PRUDENTIAL ICICI
PORTFOLIO MANAGERS

Alpha Portfolio

Prudential ICICI PMS Alpha Portfolio

Positioning

- Endeavours to generate Alpha viz. out performance to the S&P CNX Nifty

Investor Profile

- Investment horizon: More than 12 months
- Low to medium risk appetite

Suitability

- Investors with exposure to low risk fixed income assets, such as bank fixed deposits, RBI Bonds, etc. seeking an alternative to potentially increase returns

Prudential ICICI PMS Alpha Portfolio

Investment Style

- Alpha is a measure of the ability of the investment manager to identify and invest in stocks that would potentially outperform the index.

- The stocks should either rise more than the index or fall less than the index

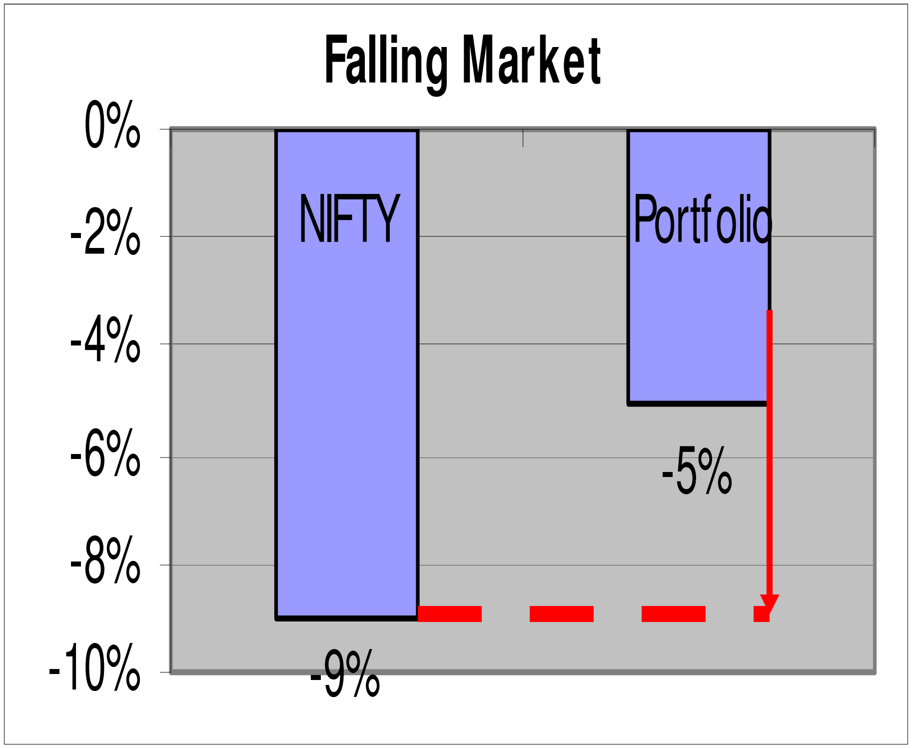
- An equity portfolio would be created that would be well diversified across sectors as well as stocks. The portfolio's beta (systemic risk) would be neutralized by hedging the portfolio using Nifty futures. The portfolio would remain completely hedged on notional value on a daily basis

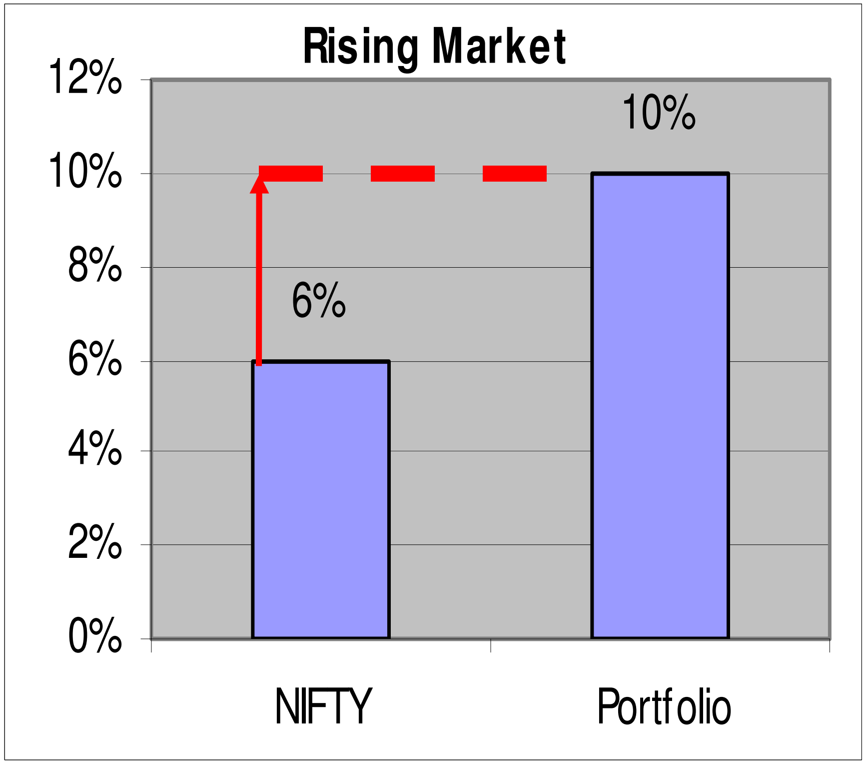
- About 85% of the portfolio would be invested in stocks. The remaining 15% of the portfolio would be used to fulfill margin requirements of NSE

Structure of the Portfolio

- Buy Stocks in the Spot Market
  - This would comprise approximately 85% of the total value of the portfolio
- Sell S&P CNX Nifty Futures
  - This would comprise
    - S& P CNX Nifty Future
    - Initial margin and MTM margins

Alpha Portfolio – Market Outperformance



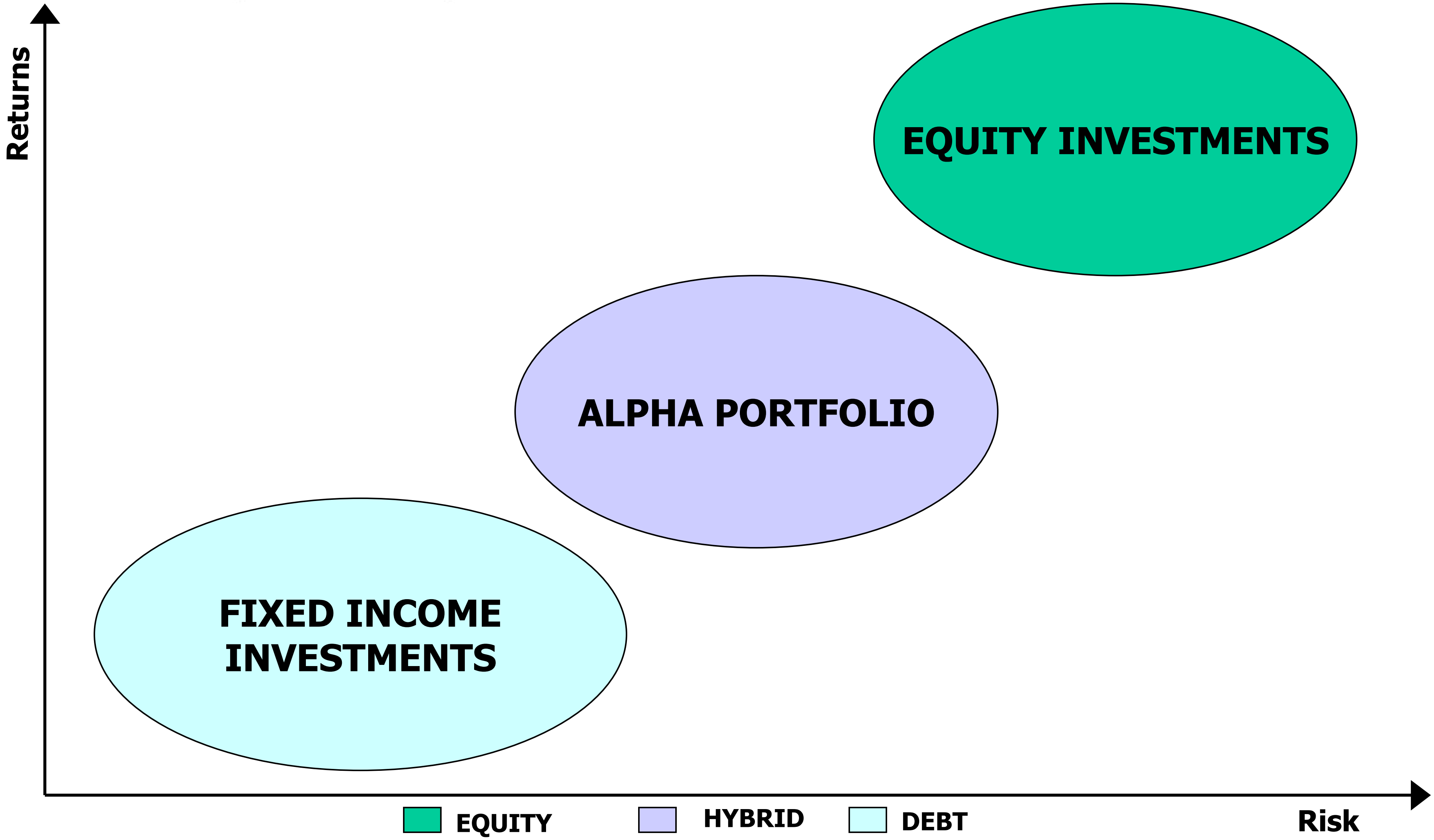


Gain on selling Nifty Futures	9%
Loss on Portfolio	5%
Net Returns	4%

Loss on selling Nifty Futures	6%
Gain on Portfolio	10%
Net Returns	4%

This is only for illustrative purposes

Alpha Portfolio – Risk Return Profile



Benefits of the Alpha Strategy

- The strategy seeks to eliminate “market/systemic” risk by hedging the portfolio against market movements, thus leading to a low risk portfolio.

- The Portfolio Manager could potentially deliver “**Alpha”** (Outperformance of the index) in all (rising/declining) market conditions

Simulation of the Alpha Strategy

As on September 2, 2005

Aggressive Portfolio - Alpha analysis			
Portfolio inception date	02-Jan-02		
Margin for futures	15%		
Exposure in equity	85%		
Management Fees	2.50%		
	Aggressive	**Nifty**	**Alpha**
Last 3 month	25%	17%	6%
Last 6 month	27%	15%	10%
Last 1 yr	73%	48%	20%
Last 2 yr	160%	74%	72%
Last 3 yr	341%	138%	171%
since 2-Jan-2002	436%	128%	261%
CAGR	**58%**	**25%**	**28%**
Average - Alpha over rolling 12 month period			**27%**

Past Performance may or may not be sustained in future

Simulation of the Alpha Strategy - Results

Rolling 12 Month Alpha Returns

Maximum Alpha Returns	61%
Minimum Alpha Returns	8%
Number of Negative Returns	0
Number of Positive Returns	665

Conclusions of the Study

- The strategy has outperformed S&P CNX Nifty over any rolling 12 month period
- No period of negative returns on a rolling 12 month basis
- The worst return has been 7.74%
- There have been pockets of underperformance in the shorter period but the strategy has delivered positive returns over any rolling 12 month period.

Past Performance may or may not be sustained in future

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Simulation of the Alpha Strategy - Results

Alpha - Monthly Returns v/s Annual Returns		
	Monthly	Yearly (Rolling)
Alpha (average)	0.72%	26.90%
% negative periods	30%	0%
% positive periods	70%	100%
Average alpha (negative periods)	-2.73%	0
Average alpha (positive periods)	2.97%	26.90%
Minimum alpha	-8%	8%
Maximum alpha	11%	60.33%

Conclusions of the Study

- Monthly Returns have been negative 30% of the time for the period under study
- The lowest monthly returns are – 8%
- Therefore, while this strategy has delivered negative "Alpha" at points in time in the short term but it has delivered positive "Alpha" over a one year period

Past Performance may or may not be sustained in future

Simulation of the Alpha Strategy - Methodology

Simulation Methodology

- A detailed simulation of the Alpha strategy was conducted using the Prudential ICICI PMS Aggressive Portfolio. This is a diversified equity portfolio that endeavours to generate long term capital appreciation

- The portfolio has an established track record.

- The Portfolio Return was calculated as (portfolio value at the end of the period *less* portfolio value at the beginning of the period)/(portfolio value at the beginning of the period)

- The Nifty Index Return was calculated as (Nifty value at the end of the period *less* Nifty value at the beginning of the period)/(Nifty value at the beginning of the period)

- The Alpha of the portfolio was calculated as 0.85 X (Return of the Portfolio *less* Return of the Nifty)

Simulation of the Alpha Strategy - Assumptions

- The equity portfolio is hedged by S & P CNX Nifty futures.

- Equity portfolio investment assumed at 85%. 15% of the portfolio would be used to fund NSE exposure and MTM margin requirements for Nifty futures position.

- Exposure margin for Nifty futures=12%(of the equity portfolio).

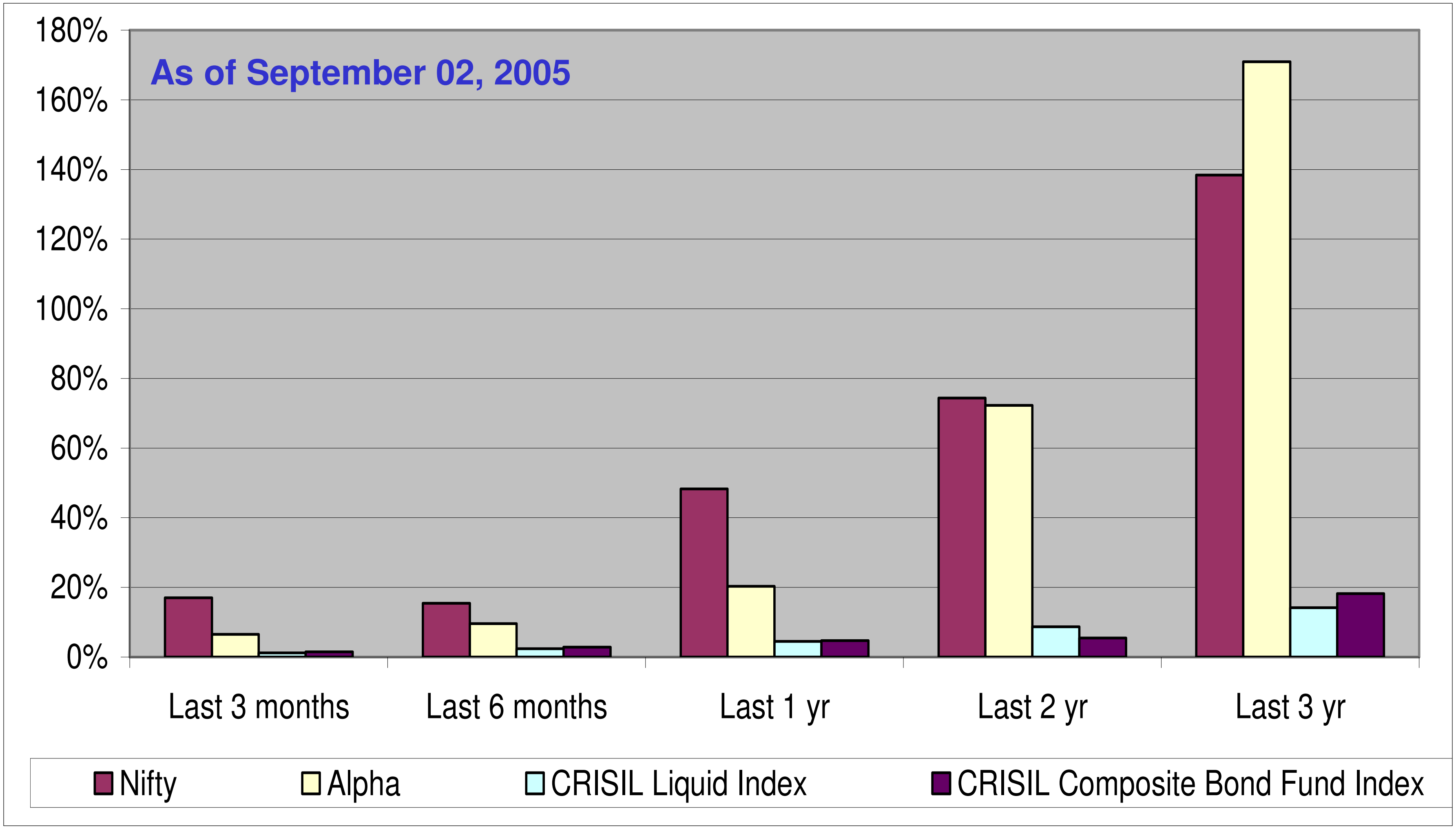
- Cash kept aside for MTM (mark to market) margin=6%(of the equity portfolio).

- Alpha of the portfolio has been calculated as: 0.85*(return on the portfolio *less* return on Nifty).

- The returns on the portfolio have been adjusted for management fees

- The basis for the futures roll-over from one month to next month has been assumed to be zero. The basis is defined as difference between the current month future and next month futures

Comparison of Returns vis-à-vis Nifty, CRISIL Liquid Index and CRISIL Composite Bond Fund Index



Past Performance may or may not be sustained in future

Taxation – Opinion of our consultants

Investments held as Capital Assets

Nature of Investment	Tax Rate (excluding applicable surcharge and education cess)
Equity Share (where the sale transaction is subject to Securities Transaction tax levy)	10%
Derivative Instrument	30% (for individuals) / 35% (for corporate entities)

Investments held as Business Assets

Nature of Investment	Tax Rate (excluding applicable surcharge and education cess)
Equity Share (where the sale transaction is subject to Securities Transaction tax levy)	30% (for individuals) / 35% (for corporate entities)
Derivative Instrument	30% (for individuals) / 35% (for corporate entities)

Taxation – Opinion of our consultants

"The Investor is eligible to set off of the profit/loss from the equity share against the derivative instrument and vice versa under Section 70(1) under the Income Tax Act"

RSM & Co.

Please refer to your tax consultant for specific clarifications

Thank You