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# ‘A great track record doesn’t happen by accident’

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**A**s chief investment officer at Franklin Templeton India, Anand Radhakrishnan plays a key role in ensuring that the fund house retains its highly respected equity tal-

ent. In his own career, Anand has also had to step into the shoes of a very skilled manager. We ask him what determines the tenure of a fund manager at an AMC. Here are his candid views on the topic.

**Franklin Templeton AMC has had a very stable investment team in an**

## COVER STORY

### **Industry which sees considerable churn. What in your view contributes to this?**

I think the congruence of the fund manager's personal-investment philosophy, style and value systems with the fund house is essential for anyone to stick around for a long time. We have seen that with our investment team. Where an individual progresses and also finds his investment philosophy in alignment with the firm's, he or she generally doesn't leave that easily.

Two, given that FT is a global investment-management firm, which is sharply focused on the mutual fund business, there are a lot of global resources and bandwidth available. In our firm, the needs of the investment team are met with priority.

Three, we have a fair system of rewards linked to performance. FT usually figures in the top quartile in the industry in terms of compensation, though it may not be the highest paymaster.

### **Do you prefer nurturing in-house fund managers as compared to lateral recruitments?**

We have a large research team and we do consciously look for our analysts to scale up to become fund managers. We have always been able to find people who are willing and able to scale up.

We have recently recruited a portfolio manager from the life-insurance industry who matched our philosophy and style expectations, but we don't find those matches very often. The familiarity of in-house talent is hence an advantage.

### **To what extent is performance of a scheme determined by the fund manager? Can this be automated by a process?**

Not really. There are many behavioural aspects to investing which differ from individual to individual. Every individual brings a different approach and a world view to the schemes she manages.

It is this world view which decides the choice of stocks, the weightages and the timing of entry and exit. Some managers may

also be more prone to churning the portfolio than others. Manager's assessments of their own risk perception also matters.

I would say portfolios will change with fund-manager changes. What AMCs aim to achieve is continuity in product construct and mandate, say in terms of the large-cap/mid-cap mix, buy-and-hold versus churn, etc. But within this framework, one fund manager's choices will certainly differ from another's. What should not change is the style or core approach. Investors are buying a fund based on this promise.

### **What backup plans do you have in place at FT to handle exits?**

We have a clear succession plan for a smooth transition. Every fund has a main manager and a co-manager. If the main manager has to leave or is re-assigned, it is assumed that the co-manager will take over. We are also active-

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ly encouraging our analysts to graduate into fund-manager roles.

Any of our managers can look up the history of any scheme's portfolio going back even for ten years. That helps to understand how the fund has evolved, when it bought and sold stocks, why it made these decisions and so on.

When I took over Franklin India Bluechip in 2007, I analysed the fund's portfolio going back to 2000. I studied what stocks my predecessor (K N Sivasubramaniam) held for a long period and what he exited. I tried to understand thoroughly how my predecessor managed the fund for many months.

A really good fund record over a ten- or 20-year period does not happen by accident. It is not about aping the stock choices but about understanding the thought process. ■