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L&T India Special Situations Fund

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Since its launch in May 2006, L&T India Special Situations Fund (LTISSF) with its differentiated investment strategy has delivered a steady long-term performance and has also outperformed its benchmark across time periods. In this edition of Fund Insights, we talk about the fund's positioning, its unique investment strategy and the current portfolio positioning which seeks to benefit from the changing market environment.

INVESTMENT APPROACH

L&T India Special Situations Fund is an open ended equity scheme focused on creating long-term value through a diversified portfolio built around high conviction stocks in Special Situations. Special Situations are unusual circumstances that companies sometimes find themselves in – either in terms of their business or their stock price – or both. These could include turnarounds, new business streams, underappreciated growth, asset plays, corporate actions, or could simply be companies whose stocks have fallen out of market favour. Thus the Fund provides access to those situations in the stock market that have the potential to deliver superior returns if spotted early, analyzed carefully and held onto for the right amount of time.

PRODUCT POSITIONING

L&T India Special Situations Fund's unique investment strategy makes it a well differentiated product thus helping investors to add style diversification to their portfolios. Unlike a sector or a capitalization focused fund, L&T India Special Situations Fund has a complete flexibility to maneuver across different segment and sectors of the market. As a result, it typically maintains a fairly diversified portfolio making it an interesting investment option to hold as a part of investor's long term investment portfolio. We believe this kind of investment approach has the potential to deliver significant alpha over longer term without assuming undue risk.

PERFORMANCE REVIEW - WHAT WORKED AND WHAT DIDN'T?

Aided by bottom-up stock picking, the fund has delivered a steady long-term performance and has also outperformed its benchmark BSE 200 across various time periods. Stock selection across sectors such as software, auto ancillaries and industrial products contributed to fund's performance over the past 1 year. Mindtree and KPIT Technologies which did extremely well on account of better than expected growth were among the key contributors to the fund's relative performance. While KPIT also benefited from successful integration of recent

TOP 10 ACTIVE POSITIONS (%)

Stock name	Fund	Active
HCL Technologies Limited	4.43	3.15
Federal Bank Limited	3.39	3.14
Hero Motocorp Limited	3.60	2.67
ING Vysya Bank Limited	2.83	2.62
Bayer Cropscience Limited	2.51	2.45
United Spirits Limited	3.20	2.35
Swaraj Engines Limited	2.25	2.25
HPCL	2.14	1.96
Mindtree Limited	1.96	1.80
J K Cement Limited	1.70	1.70

TOP 5 SECTOR OVERWEIGHT POSITIONS (%)

AMFI Industry	Fund	Active
Industrial Products	5.04	4.44
Pesticides	4.29	3.95
Cement	5.55	3.07
Transportation	3.27	2.57
Auto Ancillaries	3.39	2.19

MARKET CAP BREAK-UP (%)

	Fund	BSE 200
Large	53.02	89.42
Mid	26.92	9.39
Small	13.00	1.18
Micro	3.53	0.01
Cash & equivalent	3.53	0.00

Source: Bloomberg, BSE, Internal

Portfolio data as on 30.04.2014.

Market cap definition (based on market capitalization of stocks listed on BSE and NSE as on 21st May 2014)

Large cap: Top 100 stocks, Mid cap – stocks between 101 to 200, Small cap: stocks between 201- 500, Micro cap: stocks beyond 500.

acquisitions, re-rating of Mindtree stock contributed to its strong performance. Finolex Industries was also one of the key contributors which gained from growth in its Agri Pipes segment, which helped it to improve its overall profit margins on the back of improved product mix. Among the other key contributors are auto ancillaries stocks such as Amara Raja Batteries, Fag Bearings and Apollo Tyres. Jet Airways, Infosys, SBI and Union Bank of India were among the stocks which detracted from performance.

L&T India Special Situations Fund - Performance

	Period	LTISF-Growth	S&P BSE 200	S&P BSE Sensex [^]
Absolute returns	28-03-13 to 31-03-14	20.41	17.19	18.85
	30-03-12 to 28-03-13	10.90	6.03	8.23
	31-03-11 to 30-03-12	-3.07	-9.28	-10.50
CAGR		11.91	9.82	10.13
PTP returns* (in Rs.)	Since inception (22-May-06)	24,223	20,885	21,357

Past performance may or may not be sustained in the future. * Point to Point (PTP) Returns in INR show the value of `10,000/- invested [^]Standard Benchmark. As per the SEBI standards for performance reporting, the since inception return is calculated on NAV of 10 invested at inception. Date of inception is deemed to be date of allotment. For performance of other schemes managed by the fund manager of the scheme, please refer to the page 3 and 4 of this document.

PORTFOLIO POSITIONING IN THE CURRENT ENVIRONMENT

The funds' portfolio is currently positioned to benefit from the changing market environment with emphasis on owning companies or stocks in special situations which are likely to play out over the next few years. Among the fund's top active positions is HCL Technologies which is expected to gain from the strong growth in infrastructure management services segment where it has a strong presence. The Fund has significant overweight positions in Federal Bank and ING Vysya Bank which have strong franchise and are trading at relatively attractive valuations compared to some of the large private banks. ING Vysya Bank's focus on improving productivity through cost rationalization is also likely to positively impact its profit margins. The fund also has an overweight position in Hero Motocorp which is likely to benefit from the growing demand in the scooter segment. Bayer Cropscience, United Spirits, HPCL, Mindtree and JK Cement are some of the other overweight positions in the fund. The fund has higher allocation to mid and small cap stocks as compared to its benchmark BSE 200. In terms of industry sectors, the fund is overweight industrial products, pesticides, cement, transportation and auto ancillaries.


WHY L&T MUTUAL FUND?




Identifying special situations calls for skill, experience and rigorous research. These prerequisites mirror L&T's investment philosophy which is centered on delivering consistent long-term investment performance. At L&T Investment Management, we follow a disciplined investment approach with "fundamental research" as the foundation of our investment decision making process.

IN CONCLUSION

L&T India Special Situation Fund's well differentiated investment strategy aimed at delivering long term performance coupled with our research based disciplined investment approach makes it an ideal investment option for investors looking for differentiated product with long-term wealth creation potential.

This product is suitable for investors who are seeking*

- Long Term Capital Growth
- Investment predominantly in equity and equity-related securities, with key theme focus being "Special Situations", i.e. "situations that are out of the ordinary"
- 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.

Performance of other schemes managed by Mr. Souendra Nath Lahiri

L&T Equity Fund

Returns for L&T Equity Fund, S&P BSE 200[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 21.23%, 17.19% and 18.85% respectively. Returns for L&T Equity Fund, S&P BSE 200[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is 3.43%, 6.03% and 8.23% respectively. Returns for L&T Equity Fund, S&P BSE 200[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is -6.33%, -9.28% and -10.50% respectively. Returns for L&T Equity Fund, S&P BSE 200[^] and S&P BSE Sensex# since inception of L&T Equity Fund is 17.78%, 13.59% and 14.89% respectively. Since inception (Value* in INR) for L&T Equity Fund is Rs 42,764, for BSE 200[^] is Rs 31,012 and for BSE Sensex# is Rs 34,293.

L&T Midcap Fund

Returns for L&T Midcap Fund, CNX Midcap[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 31.18%, 16.36% and 18.85% respectively. Returns for L&T Midcap Fund, CNX Midcap[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is 1.83%, -4.02% and 8.23% respectively. Returns for L&T Midcap Fund, CNX Midcap[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is -5.34%, -4.09% and -10.50% respectively. Returns for L&T Midcap Fund, CNX Midcap[^] and S&P BSE Sensex# since inception of L&T Midcap Fund is 18.04%, 15.66% and 16.26% respectively. Since inception (Value* in INR) for L&T Midcap Fund is Rs 49,520, for CNX Midcap[^] is Rs 40,678 and for BSE Sensex# is Rs 42,777.

L&T Tax Advantage Fund

Returns for L&T Tax Advantage Fund, S&P BSE 200[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 21.56%, 17.19% and 18.85% respectively. Returns for L&T Tax Advantage Fund, S&P BSE 200[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is 4.55%, 6.03% and 8.23% respectively. Returns for L&T Tax Advantage Fund, S&P BSE 200[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is -6.22%, -9.28% and -10.50% respectively. Returns for L&T Tax Advantage Fund, S&P BSE 200[^] and S&P BSE Sensex# since inception of L&T Tax Advantage Fund is 12.94%, 9.47% and 10.09% respectively. Since inception (Value* in INR) for L&T Tax Advantage Fund is Rs 26,772, for BSE 200[^] is Rs 20,805 and for BSE Sensex# is Rs 21,772.

L&T Infrastructure Fund

Returns for L&T Infrastructure Fund, CNX Nifty[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 19.44%, 17.98% and 18.85% respectively. Returns for L&T Infrastructure Fund, CNX Nifty[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is -6.09%, 7.31% and 8.23% respectively. Returns for L&T Infrastructure Fund, CNX Nifty[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is -14.00%, -9.23% and -10.50% respectively. Returns for L&T Infrastructure Fund, CNX Nifty[^] and S&P BSE Sensex# since inception of L&T Infrastructure Fund is -5.71%, 4.60% and 4.18% respectively. Since inception (Value* in INR) for L&T Infrastructure Fund is Rs 6,820, for CNX Nifty[^] is Rs 13,407 and for BSE Sensex# is Rs 13,053.

L&T India Equity and Gold Fund

Returns for L&T India Equity and Gold Fund, customised benchmark[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 20.60%, 11.76% and 18.60% respectively. Returns for L&T India Equity and Gold Fund, customised benchmark[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is 7.62%, 6.16% and 8.23% respectively. Returns for L&T India Equity and Gold Fund, customised benchmark[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is 1.41%, 0.79% and -10.50% respectively. Returns for L&T India Equity and Gold Fund, customised benchmark[^] and S&P BSE Sensex# since inception of L&T India Equity and Gold Fund is 10.25%, 7.79% and 7.06% respectively. Since inception (Value* in INR) for L&T India Equity and Gold Fund is Rs 13,581, for customised benchmark[^] is Rs 12,653 and for BSE Sensex# is Rs 12,386.

L&T India Prudence Fund

Returns for L&T India Prudence Fund, customised benchmark[^] and S&P BSE Sensex# from 28 Mar 2013 to 31 Mar 2014 is 21.86%, 14.59% and 18.60% respectively. Returns for L&T India Prudence Fund, customised benchmark[^] and S&P BSE Sensex# from 30 Mar 2012 to 28 Mar 2013 is 8.48%, 6.38% and 8.23% respectively. Returns for L&T India Prudence Fund, customised benchmark[^] and S&P BSE Sensex# from 31 Mar 2011 to 30 Mar 2012 is -2.52%, -4.34% and -10.50% respectively. Returns for L&T India Prudence Fund, customised benchmark[^] and S&P BSE Sensex# since inception of L&T India Prudence Fund is 9.31%, 6.75% and 7.06% respectively. Since inception (Value* in INR) for L&T India Prudence Fund is Rs 13,221, for customised benchmark[^] is Rs 12,273 and for BSE Sensex# is Rs 12,386.

Common disclaimer for performance details: Past performance may or may not be sustained in the future. [^] Scheme benchmark; # Standard benchmark. Returns shown are for growth option. Note: As per the SEBI standards for performance reporting, the since inception return is calculated on NAV of Rs.10/- invested at inception. * Point to Point (PTP) Returns in INR show the value of Rs.10,000/- invested at inception. CAGR is compounded annualized. Date of inception is deemed to be date of allotment. Allotment date for L&T Equity Fund is 16-May-05, L&T India Special Situations Fund is 22-May-06 and L&T Tax Advantage Fund is 27-Feb-06, L&T Midcap Fund is 09-Aug-04, L&T India Equity and Gold Fund is 07-Feb-11, L&T India Prudence Fund is 07-Feb-11 and L&T Infrastructure Fund is 27-Sep-07. Customized benchmarks: L&T India Prudence Fund: 70% S&P BSE 200 + 30% CRISIL Short Term Bond Fund Index, L&T India Equity and Gold Fund: 70% S&P BSE 200+20% domestic gold prices+10% CRISIL Short Term Bond Fund Index. Performance of L&T Emerging Businesses is not shown as it has not completed 1 year since its inception.

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Past performance may or may not be sustained in future.

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

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