Introduction to Sterling Consult Portfolio-Aggressive

ICICI Securities Sterling PMS provides…

Alpha Generation

- Active Asset allocation between Debt and Equity
- Active allocation across Yield curve and Market cap
- Fund Manager Selection

Transparency

- No conflict of interest
- Investment in Direct Plan of MFs
- Fee directly linked to AUM
- Interest inline with the Client with focus on enhancing returns through cost optimization

Disciplined Approach

- Asset allocation with clear definition of Max and Min allowed allocation to each asset class
- Robust selection framework covering various parameters such as valuations, and in-house research view

Five risk profile based portfolios based on clients risk and return objectives incorporating valuation, in-house market views and risk reward trade offs

Key Benefits

- Cost Optimization as Investment in Direct Plans only and use of strategies such as passive investment wherever and whenever suited
- Flexibility to go underweight/overweight in various asset classes
- Best-in-class research and process driven recommendations
- Aggregated online portfolio reporting & Regular review/rebalancing

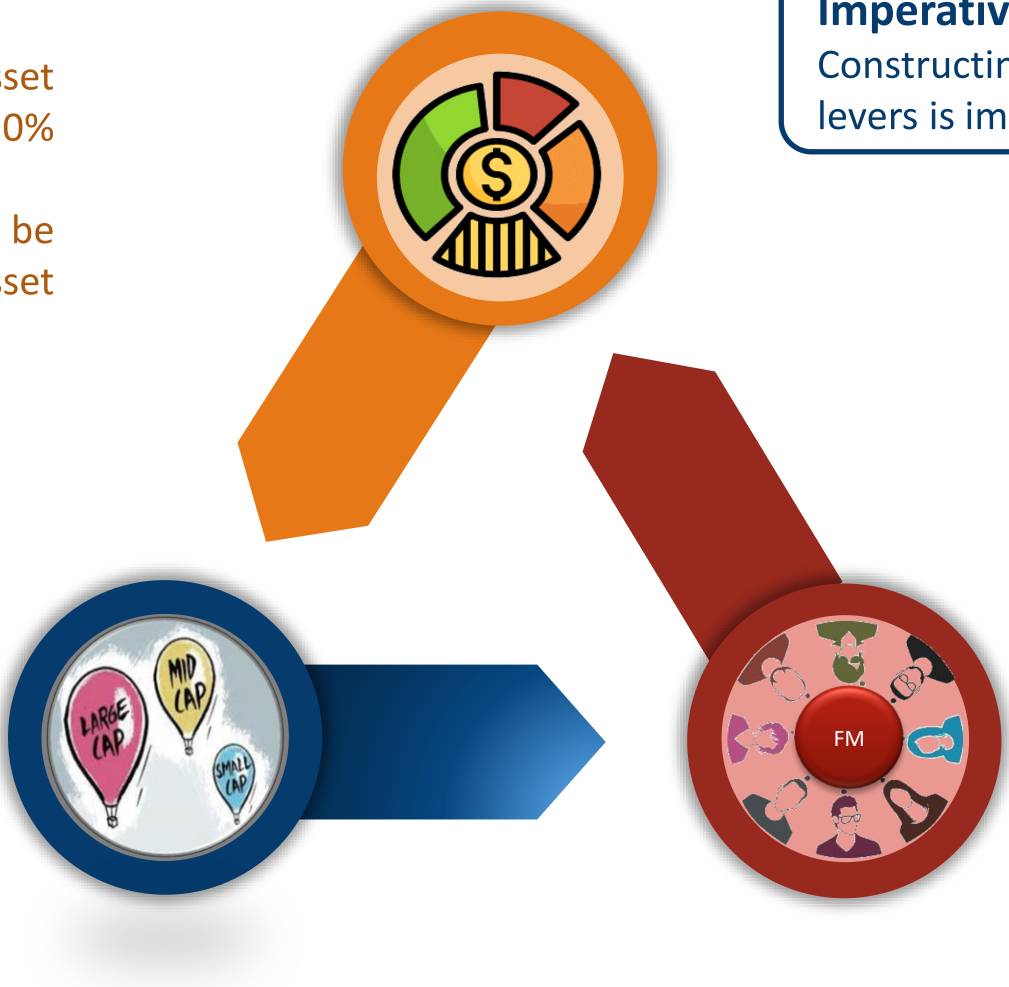
Key levers to generate Alpha

Key levers for generating Alpha

ASSET ALLOCATION

- It has been widely debated that Asset Allocation has more than 90% contribution in alpha generation
- While the exact percentage can't be quantified, selecting the right asset allocation is imperative.

Imperatives:
Constructing a portfolio balancing these three levers is imperative to generate Alpha



MARKET CAP ALLOCATION

- Different Market Cap perform in different market cycles.
- Right mix of market cap allocation considering the macro environment.

FUND MANAGER SELECTION

- Active portfolio management through exposure to fund managers with different styles/strategy based on outlook of the market.

Right Mix of Asset Allocation, Market Cap Allocation and Fund Manager Selection

Asset Allocation

Year/ Ranking	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
1	Gold 10.1%	Equity 33.5%	Global Equity 20.3%	Equity 39.3%	Debt 8.7%	Debt 13%	Equity 36.9%	Debt 6.4%	Global Equity 24%	Gold 25.1%	Equity 31.6%	Equity 4.2%
2	Debt 6.9%	Global Equity 13.4%	Equity 4.8%	Debt 14.4%	Equity 0.2%	Gold 8.1%	Global Equity 21.7%	Gold -1%	Gold 18.3%	Equity 17.9%	Global Equity 16.8%	Debt 2.6%
3	Global Equity -9.4%	Debt 9.4%	Debt 4.2%	Global Equity 2.1%	Global Equity -4.3%	Global Equity 5.6%	Gold 12.9%	Equity -1.6%	Debt 10.8%	Global Equity 14.3%	Debt 3.5%	Gold -0.3%
4	Equity -26.4%	Gold 7.1%	Gold -28.3%	Gold -1.4%	Gold -10.4%	Equity 5.1%	Debt 4.4%	Global Equity -11.3%	Equity 9%	Debt 12.5%	Gold -3.6%	Global Equity -19.8%
Difference (Top – Bottom)	**36.5%**	**26.4%**	**48.5%**	**40.7%**	**19.1%**	**7.9%**	**32.4%**	**17.7%**	**15.1%**	**12.6%**	**35.2%**	**24.0%**

Even a small allocation changes has ability to generate Alpha:

- In Year 2016, adding **20% allocation** to Debt in a 100% Equity portfolio would have given an absolute alpha of **1.6%** at overall portfolio level.
- Similarly, in Year 2019, adding **10% allocation** to Global funds in a 100% Equity portfolio would have given an absolute alpha of **1.5%** at overall portfolio level.

Asset Classes perform differently in different cycles. Flexibility to underweight or overweight allocation can help in optimizing portfolio returns. Example: Under **Balanced** profile, Equity allocation can hover in the range of 30-65% of the portfolio.

Equity: Nifty 500 TRI; Debt: Crisil Composite Bond Fund; Gold: Bloomberg; Global: MSCI ACWI Index | Source: ICICI Direct Research|Bloomberg

Market Capitalization

Year/ Ranking	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
1	Large Cap -23.8%	Mid Cap 41.4%	Large Cap 8.1%	Mid Cap 57.9%	Small Cap 8.2%	Mid Cap 8.3%	Small Cap 57.3%	Large Cap 5.2%	Large Cap 13.5%	Mid Cap 23%	Small Cap 60.7%	Large Cap 5.7%
2	Mid Cap -30%	Small Cap 38.5%	Mid Cap -3.7%	Small Cap 56.6%	Mid Cap 7.6%	Large Cap 4.4%	Mid Cap 48.3%	Mid Cap -14%	Mid Cap -3.4%	Small Cap 22.8%	Mid Cap 47.5%	Mid Cap 4.5%
3	Small Cap -33.1%	Large Cap 29.4%	Small Cap -7%	Large Cap 32.9%	Large Cap -3%	Small Cap 3.2%	Large Cap 29.6%	Small Cap -27%	Small Cap -8.5%	Large Cap 16.1%	Large Cap 25.6%	Small Cap -12.8%
Difference (Top – Bottom)	**9.3%**	**12.0%**	**15.0%**	**25.0%**	**11.2%**	**5.1%**	**27.7%**	**32.2%**	**22.0%**	**6.9%**	**35.1%**	**18.5%**

Even a small allocation changes has ability to generate Alpha:

- In Year 2021, adding **10% allocation** to Small cap in a 100% Large cap portfolio would have given an absolute alpha of **3.5%** at overall portfolio level.

- Similarly, in Year 2014, adding **10% allocation** to Midcap in a 100% Large cap portfolio would have given an absolute alpha of **2.5%** at overall portfolio level.

Different Market Capitalization perform different in different cycles. Flexibility to toggle between the Market capitalization can help in optimizing portfolio returns.

Large Cap: Nifty 50 TRI; Mid Cap: Nifty Mid cap 100 TRI; Small Cap: Nifty Small cap 100 TRI | Source: ICICI Direct Research | Bloomberg

Sector Allocation

Year/Ranking	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
1	FMCG 8.6%	Bank 56.5%	IT 58%	Bank 64.6%	Pharma 9.3%	Metal 36.7%	MNC 53.1%	IT 23.8%	Bank 18.4%	Pharma 60.6%	Metal 65.9%	Bank 21.2%
2	Pharma -10%	FMCG 48.5%	Pharma 26.5%	Auto 56.7%	MNC 7.5%	Auto 10.7%	Metal 47.8%	FMCG 13.6%	IT 8.4%	IT 54.9%	IT 59.6%	FMCG 17.5%
3	MNC -13.2%	Auto 42.5%	FMCG 12.2%	Pharma 43.4%	FMCG 0.3%	Bank 7.4%	Bank 40.5%	Bank 6.3%	Infrastructure 2.5%	MNC 13.5%	Infrastructure 35.6%	Auto 15.3%
4	IT -18%	Pharma 31.9%	Auto 9.4%	MNC 42.5%	IT 0%	FMCG 2.8%	Infrastructure 34.1%	MNC -5.8%	MNC -1.1%	FMCG 13.5%	MNC 22.8%	Metal 8.4%
5	Auto -19.4%	MNC 28.3%	MNC 7.7%	Infrastructure 22.7%	Auto -0.3%	MNC 1.1%	Auto 31.4%	Pharma -7.8%	FMCG -1.3%	Infrastructure 12.2%	Auto 19%	Infrastructure 6.1%
6	Bank -32.4%	Infrastructure 21.7%	Infrastructure -4.2%	FMCG 18.2%	Infrastructure -8.9%	Infrastructure -2.1%	FMCG 29.4%	Infrastructure -12.7%	Pharma -9.3%	Auto 11.5%	Bank 13.5%	MNC 2.5%
7	Infrastructure -38.5%	Metal 19.1%	Bank -8.7%	IT 17.8%	Bank -9.7%	IT -7.3%	IT 12.2%	Metal -20.7%	Auto -10.7%	Metal 11.2%	Pharma 10.1%	Pharma -11.4%
8	Metal -47.2%	IT -1.9%	Metal -10%	Metal 7.9%	Metal -31.2%	Pharma -14.2%	Pharma -6.3%	Auto -23.1%	Metal -11.9%	Bank -2.8%	FMCG 10%	IT -26%
Difference (Top – Bottom)	**55.8%**	**58.4%**	**68.0%**	**56.7%**	**40.5%**	**50.8%**	**59.4%**	**46.9%**	**30.3%**	**63.4%**	**56.0%**	**47.2%**

Exposure to right sector at right time can add significant Alpha to the portfolio's performance

Metal: BSE Metal | Rest all are respective NSE Indices

Fund Manager Selection

To check the importance of fund manager selection, we did a 3 year and 5 year daily rolling return analysis over the period of last 18 years. We have checked the difference in returns between average return of top 3 funds and bottom 3 funds in each categories (Category definition as per SEBI).

- Over the last 3 years (as on Dec 31, 2022), difference between average returns from top 3 and bottom 3 funds from Large cap, Midcap and Small cap funds has been **6%, 16% and 19%** respectively.

Source: ACEMF	Category: Small cap	Category: Mid cap	Category: Large cap
	3 Years (CAGR)	3 Years (CAGR)	3 Years (CAGR)
Top 3 Funds	42.6	32.2	15.8
Bottom 3 funds	23.1	15.9	9.7
Difference	**19.5**	**16.3**	**6.0**

- Over the long term as well*, the **difference between average return** of top 3 and bottom 3 funds from Large cap, Midcap and Small cap funds has been **9%, 15% and 21%** respectively on 3-year daily rolling return and **9%, 13% and 11%** respectively on 5-year daily rolling return.

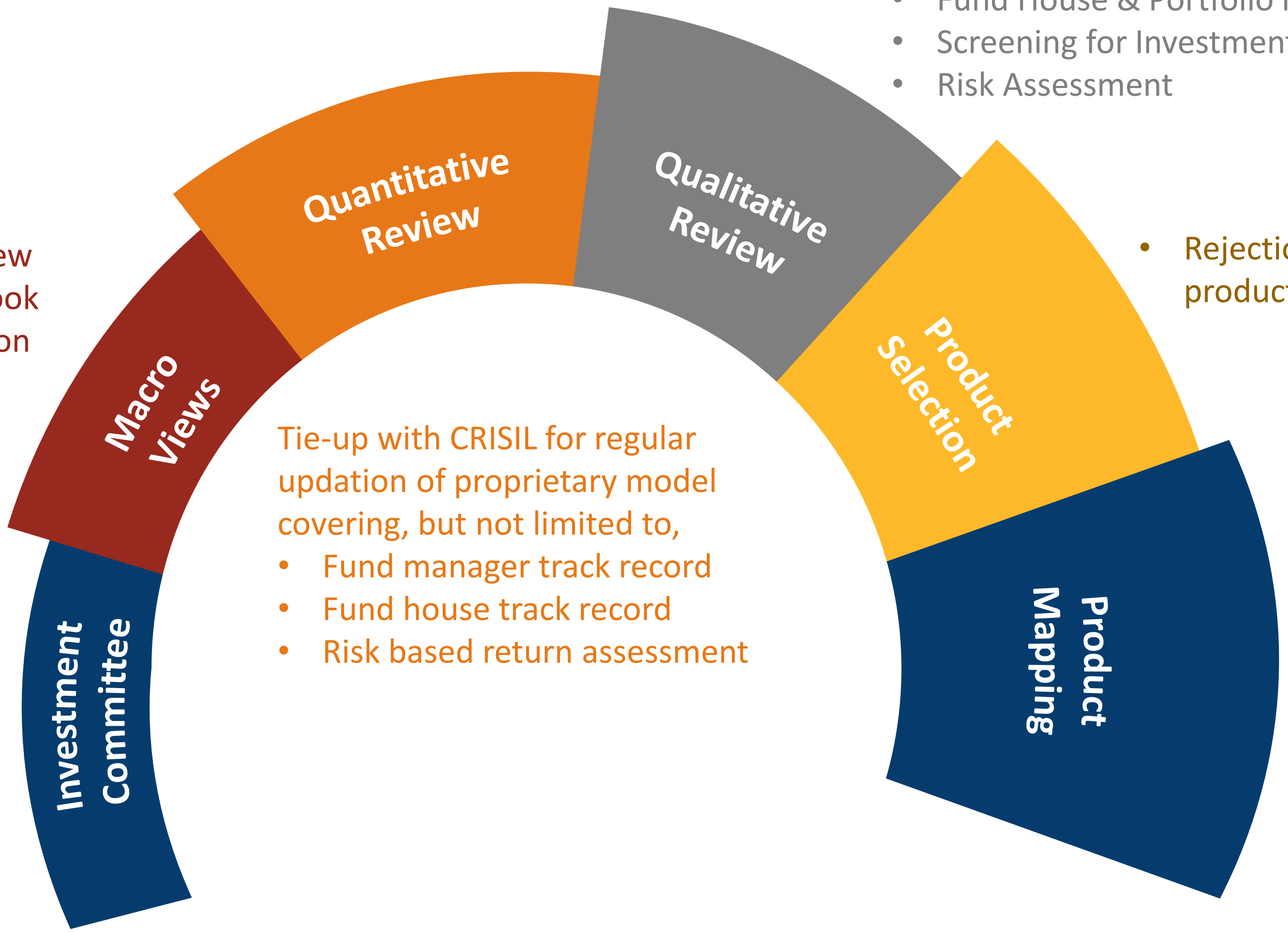
Selecting a right fund manager thus plays significant role in delivering Alpha

Source: Ace MF | *Period considered: Jan 1, 2005 till Dec 31, 2022 | Index: Largecap: Nifty 50; Midcap: Nifty Midcap 100; Small cap: Nifty Smallcap 250

Portfolio Construction

Equity Product Selection Framework

Robust Process For Risk Management



- Monthly Strategy Meet

- Asset class view
- Sectoral outlook
- Asset allocation
- Investment Framework

Tie-up with CRISIL for regular updation of proprietary model covering, but not limited to,

- Fund manager track record
- Fund house track record
- Risk based return assessment

- Portfolio Manager interactions
- Fund House & Portfolio Manager Due Diligence
- Screening for Investment Framework
- Risk Assessment

- Rejection or acceptance of the product in the recommended list

- Mapping of the product based on risk profile, strategy and outlook on the market

Framework for Proprietary Ranking Methodology

Qualitative and Quantitative Framework

Quantitative Parameters (70% Weightage)

Risk Analysis

- Stock Concentration
- Ease of liquidation of portfolio
- Downside risk using Mean Negative returns and frequency of Negative returns

Risk Adjusted returns

- Excess Returns using rolling return analysis
- Information Ratio

Qualitative Parameters (30% Weightage)

Fund Manager Evaluation

- Alpha generated over benchmark
- Fund manager's overall vintage and qualification

Fund House Parameter

- Basis the scheme rankings of the eligible schemes of the AMC, fund house is given a ranking

Sectoral Allocation

- Ranking basis ICICI Securities Research View on Sectors

Fixed Income Framework and Philosophy – SLR Framework

Three pronged approach of SLR i.e. SAFETY – LIQUIDITY - RETURNS as a central philosophy for fixed income investments

Safety	Liquidity	Returns
▪ Credit quality is the paramount criteria for debt product selection ▪ Our debt product recommendations are driven by a rigorous and analytical selection framework ▪ Focus strictly on funds and products having predominantly AAA rated issuers.	▪ A criteria that needs to be evaluated not on the basis of expected cash flow requirement, rather on the ease of liquidity of the underlying investments. ▪ Apart from bonds, for Debt MFs we monitor the liquid portions of the portfolio (i.e. CBLO, T-bills) for the ability to meet unforeseen redemption pressures.	▪ Returns are evaluated basis the risks involved. ▪ Hence, Risk-adjusted returns are considered while selecting bonds or mutual funds.

SLR framework drives debt product selection

In terms of our product recommendations, we classify the products into 3 categories – **Preservation, Core-Allocation, & Alpha Generation**

Our primary focus is preservation for debt products selection, as we strongly believe that debt as an asset class is to be primarily considered for capital preservation and liquidity of the portfolio.

Capital preservation - Shortlisted products.

- Tax Free Bonds
- AAA rated PSU & Private Sector Bonds/NCDs
- Debt Mutual Funds
- Market Lined Debentures (MLDs) with principal protection issued by well known corporates.

Sample Investment Policy Statement (IPS)

Investment Policy Statement

The Investment Policy consists of the broad framework for achieving the financial objectives and constructing investment guidelines/policies in accordance to the willingness and ability to bear risks on the investments.
The investment strategy will be determined on the basis of the above objectives and risk policies i.e, (strategic asset allocation) while offering the tactical flexibility for re- aligning the portfolio in line with the market conditions (Tactical asset allocation).

Risk Profiles

Risk Profile	Description	Debt & Preservation Oriented	Equity & Growth Oriented	Alternative
Risk Averse	Risk Averse investors typically will not take any risk, and are comfortable with returns that are commensurate with bank deposits or other highly rated debt instruments. Preservation of capital is their most important objective.	100%	0%	0%
Conservative	Conservative investors are prepared to take a small amount of short-term risk for potential returns that are slightly higher than bank deposits over the medium to long-term.	80%	20%	0%
Balanced	Balanced investors generally look for moderate capital growth over the long term and are cautious towards taking high levels of risk. They are however, comfortable with short-term fluctuations in returns.	50%	40%	10%
Growth	Growth investors are willing to take significant risk in pursuit of higher long-term capital growth and can accept high market volatility and fluctuations in returns.	20%	60%	20%
Aggressive	Aggressive investors will usually accept high risk for the potential of substantially higher long-term capital growth. These investors will accede to wide fluctuations in returns from year to year.	0%	80%	20%

Time Horizon of the proposed investments

The client should choose the time horizon based on the liquidity requirements for the current and future business, capital expenditure requirements and the mandate prescribed by the Client.

Risk Profile: Conservative

Time Horizon	Minimum	Maximum
Up to 12 months	0%	50%
1- 3 years	0%	60%
3- 5 years	0%	80%
> 5 years	0%	50%

Risk Profile: Balanced

Time Horizon	Minimum	Maximum
Up to 12 months	0%	40%
1- 3 years	0%	40%
3- 5 years	40%	90%
> 5 years	10%	80%

Sample IPS

Authorized Investments and Asset Classes Strategy

The list of investments authorized by the client and the prescribed asset allocation in accordance with the investment guidelines.

Asset Classes	Maximum Percentage of Portfolio	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio	Minimum Percentage of Portfolio
	Risk Profile: Conservative		Risk Profile: Balanced	
Equities (Including MFs, AIF, Direct Equity - Listed, unlisted, Hybrid MFs, ETFs, International, Structured product)	35%	0%	70%	30%
Fixed Income (Debt Funds, Corp Bonds/ G-sec/ Hybrid MFs, ETFs , Perpetual bonds, Tax free bonds, CDs, CPs, Market Linked Debentures, REIT, InVITs)	100%	65%	70%	30%
Alternates- Private Equity AIF, RE AIFs	NA	NA	10%	0%
Alternates - Gold based funds – MFs, Bonds	15%	0%	20%	0%

Risk Parameters

Credit Risk Parameters	Maximum Percentage of Portfolio)	Minimum Percentage of Portfolio)
AAA/ Sovereign	100%	50%
AA+/AA	50%	0%
AA-/A+	10%	0%
Below A	10%	0%

Duration Risk Parameters	Maximum Percentage of Portfolio)	Minimum Percentage of Portfolio)
0 – 12 months	100%	0%
1 – 3 years	100%	30%
3- 5 years	50%	20%
Above 5 years	30%	0%

M Cap	Maximum Percentage of Portfolio)	Minimum Percentage of Portfolio)
Large Cap	100%	40%
Mid Cap	40%	0%
Small Cap	30%	0%

Concentration Risk Parameters	Mandate/Objectives
Maximum Single Fund House exposure	Up to 30% of the total asset allocation at portfolio level
Maximum Single Fund Manager Exposure	Up to 25% of the total asset allocation at portfolio level
Maximum Single Security/Instrument/Scheme Exposure	Up to 20% of the total asset allocation at portfolio level
Maximum Exposure of the Scheme AUM	Up to 5% of the Scheme AUM

Term Sheet

Terms of the Investment

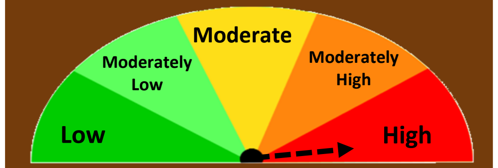
Name	ICICI Securities Sterling PMS
Investment objective	The Investment objective of the scheme is to generate long term capital appreciation from a portfolio of different asset classes.
Description of types of securities	Listed equity and debt oriented securities including mutual fund & Gold ETF.
Basis of selection of such types of securities as part of the investment approach	Allocation is done by actively investing in different asset class from defined securities universe.
Allocation of portfolio across types of securities	Based on Model Portfolio Selected
Appropriate benchmark to compare performance and basis for choice of benchmark	Based on Model Portfolio Selected
Indicative tenure or investment horizon	Long Term Capital Appreciation (3 Years +)
Risks associated with the investment approach	The investments strategy is based on the securities selected from defined universe 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 can 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.

Note: Please refer to Term sheet for details

Other details

Aggressive



Riskometer

Asset Classes	Indicative Allocation (%)
Debt	0-35
Equity	65-100
Others	0-30
Cash	0-20

Benchmark
Nifty 50 TRI

Fee Types	Aggressive
Management Fees (Charged quarterly, calculated daily on weighted average of Portfolio value at the end of every calendar quarter)	0.90% upto 3 Crs
	0.80% upto 10 Crs
	0.70% above 10 Crs
Exit Fees	Not Applicable
Fund Accounting Fees	INR 2,500 per annum (charged quarterly)
Depository& Custody Charges	Custody Charges - NIL
	NSDL Depository Charges - INR 5 per debit transaction
	SEBI Charges - At actuals (at present 0.00005% of AUC)
Brokerage	Charged on Turnover - 0.10%+STT

Process

Non Discretionary PMS (NDPMS) - Process

IPS

- Proposed
- Discussed
- Finalized

PORTFOLIO

- Portfolio proposed inline with IPS
- Deployment strategy proposed
- Discussed & Finalized

EXECUTION

- Seek Approval from client for each trade
- Executed by I-Sec if approved

REVIEW

- Checking IPS mandate
- Portfolio health check
- Recommend restructuring if needed

Risk Factors & Disclaimers

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Please visit APMI website www.apmiindia.org under report section to view the performance of other Portfolio Manager

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Risk Factors & Disclaimers

Risk Foreseen for Risk, Conservative, Balanced, Growth and Aggressive: The schemes invest in various asset classes (Stocks and Funds) which are selected from defined research universe based on risk profile of the investor**.** The investments strategy is based on the securities selected from defined universe and continues to have Concentration and systematic risks.

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