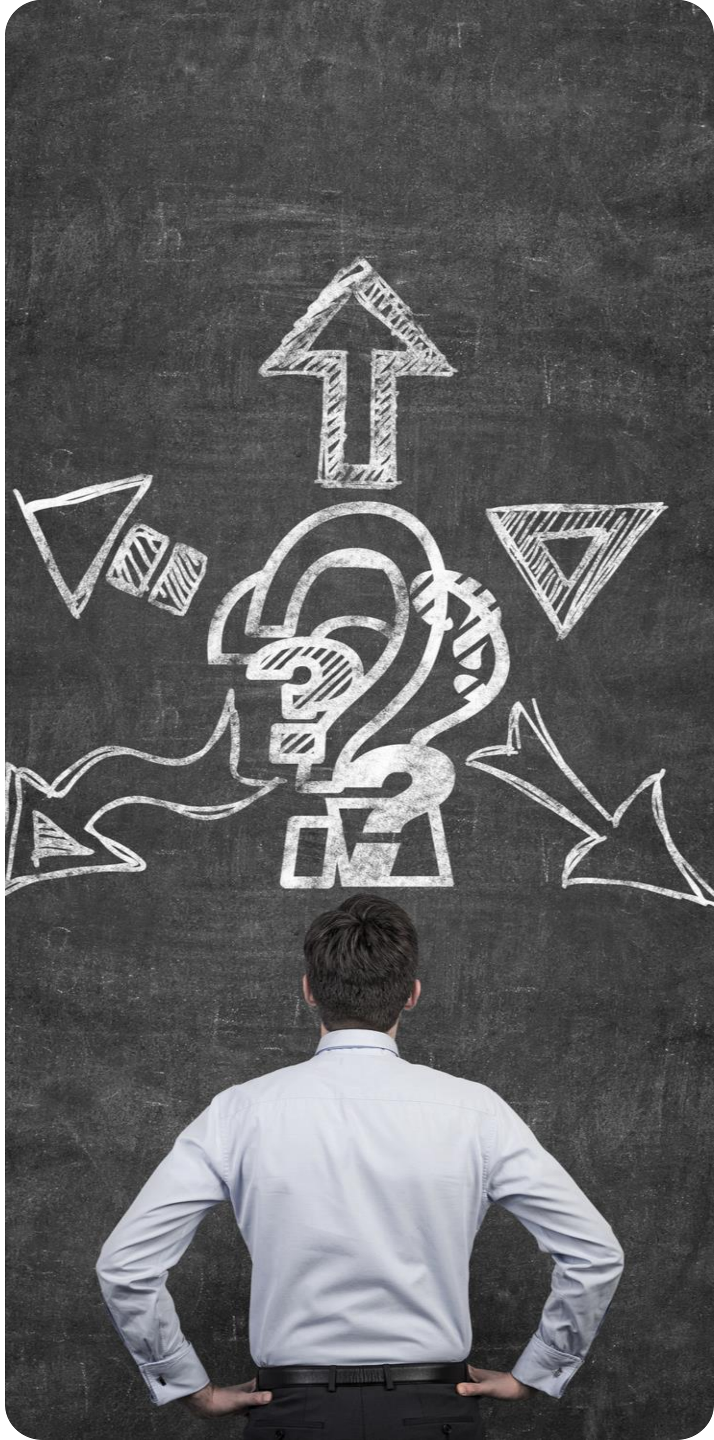
Introduction to

Sterling Portfolio- Aggressive Portfolio

Multiple Problems.. One Solution

- Which Fund Manager?
- Is market Expensive?
  How much in Equity or Debt?
- High Commission,
  Hidden Charges?
- Lumpsum or Systematic
  Investment?
- Active or ETF?
- Large cap, Midcap
  or Smallcap?
- Duration strategy
  or Accrual strategy?

and more…



Multiple Problems.. One Solution

Introducing

ICICI Securities

Sterling PMS

01 Active asset allocation in Debt and Equity

02 Transparency in Pricing

03 Investment in Direct Plan

04 No conflict of interest

05 Comprehensive fund selection process

06 Dynamic allocation between Mid, Small and Large cap segment

ICICI Securities Sterling PMS provides…

α 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

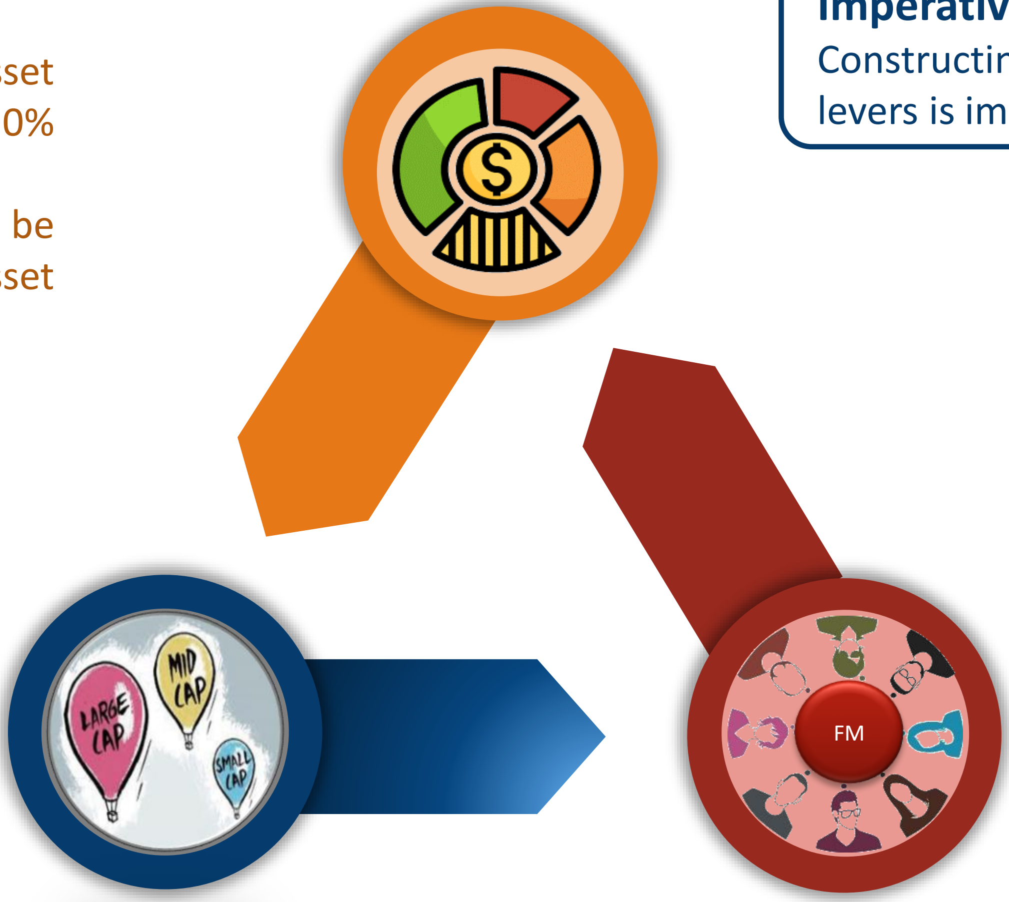
Key levers to generate Alpha

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 3 Years (CAGR)	Category: Mid cap 3 Years (CAGR)	Category: Large cap 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

Portfolio Construction Process

Portfolio construction is guided by 2 factors: Model driven guidance and Human driven outlook

Model driven Guidance

Human driven Outlook

Sterling PMS

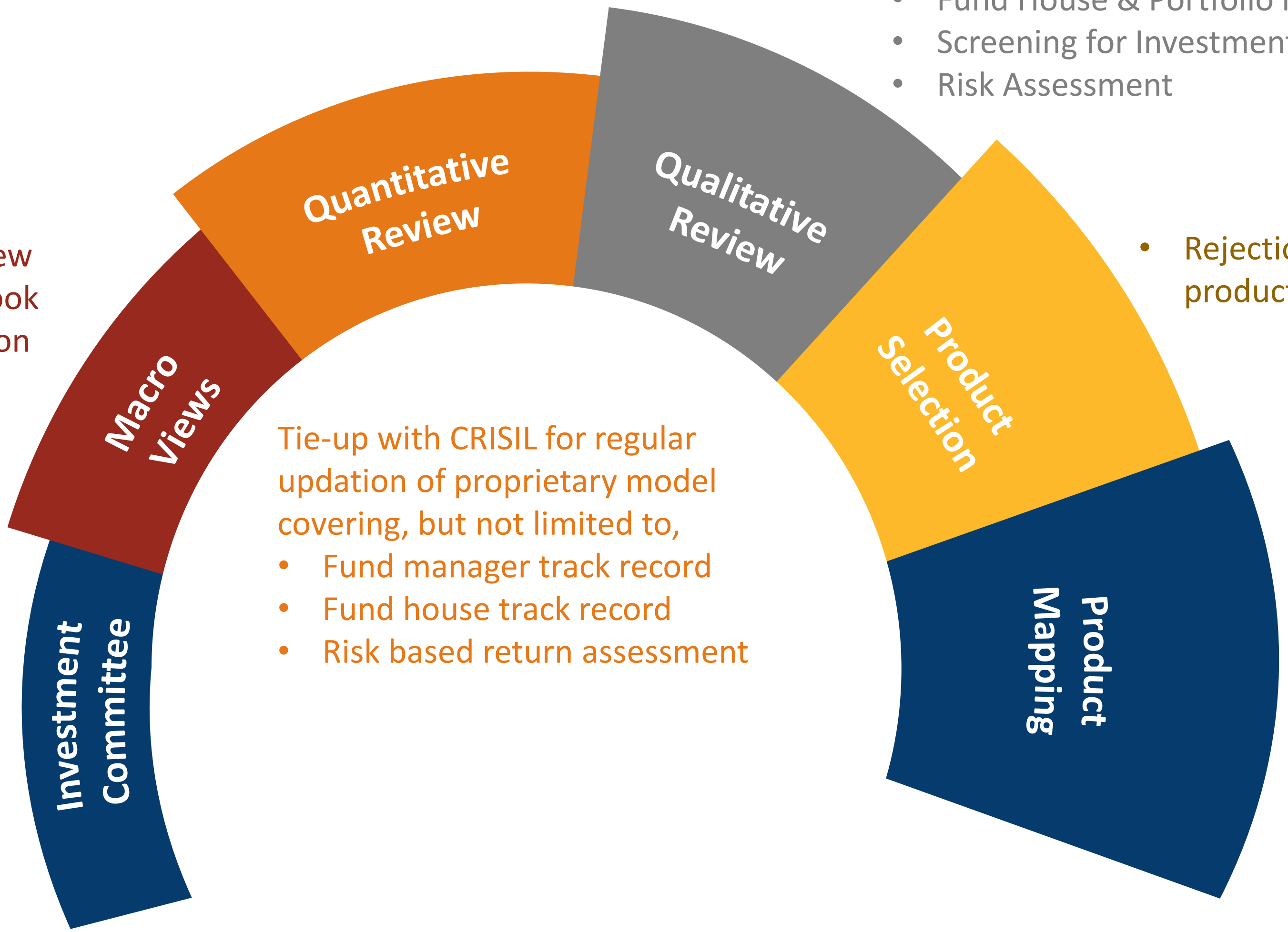
- **Asset allocation model**: Dynamic model based on valuation metrics suggesting overweight/underweight position based on valuations and probability of equity outperforming debt
- **M-cap allocation model**: Dynamic model based on valuation metrics for Largecap, Mid & Small cap segment suggesting overweight/underweight position

- Based on the outlook on the market, asset classes and domestic/global environment, strategies are decided, such as,
  - Use of Passive products in large cap space
  - Tactical calls based on sectoral outlook for sectoral exposure
  - Use of Style: Decision to invest in particular style like Value and Contra vs. Growth and Quality

Please note that models will be used for guidance and final portfolio will be a result of both the factors

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.

Term Sheet

Terms of the Investment

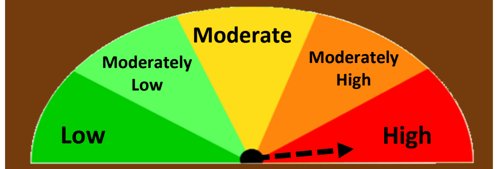
Name	ICICI Securities Sterling PMS
Investment objective	The Investment objective of the scheme is to generate long term capital appreciation from a portfolio of different asset classes.
Description of types of securities	Listed equity and debt oriented securities including mutual fund & Gold ETF.
Basis 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

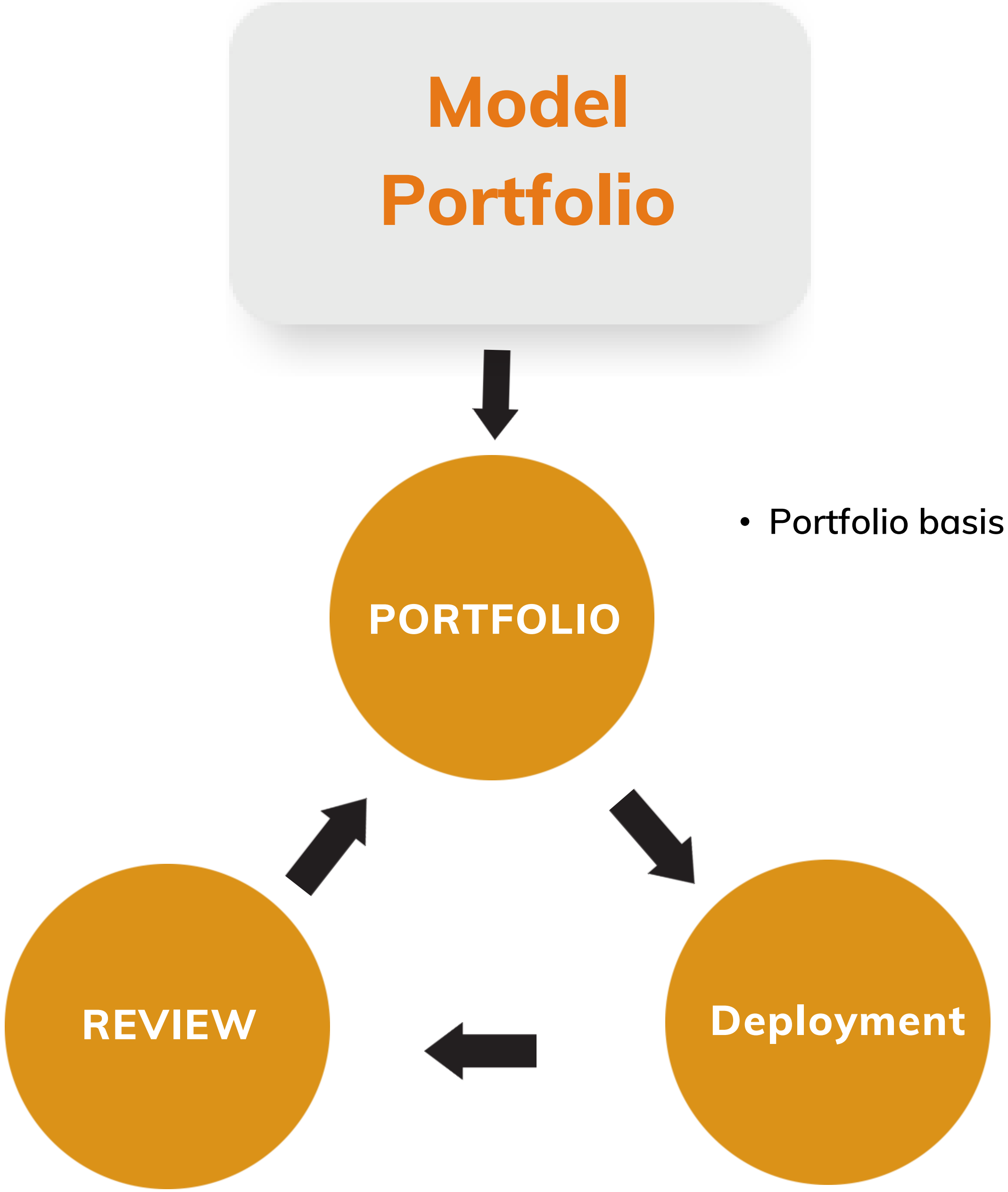
Asset Classes	Indicative Allocation (%)
Debt	0-35
Equity	65-100
Others	0-30
Cash	0-20

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

Discretionary PMS (DPMS) - Process



- Portfolio basis the risk profile
- Deployment of funds as per model portfolio
- Periodic review of funds in portfolio to incorporate changes, if any.

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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