

L&T Infrastructure Fund

An open-ended equity scheme



L&T Financial Services
Mutual Fund

Fund Update - March 2018

Equity Market Review

Indian markets witnessed a continuation of the correction in March due to increased concerns over a global trade war. Sentiment was also impacted amidst political uncertainty after BJP suffered political setbacks in by-polls as well as with its erstwhile ally TDP in Andhra Pradesh. Nifty and Sensex ended the month a fall of 3.6%. Global markets were nervous as concerns over tariff war increased and all indices ended on a negative note. BSE Small cap index underperformed its larger peers and ended the month with 6.3% fall.

After turning sellers in previous month, FIIs returned as net buyers in March with \$1.9Bn of flows taking their YTD net inflows to \$2Bn. Domestic investors continued to be buyers in March with net inflows of \$1bn and YTD tally of \$3.85 Bn. Mutual Funds continued to drive inflows with \$1.1bn while Insurance companies were net sellers to the tune of \$132 Mn.

Macro Economic Developments

India's Industrial production for January came in strong at 7.5% which was higher than consensus estimates. This strong performance was led by capital goods which were up 14.6% and Consumer Non-Durables which was up 10.5% similar to its performance in October to December period. CPI inflation continued to ease for second consecutive month to 4.4% in February. February Trade deficit narrowed to normal levels of \$12Bn after spiking to \$16.3Bn in January. Exports deceleration was a worrying sign as growth came to 4.5% from 9.1% in January; this continues to be a key metric to track in light of increasing global trade war concerns. Imports also witnessed a slowdown in February in categories like petroleum, capital goods and machinery. The next Reserve Bank of India policy meet is in first week of April and street expects no rate hike in same. One of the ruling BJP parties key allies TDP pulled out of the NDA alliance over the issue of granting special status to the state of Andhra Pradesh. Of the three by-polls held in Uttar Pradesh and Bihar, BJP lost out in all three of them. Banks continued to be in news for all wrong reason.

Outlook

Nifty ended FY18 with (+10.2%) gains. It wiped out majority of its gains in last three months in light of increased volatility given unresponsive global and domestic events. After a calm CY17, we can expect volatility at elevated levels in CY18. This comes on the back of market concerns about a potential global trade war after US initiated tariff actions on imports from certain countries. Also, BJP's dismal performance in the recent by-polls has introduced an element of uncertainty, especially with general elections coming up next year. It looks like markets will continue to closely monitor election outcomes in few key states in CY18. Markets have something to cheer about with evidence of demand revival in select pockets points towards bottoming of macro data. We expect the economy to recover in CY18 as GST related disruption smoothen and consumption revives on back of normal monsoon and implementation of pay commission. With our expectation of increased volatility and earnings recovery, we feel stock picking will be more important in CY18, unlike the previous year which witnessed a broader based rally. After the recent correction, valuations are now trading closer to long term average with earnings bottoming out and cooling of bond yields. This offers a buying opportunity, where we will prefer to stay with strong and able management with earnings visibility.

Source: Bloomberg

Fund Facts

Objective	To generate capital appreciation by investing predominantly in equity and equity related instruments of companies in the infrastructure sector.
Options	Growth and Dividend. The Dividend option offers payout and dividend reinvestment facilities.
Indicative Asset allocation	65% - 100% in equity and equity-related securities (including equity derivatives) 0% - 35% in money market instruments.
Exit load	For redemption within 1 year from the date of allotment or Purchase applying First in First out basis - 1% of applicable NAV. After 1 year from the date of allotment or Purchase applying First in First out basis - Nil.
Fund managers	Mr. S. N. Lahiri
Benchmark	Nifty Infrastructure TRI Index

About L&T Infrastructure Fund

L&T Infrastructure Fund is a theme based fund which predominantly invests in stocks and sectors that are likely to benefit from country's infrastructure growth. The fund is agnostic to style and market capitalization and typically holds a diversified portfolio spread across various sectors within the infrastructure space. It provides long-term investors an opportunity to benefit from India's structural infrastructure growth. Given the potential that the India's infrastructure sector offers and the Government's increased focus on providing necessary stimulus to the sector, we believe this fund has a strong potential to deliver significant alpha over the next few years, albeit at a relatively higher risk. We believe this fund could complement the core fund holdings in investor's portfolio and has strong potential to provide boost to investor's overall portfolio returns.

Current Portfolio Strategy

In the current environment, the Fund Manager is placing strong emphasis on evaluating the growth prospects of the companies against their stock valuation. Capital goods, Engineering, Building Products, Construction, Cement, and Transportation and Logistics are some of the top sectors where the scheme currently has significant positions. L&T Infrastructure Fund has been focusing on investing in companies with strong long-term growth prospects, scalable business model, strong project execution capabilities and proven management track record. Industrial capital goods companies are likely to be the early beneficiaries of the business cycle turnaround. Policy reforms focused on fast track clearances and simplification of processes for project approvals are expected to aid growth of companies in the infrastructure sector.

Minimum application amount (lump sum)	Initial investment: ₹ 5,000 per application and in multiples of ₹ 1 thereafter.
	Additional investment: ₹ 1,000 per application and in multiples of ₹ 1 thereafter.
Minimum application amount (SIP)	₹ 3,000 (minimum 6 monthly instalments or minimum 4 quarterly instalments).

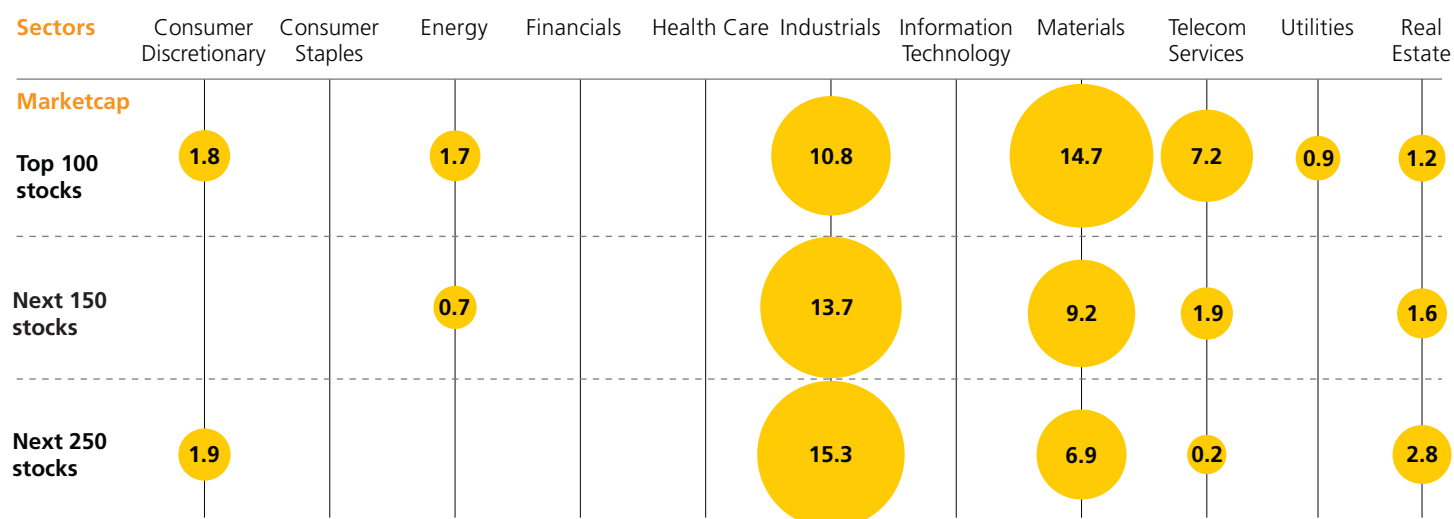
Portfolio information

Top 10 holdings

Company	% of net assets
Larsen & Toubro Limited	7.17%
The Ramco Cements Limited	4.42%
Bharti Airtel Limited	3.72%
Graphite India Limited	3.58%
Shree Cements Limited	3.49%
Lakshmi Machine Works Limited	3.16%
Carborundum Universal Limited	3.03%
Bharat Electronics Limited	2.78%
Hindustan Zinc Limited	2.75%
Grasim Industries Limited	2.72%

Source: Bloomberg, ICRA MFIE, Internal. All data as at 31.3.2018

Portfolio Positioning



Sectors	Weight in Scheme (%)	Current Positioning	Key Active Stocks
Industrials	39.8	Exposure to Transportation, Construction Projects, Industrial Capital Goods	Techno Electric, Indian Hume Pipe, L&T, Triveni Turbine, Cummins India
Materials	30.7	Exposure to Cement, Metals	OCL India, Ramco Cements, Tata Steel
Telecommunication Services	9.3	-	Bharti Airtel, Idea Cellular, Bharti Infratel
Real Estate	5.5	Overweight	Arihant Superstructures, Sunteck Realty, Oberoi Realty
Consumer Discretionary	3.8	-	-
Energy	2.5	-	-
Utilities	0.9	-	-
Information Technology	0.0	No exposure	-
Financials	0.0	No exposure	-
Consumer Staples	0.0	No exposure	-
Health Care	0.0	No exposure	-

For product labeling please refer to the last page. Source: Bloomberg, ICRA mfie, Internal. Data as on 28th March 2018.

Sectors shown are based on Global Industry Classification Standard (GICS). Sterlite Technologies Limited and Astra Microwave Products Limited are classified under Telecom sector and Centum Electronics Limited is classified under Industrial Capital Goods as per AMFI classification. These stocks are classified under IT sector currently as per GICS classification. However, for these stocks we have classified as per AMFI sectors in the above table.

Why invest with L&T Mutual Fund?

- The aim of L&T Mutual Fund is to create prosperity for all stakeholders by delivering consistent long-term investment performance, product innovation and quality service.
- Our commitment to answering different customer needs has resulted in over 27 funds that span asset classes, risk profiles, time horizons and geographies.
- We build our investments on a foundation of in-depth research and fundamental analysis. **GEM**, our proprietary investment process comprises three rigorous steps - **G**eneration of ideas, **E**valuation of companies and **M**anufacturing and monitoring of portfolios.
- With over 24,40,000 customer account folios across 375 cities and towns and close to ₹ 62,000 crores in managed assets[^], we remain dedicated to building our customers' futures.

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[^]Average assets. Data for the month ended March 28, 2018.

This product is suitable for investors who are seeking*

- Long term capital appreciation
- Investment predominantly in equity and equity-related instruments of companies in the infrastructure sector

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



Investors understand that their principal will be at high risk

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