

# A sterling mid-cap player

The fund has beaten its benchmark convincingly across time periods

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Mid-cap stocks have seen a sharp correction in the past month. This was largely due to weakness in both the domestic and global stock markets.

A steep correction, such as the recent one, presents a buying opportunity for long-term investors.

Now may be a good time to go shopping for good quality mid-cap funds. The Franklin India Prima Fund is one such.

The scheme has not only outperformed its benchmark Nifty 500 across one, three and five-year time-frames but has also de-

livered returns higher than the category. Its annual returns over the last five years have been higher than its benchmark almost 95 per cent of the time.

The fund invests about two-thirds of its assets in mid-cap stocks and takes measured exposure to lesser known small-cap names. Currently, about 7 per cent of the scheme's assets are parked in the stocks of smaller companies. This is much lower than peers, such as HDFC Midcap Opportunities, BNP Paribas Midcap and Religare Invesco Midcap Fund, which have invested between 13 and 20 per cent in

small-cap stocks. The fund's strategy of sticking to good quality mid-cap stocks and the ability to make the right sector shifts has helped it contain the downside better than its benchmark during corrective phases.

In the last six years, the benchmark indices have seen multiple short-term corrections and rallies. The fund has been fairly resilient and has managed to limit the fall in its NAV better than its benchmark.

For instance, between November 2010 and December 2011, when the Nifty 500 declined over 27 per cent, the fund managed to contain the fall at about 24 per cent. Increasing exposure to pharma stocks helped this performance.

Similarly, during the January-August 2013 period, even as the Nifty 500 lost 16 per cent, the fund was able to restrict the fall in its NAV at 15 per cent. Pruning exposure to the cyclical financials stocks and relatively sturdy pharma stocks aided performance.

**Bets that paid off**

Besides providing downside protection, the fund has been able to deliver benchmark beating returns during rallies, too.

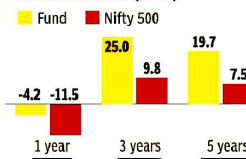
Consider the March 2009-November 2010 period, for instance. Franklin Prima's NAV saw a 3.2-fold rise, compared with a 2.6 time increase in the benchmark value. Likewise, from the August 2013 lows, the scheme's

NAV has risen 124 per cent, compared with a 54 per cent increase in the benchmark. A strong show by the fund's high conviction stock bets, such as Amara Raja Batteries, Finolex Cables, Pidilite Industries, IndusInd Bank and Repco Home Finance, aided this outperformance. Systematic monthly investment in Franklin Prima Fund over the last five years would have fetched an annual return of 27 per cent.

Franklin Prima Fund held 61 stocks in its portfolio as of December 2015. In the last one year, the scheme has increased its exposure to financials, pharma, automobiles and consumer goods. It has pruned exposure to industrial goods, IT and chemicals.

**Benchmark beater**

Annual returns (in %)



**Fundas**

- Top quartile performance for five years
- Consistently betters benchmark
- Diversified portfolio