STRIKING A BALANCE

The fund has absorbed market swings to consistently deliver 10-12% annual returns

CONSERVATIVE ALLOCATION

FRANKLIN INDIA PENSION FUND

SACHIN PADWAL-DESAI
Vice-president and fund manager, Fixed Income, Franklin Templeton Investments

ANAND RADHAKRISHNAN
CIO, Equity, Franklin Templeton Investments

AUM: Rs 331 crore

3-YEAR RETURN
17.8 per cent

A**NAND RADHAKRISHNAN** and Sachin Padwal-Desai sit 1,400 km apart — in Chennai and Mumbai respectively — but the distance does not impede the performance of the fund they co-manage.

The Rs 331-crore Franklin India Pension Fund, managed by the duo, leads other funds in the conservative allocation category, yielding 18 per cent over three years. Birla Sun Life MIP and Escorts Opportunities Fund are close behind with about 16 per cent returns during the same period.

"We're always in touch with each other... we exchange notes, consult each other on issues and fund strategies," says Padwal-Desai, vice-president and fund manager, Franklin Templeton Investments. "He talks to me about RBI, I gather his views on the equities market... Such exchanges are always helpful while managing hybrid funds."

Morningstar classifies conservative allocation funds as those that invest across multiple asset classes, but tend to make smaller allocations to equities (not more than 30 per cent of AUM). Franklin India Pension Fund invests in both equities and fixed income, with the latter asset class receiving more funds. In layman's terms, the India Pension Fund is a balanced fund with higher exposure to debt securities.

"Balanced funds are good entry points for risk-averse investors; these (funds) can act as a bridge to pure equity or pure debt funds at a later stage," explains Radhakrishnan, CIO, Equity, Franklin Templeton Investments. "The fund may yield a bit lower than normal equity funds, but it withstands market volatility better."

The fund portfolio consists of 35-40 papers (stocks and bonds) across sectors. Almost 35 per cent of the equity portion (funds allocated to equities) is held in mid-cap shares, while the rest is spread across large-cap counters. On the debt side, the fund holds close to 40 per cent of the allocation in G-secs; the remaining part of the debt allocation is managed across CDs, corporate bonds and even some low-rated securities.

"Both equities and debt allocations have to beat benchmarks individually," says Padwal-Desai. "While we support each other, we don't really cover up for each other. The portions of monies we manage have to yield the best possible returns at all times."

India Pension Fund has done exceptionally well over the last 15 months on account of buoyant equity and debt markets. The fund, according to its managers, has managed to consistently deliver 10-12 per cent returns on an annualised basis.

"That kind of performance and consistency beats even your regular debt and equity funds and popular investment avenues like PPF. This is a fund for the long term; it has very low probability of losing money over a longer time frame," adds Radhakrishnan.

Franklin India Pension Fund has an 18-year track record, making it one of the oldest private pension pools in the country. With Padwal-Desai and Radhakrishnan managing it from two cities, the fund could well become a model for rare and improbable partnerships.

—Shailesh Menon

TOP 4 PICKS

1. G-secs (8.6% - 2028, 9.2% - 2043)
2. HDFC Bank
3. Infosys
4. ICICI Bank