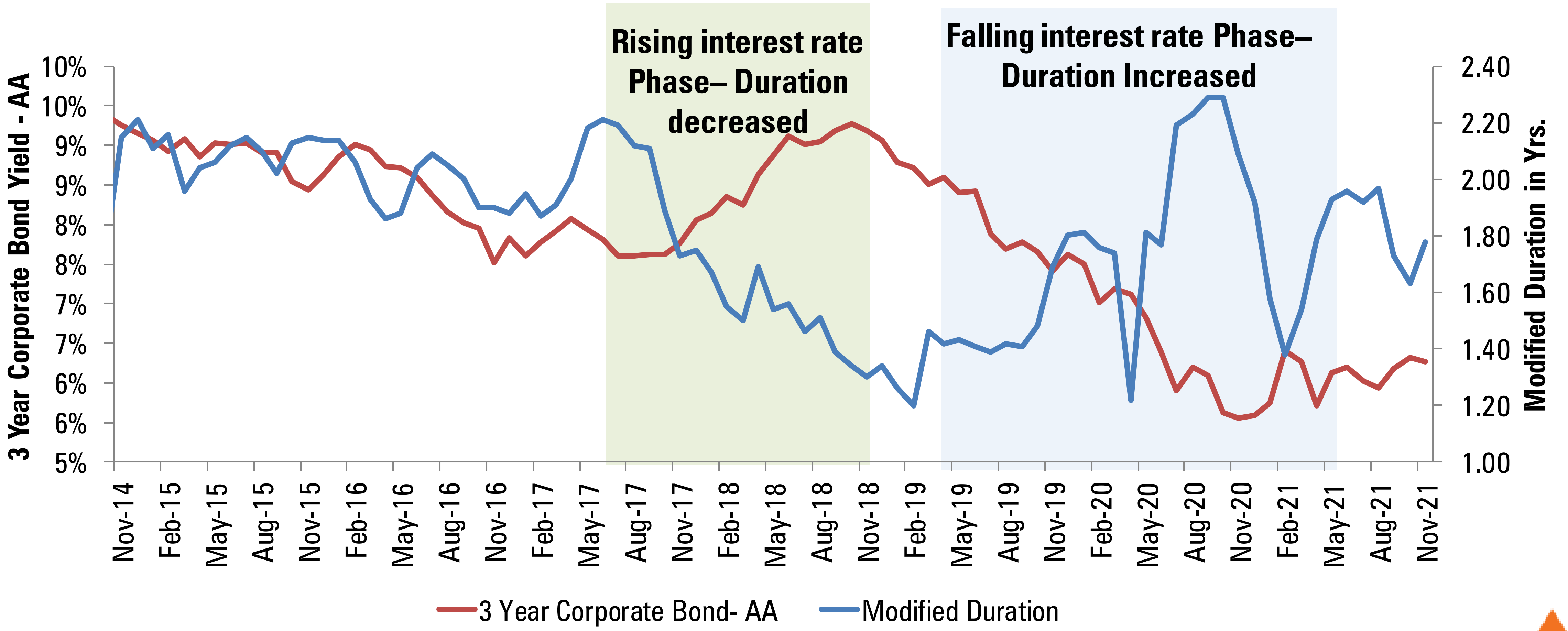
Portfolio Quality - % to AUM



Data as of November 30, 2021. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors. Please refer to the SID for investment pattern, strategy and risk factors. A & below includes unrated securities and BBB rated instruments and AAA and equivalent includes TREPS, Net Current Asset, G-Sec & T-Bills Portfolio rating composition pie-chart excludes exposure to REITs/InvITs. Source : MFI Explorer. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit http://www.icraonline.com/legal/standard-disclaimer.html

Better Risk Adjusted Returns – Portfolio Construction

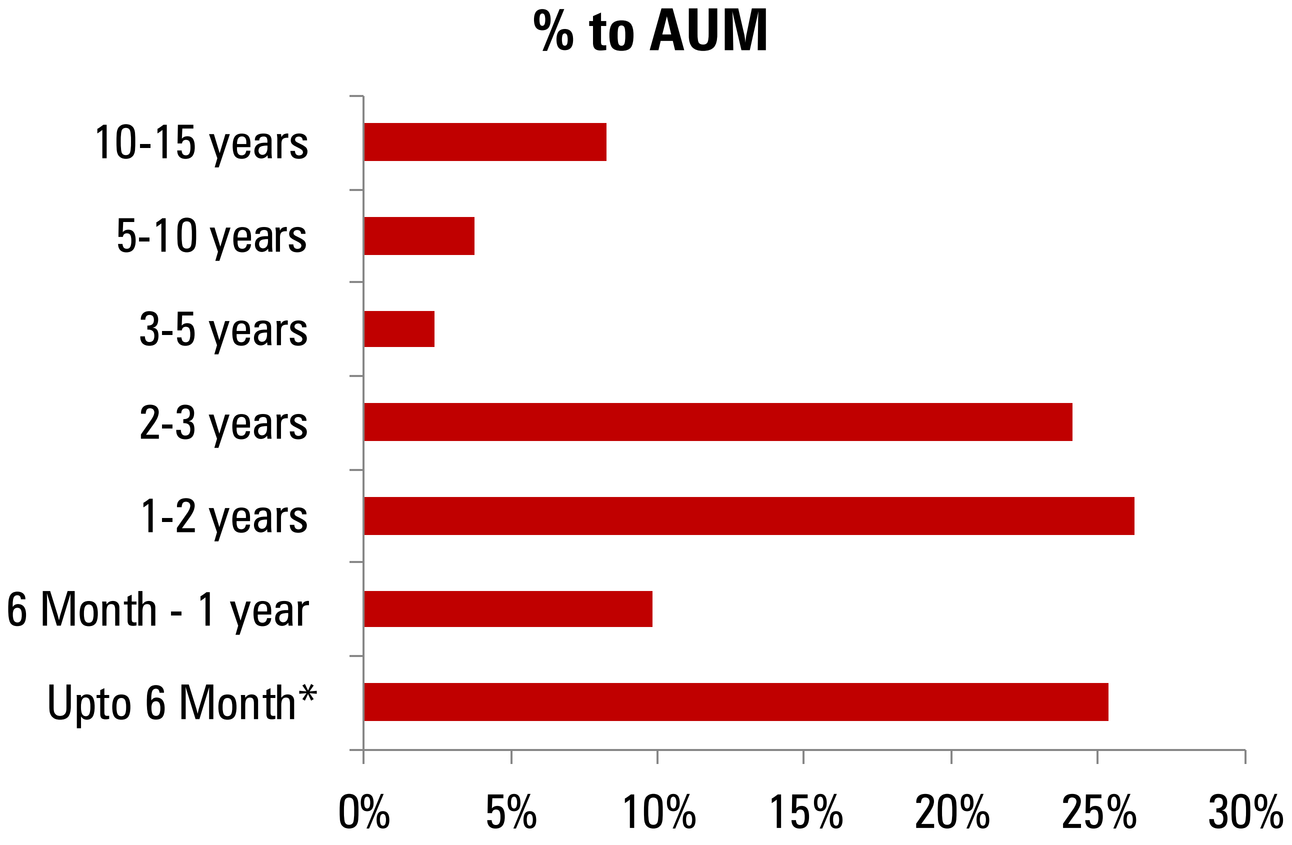
Duration Management – mitigating interest rate volatility



Better Risk Adjusted Returns – Portfolio Construction

ICICI PRUDENTIAL MUTUAL FUND TARAKKI KAREIN!

Duration Management – diversified portfolio across various maturity buckets



Laddered Approach (Investment across maturity buckets) :

- **Not overexposed to any one segment of yield curve**
- **Reduces interest rate and reinvestment risks**
- **Helps in managing liquidity risk**
- **Investors are able to reinvest a portion regularly**

Data as on November 30, 2021, * Including other current assets

Better Risk Adjusted Returns – Asset & Liability Focus

Assets (Portfolio Construction)	Liabilities (Investor Concentration & Trend)
Avoidance of Concentration Risk	Maximum investment limit per investor is Rs.50crores*
Independent Credit evaluation process for securities	Having adequate mix of highly liquid securities to meet any unforeseen redemption request
Independent Investment and risk team to avoid conflicts	Review and monitoring of purchase and redemption in the scheme
Accrual Focus – aim to provide consistent returns	Monitoring ageing of investors for any redemption requests
Conservative duration to reduce interest rate sensitivity	Monitoring of partner-wise concentration in the scheme

*With effect from December 19, 2019, Maximum Investment Amount per investor including existing investment amount (based on Permanent Account Number of first holder) at the time of investment across all folios shall not exceed Rs.50crore. However, the AMC/Mutual Fund may at its discretion accept an amount greater than Rs.50crore, subject to the limits: a) The aggregate AUM of all the investors with more than Rs.50crore does not exceed 12% of the Scheme's AUM, which is declared on the last day of preceding calendar quarter. b) Maximum investment amount per investor across all folios does not exceed 5% of the Scheme's AUM, which is declared on the last day of preceding calendar quarter.

Summary of our Credit Risk Fund Management

- Risk weighted
- Better post tax returns than Traditional Investment Avenue
- Pure Play Credit

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

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

- Segregation of Risk
- Signing Authority
- Resource Pool

- Different Capabilities
- Structuring
- Resolution

- Granularity
- Exit Load
- Investor Concentration

Self Origination deals are deals wherein there are no intermediaries involved in execution thereby reducing the overall impact cost

Quantitative Indicators

Scheme Statistics	
Closing AUM	Rs. 8,066.20 crore
Average Maturity	2.51 years
Modified Duration	1.78 years
Macaulay Duration	1.89 years
Yield To Maturity (YTM)	6.74%

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

Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price

Key Takeaways

- The spread assets (non-AAA Corporate Bond space) are currently providing better carry and margin of safety
- Going forward, we expect accrual income to form a significant component of the return for bond investors and returns from capital appreciation may take a back seat
- We continue to focus on risk adjusted returns, rather than focusing only on YTMs
- With our credit selection process we have been able to avoid any major credit stress/event on our portfolio
- We continue to remain cognizant of managing liquidity, concentration, credit and duration in our accrual portfolio to provide better risk adjusted returns

YTM – Yield to Maturity

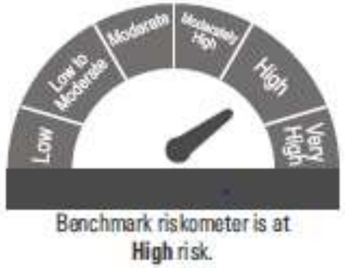
Scheme Features

Type of Scheme	An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interest rate risk and relatively high credit risk.
Plans/Options	ICICI Prudential Credit Risk Fund & ICICI Prudential Credit Risk Fund – Direct; Options: Growth & IDCW* Payout & IDCW Re-investment (with Quarterly, Half Yearly and Annual frequencies)
Minimum Application Amount	Rs. 100 (plus in multiples of Re. 1)
Minimum Additional Application Amount	Rs. 100 (plus in multiples of Re. 1)
Minimum Redemption Amount	Any amount
Exit Load	10% of units within 1 Year from allotment – Nil. More than 10% of units, within 1 Year from allotment – 1% of applicable NAV; More than 1 Year – Nil
Fund Manager	Manish Banthia and Akhil Kakkar are fund managers of the scheme. Manish Banthia has been managing this scheme since Nov` 2016 & has 16 years of experience overall. Akhil Kakkar has been managing this scheme since Jun 2017 and has over 14 years of experience.
Benchmark Index	CRISIL Short Term Credit Risk Index
SIP / STP / SWP	Available

*IDCW – Income Distribution cum Capital Withdrawal Option. Payment of IDCW is subject to availability of distributable surplus and Trustee approval. Pursuant to payment of IDCW, the NAV of the scheme falls to the extent of IDCW payout. When units are sold and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains is credited to an Equalization Reserve Account and which can be used to pay IDCW. IDCW can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. In case the unit holder has opted for IDCW payout option, the minimum amount for IDCW payout shall be 100 (net of IDCW distribution tax and other statutory levy, if any), else the IDCW would be mandatorily reinvested. IDCW Payout – Payout of Income Distribution cum capital Withdrawal option. IDCW Re-investment – Reinvestment of Income Distribution cum capital Withdrawal option

Riskometer

ICICI Prudential Credit Risk Fund is suitable for investors who are seeking*:
• Medium term savings • A debt scheme that aims to generate income through investing predominantly in AA and below rated corporate bonds while maintaining the optimum balance of yield, safety and liquidity
*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Scheme Riskometer	Scheme Benchmark	Benchmark Riskometer
	CRISIL Short Term Credit Risk Index	

Please note that the Risk-o-meters specified above will be evaluated and updated on a monthly basis.

Potential Risk Matrix for the Scheme:

Position in the Matrix:

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

As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

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

All figures and other data given in this document are dated. The same may or may not be relevant at a future date. The AMC takes no responsibility of updating any data/information in this material from time to time. The in- formation 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. Prospective investors are 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 ICICI Prudential Mutual Fund. Data source: Bloomberg, except as mentioned specifically.

Disclaimer: In the preparation of the material contained in this document, ICICI Prudential Asset Management Company Ltd. (the AMC) 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 AMC and/or its affiliates and which may have been made available to the AMC and/or to its affiliates. Information gathered and material used in this document is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and / or completeness of any information. 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 etc. ICICI Prudential Asset Management Company Limited (including its affiliates), the Mutual Fund, The Trust 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. Further, the information contained herein should not be construed as forecast or promise. The recipient alone shall be fully responsible/are liable for any decision taken on this material