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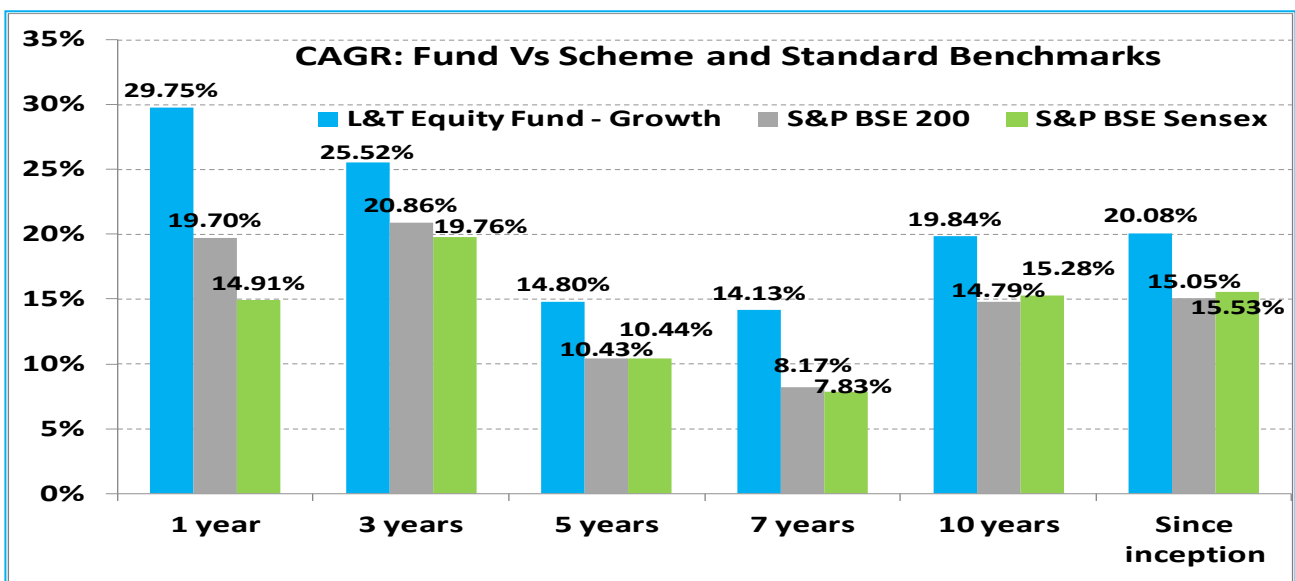
L&T Equity Fund

Celebrating a decade of wealth creation

Nobel laureate Paul Samuelson, also known as the “Father of Modern Economics” had once said, “Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.” The appropriateness of his statement is clearly established if one looks at the performance of L&T Equity Fund (LTEF) over the last 10 years of its existence. While many investors who invested in this Fund at inception may have redeemed or switched to alternative investment options in the quest for excitement, those who stayed invested during these 10 years have been rewarded for their patience. In this special edition of Fund Insights, the Fund Manager of L&T Equity Fund, Mr. Soumendra Nath Lahiri shares his views on the performance of the Fund and also draws attention to some of the key factors that have helped the fund to be a significant long term wealth creator for investors.

Q. L&T Equity Fund has completed 10 years since its inception. How has been the performance of this Fund over the past 10 years?

Lahiri: Yes, L&T Equity Fund has completed 10 years last month and given its performance till date, long-term investors who have patiently stayed put in this Fund since its inception would be certainly a happy lot. Here’s why. An investment of Rs. 1 Lakh in this Fund at its inception in May 2005 would have grown to Rs. 6.28 Lakhs by May 2015 which works out to compounded annualized return of over 20% – I believe this is a phenomenal achievement by any yardstick.



Source: ICRA MFIE. As on 31.05.15. Past performance may or may not be sustained in the future.

Performance Vs Scheme and Standard Benchmarks as on 31.03.2015

	Period	LTEF- Growth (%)	S&P BSE 200 (%)	S&P BSE Sensex^ (%)
Absolute returns	31-03-14 to 31-03-15	48.21	31.93	24.89
	28-03-13 to 31-03-14	21.23	17.19	18.85
	30-03-12 to 28-03-13	3.43	6.03	8.23
CAGR	Since inception (16-May-05)	20.55	15.33	15.86
PTP returns* (in Rs.)		63,379	40,914	42,827

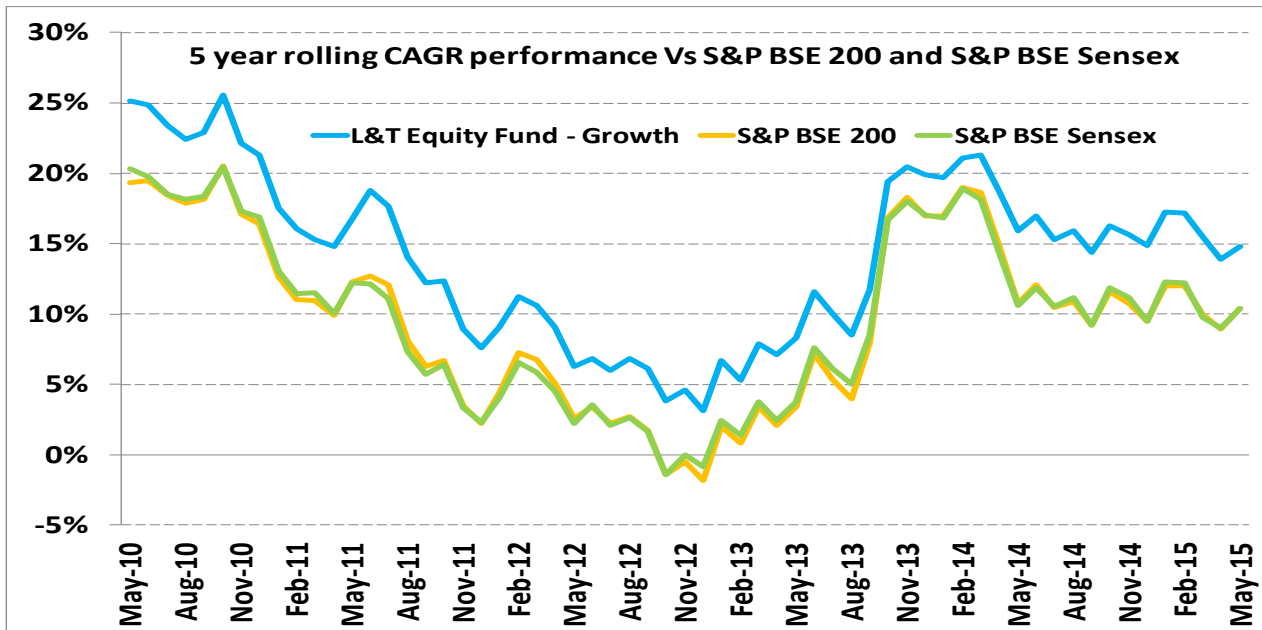
Past performance may or may not be sustained in the future. * Point to Point (PTP) Returns in INR show the value of Rs.10,000/- invested. ^Standard Benchmark. As per the SEBI standards for performance reporting, the since inception return is calculated on NAV of 10 invested at inception. Date of inception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

Most of us are aware that equities help in long-term wealth creation which is also evident from the performance of equities over this period of about 10 years. S&P BSE 200 and S&P Sensex for example have delivered annualized return of over 15% during this period. However, what stands out about L&T Equity Fund is that it has outperformed its benchmark (S&P BSE 200) by more than 5% CAGR over this period – kind of outperformance which not many funds could deliver over such long period. Moreover, as can be seen from the data above, the Fund has also significantly outperformed its benchmark S&P BSE 200 and standard benchmark S&P BSE Sensex across various time periods.

Q. And historically how successful has the fund been in managing volatility?

Lahiri: L&T Equity Fund has not only shown significant outperformance in terms of returns but has also been able to deliver such performance with substantially lower volatility compared to its benchmark S&P BSE 200 – a testimony of strong risk management processes and controls embedded in our investment process. In fact, our focus on managing risks has also helped us consistently outperform S&P BSE 200 and S&P BSE Sensex even over a 5 year investment horizon.

The chart below shows 5-year rolling performance of L&T Equity Fund against S&P BSE 200 and S&P BSE Sensex. It can be observed that (1) L&T Equity Fund has always delivered positive return over a 5-year holding period whereas the two indices have been in the negative territory for some time periods and (2) the Fund has consistently outperformed the S&P BSE 200 and S&P BSE Sensex over a 5 year investment horizon. The average 5-year CAGR outperformance vis-à-vis S&P BSE 200 and S&P BSE Sensex has been 4.60% and 4.54% respectively.



Source: ICRA MFIE. As on 31.05.15. Past performance may or may not be sustained in the future. Based on 5 year performance as on last business day of every month from May 2010 to May 2015.

Q. So what have been the key factors that have led to such strong performance of L&T Equity Fund both in terms of returns as well as risk adjusted performance?

Lahiri: Such consistent long term outperformance is an outcome of our clear and consistent investment philosophy, disciplined investment approach and strong focus on creating wealth for our investors. The consistency in L&T Equity Fund's investment style with focus on owning high quality, scalable businesses at reasonably attractive valuations has clearly contributed to the fund's performance over the years. Additionally, what has also helped is the fund's endeavor to deliver superior risk adjusted performance over medium to long term without getting swayed by short term movement in the market. For example, there have been phases in the market over the past 10 years when overvalued stocks had continued to rally backed by strong momentum and liquidity. However, L&T Equity Fund has preferred to stay away from such stocks which may have resulted in short term underperformance but aided fund's long term performance. Similarly, the Fund has always aimed to maintain a good balance between large, mid and small cap stocks. Moreover, our highly experienced investment teams across research, dealing and portfolio management domains provide us an edge in helping our investors create wealth. Most importantly, we do not believe in trying exciting things in this Fund. We prefer the Fund to be a consistent performer across time periods instead of being at the top of the performance league in some time periods and bottom of the league in other time periods. We believe this could help the Fund to be among the best performers in the long run.

Q. What kind of investors is this Fund suitable for?

Lahiri: This fund is managed with a long-term perspective and our investment decisions are primarily driven by medium to long term growth and profitability prospects of the businesses and the valuations at which they are available. Therefore, I believe this fund is suitable for investors looking for long-term wealth creation or those planning for their long term financial goals. Most investors often stay away from equities because of the short term risks associated with this asset class. However, one needs to remember that investments in safer asset classes could prove to be extremely risky in the long term as they are hardly able to deliver inflation adjusted positive post tax returns. I believe the benefit of return premium which equities offer in the long run far outweighs the short term risks. Further, an actively managed fund like L&T Equity Fund that aims to outperform the broader equity indices could provide major boost to investors' real returns in the long term. As highlighted earlier, L&T Equity Fund with CAGR in excess of 20% has outperformed the benchmark S&P BSE 200 index by more than 5% on an annualized basis since its inception and its outperformance versus gold which is one of the most popular asset classes in India, has been still higher despite sharp depreciation of INR against US dollar during this period. Even if we look at the performance of residential real estate as represented by performance of NHB Residex since its inception (year 2007) for one of the best performing real estate market like Mumbai, the annualized price appreciation has been close to 13%. Over the long term, such strong outperformance of actively managed equity funds could majorly contribute towards achievement of long-term financial goals of investors. The table below helps to put this in right perspective. For example, an investment of Rs. 1 Lakh in a fixed deposit yielding 9% would grow to Rs. 1.54 Lakh in 5 years and Rs. 2.37 Lakh in 10 years but the same investment of Rs. 1 Lakh invested in an investment product yielding 15% would grow to Rs. 2.01 Lakh in 5 years and 4.05 Lakh in 10 years. Likewise, at 15% annualized return, your money will grow about 4 times in 10 years and 16 times over a 20 year period whereas if you earn 20% annualized return, you will see your investments grow more than 6 times in 10 years and more than 38 times in 20 years – that's the power of compounding over longer period of time. And this is why we strongly believe that L&T Equity Fund which is actively managed using fundamentals driven bottom-up investment approach could add significant value to investors in the long run.

Value of Rs. 1 Lakh invested at different level of annualized return and over different time horizons

Investment horizon	Annualized return				
	9%	12%	15%	18%	20%
5 year	153,862	176,234	201,136	228,776	248,832
10 year	236,736	310,585	404,556	523,384	619,174
15 year	364,248	547,357	813,706	1,197,375	1,540,702
20 years	560,441	964,629	1,636,654	2,739,303	3,833,760

For illustration purpose only.

Q. What is your advice for investors looking to invest in this Fund?

Lahiri: L&T Equity Fund has demonstrated a strong performance track record over the past decade which coincided with several bull and bear phases in the market. It is one solid fund that spells quality and has withstood the test of time. We will continue to focus on delivering superior risk adjusted performance in the long term aided by our consistent investment approach, strong in-house research and robust investment and risk management process. Investors looking for that strong and steady long term performer could consider owning this fund as part of their core portfolio. And most importantly stay invested for the long term because when it comes to equity investing, patience pays but excitement doesn't...


About Mr. Soumendra Nath Lahiri






Mr. Soumendra Nath Lahiri is the Fund Manager for **L&T Equity Fund**.

He is Head - Equities at L&T Investment Management. He has over 23 years of experience, of which over 19 years is in equity markets in India. Prior to joining L&T Investment Management, he was Head of Equities at Canara Robeco Mutual Fund. He has also worked with Fortuna Capital and DSP Black Rock in his previous assignments. He holds a B.E. degree in Mechanical Engineering and an MBA from Indian Institute of Management, Bangalore.

This product is suitable for investors who are seeking*

- Long term capital growth
- Investment predominantly in equity and equity-related 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.

The fund managers for the scheme are Mr. Soumendra Nath Lahiri and Mr. Abhijeet Dakshikar (for investments in foreign securities). The performance (as on 31.03.2015) of all the schemes managed by Mr. Soumendra Nath Lahiri and Mr. Abhijeet Dakshikar is shown below.

Funds Managed by Mr. Soumendra Nath Lahiri

	Absolute returns (Period)			Scheme inception date	Since inception	
	31-Mar-14 to 31-Mar-15#	28-Mar-13 to 31-Mar-14	30-Mar-12 to 28-Mar-13		CAGR (%)	PTP returns* (in Rs.)
L&T India Special Situations Fund~	47.70	20.41	10.90	22-May-06	15.47	35,777
S&P BSE 200	31.93	17.19	6.03		12.12	27,554
S&P BSE Sensex^	24.89	18.85	8.23		11.70	26,672
L&T Tax Advantage Fund	39.55	21.56	4.55	27-Feb-06	15.60	37,360
S&P BSE 200	31.93	17.19	6.03		11.74	27,448
S&P BSE Sensex^	24.89	18.85	8.23		11.63	27,190
L&T India Prudence Fund~	45.83	21.86	8.48	07-Feb-11	17.16	19,280
Benchmark@	25.67	14.59	6.38		11.02	15,424
S&P BSE Sensex^	25.15	18.60	8.23		11.15	15,500
L&T Midcap Fund	73.97	31.18	1.83	09-Aug-14	22.42	86,150
CNX Midcap	50.96	16.36	-4.02		18.59	61,406
S&P BSE Sensex^	24.89	18.85	8.23		17.05	53,423
L&T Infrastructure Fund	60.41	19.44	-6.09	27-Sep-07	1.20	10,940
CNX Nifty	26.65	17.98	7.31		7.30	16,980
S&P BSE Sensex^	24.89	18.85	8.23		6.72	16,301
L&T Equity and Gold Fund~	49.92	20.60	7.62	07-Feb-11	18.71	20,360
Benchmark\$	21.85	11.76	6.16		11.01	15,419
S&P BSE Sensex^	25.15	18.60	8.23		11.15	15,500

~ Abhijeet Dakshikar is the fund manager for investments in foreign securities in these funds.

Performance of all other schemes managed by Abhijeet Dakshikar (for investments in foreign securities)

	Absolute returns (Period)			Scheme inception date	Since inception	
	31-Mar-14 to 31-Mar-15	28-Mar-13 to 31-Mar-14	30-Mar-12 to 28-Mar-13		CAGR (%)	PTP returns* (in Rs.)
L&T India Large Cap Fund	43.38	20.18	3.59	23-Oct-07	10.52	21,055
S&P BSE 100	28.32	18.11	6.84		6.07	15,500
S&P BSE Sensex^	24.89	18.85	8.23		5.71	15,118
L&T India Value Fund	70.68	20.09	10.10	08-Jan-10	17.94	23,692
S&P BSE 200	31.93	17.19	6.03		9.39	15,985
S&P BSE Sensex^	24.89	18.85	8.23		9.33	15,939
L&T Indo Asia Fund	35.95	14.53	10.61	28-May-07	10.87	22,466
Benchmark@	24.66	16.03	10.36		10.01	21,140
S&P BSE Sensex^	24.89	18.60	8.23		8.83	19,418
L&T Global Real Assets Fund	-0.40	15.22	16.09	11-Feb-10	12.63	18,419
Benchmark+	1.12	19.82	13.49		12.58	18,373
S&P BSE Sensex^	25.15	18.60	8.23		11.28	17,308

Past performance may or may not be sustained in the future. * Point to Point (PTP) Returns in INR show the value of Rs10,000/- invested ^Standard Benchmark. Note: As per the SEBI standards for performance reporting, the since inception return is calculated on NAV of `10/- invested at inception. CAGR is compounded annualized. Date of inception is deemed to be date of allotment. # For L&T India Prudence Fund and L&T India Equity and Gold Fund, the performance shown is from 28-Mar-14 to 31-Mar-15 as 31-Mar-14 was a non-business day for these schemes. \$70% - S&P BSE 200 Index, 20% - Gold Prices and 10% - CRISIL Short Term Bond Fund Index. @ 70% - S&P BSE 200 Index and 30% - CRISIL Short Term Bond Fund 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 are 20%, 20%, 10%, 20% and 30% respectively. Performance of L&T Emerging Businesses Fund, L&T Business Cycles Fund and L&T Arbitrage Opportunities Fund has not been shown as they have not completed 1 year since their inception.

DISCLAIMER: 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 fund and is not any indication of the portfolio of the fund. 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.

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