

# Bharti AXA Focused Infrastructure Fund

**NFO Closes:** 15 February, 2010

## //// //// Bharti AXA Focused Infrastructure Fund //// ////

Bharti AXA Focused Infrastructure fund is a open-ended equity fund which will invest predominantly in equity and equity related instruments of companies engaged in infrastructure and infrastructure related sectors. This fund has restricted its infrastructure related industries to a very small number and so has called it as a focused infrastructure fund.

### Risk return profile

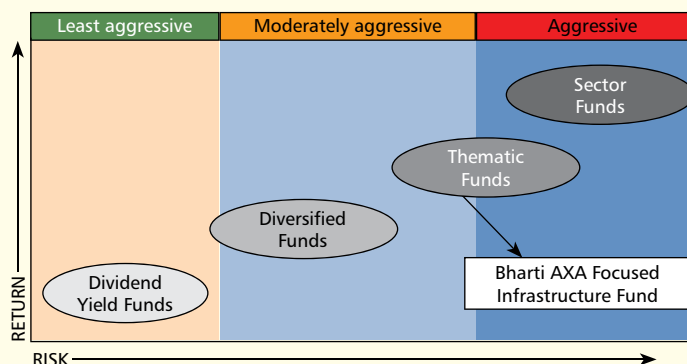
The fund aims to invest primarily in stocks that are likely to be benefited by the growth in the infrastructure industry. On the back of the increasing demand for infrastructure and increased government spending towards developing infrastructure in the country ,this fund is expected to deliver decent to good returns for long term investors. As this fund invests in sectors (like cement, construction, energy, metals, services, telecom and financial services), this fund is less risky than any other sectoral funds. At the same time, the risk-return potential of the fund is higher than a diversified fund (refer grid below).

### Suitability

This fund will be suitable for investors with high appetite for risk. Investors looking for higher returns with the capability of taking high risk should invest in it.

### Preferred investment duration

As the infrastructure projects take time to deliver value on the investments, an average investment duration of 3 years and more is advisable.



### Which sectors will this fund invest?

Cement & Cement Products, Construction, Energy, Industrial manufacturing, metals, services (*only infrastructure related services e.g. transportation*), telecom and financial services (*related to infrastructure*).

### Where will this fund not invest?

Automobiles, Banks & other financial services, Services, (*other than infrastructure related*), Chemicals, Consumer Goods, Fertilisers & Pesticides, Media & Entertainment.

### Why is this fund intending to invest in these focused sectors?

#### Energy:

- ❖ India's electricity per capita consumption is 1/4<sup>th</sup> of world's average consumption of electricity.
- ❖ Total investments in the power sector are likely to go up
  - Estimated US\$ 48 Bn in the 10<sup>th</sup> plan
  - US\$ 100 Bn in the 11<sup>th</sup> plan
  - US\$ 170 Bn in the 12<sup>th</sup> plan.
- ❖ Growth in the 12<sup>th</sup> plan is predominantly expected to be driven by private players -The private sector is expected to add 57% of planned capacity. This compares with the historical average of 10%.

#### Construction:

- ❖ Construction work is estimated to be 25-95% of total infrastructure spending in each segment. With a total likely infrastructure spend of US\$ 312 Bn, the volume of construction jobs from infrastructure is likely to increase by 83% to US\$ 180 Bn with the biggest increases from power, ports and airports.

#### Cement:

- ❖ Cement consumption has been growing at nearly 10% Y-o-Y during FY10
- ❖ Cement capacity grew rapidly since 2006 and is expected ramp up by another 33% by 2012 with another 72 million tonnes coming on stream.

#### Metals:

- ❖ Metal sector driven by revival in global GDP growth with end user segments such as infrastructure, transportation and housing showing sign of revival.
- ❖ Indian demand for metals expected to remain robust on the back of strong demand drivers such as infrastructure and autos

#### Financial Services:

- ❖ Total infrastructure spending in the XI<sup>th</sup> plan is estimated to be US\$ 500 Bn, of which US\$ 105 Bn can be the total debt financing opportunity during the XI<sup>th</sup> plan
- ❖ Bank credit to infrastructure projects has actually risen to its highest level in the past four years
- ❖ Power sector requirement remains the highest with the total outlay constituting a third of the total infrastructure spend in the XI<sup>th</sup> plan
- ❖ Equity was a bottleneck for infrastructure companies to achieve financial closure on projects, however, improving capital markets and capital raising announcements, augur well for the filling of this gap too.

## Why Focus on Core Infrastructure?

- ❖ In order to analyze the performance of the focused infrastructure sectors as identified by Bharti AXA Focused Infrastructure Fund, they have plotted the BSE 100 Index (*broad diversified index*) against an adjusted BSE 100 Index after removing all the companies that belong to non infrastructure sectors (*as identified by Bharti AXA Focused Infrastructure Fund*).
- ❖ The results show that the core infrastructure sectors have returned a CAGR of 29% over the period Jan 1, 07 to Jan 4, 10 as compared to a CAGR of 10% for the BSE 100 over the same period
- ❖ During this period, the Top 5 infrastructure funds, already existing in the industry, have given a CAGR of 13%.
- ❖ History shows that focusing on core infrastructure has paid handsome dividends.

## Scheme Snapshot

<b>Scheme Name</b>	<b>Bharti AXA Focused Infrastructure Fund</b>
<b>Category</b>	An Open-Ended Equity Scheme
<b>Investment Objective</b>	The Scheme seeks to generate long term capital appreciation through a portfolio of predominantly equity and equity related securities of companies engaged in infrastructure and infrastructure related sectors The Scheme is not providing any assured or guar
<b>Fund Manager</b>	Mr. Prateek Agrawal
<b>NFO Opening date</b>	January 20, 2010
<b>NFO Closing date</b>	February 15, 2010
<b>Re-opening date</b>	March 11, 2010
<b>Entry Load</b>	Nil
<b>Exit Load</b>	1% if redeemed within 1 year from the date of allotment
<b>Benchmark</b>	BSE 100 Index
<b>Investment Options</b>	- Growth Option for capital appreciation - Quarterly Dividend Option offering Dividend Re-investment and Dividend Pay-out facilities - Regular Dividend Option offering Dividend Re-investment and Dividend Pay-out facilities
<b>Special Products Available</b>	- Daily SIP - Daily STP - Monthly SIP - Monthly STP

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