



**NFO Opens : December 7, 2011**

**NFO Closes : December 21, 2011**

Offer of units at Rs 10/- per unit during NFO

### Does the Debt market look attractive now?

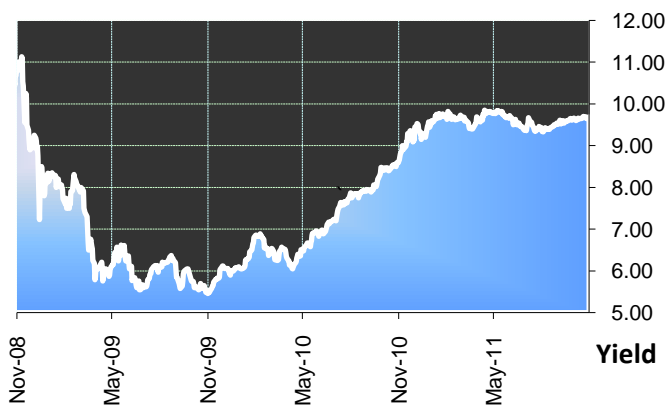
The Debt market has witnessed a rising interest rate scenario since past one and a half year. This is largely attributed to rising inflation and tight liquidity in the banking system. The RBI has been raising key policy rates since April 2010; benchmark repo rate has been increased by 375 bps since April 2010 in an effort to control inflationary pressures.

It is possible that RBI is near to the end of its rate tightening cycle as inflationary pressures begin to ease in the next fiscal and growth worries also take precedence. Current interest rate environment has led to high yields of debt instruments in both short as well as long term. Therefore investments at current high levels of interest rates are likely to fetch attractive returns.

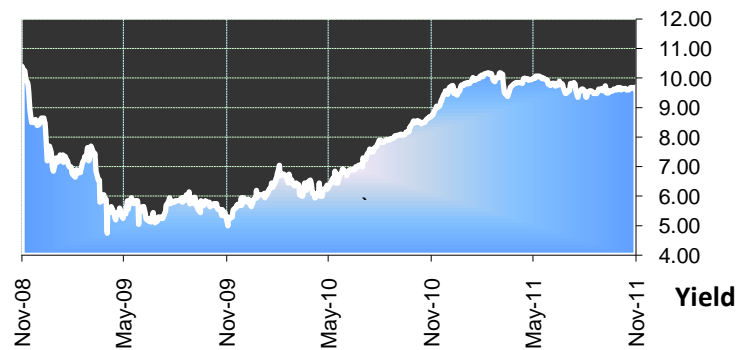
### Current Debt Market Scenario

- High inflation numbers ruling over 9% levels with current reading at 9.73% as on November 14, 2011
- Higher Government borrowing than scheduled
- Risks of the Government overshooting the fiscal deficit target

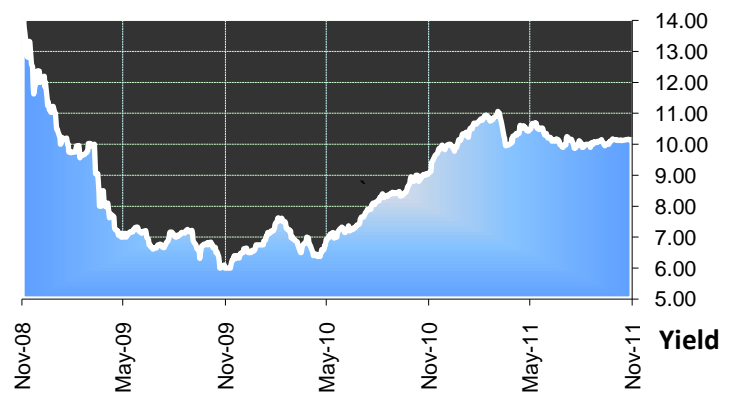
**1 Year AAA PSU since Nov 2008**



**1 Year CD since Nov 2008**



**1 Year CP since Nov 2008**



**For all above graphs.**

**Source: Bloomberg . As on: November 21, 2011**

The above graphs pertain to yields of Commercial Papers (CP), Certificate of Deposits (CD) and NCD's and depict a rising trend in yields.

### What are Short Term Debt Funds?

Short term debt funds can be considered as one of the preferred vehicles for investors to help in riding the rising interest rates. Short term debt funds are mutual fund schemes that seek to invest in bonds and other fixed-income instruments that have tenure of around one to two years of maturity.

The fund manager endeavors to build a diversified portfolio of fixed-income instruments with varying maturities. The portfolio can comprise of treasury bills, certificate of deposits, commercial papers, securitized debt, interest rate derivatives and non convertible debentures.

### Why L&T Short Term Debt Fund?

- As interest rate tightening by RBI may be closer to its peak, attractive investment avenues may be available in short term debt instruments. When inflationary expectations and interest rates cool down, investment avenues may be available
- Efficient portfolio construction could be possible as attractive rates of interest on quality rated debt instruments may be available. Optimization of risk adjusted returns through effective duration management could be possible.
- The Fund endeavors to make investments in quality debt and money market instruments. It could be considered as an investment vehicle for a moderate interest rate environment with efficient portfolio constructions in the two duration buckets with average maturity lower than or equal to three years

### Scheme Highlights:

1. **Nature** : An Open Ended Debt Scheme
2. **Benchmark Index** : CRISIL Short Term Bond Fund Index
3. **Options** : **Dividend** (Payout & Reinvestment)  
**Quarterly Dividend**  
(Payout & Reinvestment)  
**Growth Bonus**
4. **Minimum Application Amount** : For all options Rs. 5,000/- and in multiples of Re. 1/- thereafter
5. **Minimum repurchase amount**: For all options minimum of Rs. 500/- per application or 50 units.
6. **Entry Load** : Nil
7. **Exit Load** : 0.5% if redeemed <= 6 Months  
Nil if redeemed > 6 months
8. **Asset allocation pattern** :
  - Debt and Money Market Instruments residual maturity up to 24 months: 65%% to 100%.

- Debt instruments with residual maturity greater than 24 months and less than 60 months : 0% to 35%

### Debt Allocation and Strategy of L&T Short Term Debt Fund

- Asset allocation is inclined towards quality debt instruments and low to moderate average maturity not exceeding 3 years

65% to 100% of the allocation will be towards debt and money market instruments of residual maturity up to 24 months and 0% to 35% in debt instruments with residual maturity greater than 24 months and less than 60 months

- Investment in corporate bonds for shorter tenor as rates may be attractive in the segment due to inversion of the yield curve
- Investment in commercial papers, certificate of deposits and Government securities to take possible advantage of yield level and interest rate cycle

### Right product at the right time: L&T Short Term Debt Fund

- As interest rates may be nearing peak levels, attractive investment avenues may be available in short term debt instruments
- Yields on long term debt instruments are likely to be range bound in this fiscal year
- Efficient portfolio construction may be possible as suitable rates of interest on top rated debt instruments may be available
- This fund could be an ideal investment vehicle for a moderate interest rate environment
- The fund endeavors to build portfolios in the two duration buckets with average maturity lower than or equal to three years.

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**Statutory Details:** L&T Mutual Fund has been established as a trust under the Indian Trust Act, 1882 by L&T Finance Limited, Sponsor/ Settlor (liability restricted to the seed corpus of Rs. 1 lakh) with L&T Mutual Fund Trustee Limited as the Trustee Company and L&T Investment Management Limited as the Investment Manager. **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the NAV of the Scheme of the Fund may go up or down depending upon the factors and forces affecting the securities market. Investment in mutual fund units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal. Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the Scheme. The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of Rs. 1 lakh made by it towards setting up the Fund. L&T Short Term Debt Fund do not in any manner indicate either the quality of the Scheme or its future prospects and returns; and is only the name of the Scheme. There can be no assurance that the objectives of the Scheme/ Mutual Fund will be achieved. **Scheme Specific Risk Factors:** Investment in the Scheme shall be subject to various risks including but not limited to risk associated with: Investment in Bonds and Fixed Income Securities such as Performance Risk, Credit Risk, Reinvestment Risk, Interest Rate Risk, Investment in Derivatives, Securitized Debt, etc. Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing. **Investment objective and classification:** L&T Short Term Debt Fund (An Open Ended Debt Scheme): The investment objective of the Scheme is to generate returns for investors with a short-term investment horizon by investing in fixed income securities of shorter term maturity. **Load Structure:** Entry Load: Nil, Exit Load: 0.5% - if redeemed ≤ 6 months; Nil - if redeemed > 6 months. Bonus units and units issued on reinvestment of dividends shall not be subject to exit load. The investor is requested to check the prevailing load structure of the Scheme before investing. **Asset Allocation:** Debt and Money Market Instruments with residual maturity upto 24 months: 65% – 100%, Debt Instruments with residual maturity greater than 24 months and less than 60 months: 0% – 35%. The Scheme may invest in securitized debt up to 50% of the portfolio. The Scheme shall have derivatives exposure as per the SEBI/ RBI Guidelines issued from time to time. For further details, Investors are requested to refer Section on "Asset Allocation" in Scheme Information Document/ Key Information Memorandum. **Terms of issue and mode of sale and redemption of units:** Units of the Scheme are being offered at Rs. 10/- per unit during NFO and at NAV based prices, subject to the prevailing loads, upon re-opening. The AMC shall calculate and publish the NAV of the Scheme on all Business Days. Investors are requested to note that ASBA facility is also available as an additional mode of payment during NFO. Units of the Scheme can also be transacted in demat mode (only) on the Mutual Fund Service System (MFSS) of NSE and/ or (StAR MF) of BSE. SID, SAI, Key Information Memorandum and Application Forms are available at offices/ branches of the AMC or CAMS Service Centres (CSCs) Distributors and at Mutual Fund website [www.lntmf.com](http://www.lntmf.com)