

September 2015

## L&T Short Term Opportunities Fund (An open ended debt scheme)

### A short duration fund focused on maintaining high credit quality portfolio

**Vikram Chopra** is the Fund Manager for **L&T Short Term Opportunities Fund**.

**Vikram Chopra** has over 14 years of experience in the fixed income markets in India. Prior to joining L&T Investment Management, he was Fund Manager at FIL Fund Management. He has also worked with IDBI Bank and Axis Bank.

*Since the beginning of CY 2015, the Reserve Bank of India has cut repo rate by 75 basis points, largely on account of lower inflation and conducive macro-environment. However, the reduction in policy rate hasn't really reflected in the bond yields which have been trading in a narrow range. While RBI could continue to lower policy rate over the coming months, its impact on medium to long term yields remains uncertain in the short term, especially given the uncertainty around the foreign flows after the recent global events. As a result, cautious investors unwilling to take high duration risk would do well to look at bond funds that are taking measured duration exposure. Moreover, in the current environment, such risk-averse investors could consider bond funds that maintain high credit quality portfolio. L&T Short Term Opportunities Fund with its focus on maintaining high credit quality portfolio and limited duration exposure is one such product which we believe could be an interesting investment option for such investors. In this edition of Fund Insights, we discuss the Fund's investment approach, current portfolio positioning and why we believe cautious investors may look at this fund given the current market environment.*

#### L&T Short Term Opportunities Fund – Investment Approach

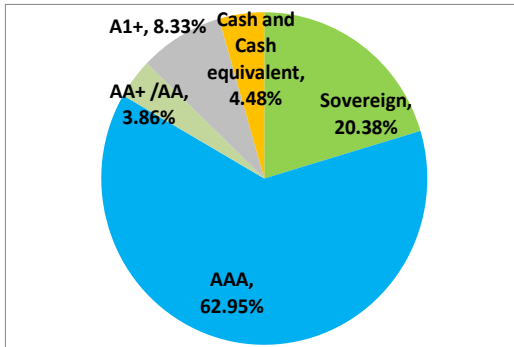
L&T Short Term Opportunities Fund invests predominantly in high quality short to medium term corporate bonds, government securities and money market instruments. The Fund aims to strike a risk-return balance by taking measured duration exposure through investments in 1 to 5 year segment of the yield curve. While the primary source of return in this fund would be through yield accrual, the fund also offers some potential to generate returns through capital gains without taking too much of interest rate risk. Moreover, within a restricted range, the fund manager looks to actively manage the duration of the portfolio in order to capitalize on the opportunities without assuming undue risks. In terms of credit, the fund has been investing predominantly in high credit quality securities wherein more than 95% of the portfolio exposure has been in AAA and equivalent or higher rated securities.

#### PORTFOLIO ALLOCATION (%)

Non convertible debentures	66.8
Government securities	20.4
Certificate of Deposit	5.0
Commercial Papers	3.3
CBLO, Cash & cash equivalent	4.5

Data as on 31.08.15.

## CREDIT BREAK-UP (%)



Data as on 31.08.2015

## TOP 5 HOLDINGS (%)

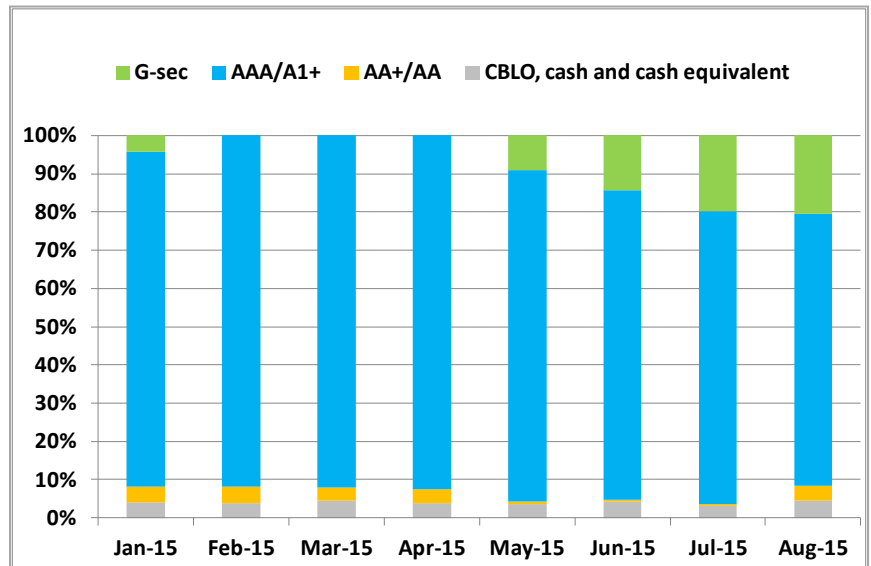
SECURITY	RATING	Wt (%)
8.27% GOI 09-Jun-20	Sovereign	20.4
9.40% REC Ltd 20-Jul-17	CRISIL AAA	8.1
8.35% PFC Ltd 27-May-17	CRISIL AAA	4.9
9.75% HDFC Ltd 07-Dec-16	CRISIL AAA	3.9
9.18% LIC Housing Finance Ltd 03-Jul-17	CRISIL AAA	3.9

Data as on 31.08.2015.

## CREDIT PROFILE

As of 31<sup>st</sup> August, the fund has invested about 96% of its net assets in securities that are rated Sovereign / AAA/ A1+ and cash equivalents which demonstrates the fund's focus on maintaining high credit quality. The Fund has about 3.9% exposure to NCDs that are rated AA+/AA. Given the current market outlook, the fund has approximately 87% exposure to non-convertible debentures and government securities whereas exposure to money market instruments such as CDs and CPs stands at 8.3%.

## Credit rating break-up since January 2015



## WHY CAUTIOUS INVESTORS MAY CONSIDER INVESTING IN THIS FUND?

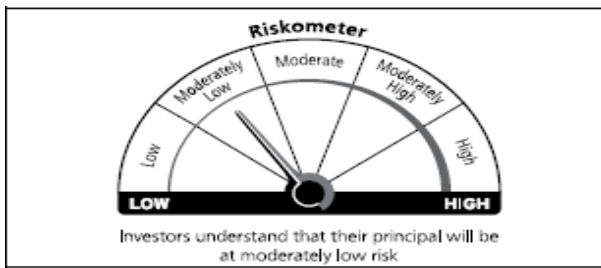
1. The Fund typically invests in high credit quality securities with predominant exposure to AAA/A1+ and equivalent rated securities.
2. Every issuer that forms part of the portfolio is analyzed and rated by L&T Mutual Fund's in-house experienced credit research team without solely relying on ratings assigned by external rating agencies
3. The Fund's moderate duration exposure help capitalize on capital gains opportunities to a certain extent without assuming undue interest rate risk.
4. A clear and consistent investment approach – return generation primarily through yield accrual to help strike a risk-return balance.
5. The Fund has a proven track record of over 3 years

## Product Labeling

### An open-ended income scheme

**This product is suitable for investors who are seeking\***

- Generation of regular returns over short term
- Investment in fixed income securities of shorter term maturity



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

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

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