

WE PERFORM THE BACKGROUND CHECKS FOR YOU.

Rigorous credit-selection process
with an aim to deliver better
risk-adjusted returns.

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.

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How big is the Market for Credit Funds?



**Around
18,000
companies rated
by CRISIL &
ICRA**

**Around
1,000
companies
rated in A and
above category**

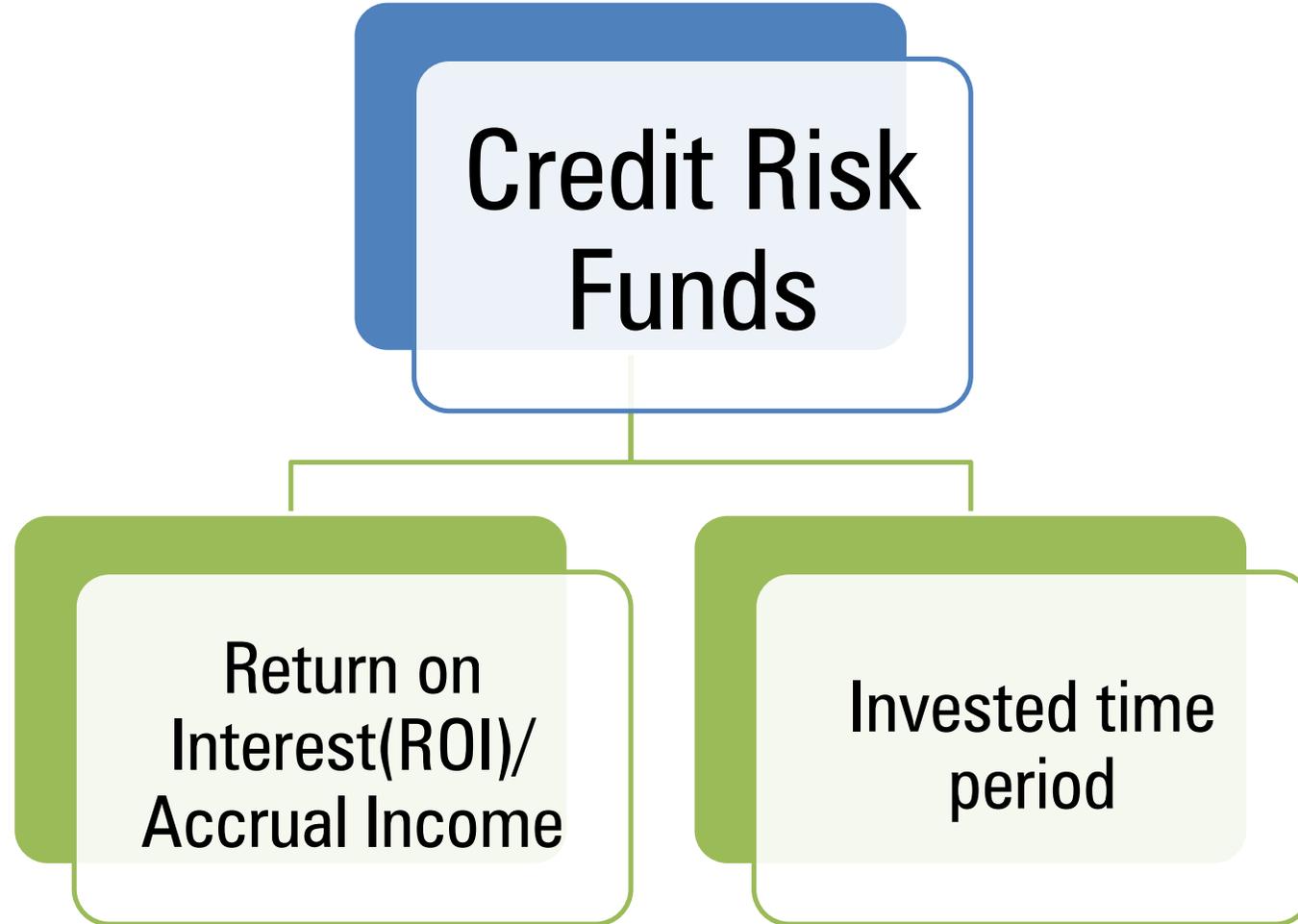
**ICICI Prudential Credit Risk Fund has
invested in around
120 such opportunities**

**Significant scope for
Mutual Fund industry
in Credit space..**

**Currently
approx. 500
companies
tapped by MFs**

**Half of the universe
remains untapped..**

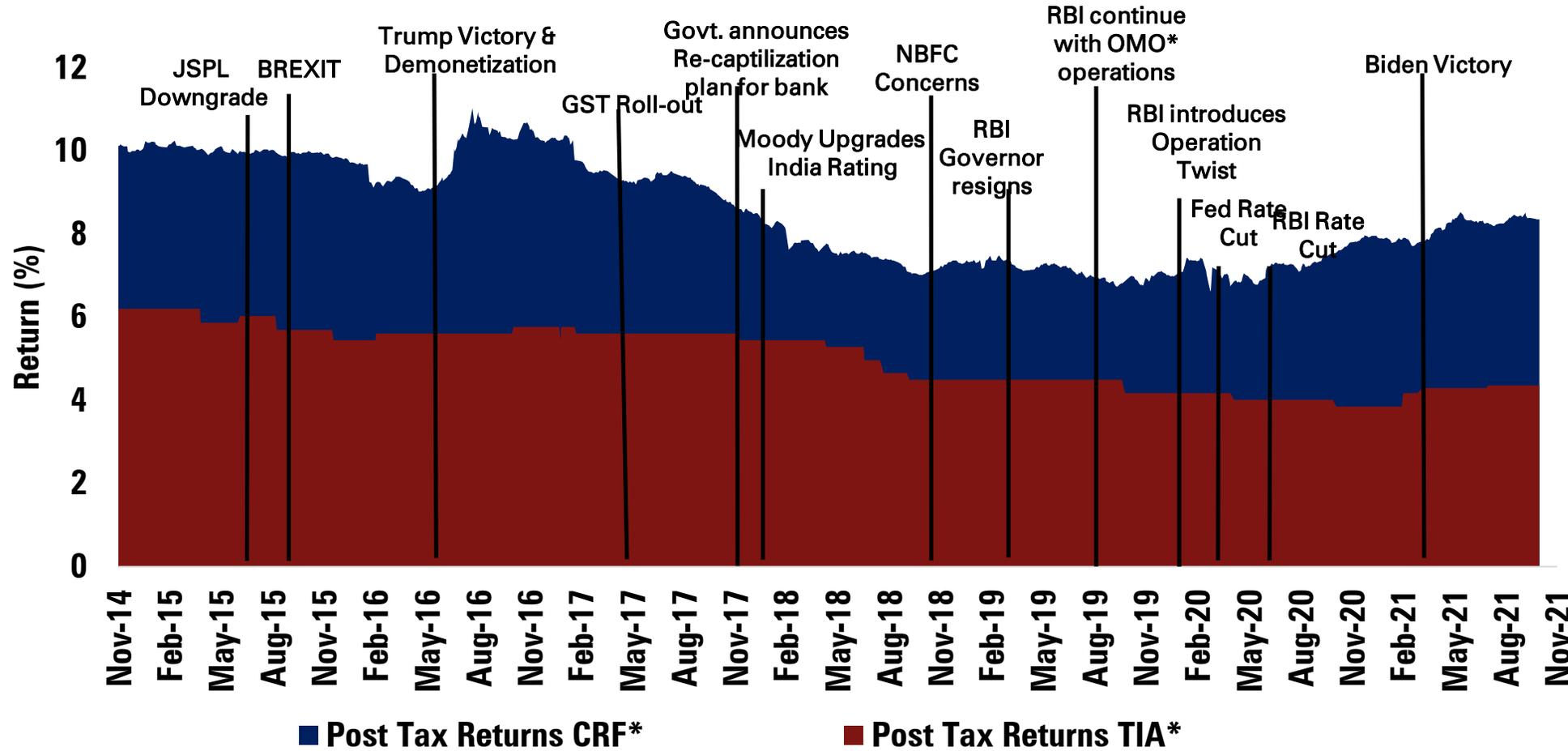
How Credit Risk Funds make return?



Credit Risk Funds – Pure Accrual Play



Three-year Post Tax rolling returns (%)



Credit risk fund creates return by accrual income and by investing with the right time horizon. The focus is not on event specific returns

*CRF – Credit Risk Fund (returns taken for ICICI Prudential Credit Risk Fund), TIA – Traditional Investment Avenue, OMO- Open Market Operations, Data source : MFI Explorer, Dataas on 30 Nov 2021

Past performance is no guarantee of future returns. In view of the different nature of the tax benefits, each investor is advised to consult with his or her own tax consultant with respect to specific tax implication arising out of their participation in schemes.

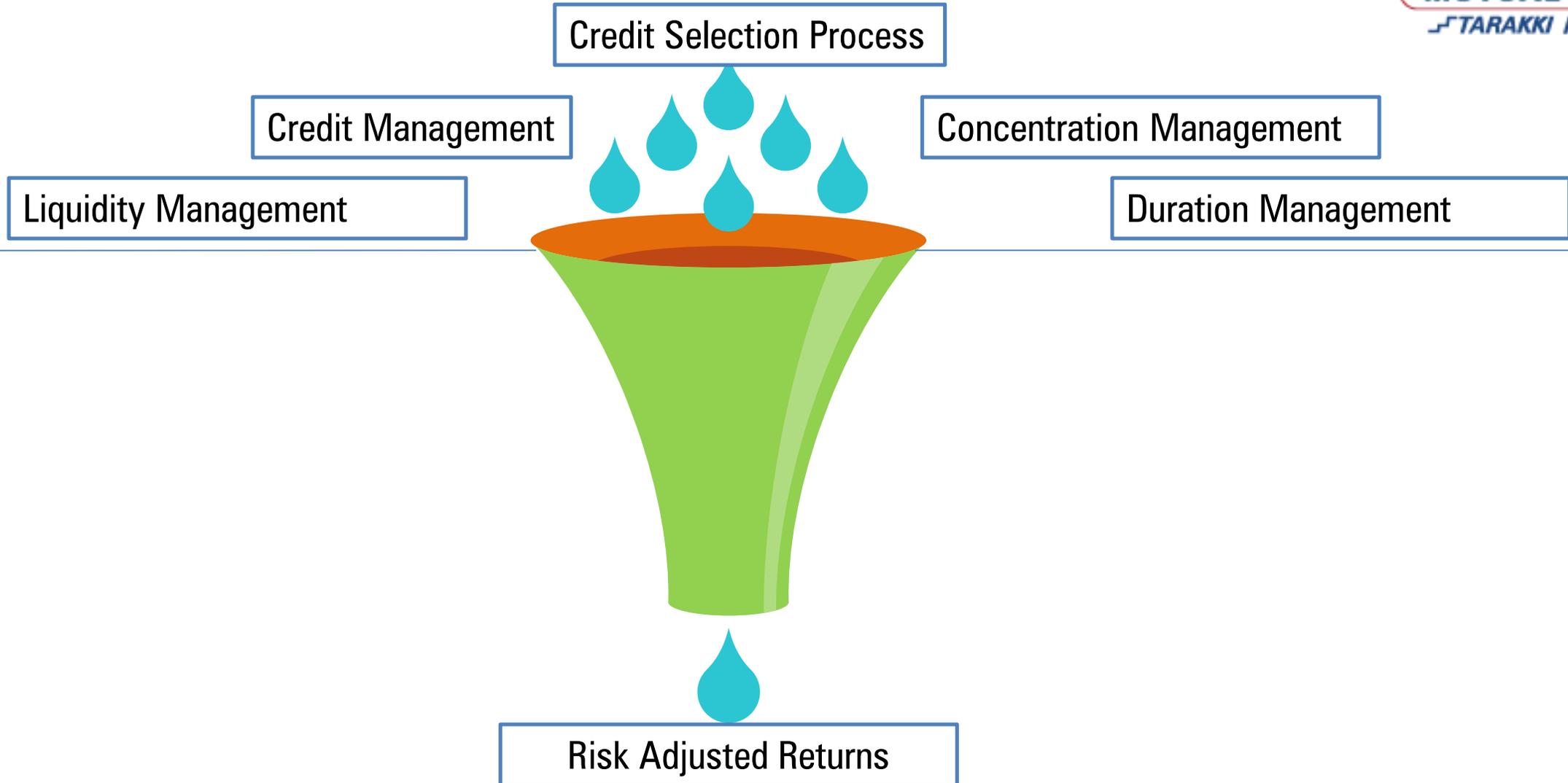
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How is it different from Duration Fund?



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

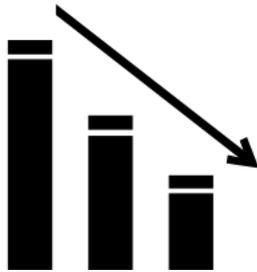
Importance of Risk Adjusted Returns in Credit Risk Fund Category



So, why ICICI Prudential Credit Risk Fund Now?



Valuations are reasonable



Industry Flows are moderate

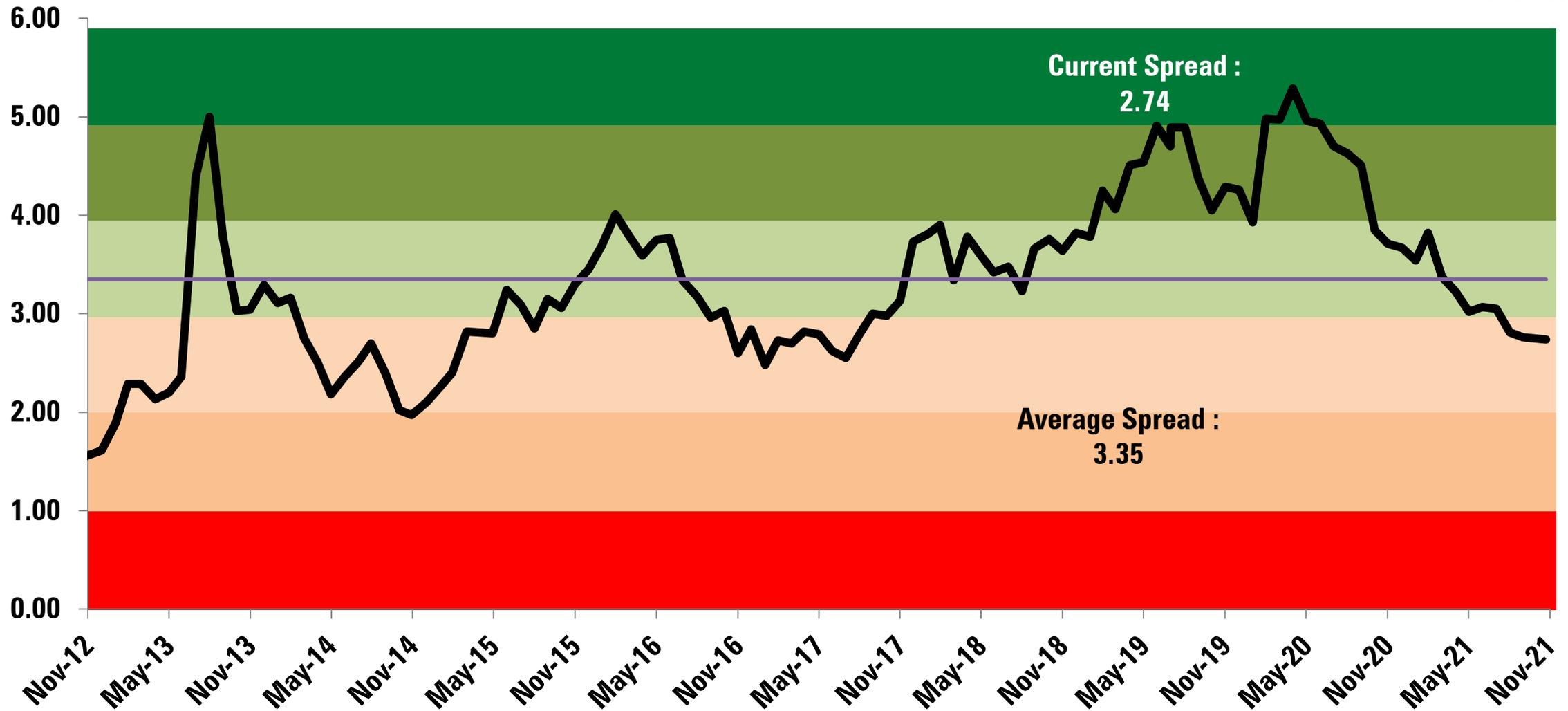


Narrative associated with category is cautious

Why ICICI Prudential Credit Risk Fund?



ICICI Prudential Credit Risk Fund – YTM Spread Over Repo



Data as on 30-Nov-2021, YTM values taken since scheme inception. Source: MFI Explorer, Past performance may or may not be sustained in the future. The information contained herein is solely for private circulation for reading / understanding of registered Mutual Fund Distributors and should not be circulated to investors/prospective investors.



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



Assessment of Management
Risk & Business Risk

Credit Due Diligence

COMPANY SHORTLISTED FOR INVESTMENT



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

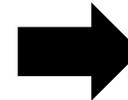
CREDIT SELECTION

All target credit investment proposal face multiple checks

Strong Credit Selection Process – Our Approach



Step 1: Portfolio Construction

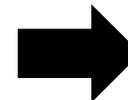


Fund Manager



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

Step 2: Credit Evaluation

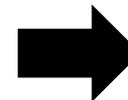


Credit Analyst



- 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 Credit instruments which we are comfortable of and leaving those where the risk reward is not favourable ”

Better Risk Adjusted Returns – Managing Various Risks



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); Excludes Government Securities, TREPS & Net Current Assets, \$ - Includes Government Securities, TREPS & Net Current Assets



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

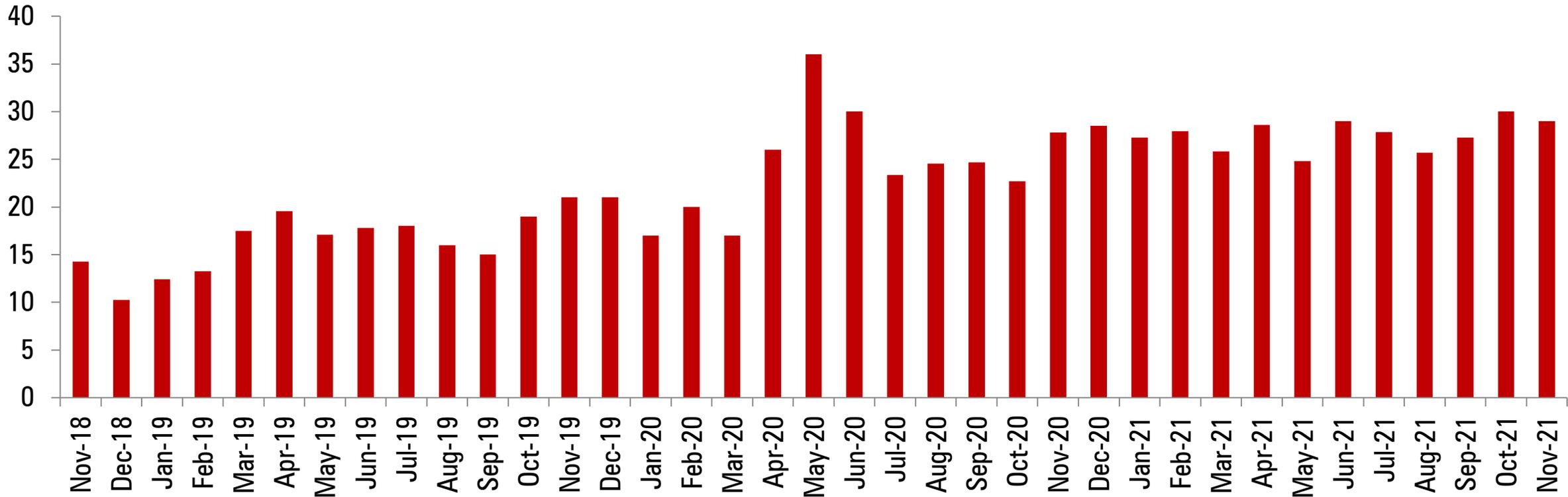
Scheme AUM contributed by institutional investors

Better Risk Adjusted Returns – Portfolio Construction



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

AAA& Equivalent ^ (% to AUM)



Data as of November 30, 2021, Source : MFI Explorer. ^ includes Sovereign, Cash, TREPS and Current Assets. 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.

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Concentration Management – strong checks & balances

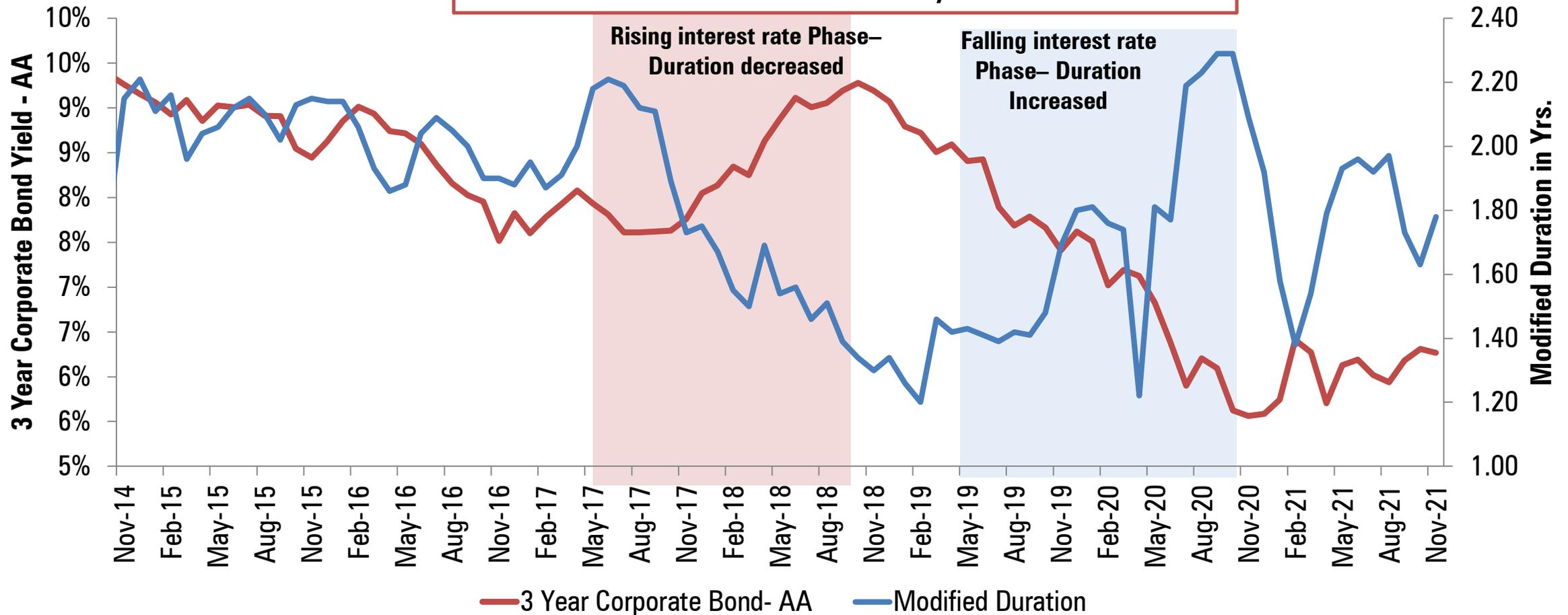
Particulars	Risk Management Strategy
No. of Securities	^ 60
Average Exposure to each securities	1.32%
Top ten holding	29.06%
Number of Instrument with more than 5% exposure	0
Number of Group with more than 10% exposure	1 (Tata Group)
Investor Level concentration limit	INR 50 Crore*
Channel partner Level concentration	Regular monitoring (AUM Ageing, exposure to top 10 distributor & Investor) etc.
Credit Approval	No individual signing authority

*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. ^ Only includes Corporate Securities, Pass Through Certificates, Units of Real Estate Investment Trust (REITs) and Units of Infrastructure Investment Trusts (InvITs); Excludes Government Securities, TREPS & Net Current Assets, The securities mentioned are a part of the scheme's portfolio as on November 30, 2021. The securities mentioned in this document do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future positions in the securities. The information contained herein is solely for private circulation for reading/understanding of registered Advisors/Distributors/ and should not be circulated to investors/prospective investors.

Better Risk Adjusted Returns – Portfolio Construction



Duration Management – mitigating interest rate volatility



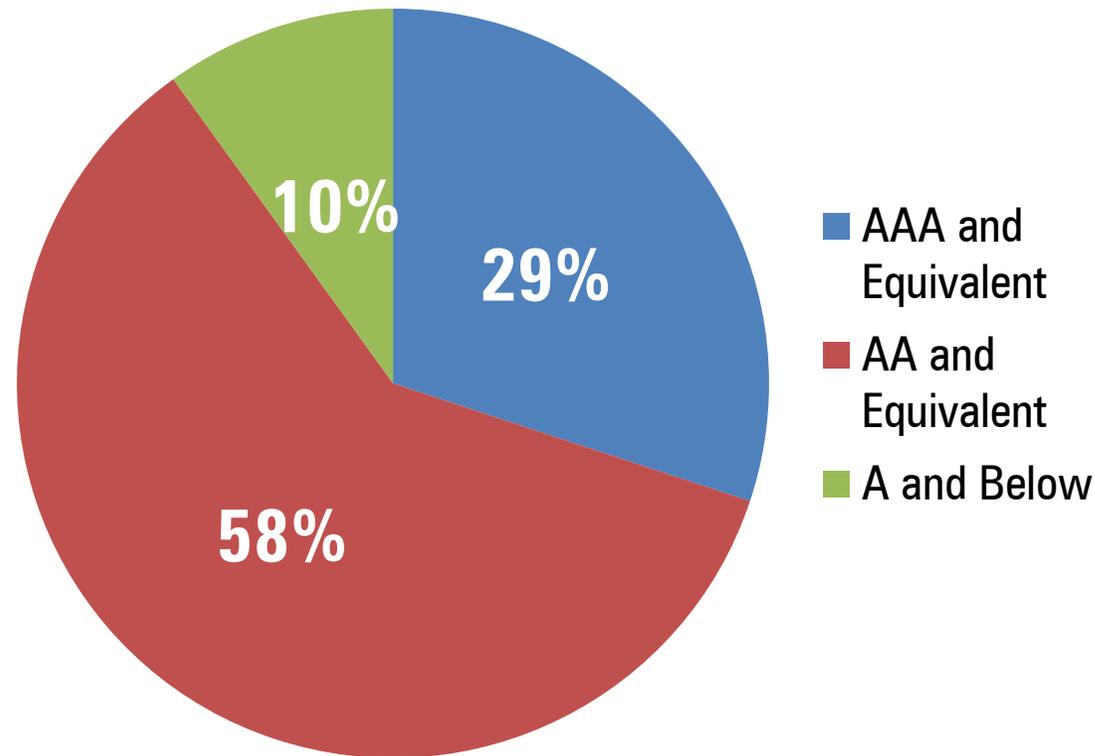
Data as of Nov 30, 2021, Source : MFI Explorer

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Credit Management – Exposure across various credit ratings

Portfolio Quality - % to AUM



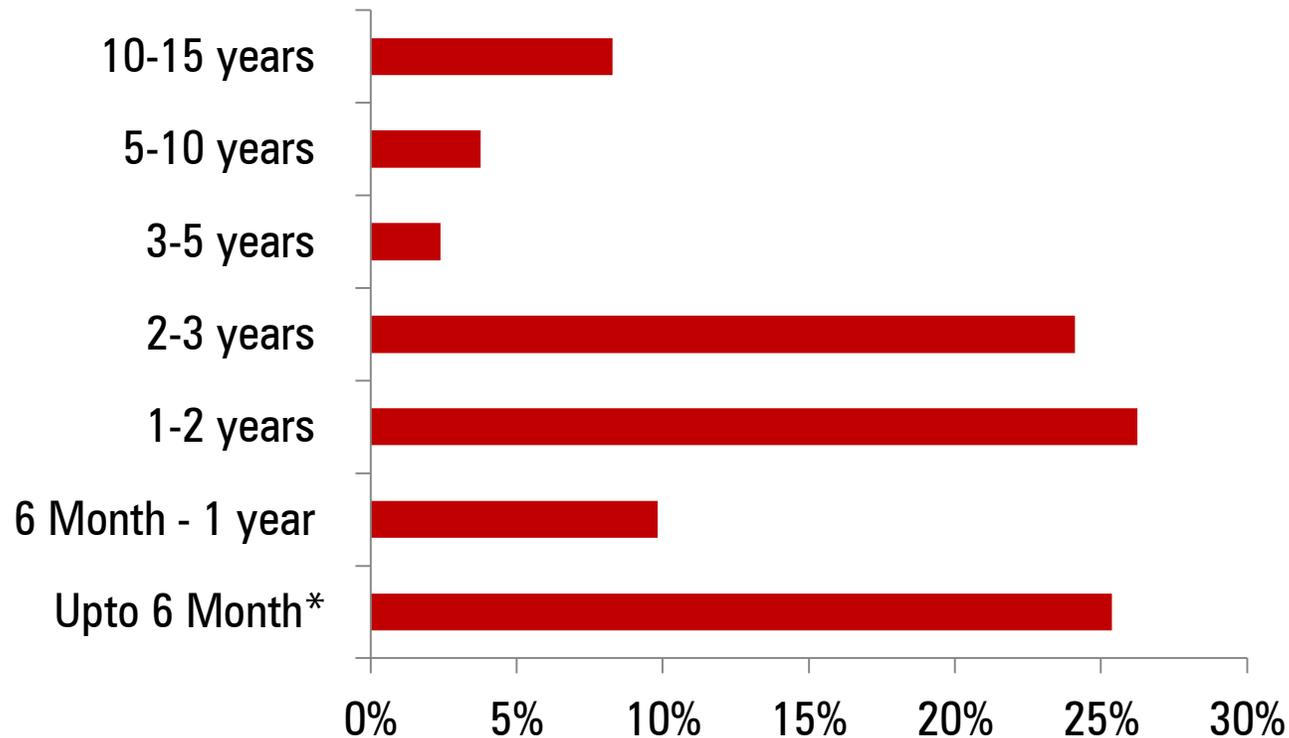
Data as of November 30, 2021. Portfolio rating composition pie-chart excludes exposure to REITs/InvITs. Source : MFI Explorer. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. Please refer to the SID for investment pattern, strategy and risk factors.

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Duration Management – diversified portfolio across various maturity buckets

% to AUM



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 Nov 30, 2021, * Including other current assets

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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.50 crore*
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 – to ensure returns are more predictable and consistent	Monitoring ageing of investors for any redemption requests
Moderate duration to reduce interest rate sensitivity	Monitoring of partner-wise concentration in the scheme

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Summary of our Credit Risk Fund Management



- Risk weighted
- Consistency
- Traditional investment plus better post tax returns
- Pure Play Credit

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

- Different Capabilities
- Structuring
- Resolution



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

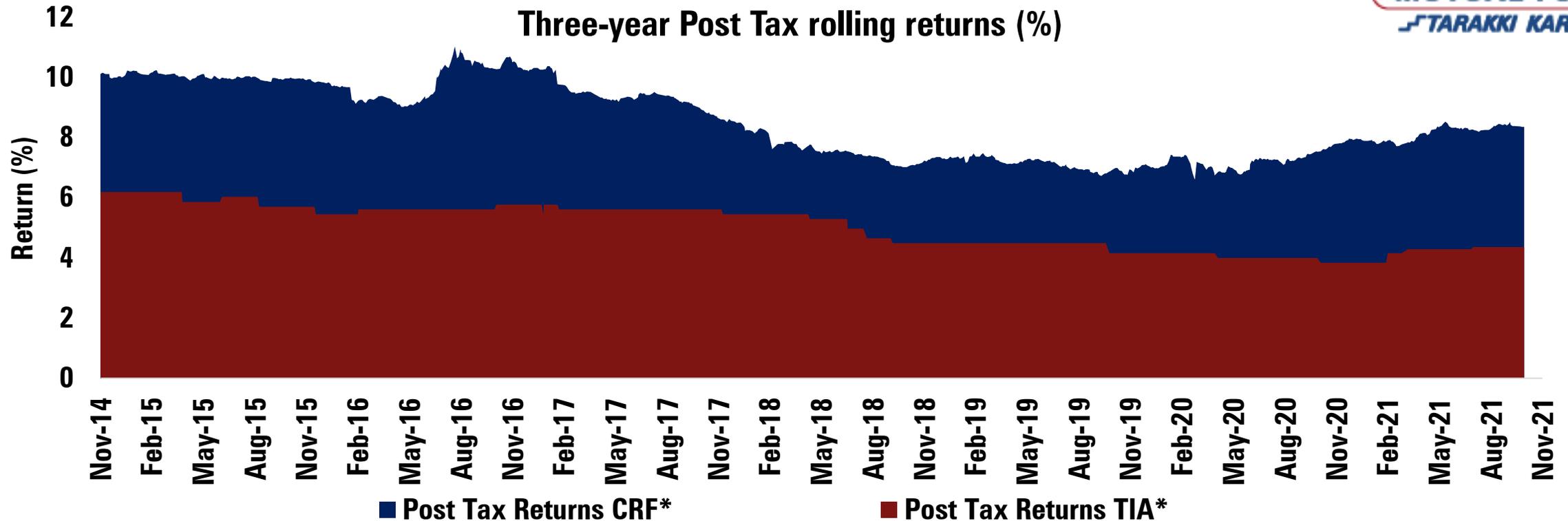
- Segregation of Risk
- Signing Authority
- Resource Pool

- Granularity
- Exit Load
- Investor Concentration

Consistent Outperformer v/s Traditional Investment Avenue



Three-year Post Tax rolling returns (%)



Post Tax Returns (%)	Minimum	Maximum	Average
ICICI Prudential Credit Risk Fund	6.6	11.0	8.50
Traditional Investment Avenue	3.9	6.2	5.0

Source: MFI; Data in CAGR % terms; Returns are calculated for the investment period between Dec 1, 2011 and Nov 30, 2018. Returns are post-tax. Data as of November 30, 2021. Traditional Investment Avenue has the highest safety for Principal invested, there is no assurance or guarantee of future performance of ICICI Prudential Credit Risk Fund. Past performance is no guarantee of future returns.

*CRF – Credit Risk Fund (returns taken for ICICI Prudential Credit Risk Fund), TIA – Tradition Investment Avenue, OMO- Open Market Operations

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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.



- The spread assets (non-AAA Corporate Bond space) provide better carry and margin of safety
- We expect going forward 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 YTM's
- 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

Select Instrument Rationale



Corporate Securities	About the issuer	Rating
<p>Adarsh Advisory Services Pvt Ltd. (AASPL)</p>	<p>Secured by pledge of equity shares of JSW Steel Ltd. & JSW Energy Ltd., AASPL is a part of JSW Group.</p>	<p>BWR A(CE)</p>
<p>Prestige Estate Projects Ltd (PEPL)</p>	<p>Prestige group is a leading Bangalore based real estate group with 112 mn. sq. ft. of delivered area since 1986. It is present in residential, commercial, retail, hospitality and services sector within the real estate space.</p>	<p>ICRA A+</p>
<p>Au Small Finance Bank Ltd.</p>	<p>Au Small Finance Bank Ltd. provides various banking services in India. AU has a strong competitive strength in vehicle finance business in Rajasthan, comfortable capitalization supported by capital infusion at periodic intervals and comfortable liquidity position.</p>	<p>CRISIL AA-</p>

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Select Instrument Rationale



Corporate Securities	About the issuer	Rating
Prism Johnson Ltd. (PJL)	PJL is among the largest cement producers in central India (Satna Cluster). The cement division contributed nearly 80% to its EBITDA over FY15-FY19, followed by the ready mix concrete (RMC) and tiles divisions (about 14%).	FITCH A+
Vedanta Ltd.	Vedanta is a diversified metals, mining, power, and oil-and-gas company. Vedanta is one of the most efficient and lower cost producer of Zinc and Copper globally. Vedanta Ltd. holds 64.92% share in Hindustan Zinc. Hindustan Zinc have a market cap of approx. Rs.134,404 crore (as on Oct 01, 2021), cash rich and high dividend yield company.	CRISIL AA-
ICICI Bank Ltd.	ICICI Bank Limited (IBL) is a private sector bank in India and is promoted by ICICI Ltd.	ICRA AA+
Nuvoco Vistas Corporation Ltd. (NVCL)	NVCL manufactures cement, has a total capacity of 14.1 million tonnes of cement and 7.7 million tonnes of clinker spread across eastern and northern India. It has three integrated cement plants, two grinding units, one blending unit, and ready-mix concrete business.	CRISIL AA

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Scheme Features



Type of Schemes	An open ended debt scheme predominantly investing in AA and below rated corporate bonds
Plans/Options	ICICI Prudential Credit Risk Fund & ICICI Prudential Credit Risk Fund – Direct; Options: Growth & IDCW ^ and re-investment sub-options (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 – 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 dividend is subject to availability of distributable surplus and Trustee approval. Pursuant to payment of dividend, the NAV of the scheme falls to the extent of dividend 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 dividend. Dividend 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 dividend payout option, the minimum amount for dividend payout shall be 100 (net of dividend distribution tax and other statutory levy, if any), else the dividend would be mandatorily reinvested

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Risk-o-meters



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. A relatively high interest rate risk and relatively high credit risk.

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



Potential Risk Matrix for the Scheme:

Position in the Matrix:

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

Disclaimer: Investors are further requested to note that PRC reflects the maximum risks (i.e., interest rate risk and credit risk) that the scheme can take. Unitholders are requested to note that any permanent change in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of schemes. Further, in case of any permanent changes in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is lower than the maximum risk specified for the chosen PRC cell, the AMC shall inform the unitholders. However, the PRC value of a scheme could change temporarily due to price movements, rating changes, investment actions, etc. Any such temporary change in the PRC cell of a scheme to a higher risk scale for either credit risk or duration risk beyond the maximum risk specified for the chosen PRC cell shall be subject to rebalancing in terms of provisions specified in the SID of the respective schemes.

Scheme Benchmark: CRISIL Short Term Credit Risk Index



Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above risk-o-meters are as on October 31, 2021. Please refer to <https://www.icicipruamc.com/news-and-updates/all-news> for more details..

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

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