

November 2014

L&T India Value Fund

Discovering value through bottom-up stock picking

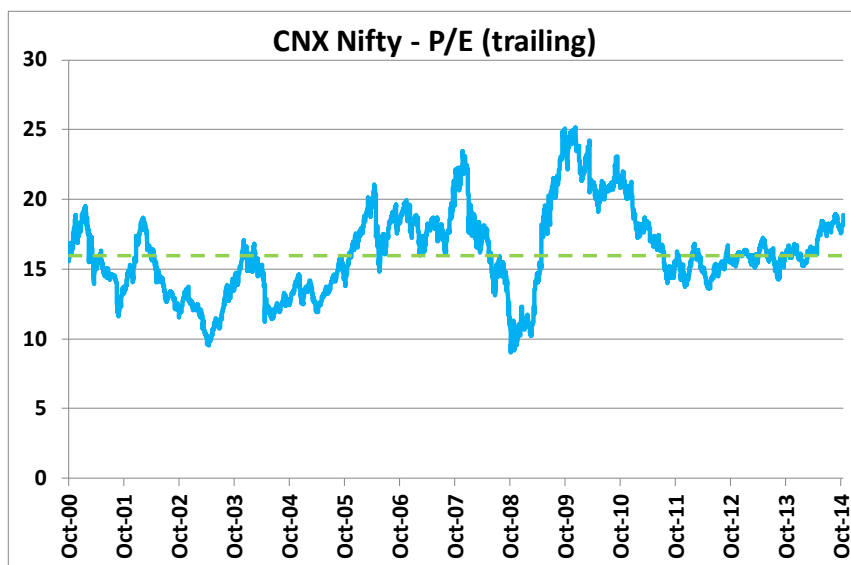
Venugopal Manghat is the Fund Manager for **L&T India Value Fund***.

He is Co Head - Equities at L&T Investment Management. He has over 20 years of investment experience. Prior to joining L&T Investment Management, he was Co Head of Equities at Tata Asset Management Limited. He holds a B.Sc. degree in Mathematics and an MBA in Finance.

Abhijeet Dakshikar is the Fund Manager for foreign securities.

With the recent sharp rally in the equity market, valuations have surged and the market is no longer cheap. In such a scenario, the need for focusing on fundamentals and valuations has become more important than ever. The L&T India Value Fund (LTIVF) with its focus on identifying undervalued stocks using a bottom-up investment approach could be an interesting investment option in such an environment. This Fund has not only been a strong performer in the recent times but has also delivered consistent performance since its inception in 2010. In this edition of Fund Insights, we highlight the Fund's investment approach, portfolio positioning and also discuss some of the key reasons for its strong performance.

VALUATIONS ARE NO LONGER CHEAP



Source: Bloomberg, As on 31st October 2014

Indian equities have seen a strong rally over the past few months and leading equity indices such as S&P BSE Sensex and CNX Nifty are up more than 30% year-to-date. Such strong performance of stocks has led to valuation expansion with CNX Nifty trading at a trailing P/E that is well above its long-term average. While an upturn in earnings cycle over the next few years is likely to support such valuations, it may be apt to focus on fundamentals and valuations of individual businesses in the current environment. A strong emphasis on valuations would likely help investors to stay away from overvalued or momentum stocks which could possibly see increased volatility in the short to medium term.

* For product labeling, please refer to page 4 of this document

L&T INDIA VALUE FUND FOCUSES ON IDENTIFYING UNDERVALUED BUSINESSES

L&T India Value Fund is a diversified equity fund with a strong bias towards value stocks. The fund focuses on identifying undervalued businesses across sectors and market segments. The portfolio Manager of the fund, Venugopal Manghat looks to invest in fundamentally strong companies which offer relatively higher margin of safety and higher upside potential. While he does take into account the earning prospects of the businesses, the focus is on buying the stocks at appropriate valuations and remain invested in them till the investment thesis is played out or the business prospects change. Identifying fundamentally strong undervalued businesses requires skill, experience and rigorous research. L&T Mutual Fund's experienced equity investment team uses proprietary G.E.M. investment approach to identify such businesses with potential to deliver strong performance in the medium to long term.

PERFORMANCE REVIEW

	Period	LTIVF-Growth	S&P BSE 200	S&P BSE Sensex^
Absolute returns	30-09-13 to 30-09-14	76.79	42.50	37.41
	28-09-12 to 30-09-13	1.06	-1.11	3.29
	30-09-11 to 28-09-12	16.54	13.77	14.03
CAGR		16.15	8.48	9.23
PTP returns* (in Rs.)	Since inception (08-Jan-10)	20,295	14,694	15,182

Past performance may or may not be sustained in the future. * Point to Point (PTP) Returns in INR show the value of Rs.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 4 and 5 of this document.

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. The strong focus on valuation and potential growth opportunities for the businesses have helped the fund in identifying stocks that have outperformed the benchmark significantly in the last one year. The fund had more than 40% of its exposure outside the benchmark stocks over the past six months which demonstrates the fund manager's bottom-up stock picking approach in managing the fund. Stock selection across sectors such as cement, auto ancillaries and agriculture related businesses strongly contributed to fund's performance over the past 1 year. Within the cement sector, the Fund's exposure to JK Lakshmi Cement, Prism Cement and Shree Cement proved extremely beneficial for the fund. Cement stocks did well on the back of expected recovery in the utilization levels. Revival of

TOP 10 ACTIVE POSITIONS (%)

Stock name	Fund	Rel wt
J K Lakshmi Cement	2.79	2.79
Federal Bank	2.80	2.49
National Buildings Construction Corp	2.22	2.22
UPL Ltd	2.42	2.14
HPCL	2.36	2.13
Kalpataru power Transmission	2.01	2.01
BEML Ltd	1.86	1.86
Punjab National Bank	2.16	1.77
Balkrishna Industries	1.76	1.76
Arvind Ltd	1.85	1.73

TOP 5 SECTOR POSITIONS (%)

AMFI Industry	Fund
Banks	17.26
Software	12.08
Cement	8.44
Auto ancillaries	6.28
Industrial capital goods	5.91

Source: Internal

Portfolio data as on 31.10.2014.

infrastructure projects and easing of funding constraints is likely to boost cement demand. Fag Bearings, Wabco India, Amara Raja Batteries and Mahindra CIE Automotive were among the key contributors in the auto ancillaries' space. These companies are expected to benefit from the likely economic recovery resulting in increased demand for automobiles. Auto ancillaries businesses in India also enjoy cost advantage vis-à-vis global players and are well placed to capitalize on the demand from overseas markets. The Fund's exposure to some of the niche mid and small cap businesses such as National Buildings Construction, BEML and VA Tech Wabag also did well for the fund. Moreover, given relatively attractive valuations in the mid cap segment about a year back, the fund had increased its allocation to mid and small cap stocks which also aided the fund's performance over the past 1 year. In terms of sectors, the fund remained significantly underweight consumer staples and healthcare sectors where the valuations were at the higher end of their long term range. In contrast, the fund was overweight stocks in the industrial and investment space where valuations were quite attractive. Businesses in sectors like construction, capital goods, cement and auto ancillaries threw up good investment opportunities in the last year with a potential cyclical growth recovery and at trough cycle valuations.

CURRENT PORTFOLIO POSITIONING

The fund currently has a well diversified portfolio of approximately 60 stocks. The Fund has overweight positions in sectors such as auto ancillaries, cement, construction, industrial capital goods and pesticides. The fund manager has selectively pruned exposure to some of the mid and small cap stocks where valuations are no longer attractive. The fund's portfolio is now spread across large, mid and small cap stocks. However, it continues to have some bias towards mid and small cap stocks. With the recent sharp run up in stock prices, the fund manager has been increasingly focusing on owning companies that are trading at reasonable valuations. Among the top 5 active positions in the fund Vs the benchmark are JK Lakshmi Cement, Federal Bank, National Buildings Construction Corporation, UPL Limited and HPCL. Going forward, the fund would continue to focus on picking stocks based on the valuations and prospects of individual businesses over the medium term.


"In the current environment, investing in the right businesses at the right valuation is extremely critical to be able to deliver performance."




- Venugopal Manghat, Portfolio Manager

IN CONCLUSION

L&T India Value Fund's strategy of investing in value stocks without any bias to any particular sector makes it an ideal investment option for investors, especially in the current market scenario. We believe such an investment approach not only helps in capitalizing on the upside potential of stocks but also reduces the risk as "margin of safety" is a key consideration while selecting stocks in this portfolio.

This product is suitable for investors who are seeking*

- Long term capital appreciation
- Investment predominantly in equity and equity-related securities in Indian markets and foreign securities, with higher focus on undervalued securities
- 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. Venugopal Manghat

L&T India Large Cap Fund

Non Direct Plan	Absolute Returns (Period)			Date of Inception of the Scheme	Since Inception	
	30/Sep/2013-30/Sep/2014	28/Sep/2012-30/Sep/2013	30/Sep/2011-28/Sep/2012		CAGR Returns (%)	PTP Returns* (in ₹)
L&T India Large Cap Fund(G)	46.68	0.77	10.36	23/Oct/2007	9.28	18511.00
S&P BSE-100	40.05	0.39	14.13		5.43	14436.03
S&P BSE SENSEX^	37.41	3.29	14.03		5.39	14400.44

L&T Indo Asia Fund

Non Direct Plan	Absolute Returns (Period)			Date of Inception of the Scheme	Since Inception	
	30/Sep/2013-30/Sep/2014	28/Sep/2012-30/Sep/2013	30/Sep/2011-28/Sep/2012		CAGR Returns (%)	PTP Returns* (in ₹)
L&T Indo Asia Fund(G)	33.78	5.67	17.97	28/May/2007	10.03	20179.00
Benchmark\$	27.91	8.51	19.63		9.62	19636.68
S&P BSE SENSEX^	37.41	3.29	14.03		8.73	18496.12

L&T Monthly Income Plan

Non Direct Plan	Absolute Returns (Period)			Date of Inception of the Scheme	Since Inception	
	30/Sep/2013-30/Sep/2014	28/Sep/2012-30/Sep/2013	29/Sep/2011-28/Sep/2012		CAGR Returns (%)	PTP Returns* (in ₹)
L&T MIP(G)	14.33	2.18	9.23	31/Jul/2003	8.75	25523.90
Crisil MIP Blended Index	15.45	3.22	10.38		8.09	23859.29
Crisil 10 Yr Gilt Index^	6.85	2.45	8.03		4.77	16832.30

L&T MIP Wealth Builder Fund

Non Direct Plan	Absolute Returns (Period)		Date of Inception of the Scheme	Since Inception	
	30/Sep/2013-30/Sep/2014	28/Sep/2012-30/Sep/2013		CAGR Returns (%)	PTP Returns* (in ₹)
L&T MIP-Wealth Bulider Fund(G)	18.94	2.26	18/Oct/2011	9.54	13089.00
Crisil MIP Blended Index	15.45	3.22		9.67	13132.29
Crisil 10 Yr Gilt Index [^]	6.85	2.45		6.37	12001.40

Performance of L&T Business Cycles Fund and L&T Arbitrage Opportunities Fund is not shown as they have not completed 1 year since their inception.

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.

DISCLAIMER: The information shown above is based on the portfolios of the schemes as on October 31, 2014. Any reference to the securities/sectors 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/portfolio strategy indicated is the current portfolio/strategy 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. Recipient of this article/information should understand that statements made herein regarding future prospects may not be realized and are views of the fund managers. He/ She should also understand that any reference to the securities/sectors in the document is only for illustration purpose and are not stock recommendations from the Fund Manager and/or L&T Investment Management Limited, the asset management company of L&T Mutual Fund or any of its associates. Investors should consult their financial advisors before making any investment decision. Any performance information shown refers to the past should not be seen as an indication of future returns. The value of investments and any income from them can go down as well as up.

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

CL01360