

Don't write it off just yet

The sustainability of the fund's turnaround though, needs to be watched

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Investors with a long-term horizon can hold on to their investment in Franklin India Opportunities, a multi-cap fund. The fund's performance until 2013 was lacklustre when compared to its Benchmark S&P BSE 200 or other funds in the multi-cap category. But it has seen a marginal pick-up in its performance in the last two years. A change in the fund manager in March 2013 seems to have helped its case. The sustainability of the turnaround though, needs watching.

Why the underperformance

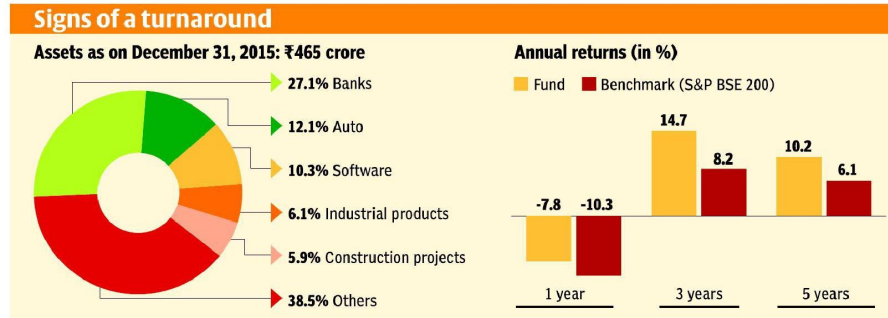
Unlike the other multi-cap funds from the same fund house such as Franklin Flexi Cap and Fran-

klin High Growth, Franklin Opportunities failed to deliver robust returns for its investors in the 2009, 2010 and 2012 rallies. The fund has underperformed its benchmark too during these periods.

One of the key differentiators between these funds has been the proportion of large, mid and small-cap stocks in the portfolios.

Since 2009, Franklin India Opportunities has kept its large-cap holdings at more than 80 per cent at most times. Franklin Flexi Cap and High Growth have taken higher exposures to mid and small-caps (45 per cent to even 65 per cent) across these time periods, and have hence cashed in on the higher gains in this space during rallies.

But to its credit, Franklin Opportunities contained losses better than the BSE 200 in the 2011 fall, thanks to greater large-cap



exposure.

Unlike until 2013, the fund has been able to beat its benchmark in 2014 and 2015 and deliver returns comparable with its category.

Signs of pick-up

In 2014, the fund increased its holdings in private banks while reducing that in software and pharma. Upping stakes in stocks

such as Amara Raja, Kotak Bank, ICICI Bank and YES Bank paid off; so did buying into MM Forgings and Axis Bank that had an excellent run.

In the lacklustre 2015 market, however, Franklin India Opportunities managed to cap its losses better than Franklin High Growth, by cutting down holdings in private banks and staying away from public sector banks

(barring SBI). From an excessive 208 per cent in January 2013 and high 88 per cent in January 2014, the fund has seen a sharp fall in portfolio turnover to 16 per cent now. This suggests falling churn.

The fund currently has 87 per cent exposure to large-caps. Top holdings include HDFC Bank, ICICI Bank, YES Bank, Infosys and SBI — companies with strong fundamentals.



Fundas

- Slant towards large-caps
- Beats benchmark in the last two years
- Sharp fall in portfolio turnover