ICICI Securities
Portfolio Management Services

ACE Equity Portfolio

Proxy play on Incredible “India Growth” story

The Ace Approach in Portfolio Creation: leveraging 5G Model

ACE Equity: Major allocations

Large cap exposure
60-100%

Mid cap /Small cap exposure
0-40%

Max weightage in one stock
10%

Max weightage in one sector
40%

A Growth portfolio with blend of Value

10-25% allocation in sectors like Capital Goods, Auto, cement, Telecom

Value stocks

Companies in sectors which have remained lower for long period and are available at good value

20-35% allocation in sectors like Technology, Specialty chemicals, Pharma, API players

Rerating stocks

Companies which have seen structural change and are on inflection point of higher earnings growth

45-55% allocation in sectors like Financial services, NBFC, Insurance, Consumer

Growth stocks

Companies which can continue to deliver in all markets

High EPS growth

High ROE/ROCE profile

Time to ride the next growth phase

Higher capital expenditure by government is key trigger

- Infra stocks are likely to perform after a lull period of 13 years.
- Production linked incentive schemes are extended to 13 sectors giving boost to local manufacturing
- Pledge by central banks for low interest rate scenario would keep the cost of capital low for extended period of time.
- Will lead to higher employment and higher consumption

Bank's lending has shown green shoots of recovery

- Credit growth has seen improvement from decade low levels
- Lower than expected NPAs, higher capital adequacy, higher provisioning would cushion the further lending cycle.

Rural growth story remained resilient despite sharp GDP de-growth in FY21

- Various sectors are growing on the basis of rural demand
- Higher tractor sales, consumer discretionary like paints, appliances, infra themes like cement picking up.

Time to ride the next growth phase

Shift from unorganized to organized

- Post GST, the shift from unorganized to organized had picked up. It was found renewed momentum amid pandemic

India IT companies have entered into a structural growth phase

- Indian IT sector is at cusp of multi-year earnings growth phase
- Demand for cloud and cloud enabled services has accelerated due to pandemic
- Industries across the globe are increasing their IT budget

China+1 strategy, health protection, data connectivity

- Post pandemic, China+1 strategy to make India a large player in global supply chain.
- Govt focus on healthcare expenditure and rising traction towards health protection

Ace Equity investment strategy

- Multi cap strategy
- Mix of top down and bottom-up approach in selecting the portfolio companies based on strong fundamentals
- Focus on risk adjusted return with a mix of old and new economy stocks
- A growth portfolio with blend of value. Focus not only on “when to buy” also on “when to sell”
- Technical analysis on stocks and indices and focus not only on “When to buy” but also on “When to sell”
- Work on the decided themes with regular picking of quality midcaps to ride various cycles

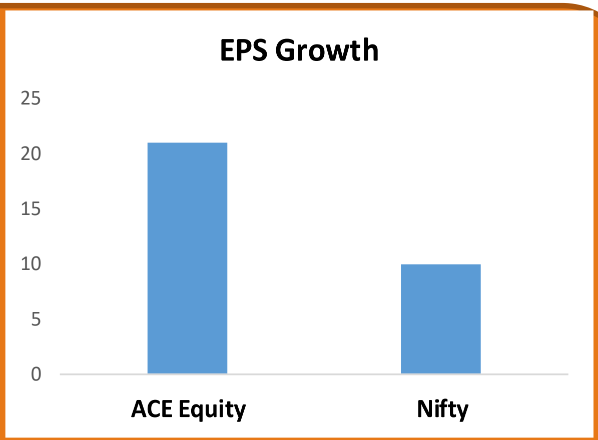
ACE Equity: Fundamentals placed better than Nifty

Strong Earnings Growth

20.94% ACE Equity

Vs

10% Nifty



Cash rich Balance sheet

60% of companies have zero debt

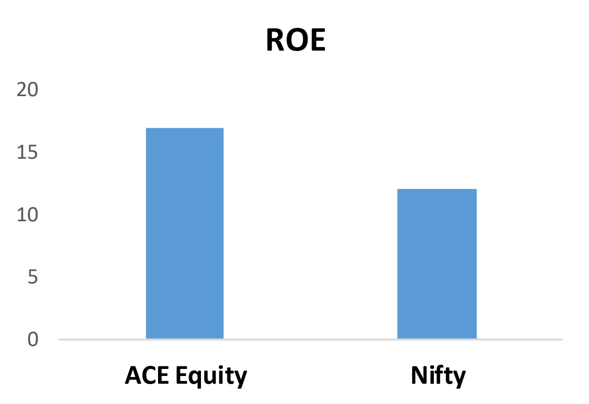
30% of portfolio companies have D/E < 1

Superior ROE

17% ACE Equity

Vs

12% Nifty

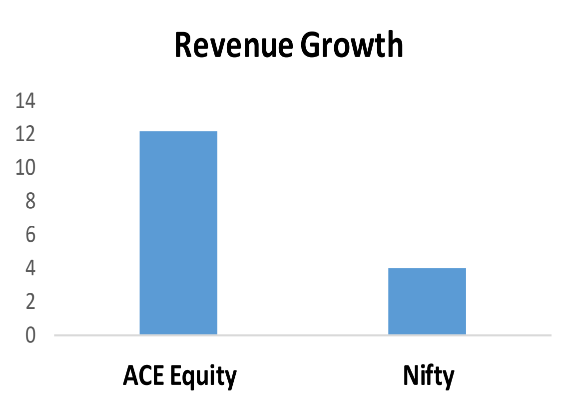


Higher Revenue growth

12.23% ACE Equity

Vs

4% Nifty



Quarterly Market Outlook & Performance

The markets consolidated as IMF cuts India's FY22 GDP growth forecast from 12.5% to 9.5% post Covid -2 disruptions. However, for 2022-2023, IMF has increased the forecast from 6.9% to 8.5%. Markets consolidation was also driven by increasing Covid cases in developed world which led to cautious approach from FIIs and they withdrew funds to the tune of |10,000 cr. On YTD basis, India is still quite ahead in terms of FII flows in comparison to major emerging markets. Brazil is another country which has seen good flows on account of commodity upsides. The major tailwind for India is the earnings growth cycle despite the margins hit due to commodity surge. We have seen sectors like Cement and Metals are looking for 1.7 lakh cr. of capex which will be next driver for banks credit growth. NPAs in banks are lower on YoY basis which has increased profitability. Infosys has posted good results and future revenue guidance has also increased to 14-16% from 12-14%. Metal companies are posting good earnings due to elevated prices despite China's efforts to cool off the prices by selling from its reserves. Metal companies' production though increased YoY but declined QoQ due to supply of liquid medical oxygen to hospitals amid the second covid wave. It's heartening to see GST collections came to |1.16 lakh cr. for the month of June. This happened after two lower GST figures for April and May due to regional lockdowns. The recovery in GST shows the economy is coming on track and it seems government and corporates have learnt to tackle the intermediate Covid disruptions. India's manufacturing PMI in July increased significantly to 55.3% from 48.1% in June as new export orders from international markets have increased. The unemployment rate in India has also declined from 9.17% in June to 6.95% in July. Also the vaccination drive has picked up pace. More than 36.5 cr. people have got single dose in India so far. Since inception Model & Portfolio TWRR return net of expense are 14.95% ,13.19% vs Benchmark return of 21.85 % as on 31st July 2021.

Performance vs. Benchmark (%)	1M	3M
ACE EQUITY PORTFOLIO (Model)	2.34	10.79
ACE EQUITY (PORTFOLIO)	2.34	10.72
NSE 200	0.85	9.27

Top constituents by weightage	
Top 10 Stocks	**Weight(%)**
INFOSYS	6.86
ASIAN PAINTS	6.38
ICICI BANK	5.86
HDFC BANK	5.74
BAJAJ FINANCE	5.11
RELIANCE	4.6
HDFC	4.44
SBI	4.29
L&T	4.26
PIDILITE	4.24

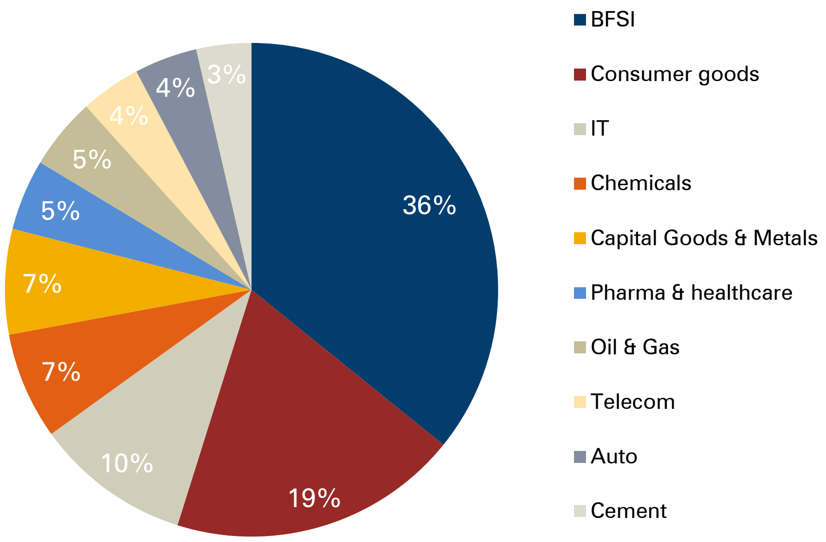
Note: Returns are TWRR as of 31st July 2021 net of all fees and all expense (including taxes) all cash holdings and investment in liquid funds. The performance related information provided herein is not verified by SEBI

Portfolio Highlights

HISTORICAL PERFORMANCE - BACKTESTED

Period		Portfolio	Nifty 200
6M	Nov 01, 2020 till now	35.0%	32.8%
1-yr	June 01, 2020 till now	65.2%	57.5%
2-yr	June 01, 2019 till now	48.0%	28.0%
3-yr	June 01, 2018 till now	87.7%	39.6%

SECTOR ALLOCATION

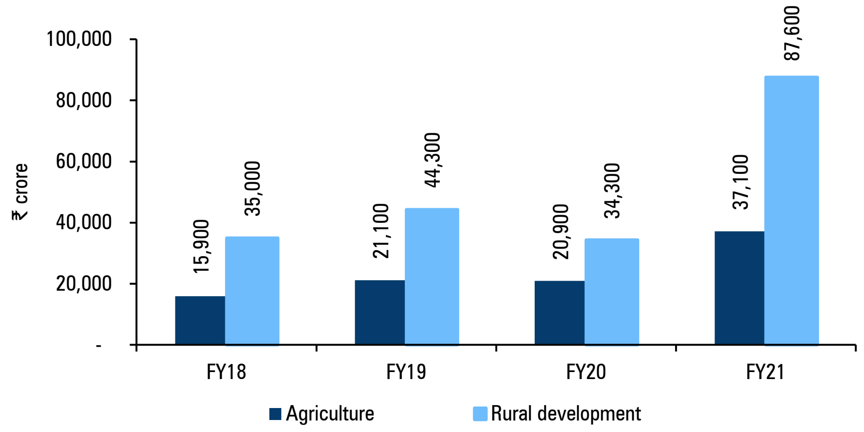


ACE Equity fundamentals over benchmark

EPS Growth: 20.94% Vs 10%
ROE: 17% Vs 12%
Sales growth: 12.23% Vs 4%

Case study 1: M&M: Growth in Rural economy and prudent capital allocation

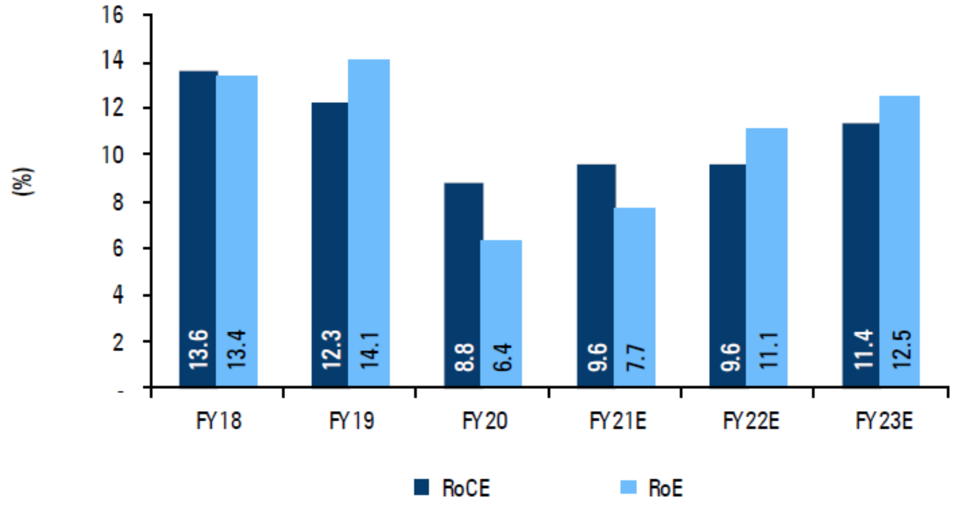
Tractors witnessed 32% YoY growth driven by good monsoon and continued government spend on agriculture & rural development



M&M: Stock bought near the long-term breakout levels

- M&M clarified that any cash generated from auto and farm businesses would not be used for other areas. Post classification of SsangYong Motor (SYMC) as discontinued business, M&M expects international subsidiaries losses to amount to ~₹300 crore in FY22E (vs. ~ ₹3,000 crore in FY21E & ₹3,429 crore in FY20)
- Improving return ratios is the key going forward
- Further clarification on scrappage policy can be impactful
- Current Thar production run rate is at ~3,000 units per month and would be ramped up to ~4,000 units per month by April-May
- M&M is doing well in electric 3-W (three to four months order book for Treo Zor demonstrates commercial feasibility) while in the medium term electric XUV300 would be one of the offerings

Rise in ROCE/ROE – key trigger going ahead



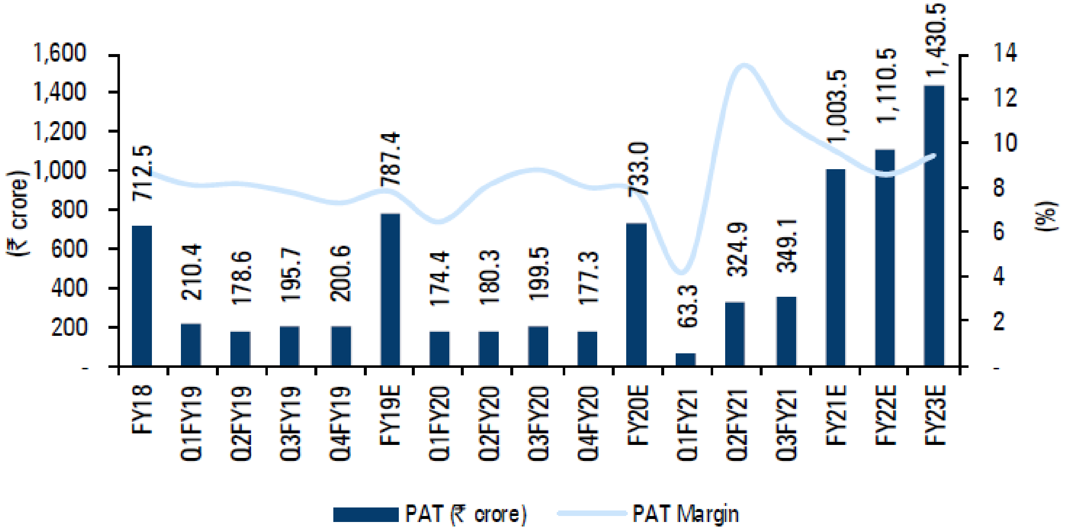
Case study 2: Havells: An all round performance

Havells– Gaining market share in Appliances, Switchgear & Lights, Cables, ACs

- Havells reported strong all round performance in Q3 with topline and PAT growth of 40% and 75% which were significantly better than market expectations.

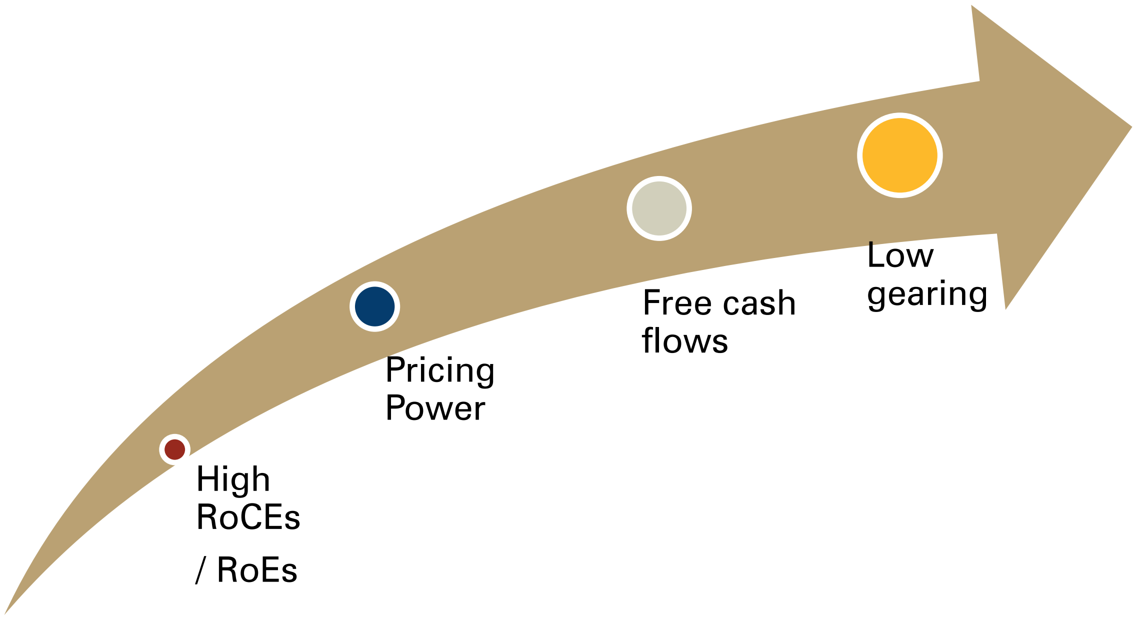
- Havells has continuously strived to stay connected to its network of 150000 dealers and also it is expanding its rural reach and expects to cover 3000 towns within a few months.

Havells- Recovery in sales, EBITDA to drive PAT



Quality franchise with superior fundamental pedigree

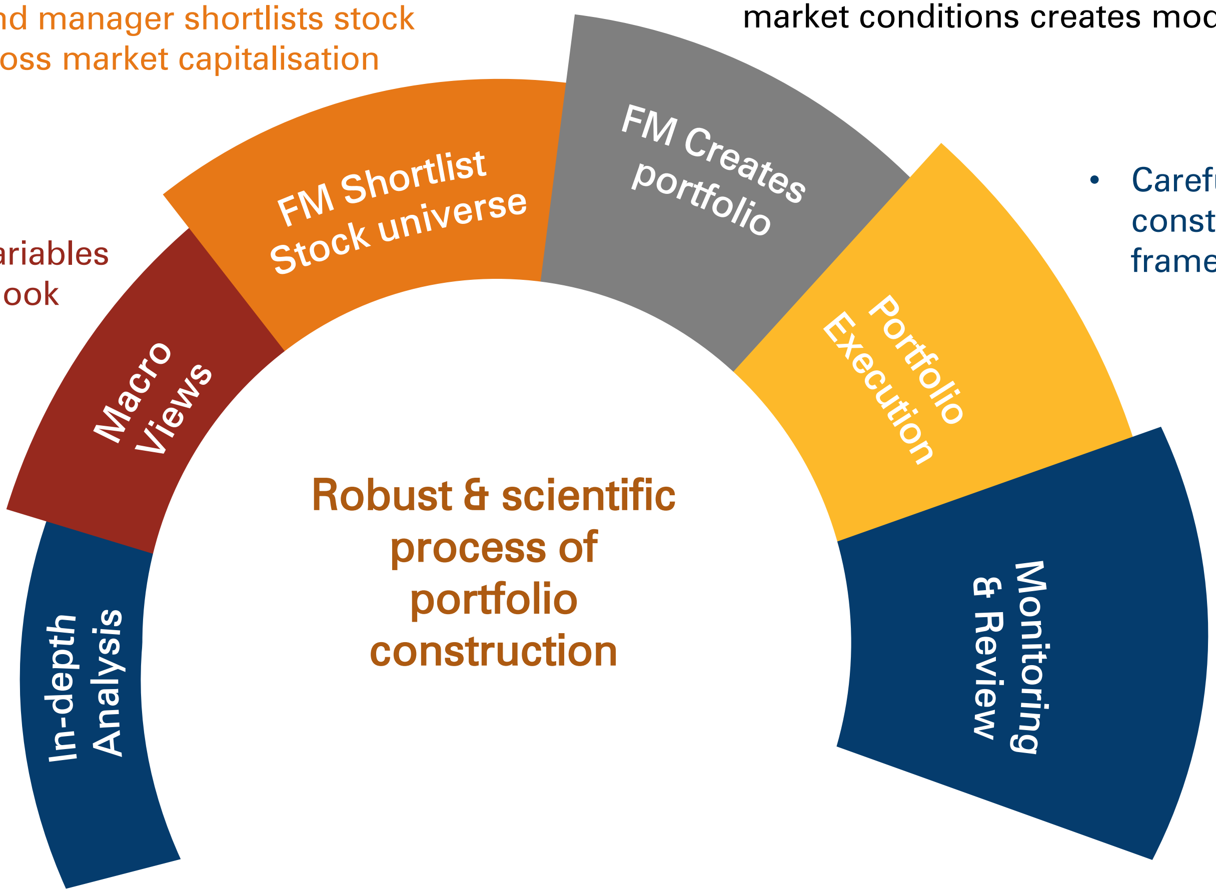
- Strong track record and sustainable visibility in earnings.



Source : ICICI Direct Research, Bloomberg

Institutionalised fund management framework

- FM based on the selection framework and market conditions creates model portfolio
- Fund manager shortlists stock across market capitalisation
- Carefully curated strategy is constructed based on well researched framework
- Economic Variables
- Sectoral outlook



- Client is regularly updated on his portfolio
- Bottom up stock analysis

What we see before investing in a business

Leadership position in its sector – strong pricing power and scope for margin expansion

Enough scope of growth in the current business segments and higher ROE trajectory

Promoters track record and higher corporate governance

Businesses which are at an inflection point of big structural change

Strong cash flows –zero debt and manageable debt position

Beneficiary of any macro change like government reforms, weak dollar, china growth, etc

What we would avoid in portfolio

Companies with weak return ratios

Not prudent in capital allocation

Promoter's engaged in building their own wealth

Entering into non-core businesses

Companies with poor corporate governance

History of siphoning of cash

Manipulation in stock prices

Low transparent structure

Companies involved in sectors where new technology can capitalize in coming years

Avoid the company if no willingness of change. Infact better to enter when things settle down.

Key Highlights

Why this scheme

Aim is to generate long term capital appreciation from an actively managed diversified portfolio of large & mid/small caps by using multi-cap framework.

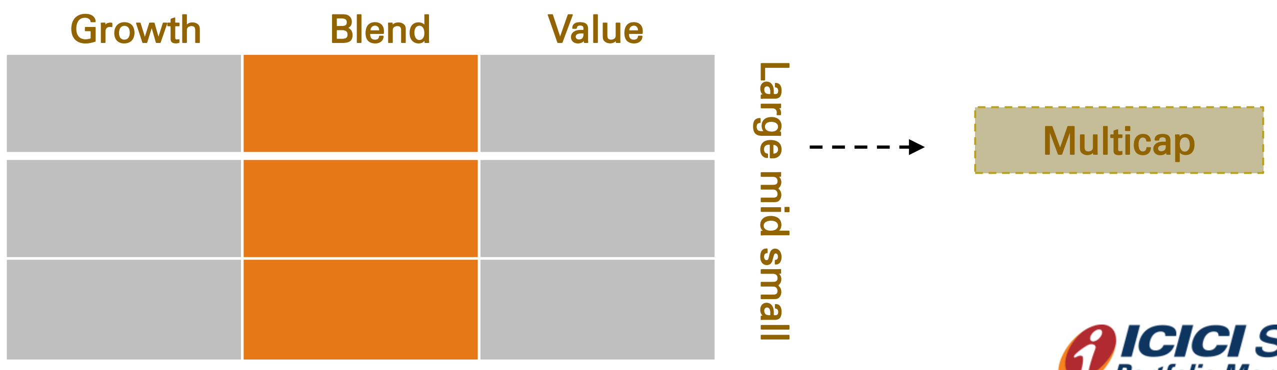
Scheme Suitability

Investors seeking long term wealth creation with an option to customise the portfolio

Investment focus

Portfolio of 15-30 stocks
Not more than 10% allocation in a single stock at the time of initiation

Investment style



About ICICI Securities

A Financial Powerhouse

Terms of Investments

Type of Portfolio	Open Ended Discretionary Portfolio
Scheme Name	ACE Equity Portfolio
Investment objective	The Investment objective of the scheme is to generate long term capital appreciation from a portfolio of equity by selecting stocks from larger universe.
Description of types of securities	Listed Equity and MF.
Basis of selection of such types of securities as part of the investment approach	Allocation is done by actively selecting stocks with Multi-cap framework based on fundamental parameters.
Allocation of portfolio across types of securities	80-100% Equity allocation & 0-20% Cash and Cash equivalent (Mutual Fund)*.
Appropriate benchmark to compare performance and basis for choice of benchmark	NIFTY 200. We are selecting stock on basis of multi cap approach where portfolio will majority have combination of Large and Midcap stocks. NSE200 is combination of both Large and Midcap stocks which is a broader index and better representations than other indices like NSE 100 (large cap oriented) or NSE 500 (Midcap oriented).
Indicative tenure or investment horizon	Long Term Capital Appreciation (3 Years +)
Risks associated with the investment approach	The investments strategy is based on fundamental parameters with Multi-cap framework and continues to have concentration and systematic risks.
Minimum Investment Amount for New Account Opening	Rs. 50 Lacs (as per regulations) or as decided by the portfolio manager at its sole discretion
Redemption	Daily
Taxation	Investors are advised to seek consultation from their independent financial advisor/ tax advisor before making any investment decision.
Key Risk	Market Risk : Equity Investments are volatile and subject to market conditions. Capital Loss Risk : There is no capital protection guaranteed in this strategy and due to adverse market movements, client may incur capital loss. Execution Risk : There can be deviation from the benchmark index given cash allocation & time lag/price differentials in order executions. Please note that Investment made on the basis of Investment objective of the strategy may or may not match with Investment/risk profile of the client.

*Change in allocation of portfolio: Subject to regulation, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially, depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the investors. Such changes in the investment pattern will be for short term and defensive considerations.

Fund management team

Piyush Garg- Chief Investment Officer

- Over 23 years of experience in Indian financial markets - Fixed income, Equities and Currencies & US bonds.
- Invited as spokesperson in various seminars in India and abroad on Global and domestic macro economics.
- Awarded 'Master Exemplar' by ICICI Group for 3 consecutive years 2016, 2017 & 2018 for outstanding contribution
- Have been successfully managing funds in various asset classes for the last couple of decades with strong macro-economic approach.
- Regularly gives his opinion on fund flows, macros, various indices on prime channels like CNBC, ET Now, etc
- MBA from IIM Kolkata

Amit Gupta- Fund Manager

- Have two decade of experience in Financial markets with Research expertise in Equity, Currency and Commodities.
- Won the India's Best Analyst Award in the year 2012 and 2014 from the erstwhile President of India
- Was on the advisory panel of NSE for the launch of new Derivatives products
- Have attended seminars as spokesperson across India and abroad for the comprehensive coverage on Equity markets.
- Gives his opinion on Equity and Derivatives markets on prime channels like CNBC, ET Now, etc
- A Mechanical Engineer and MBA (Finance) from IBS Hyderabad

Vasant Joshi- Sr. Analyst

- Have rich experience of 14 years in Financial markets with Advisory expertise in Direct Equity.
- Managing entire GPC clients of ICICI Bank.
- MBA Finance from IMED PUNE.

In-house research ecosystem

People

- 25 Member Fundamental Analyst team
- Won 25+ awards for best research house/analyst

Coverage

- 300+ Companies under coverage
- Coverage spread evenly between large cap (30%), mid cap (38%) & small cap (32%)

Differentiated products

- Running equity advised baskets since Sep 2016
- Golden stock basket from large and mid cap space

ICICI direct Research

ICICI Securities – A Financial Powerhouse

- Pioneers of online broking in India – Started in 2000
- Leading equity broker in India[1] powered by ICICI Direct
- Second largest non - bank mutual fund distributor[2]
- One of India's largest private wealth management outfits with AUA of over **INR**1 tn
- Active research coverage of around 300 companies across 16 sectors
- Leading investment bank in equity capital market[3]

1. By brokerage revenue: Sources: Investor presentations, Annual reports & Estimates
2. Source: AMFI (in terms of revenue), period: FY18
3. Source: Prime database; for Equity Capital Market (ECM): IPO/FPO/InvIT, QIP/IPP, Rights issue, Offer for sale

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Risk Factors & Disclaimers

Disclaimer:

Risk Factors & Disclaimers

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Risk Foreseen: The Ace Equity strategy is based on ***5 G Strategy (fundamental parameters) with market agnostic approach. It is Multi-cap framework approach and continues to have concentration and systematic risks.

***5G refers to growing Economy, Sector, Market share, revenue and governance.

Please refer Disclosure Documents and Risk Factors stated therein before investing in Portfolio Management Services.

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Source : ICICI Direct Research

Thank You

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