

January 2014

L&T Global Real Assets Fund

A global thematic fund that aims to provide access to equity investment opportunities in the real asset sectors

Abhijeet Dakshikar is the Fund Manager for L&T Global Real Assets Fund.

L&T Global Real Assets Fund is a fund of funds scheme which invests in Fidelity Funds – Global Real Asset Securities Fund (an offshore fund domiciled in Luxembourg). The underlying Fund is managed by Amit Lodha. He is Portfolio Manager at Fidelity Worldwide Investment since 2008. He has over 13 years of investment experience. Prior to joining Fidelity Worldwide Investment as an analyst in 2004, he has worked with Citigroup as analyst and KPMG as senior accountant. His Education includes Masters in Commerce and Economics, Univ. of Mumbai, India, CFA Charterholder from CFA Institute, USA and ACA from Institute of Chartered Accountants of India.

L&T Global Real Assets Fund (L&T GRAF) is an open ended fund of funds scheme that invests in Fidelity Funds - Global Real Asset Securities Fund (an offshore fund launched by Fidelity Funds, domiciled in Luxembourg). Since its inception in February 2010, the Fund has been successful in not only providing Indian investors with an investment option that is less correlated with domestic equities but also in delivering better performance compared to Indian equities. In this edition of Fund Insights, we discuss the Fund's investment strategy and highlight the reasons why we believe this Fund could add value to Indian investors.

INVESTING IN EQUITIES OF COMPANIES BACKED BY REAL ASSETS

The underlying Fund predominantly invests in equities of companies backed by real assets which include companies from sectors such as Energy, Materials, Industrials, Real Estate and Utilities. Businesses backed by real assets generally retain their value even in inflationary scenario, have scarcity value and cannot be easily replicated. The fund avoids sectors backed by 'paper' assets such as financials which are at times difficult to value and are unpredictable.

INVESTMENT APPROACH

The underlying fund follows a global equity strategy aiming to deliver inflation-resistant capital growth, by virtue of its investment in equities backed by real assets. The fund has a flexible investment approach, which enables it to deliver across the economic cycle. The fund seeks to invest in companies with sustainable pricing power within global value chains. The Portfolio Manager follows a combination of top-down and bottom-up investment approach to build a portfolio of high conviction stocks.

Unlike sector specific funds such as Energy Fund or Gold Mining Fund, this fund invests across multiple sectors within real assets space. Moreover, the Fund has the flexibility to dynamically alter the allocation across these sectors depending on evolving scenario.

SO WHAT BENEFITS DOES THIS FUND OFFER TO INDIAN INVESTORS?

1. GEOGRAPHICAL DIVERSIFICATION

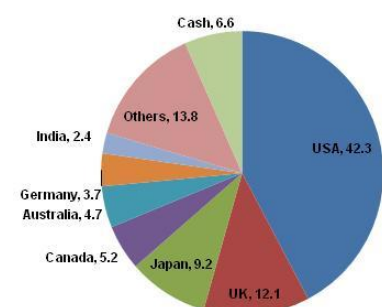
Geographical diversification across countries and regions having low

INDUSTRY BREAK-UP (%)

Industrials	28.5
Energy	27.5
Materials	17.9
Financials	8.2
Consumer Discretionary	4.3
Telecommunication Services	3.2
Health Care	2.2
Utilities	1.1
Information Technology	0.5
Cash	6.6

(*investments in real estate sector ex. REITs are categorized under financials)

GEOGRAPHICAL BREAK-UP (%)



TOP 10 HOLDINGS (%)

Cairn Energy Plc	4.9
Monsanto Co New	3.6
Anadarko Pete Corp	3.2
SBA Communications Corp	3.2
Rio Tinto Ltd	3.1
Chevron Corp New	3.0
General Electric Co	2.6
Suncor Energy Inc New	2.1
Mitsubishi Estate Co Ltd	2.1
Danaher Corp	2.0

Data as on 31.11.2013. Source: FIL, Internal

correlation between them could reduce the overall risk level of investor's portfolio. The relative stock market performance of different countries tends to vary across time periods and as a result geographical diversification could help Indian investors when domestic equities underperform. Since its launch in February 2010, L&T Global Real Assets Fund with its unique investment theme has exhibited fairly low correlation with Indian equity market thus providing diversification benefits to Indian investors.

2. ACCESS TO UNIQUE INVESTMENT OPPORTUNITIES

The Fund provides access to some unique investment opportunities which may not exist in Indian market. For example, the Fund generally looks to invest in sectors such as Materials (including investment in companies which are in the business of mining precious metals such as gold and platinum) and Energy where the domestic investment opportunities seem to be quite limited.

3. DYNAMIC ALLOCATION ACROSS SECTORS

Unlike sector or single commodity focused funds, this fund looks to dynamically allocate across predominantly five sectors that it invests in. A combination of top-down and bottom-up approach is used to decide on the allocation across sectors and stocks. As a result, investors in this fund benefit from the resources, skills and expertise of Fidelity's investment team which decides the allocation across different sectors. It also helps in significantly reducing the transactions costs which investors would incur if they were to dynamically allocate across individual sector focused funds. Moreover, the Fund seeks to invest in companies with sustainable pricing power within global value chains which could potentially help the Fund to deliver across the economic cycle.

4. HELP CAPITALISE ON GROWTH IN EMERGING AS WELL AS DEVELOPED MARKETS

Since the underlying Fund focuses on the real asset sectors, the investors in this Fund could potentially benefit from not only the structural growth in emerging economies but also the infrastructure replacement and maintenance needs of the developed economies. While a significant part of the portfolio is usually invested in companies listed in developed markets like the U.S. and U.K., these companies typically benefit from the demand for real assets from across the globe as their revenues are well diversified across geographies. The underlying fund leverages the strong global network of Fidelity's analysts, which is imperative to manage a theme-based fund like this and provides a competitive edge.

WHAT WORKED FOR THE UNDERLYING FUND DURING THE LAST QUARTER?

The Fund's US recovery-driven holdings added value during the quarter. Encouraging US data releases supported the likelihood of a recovery in demand for business jets, lifting the holding in Textron. A buyback offer benefited a position in FedEx. Furthermore, investors expected increasing economic activity and shale-related developments to translate into higher demand for transportation and deliveries. Elsewhere, a conviction holding in SBA Communication contributed to returns. The cell phone towers operator remained well placed to capitalize on the faster-than-expected rollout of fourth generation (4G) standards in the US. A share buyback lifted the holding in Pentair, which offers flow equipment globally and undertakes waterworks for US municipalities. Exposure to stocks like Vienna International Airport and Volkswagen also proved rewarding. In contrast, a significant overweight position in Anadarko Petroleum detracted from performance as the company faced higher-than-expected environmental and legal liabilities connected to its 2006 acquisition of Kerr-McGee. In terms of sectors, a significant overweight position in Industrials and underweight position in Financials (Real Estate) contributed significantly to the Fund's relative performance.

CURRENT PORTFOLIO POSITIONING

The fund manager of the underlying Fund believes that there's a merit in bottom-up security selection at this juncture as central banks begin to withdraw stimulus support. He expects that the recent developments would return markets' focus to company fundamentals, reduce the impact of policy related swings and provide multiple drivers for performance. Cairn Energy remains the fund's largest overweight holding at the stock level. The fund manager continues to favour the prospects of its 2014 drilling programme, notwithstanding the short-term disappointment from its Moroccan operations. The exposure to agriculture-focused holding Monsanto was also increased during the quarter as it has outlined continued growth initiatives, supported by a robust research and development (R&D) pipeline as well as the development of new areas such as precision agriculture. The Fund also has significant overweight position in SBA Communications due to likelihood of substantial investment in network build ups/tower leasing in the US over the next 3–5 years. The fund manager has a positive outlook on US construction-related holdings. He increased the exposure to cement and construction materials producer Eagle Materials. In addition to US non-residential construction, Eagle supports shale-related construction activity. Wolseley, a leading US building materials company listed in the UK, was also added as a valuation opportunity compared to its US peers.

(source: FIL Limited)

KEY SCHEME FEATURES

Investment Objective: To aim to achieve long-term capital growth from a portfolio which will be primarily invested in Fidelity Funds - Global Real Asset Securities Fund, an offshore fund launched by Fidelity Funds (an open-ended investment company incorporated in Luxembourg) and similar to an Indian mutual fund scheme.

Minimum Initial Investment

Rs. 5,000

Investment Options

Growth and Dividend (Reinvestment and Payout)

Benchmark Index

A custom benchmark which is a blend of the following indices - MSCI ACWI Industrials, MSCI ACWI Real Estate, MSCI ACWI Utilities, MSCI Materials and MSCI Energy. The weights assigned to each individual index while calculating the custom benchmark is 20%, 20%, 10%, 20% and 30% respectively.


Exit load




For redemption within 1 year from the date of allotment or Purchase applying First in First out basis: 1.00%. A switch-out or a withdrawal under SWP or a transfer under STP may also attract an Exit Load/CDSC like any Redemption. No Exit Load/CDSC will be chargeable in case of switches made between different options of the Scheme. No Exit Load will be chargeable in case of redemption of; (i) Units allotted on account of dividend reinvestments; and (ii) Units issued by way of bonus, if any.

Past Performance may or may not be sustained in future.

Any reference to the securities/ sectors / indices in the document is only for illustration purpose and may or may not form a part of the portfolio of the scheme and is not any indication of the portfolio of the scheme. The portfolio indicated is the current portfolio and may be changed at the discretion of the fund manager. The inclusion of any security in the portfolio should not be construed as a recommendation to buy such securities.

This product is suitable for investors who are seeking*

- Long Term Capital Growth
- Investment primarily in Fidelity Funds - Global Real Asset Securities Fund, an offshore Fund launched by Fidelity Funds (an open-ended investment company incorporated in Luxembourg) and similar to an Indian mutual fund scheme.
- High risk  (BROWN)

Note: Risk may be represented as:  (BLUE) investors understand that their principal will be at low risk,  (YELLOW) investors understand that their principal will be at medium risk,  (BROWN) investors understand that their principal will be at high risk.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Mutual funds investments are subject to market risks, read all scheme related documents carefully.