

MONTHLY UPDATE

August 2022

ICICI PRUDENTIAL LONG SHORT FUND – SERIES I & II

Schemes under ICICI Prudential Strategic Alpha Fund
A Category III Alternative Investment Fund

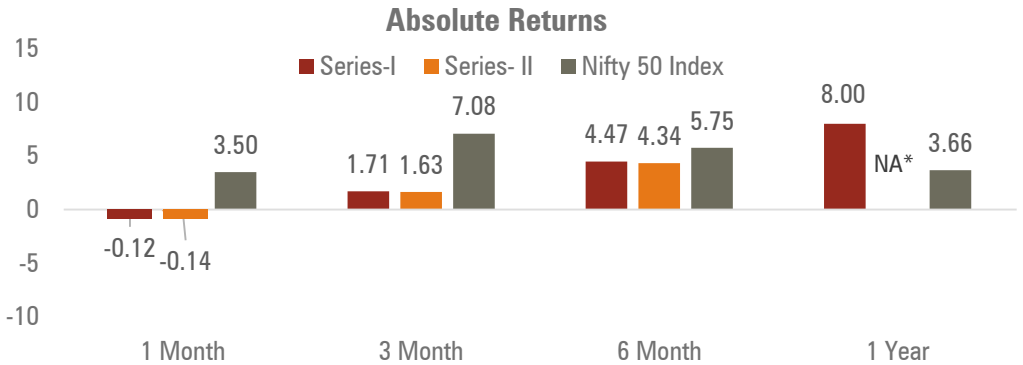
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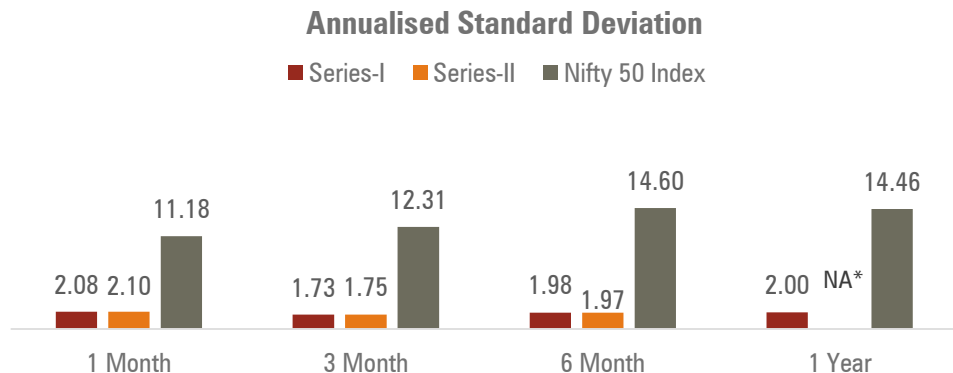
Overview of Performance – As on August 31, 2022

- The Nifty 50 closed the month of August 2022 up by 3.50%, while the Nifty Bank and Nifty Midcap 150 indices were up by about 5.5% and 6% respectively.
- Macros remained unstable initially, and the rupee depreciated against the US dollar over August 2022 to nearly Rs79.97/USD, before settling at Rs79.46/USD. The 10-year G-Sec yield remained volatile over August 2022 and ended the month at 7.2%.
- Market trends were positive over the initial half of August 2022, before starting to show weakness in the later half. At the end of the month, the market indices rallied to close with gains. The returns of ICICI Prudential Long Short Fund – Series I (Series-I) & ICICI Prudential Long Short Fund – Series II (Series-II) for August 2022 stood at -0.12% and -0.14% respectively. The annualized standard deviation for both schemes was about 2.1% for August 2022 as compared to 11.2% of the Nifty 50 index.

Over the past timeframes, the Schemes aimed to manage risk in periods of high market volatility.



The annualized standard deviation for the Schemes has been lower than the Nifty 50 index across multiple timeframes as shown alongside



*As Series-II inception date is January 1, 2022, 1-year performance not available

Source: www.nseindia.com, Internal. Standard deviation based on daily returns over the period. Performance of Series-I & Series-II provided in the note is of Class B1 Unit holders and after considering the NAV re-balancing and consolidation done on yearly basis based on the provision of PPM. Past performance may or may not sustain in future. Returns mentioned above are after deduction of applicable expense and management fee. Further, the return shall be subject to applicable taxes at Maximum Marginal Rate (MMR) as mentioned in the PPM of the Fund. Returns for less than one-year are absolute, greater than 1 year in CAGR. An extract of the industry level benchmark as on September 30, 2021, calculated by CRISIL for Category III AIFs, is enclosed herewith as Annexure I. The returns of Series-II are not compared with the performance data released by CRISIL, since as on September 30, 2021, the Scheme had not completed one year from its initial closing.

Overview of Market & Macro Factors

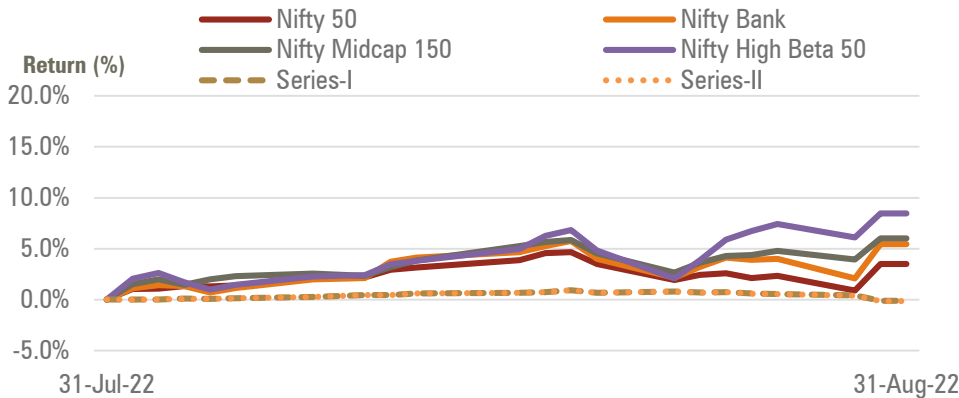
Indicative Positioning based on Market & Macro Factors – A Brief

- When market factors such as Nifty 50, Nifty Bank indices are positive and trending up and if macro factors like INR/USD are stable and G-Sec yields move in a narrow range or lower, the Schemes may take net long positions.
- When markets indicators are weak, and INR/USD is volatile with G-Sec yields rising, the Schemes may take net short positions.
- If markets are directionless or unstable with weak macros, the Schemes may take a neutral position with an aim to protect the downside.

Market Factors – Mixed trends seen over the month

Indian equities continued to rally beginning August 2022. Between August 1, 2022 to August 18, 2022, the Nifty 50 index was up by 4.65%. However, soon the market began giving up the gains gradually. Between August 18, 2022 to August 29, 2022, the Nifty 50 index was down by 3.58%. This was on the back of hawkish comments from US Federal Reserve stating they will pursue rate hikes to control inflation, even if it induces a deep and long slowdown, which forced equity markets globally to focus on inflation and growth pressures. On August 30, 2022, the Nifty 50 index rallied by 2.58%, led by gains in financial stocks, to close the month up by 3.50%. The Nifty Bank Index and Nifty Midcap 150 index were up by 5.46% and 6.01% respectively.

Market Returns over the Month – August 2022

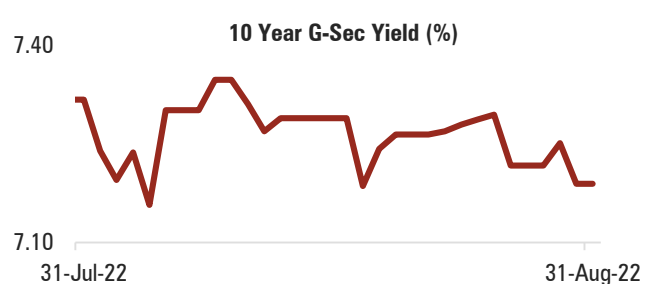
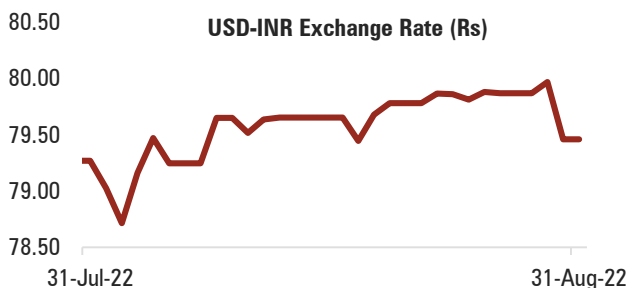


Index	Return (%)
Nifty 50	3.50
Nifty Bank	5.46
Nifty Midcap 150	6.01
Nifty High Beta 50	8.47
Series - I	-0.12
Series - II	-0.14

Source: www.nseindia.com, Internal. Past Performance may or may not sustain in future.

Macro Factors – Volatile & unstable on the back of geopolitical concerns

Global factors such as the ongoing Russia-Ukraine war, soaring crude oil prices and tightening of global financial conditions contributed to the weakness of the rupee against the US dollar. The rupee depreciated against the US dollar over August 2022 to nearly Rs79.97/USD, before settling at Rs79.46/USD, while the 10-year G-Sec yield remained volatile, before settling lower at 7.2% at the end of August 2022. A global sell-off led by the US Fed chairman's hawkish tone pushed the domestic currency lower while rising oil also added to the pressure. On the domestic economic front inflation pressures still persist but they seem to have levelled off to some extent with India's retail inflation, which is measured by the Consumer Price Index (CPI), eased to a 5-month low 6.71% in the month of July 2022, down from 7.01% in June 2022.



Source: Ministry of Statistics & Programme Implementation (MOSPI) Monthly Inflation data, Reserve Bank of India – Database on Indian Economy

Scheme Positioning – Series I & Series II

Scheme Positioning – Marginally long through August 2022

In the month of August 2022, given the strength in equity markets and easing yields, the Scheme maintained net long positions, with an aim to benefit from the upside. However, the market trends reversed in the second-half of the month, and the Scheme was positioned accordingly, given the volatility in the rupee and G-sec yields. However, the sharp correction seen on August 29, 2022, with the Nifty 50 index down by 1.40% and the subsequent rally of 2.58% on August 30, 2022, was difficult to be anticipated, and surprised market participants, hence, the Schemes returns were impacted on these days.

Market Factors	Macro Factors	Positioning
Mixed trends seen over the month	Volatile & unstable on the back of geopolitical concerns	Marginally long with an aim to manage risk

Data as on August 31, 2022. Past performance may or may not sustain in future. The sector(s)/stock(s) mentioned above do not constitute any recommendation of the same and the Series-I or Series-II may or may not have any future position in these sector(s)/stocks(s).

The Way Forward

Over the month of August 2022, domestic equities were buoyed by renewed foreign investor buying, relatively stable inflation print and strong macros. FPIs bought net ~Rs.51,204 crore in equities - levels last witnessed in December 2020.

Globally, the US equity market rallied on anticipation of pause in interest rate hikes by the US Fed. But, hawkish comments by the Fed Chairman wiped out all gains and pushed major indices ~4% lower than July-end.

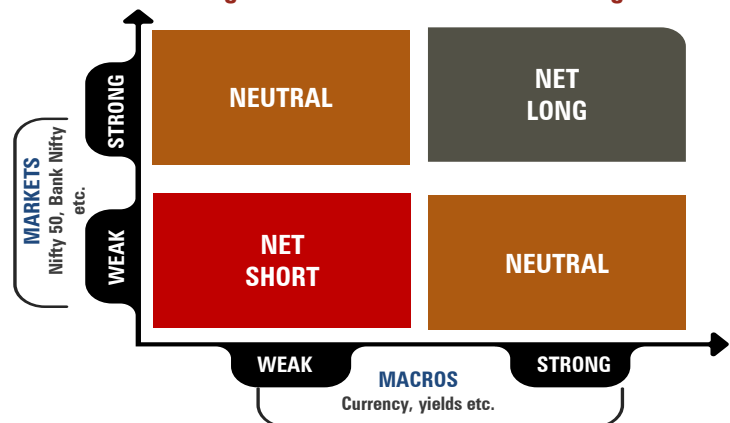
High inflation due to rising food and energy prices is a concern for the economy, but India seems to be better placed to handle external pressure than global peers. The central bank has ample foreign reserves to potentially deal with currency volatility.

Going ahead, markets may continue to take cues from following events - outcome of upcoming US Fed meet, rising interest rates & inflation and domestic growth-inflation dynamics. Owing to this, uncertainties may continue, and the Scheme would be positioned to manage risk accordingly.

The investment strategy mentioned herein for Series I & Series II is only indicative. Please refer to the Private Placement Memorandum for further details of the Schemes. The investment criteria mentioned above are only indicative. There may be other criteria that would be considered or identifying investments in the Schemes depending on varied market conditions.

Investment Objective: Series I & Series II aim to achieve long-term capital appreciation from Investments primarily in listed securities of Indian companies and to earn dividend income for its Contributors from such Investments. Apart from its income from a portfolio of listed equity shares, it shall aim to earn returns by taking derivative positions under long/ short investment strategy.

Positioning based on Macro and Market Signals



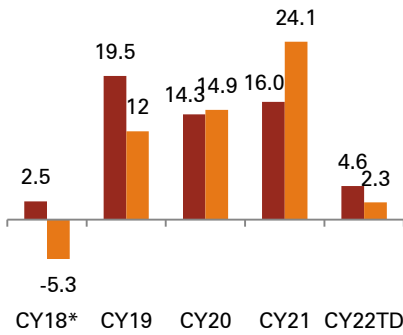
Net Long Positions	When INR is stable, G-Sec Yields/spreads are low, and market factors such as Nifty 50, Nifty Bank indices are positive
Net Short Positions	When INR is volatile, G-Sec yields are rising and market indices are trending lower

Historical Return of Series-I

ICICI Prudential Long Short Fund – Series I was able to demonstrate Risk / Return characteristics historically. Over the years specified below, the returns have been achieved with a lower volatility as compared to the Nifty 50 index, as measured by the standard deviation. The drawdowns too, have been limited as compared to the Nifty 50 index.

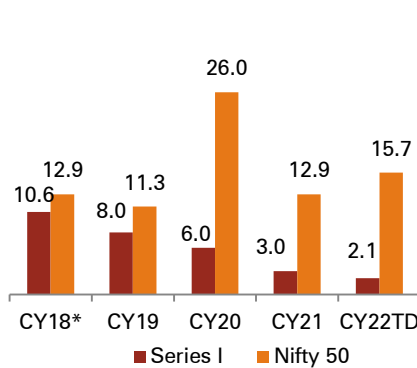
Absolute Returns

Calendar Year Performance



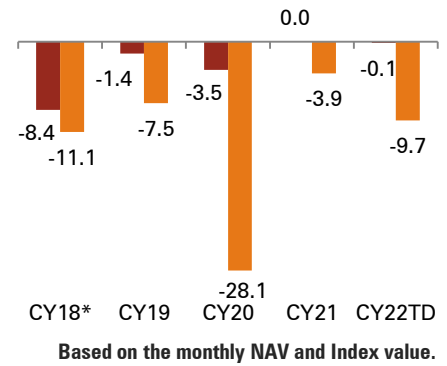
Lower Volatility

Standard Deviation



Downside Protection

Drawdown



Based on the monthly NAV and Index value.

Performance of Series I & Series II (%) ^	1 Month	3 Months	6 Months	1 Year	18 Months	2 Years	3 Years	Since Inception*	Since Inception Nifty 50
ICICI Prudential Long Short Fund - Series I	-0.12	1.71	4.47	8.00	17.00	14.61	13.67	13.98	11.42
ICICI Prudential Long Short Fund - Series II	-0.14	1.63	4.34	-	-	-	-	4.21	2.34
Nifty 50 Index	3.50	7.08	5.75	3.66	22.23	24.88	17.23	-	-

Source for index data: NSE Ltd (www.nseindia.com). *Since inception date for Series I is August 20, 2018, Series-II: 1 January 2022. ^ Performance as on August 31, 2022 for Class B1 Unit holders and after considering the NAV re-balancing and consolidation done on yearly basis based on the provision of PPM. Past performance may or may not sustain in future. Returns mentioned above are after deduction of applicable expense and management fee. Further, the return shall be subject to applicable taxes at MMR as mentioned in the PPM of the Fund. Returns less than 1 year is absolute, greater than 1 year in CAGR. The returns of this Series-II are not compared with the performance data released by CRISIL, since as on September 30, 2021, the Scheme had not completed one year from its initial closing.

ANNEXURE - I

An extract of the industry level benchmark as on September 30, 2021, calculated by CRISIL for Category III AIFs, is shown below. Investors may refer to the complete report along with the methodology document on CRISIL's website. Investors may note that the benchmark calculated by CRISIL is at an aggregate level considering all the AIF schemes available under CAT III AIFs across the industry.

Performance as on September 30, 2021	1 - year (%)	2 - year (%)	3 - year (%)
ICICI Prudential Long Short Fund – Series I (INR)	12.97	14.58	12.10
Crisil AIF Index - Cat III (INR)	53.50	25.48	18.30
ICICI Prudential Long Short Fund – Series I (USD)	12.28	11.80	11.24
Crisil AIF Index - Cat III (USD)	52.55	22.43	17.39

Schemes that have completed at least one year since their first close as on September 30, 2021, have been considered for the benchmark. In all, 178 schemes have been considered for the above analysis. Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualized

Risk Factors & Disclaimers

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