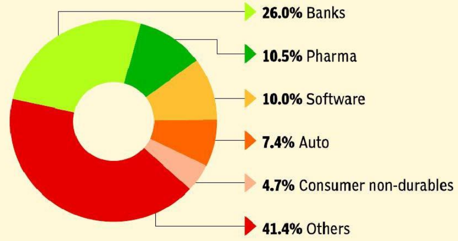
Franklin India Taxshield

A low-risk path to save tax

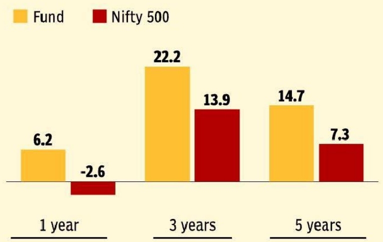
Large-cap tilt helps the fund contain downside across market cycles

Safe and sound

Assets as on Oct 31, 2015: ₹1,833 crore



Annual returns (in %)



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With a penchant for investing in large-cap stocks and a good track record across market cycles, Franklin India Taxshield is a good option among Equity-Linked Savings Schemes (ELSS).

If you are looking to save on taxes, investment in this fund qualifies for tax deduction within the overall limit of ₹1.5 lakh per annum under Section 80C. Both lumpsum and SIP investments have a three-year lock-in period, though.

Safe bet

Franklin Taxshield has all the ingredients to suit investors with low risk appetite. First, although benchmarked to the CNX 500, the fund shows a preference for large-cap stocks (stocks with market capitalisation of ₹10,000 crore and above).

Mid-cap investments stand at 10-15 per cent of the portfolio and this is not tactically changed in bull markets.

Second, the fund ups its cash holdings in market falls. It normally holds 3-5 per cent in cash, which moves up to 9 per cent in iffy markets, 2011 and 2013 being examples.

The large-cap tilt and tendency to reduce equity holdings help it contain downsides better than peers and the benchmark. Due to its conservative approach, it has lagged the benchmark in pure mid-cap-led rallies, such as 2012, but scores well overall.

Franklin Taxshield's returns beat the benchmark by 7-8 percentage points over one, three and five-year periods.

On a one-year rolling return basis, the fund has outdone the benchmark 90 per cent of the time in the last five years.

Cautious choices

Franklin Taxshield holds a diffused portfolio of 50-60 stocks with holdings in any one stock rarely exceeding 5-6 per cent. Its top sector choices show a preference for a blend of cyclicals and defensives, with an eye on valuations. Both these aspects again bring out the fund's low-risk approach. The fund did well to ride on the 2014 rally by increasing holdings in banking stocks. From 17-18 per cent in 2013, the banking space went on to occupy 29 per cent of the portfolio until January 2015.

As markets turned volatile this year, the fund cut back cyclicals, such as banking and auto ancillaries, and moved more into software and pharma. Zooming valuations of auto/auto component players, such as Eicher Motors, Amara Raja Batteries and Balkrishna Industries prompted the fund to trim holdings in these stocks. It also completely exited Bosch, another expensive stock.

The fund is betting on a recovery in public sector banks by entering the better placed player, SBI, recently. Other recent additions include TCS, Asian Paints and Arvind.

Anand Radhakrishnan (since April 2007) and Anil Prabhudas (since February 2011) are the fund managers.

Fundas

- Large-cap tilt
- Scores on consistency
- Invests in a blend of cyclicals and defensives