Market Review

L&T Investment Management Ltd

January 2012

L&T Mutual Fund
Built on strong foundations

Macro Economics

L&T Mutual Fund
Built on strong foundations

ECB announces Measures to Support Money Market

- ECB to conduct two longer-term refinancing operations; to reduce reserve ratio from 2% to 1% for reserve maintenance and to increase collateral availability by reducing rating threshold
- Fitch Ratings cuts emerging Asia growth to 6.8% in 2012 against its earlier forecast of 7.4% while cut its 2012 growth forecast for China to 8.2% from 8.5% and for India to 7.5% from 8.2%
- India's central bank retains policy rates and signals reversal of monetary tightening cycle
- Moody lowers Slovenia credit rating to A1 on potential need for the government to support its banking system amid Europe's debt crisis

L&T Mutual Fund
Built on strong foundations

Key Global Economic Data Releases

US

- ISM Manufacturing for December expands to 53.9 from 52.7 last month
- US consumer confidence jumps to 64.5 in December from 55.2 in November
- Advance retail sales grow 0.2% in November from growth of 0.5% last month

Euro-zone

- Industrial production for Euro-zone grows at 1.3% in October as against growth of 2.2% last month
- Euro-zone PMI remains stable in December at 46.9 compared with previous month
- Core consumer price index for Euro-zone remains unchanged at 1.6% in November

Asia

- Japan’s GDP growth stands at 5.6% annualized in the quarter ended September, 2011
- China’s Manufacturing PMI stands at 48.7 in December, up from 47.7 in November
- China’s inflation declines to 14-month low of 4.2% in Nov’11 since August 2009

Key Domestic Economic Data Releases

Industrial production

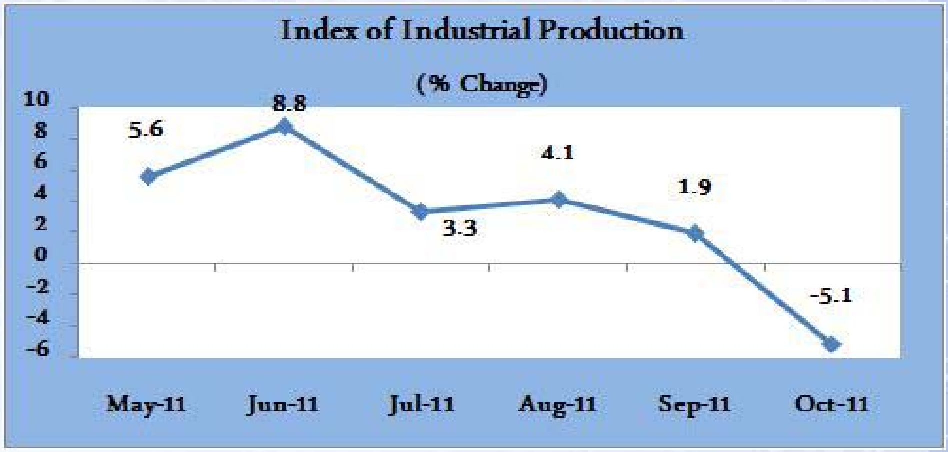
- Contracts by 5.10% in October against growth of 1.90% in September

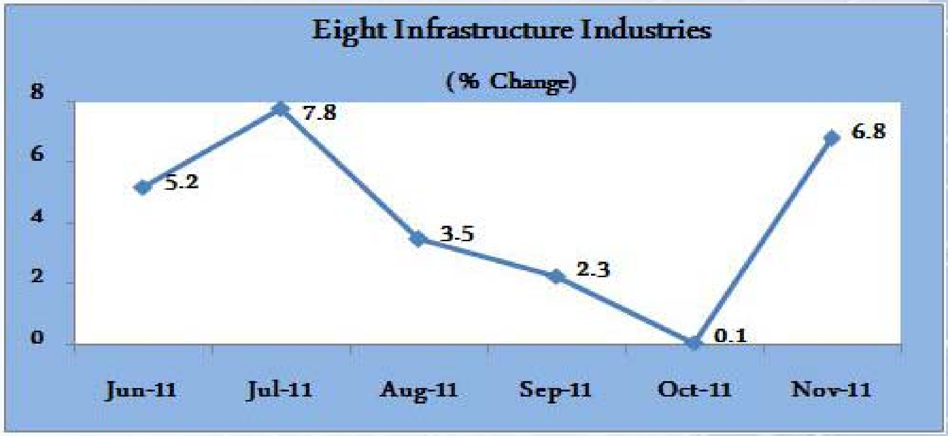
Eight Infra Industries

- Posts growth of 6.80% in November against 0.10% growth in October

Exports & Imports

- Exports rise by 3.87% in November to USD 22.32 bn
- Imports climb by 24.55% in November to USD 35.92 bn





Source: Mospi

L&T Mutual Fund
Built on strong foundations

Continue…

Headline WPI inflation

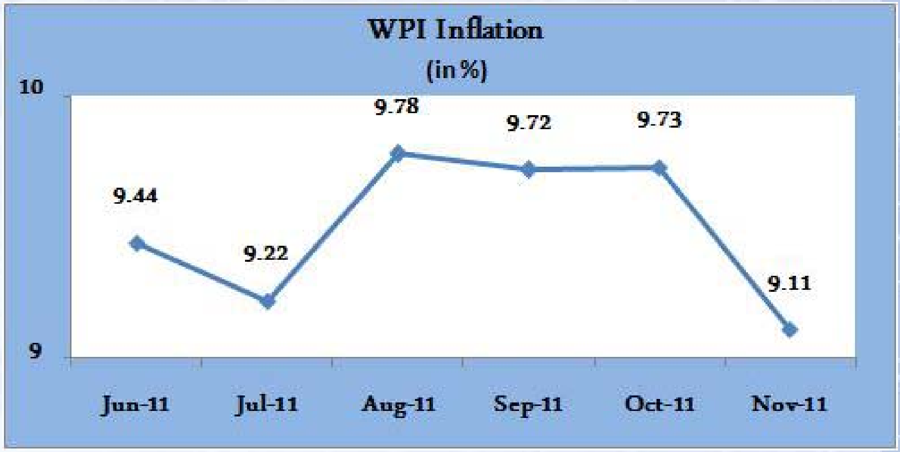
- Eases to 9.11% for November against 9.73% for October

Rupee depreciates

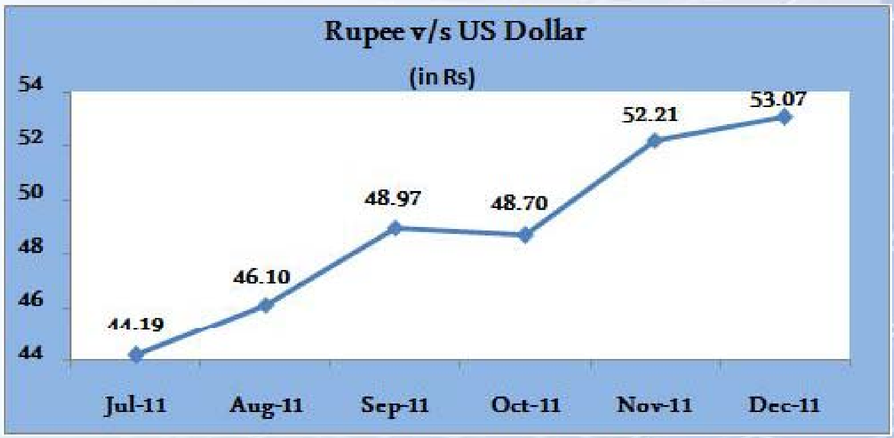
- By 1.60% over the month to Rs 53.07 against US dollar
- Forex reserves fall USD 3.50 bn to USD 300.86 bn as on December 23 from November 25

Bank credit

- Stands at Rs 42,66,983 crs as on December 16, rise 0.70% over the fortnight and moves up 17.10% over the year



Source: Mospi



Source: Bloomberg

Commodity Prices Fall

Reuters Jefferies CRB Index declines

- 2.71% over the month to 305.30

MCX Comdex falls

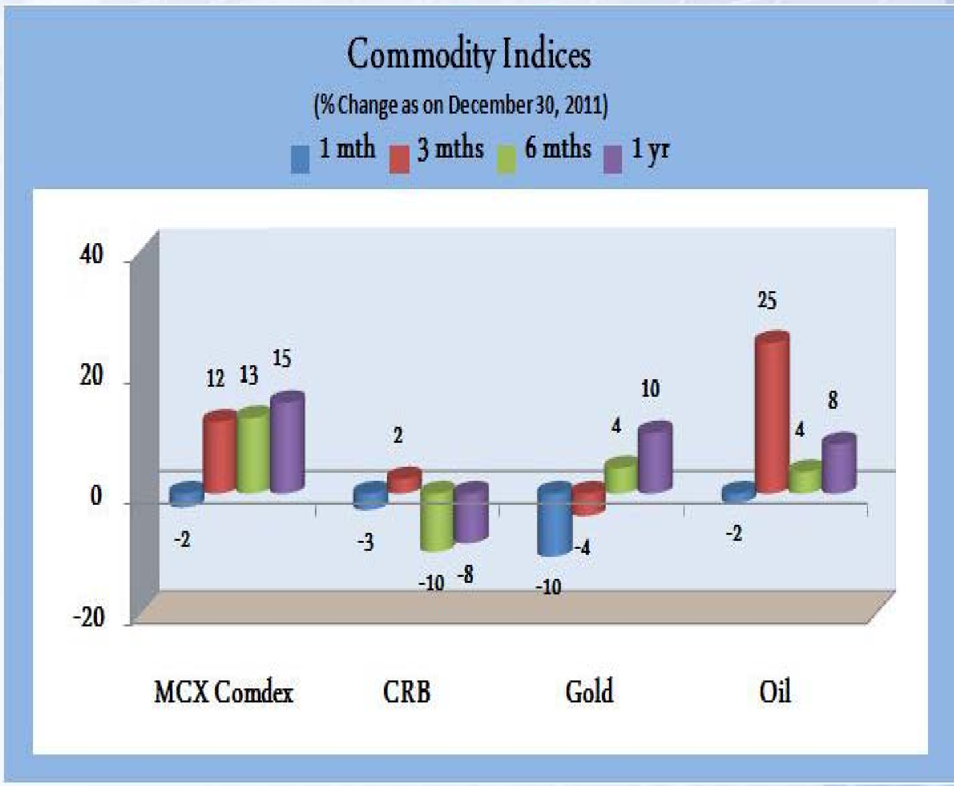
- 2.29% during the month to 3,791.40

Oil prices slip

- 1.52% over the month to USD 98.83 a barrel

Gold prices plunge

- 10.46% during the month to USD 1563.70 an ounce



Source: Bloomberg

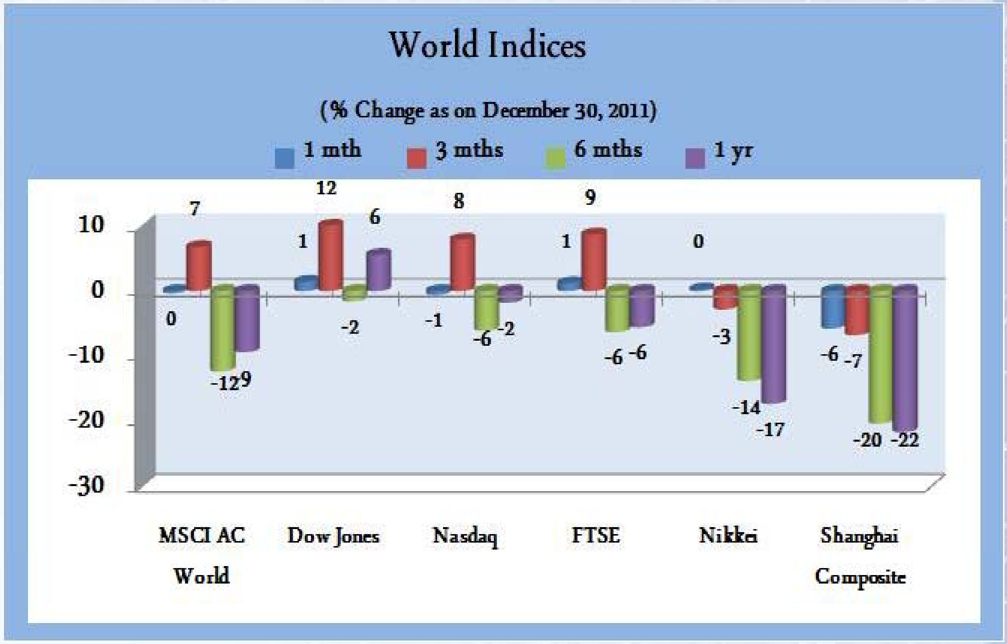
L&T Mutual Fund
Built on strong foundations

Equity Market Review

L&T Mutual Fund
Built on strong foundations

Global Markets Show Divergent Trend

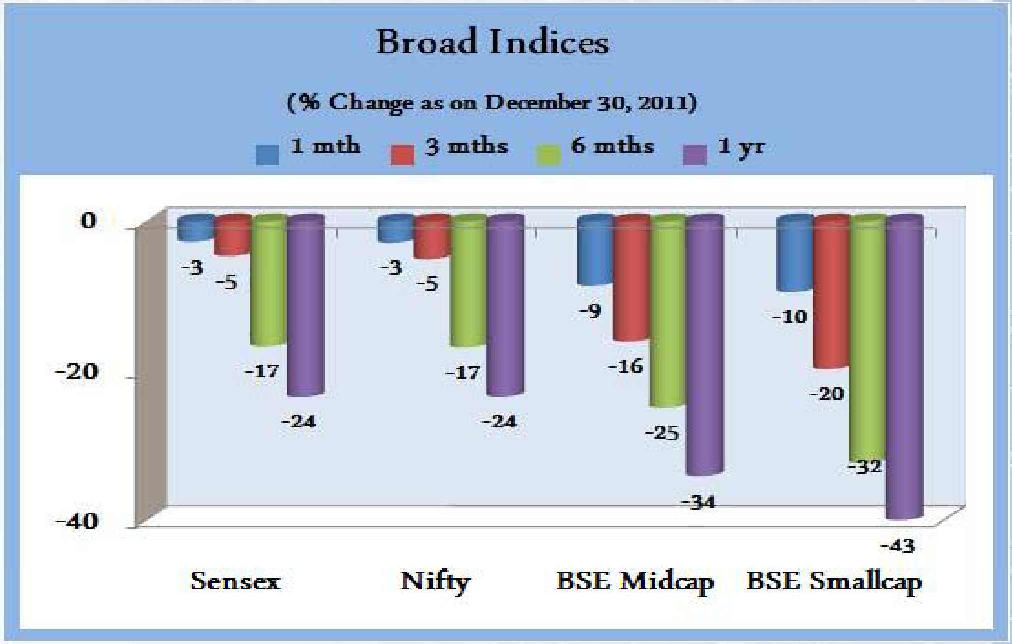
- MSCI AC World drops marginally 0.31% while MSCI Emerging Markets decline 1.29%
- Dow Jones gain 1.43%, while FTSE rises 1.21%
- Nikkei moves up 0.25% however Shanghai Composite falls 5.74%



Source: Bloomberg

Indian Equities Drop

- Sensex, Nifty fall
  - By 2.72% and 2.87% respectively
- Top 3 Losers – L&T, JP Associates & BHEL
  - Plummet 21.57%, 15.62% and 15.31% respectively
- BSE Mid & Small-cap underperform larger counterparts
  - Mid-caps index drops 8.64% while Small-caps index slips 9.52%

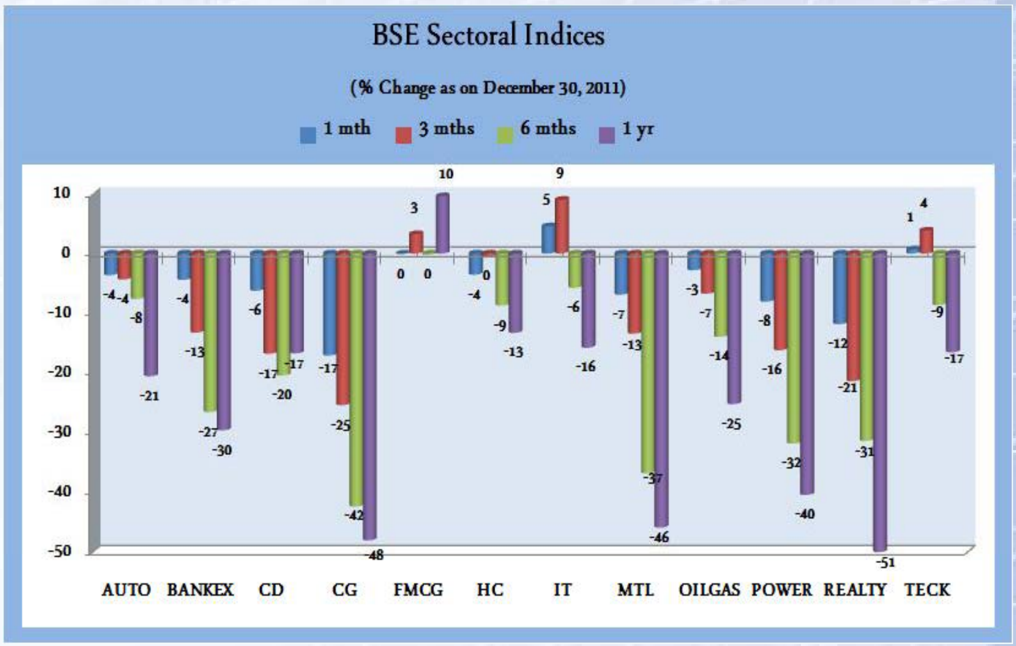


Source: BSE/ NSE

Sectors in Limelight

- Capital Goods, Realty, Power and Metal drop the most
  - With fall of 17.1%, 11.8%, 8%, and 6.9% respectively

- IT index gain the most
  - With rise of 4.6%



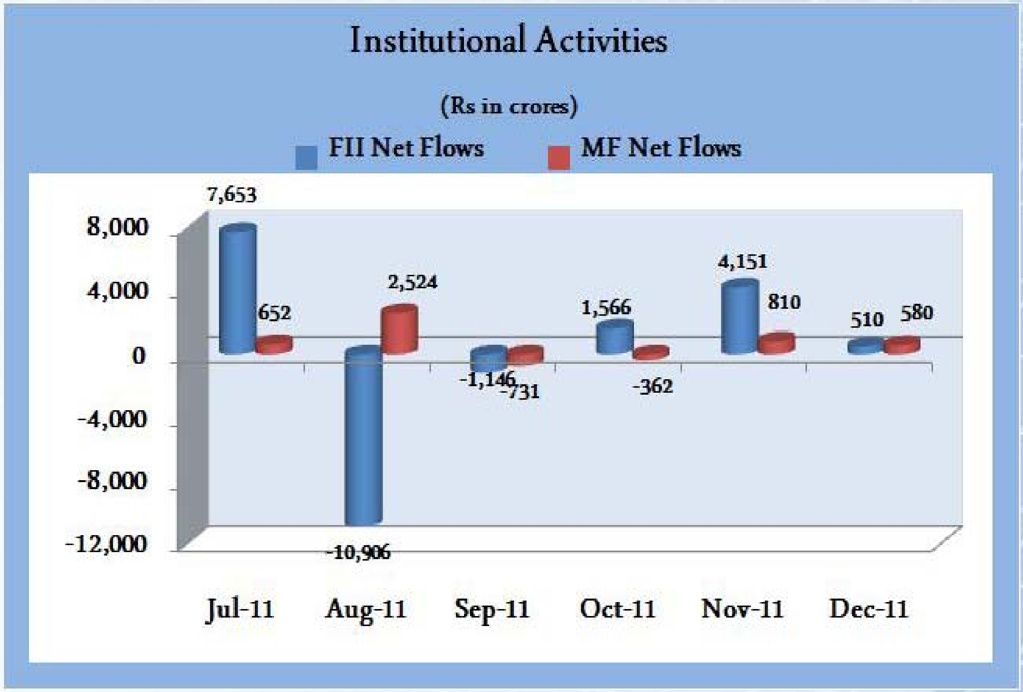
Source: BSE

L&T Mutual Fund
Built on strong foundations

FII Flow Turns Positive

- FIIs
  - Turn net buyers in equities worth Rs 510 crs (USD 96 mn) in December

- MFs
  - Remains net buyers in equities worth Rs 580 crs (USD 109 mn) in December



Source: Sebi

L&T Mutual Fund
Built on strong foundations

Sensex Drivers

- Major negative contributor
  - RIL, L&T and Bharti
- Leading positive contributors
  - Infosys, TCS and Wipro

Scrip Name	Chg in Index Points
RIL	(189)
L&T	(184)
Bharti	(69)
SBI	(50)
BHEL	(45)
Infosys	94
TCS	35
Wipro	15
HUL	15
HDFC	14

Source: Bloomberg

Outlook

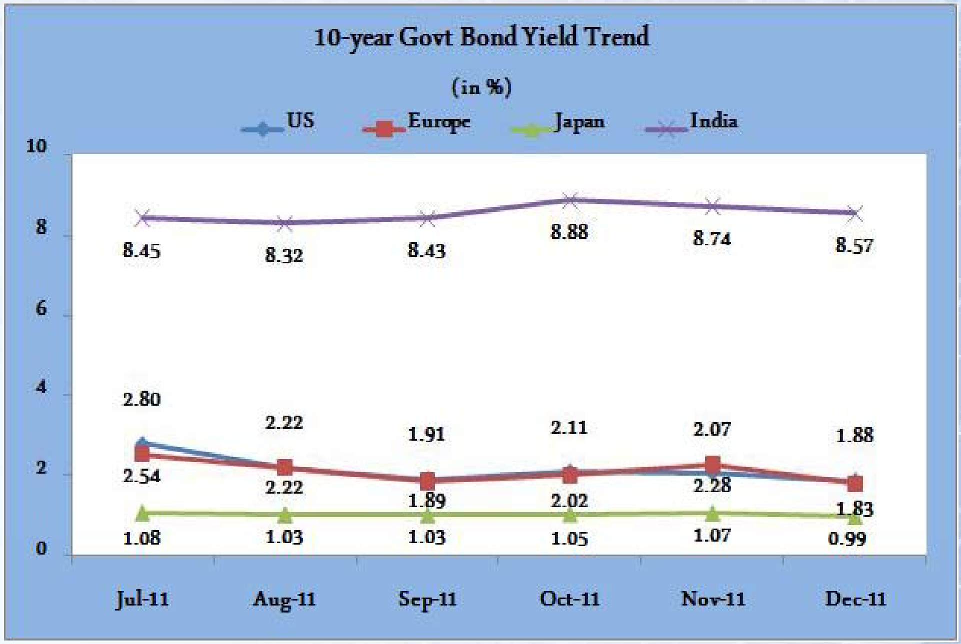
- 2012 starts on a more constructive note with inflation expected to fall over coming months and RBI comments that interest rate reversal can be expected over coming quarters.
- Markets in the immediate future will be watchful of December quarter corporate results for further earnings cut although there will be pockets of strength in Software, FMCG sectors etc.
- Impending elections in five states may keep Govt policy announcements under check.
- On the global front, incremental positive data is reported for the US economy, while European situation seems to be stabilizing for immediate term.
- Although markets may continue to remain volatile, we advise investors to use systematic investment plans to increase exposure in equities.

Debt Market Review

L&T Mutual Fund
Built on strong foundations

Global Bond Yields Fall

- US 10-year treasury yield falls 19 bps to 1.88%
- Yield on 10-year European govt bond plunges 45 bps to 1.83%
- In Japan, 10-year govt bond yield falls 8 bps to 0.99%



Source: Bloomberg

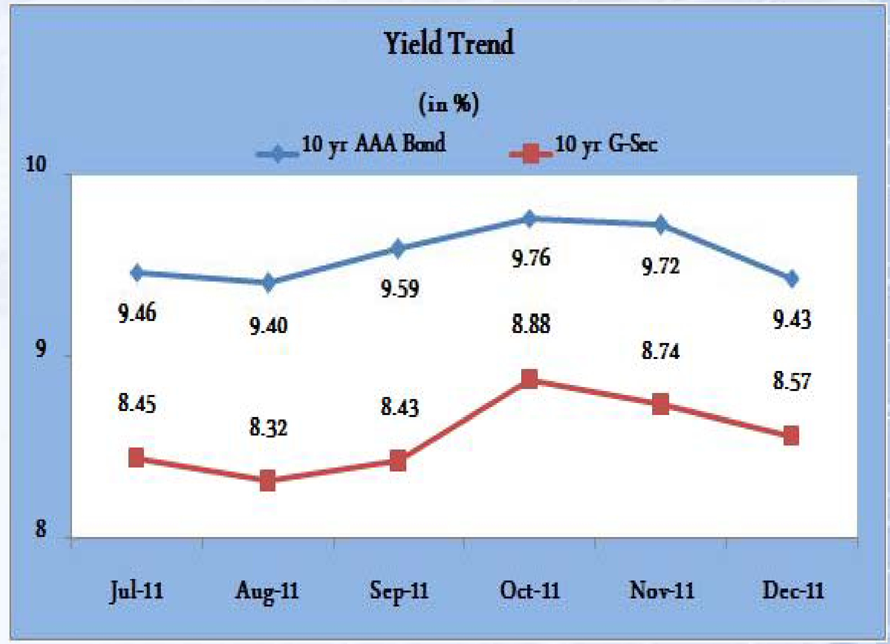
Indian Bond Yields Drop

Highlights

- G-sec & corporate bond yields drop
- Short-term rates also witness a fall

Spread

- On 10-year G-sec and 10-year AAA bond narrows by 11 bps to 68 bps



Source: Bloomberg

Short-term Rates Follow Suit

Call Rates

- Rises 35 bps to 8.90%

Treasury-Bills (T-Bills)

- Yield on 91-day T-Bill drops 34 bps to 8.48%
- 364-day T-Bill yield moves down 9 bps to 8.35%

Certificate of Deposits (CDs)

- Yield on 3-month CD declines 5 bps to 9.43%
- 1-year CD yield moves down 2 bps to 9.75%

Commercial Papers (CPs)

- Yield on 3-month CP falls 3 bps to 9.82%
- 1-year CP yield slips 12 bps to 10.10%

10-yr G-Sec Yields Decline

10-year G-sec yield

- Drops 17 bps to 8.57%

Yield on 5-year G-sec

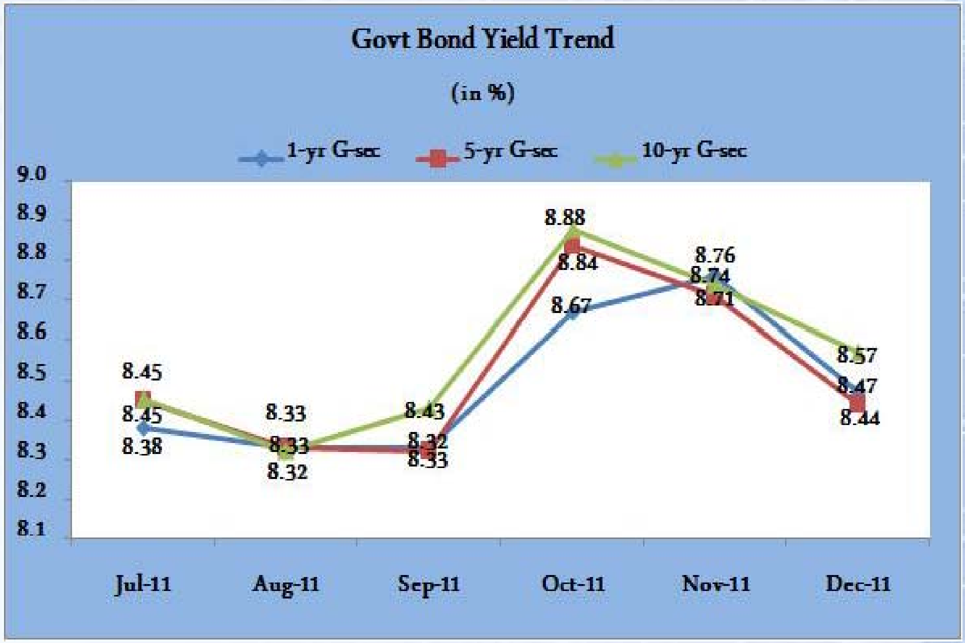
- Moves down 27 bps to 8.44%

Short term 1-year G-sec yield

- Slips 29 bps to 8.47%

Spread

- On 1 & 10-year G-sec widens by 12 bps to 10 bps



Source: Bloomberg

Corporate Bond Yields Move Down

10-year AAA yield

- Slips 29 bps to 9.43%

5-year AAA yield

- Falls 11 bps to 9.54%

Short term 1-year AAA yield

- Drops 7 bps to 9.57%

Spread

- On 1 and 10-year AAA bond narrows by 22 bps to negative 13 bps

Source: Bloomberg

Outlook

- Interest rate environment has moved from being inflation led to growth led as RBI has pointed out sensitiveness towards this aspect in policy as well as on other platforms.
- Short term rates might ease as liquidity situation eases in January. G-sec yields are also likely to ease on continued OMO's and expectation of a CRR rate cut.
- Yield on 10-year G-sec might range from 8.60% to 8.20%.
- Corporate bonds yields might be neutral with easing bias as demand from pension funds, insurance companies and FII's will provide demand led support.

Disclaimers

Disclaimer: This document including market update has been prepared by L&T Investment Management Limited (LTIML) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any securities/ instruments or any of the Schemes of L&T Mutual Fund. Market views expressed herein are for general information only and do not have regards to specific investment objectives, financial situation and the particular needs of any specific person who may have receive this information. These views alone are not sufficient and should not be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions and estimates included here constitute our view as of this date and are subject to change without notice. Neither L&T Investment Management Ltd, nor any person connected with it, accepts any liability arising from the use of this information. The recipient of this material should rely on their investigations and take their own professional advice. Recipient of this document should understand that statements made herein regarding future prospects may not be realized. He/ She should also understand that any reference to the securities/ instruments/ sectors in this document is only for illustration purpose. The views expressed are of LTIML, neither this document nor the units of L&T Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

Statutory Details: L&T Mutual Fund has been established as a trust under the Indian Trust Act, 1882 by L&T Finance Limited (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: Mutual funds and securities investments are subject to market risks and the NAV of the Schemes 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 Schemes. The Sponsor is not responsible or liable for any loss resulting from the operation of the Schemes beyond the initial contribution of Rs. 1 lakh made by it towards setting up the Fund. The names of the Schemes/Plans do not in any manner indicate either the quality or their future prospects and returns. There can be no assurance that the objectives of the Schemes/ Mutual Fund will be achieved. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.

L&T Mutual Fund
Built on strong foundations

Branches:

Ahmedabad: 9898029991**, Agra:** 9839075275**, Allahabad:** 7309883100/0532-3010574 , **Amritsar**: 9855721024, **Bengaluru**: 080-42497000/32952142**, Baroda**: 8128997153/0265-2491673**, Bhavnagar:** 9376925339 **Bhopal**: 0755-2552452-53/ 9893654246**, Bhubaneshwar**: 9937062565, **Chandigarh**: 0172 – 3068051 / 9878406940, **Chennai**: 044- 28545752 / 66881190, **Cochin**: 0484-6533130/ 9895168160, **Coimbatore**: 0422 4504047- 48 /9894775663, **Cuttack**: 9937009935, **Dehradun:** 0135- 2740579/9336955999 **Durgapur**: 9932241935, **Dhanbad:** 09263779247, **Guwahati** : 9435556146, **Goa**: 0832 2422720/ 9923285799, **Gorakhpur**: 9838330569, **Gwalior**: 9713046951/ 0751-4065157/ 4081389, **Hyderabad**: 040-44545578/44545577/ 8008277577, **Hubli**: 0836-4264140/ **Indore**: 0731- 4041022/9826012555, **Jaipur**: 0141- 4043108/ 4043101/ 9950852103, **Jalandhar**: 9872838208, **Jamshedpur**: 9386411200, **Jamnagar:** 8905996999 , **Jammu:** 9419845915, **Jodhpur**: 9829309649 **Kanpur**: 9695051155, **Kolhapur**: 0231 6614834-5/ 9860087747, **Kolkata:** 033-40182224/40182222/ 9831500225, **Lucknow**: 0522 4003245 / 3052460/ 09838119887, **Ludhiana**: 0161 5029019 / 9855095135, **Madurai**: 9865966013/0452-4514005, **Mangalore:** 0824-2443609, **Meerut:** 9897901416/ **Mumbai (Head Office)**: 022- 61366600/ 61366601, **Mumbai (Fort)**: 022-61155555/ 9821118597, **Mumbai (Deonar)**: 022-61130908/ 61130910 **Mysore**: 9886639557/0821-2331833, **Nagpur**: 0712 6621511 / 9372695617, **Nashik**: 0253 6611791/ 6619211/ 9960025000, **New Delhi**: 011 49533301-02/ 9811595033, **Patna**: 9708038447 **Pune**: 020-66443031 / 25510468/ 9923803310, **Rajkot**: 0281-2480131/9825219955, **Raipur**: 0771 4224107 / 9926808555, **Ranchi** : 9504901190 , **Rourkela**: 9437648485, **Siliguri**: 0353 2545474/ 9800202292, **Surat**: 9924712128, **Trichy:** 9944055025, **Trivandrum:** 9567266206 , **Varanasi**: 9839165055, **Vishakhapatnam:** 0891- 6620401/ 9703261122

L&T Mutual Fund
Built on strong foundations

Thank You!

CONTACT US @

- SMS LNTMF to 567678
- Toll Free No 1800 209 6565
- Website www.lntmf.com

L&T Mutual Fund
Built on strong foundations