

KEEPING IT SIMPLE

A large portfolio with low stock-specific allocations was the key strategy

**SMALL/
MID CAP**

**FRANKLIN
INDIA SMALLER
COMPANIES
FUND**

R. JANAKIRAMAN

Vice-president &
portfolio manager,
Franklin Templeton
Investments

AUM: Rs 1,869 crore

3-YEAR RETURN

45.09%





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N WEEKENDS, R. Janakiraman sweats it out on a tennis court near his home in Chennai. As someone who describes himself as a “weekend tennis player”, he admires Swedish tennis legend Stefan Edberg for his serve-and-volley game.

While Janakiraman may not have a menacing ‘backhand slice’ (a shot that Edberg executed to perfection), he has his own methods to thwart the competition. Janakiraman likes to keep it simple, but plays hard and long.

This strategy has not only worked for him on court, but also off it, in his job as a fund manager with Franklin Templeton Investments. Franklin India Smaller Companies Fund, managed by Janakiraman, has topped the small and mid cap fund category, beating the likes of Reliance Small Cap and SBI Small & Mid Cap funds. Franklin India Smaller Companies Fund returned in excess of 45 per cent over a three-year period.

“We keep it simple; we invest in good quality companies and hold them long for capital appreciation. Our only big task is to find good companies from a large universe of stocks. But then having a large universe to select from is an advantage too,” reasons Janakiraman.

The fund’s trailing one-year and five-year returns have outpaced the benchmark by over 25 per cent and 12 per cent, respectively. Franklin India Smaller Companies Fund has over 80 per cent of its funds in mid- and small-cap stocks. The portfolio is fairly diversified, but with a slight tilt to the financial services and engineering sectors, which have over 18 per cent weightage in it.

“We invest across sectors and market capitalisations. We hold a diverse portfolio because funds may not be able to buy shares of a low-float company without incurring higher impact cost. Therefore, the idea is to have a large portfolio (more companies), but with low stock-specific allocation; this portfolio is then held long for capital appreciation,” explains Janakiraman. He expects mid- and small-cap counters to perform well over the next few months. Recovery in corporate earnings will help shares of mid- and small-cap companies stay in demand on the bourses. “Mid- and small-cap companies will witness good earnings growth this year, but stock market returns may not be as great as 2014. There’s not much valuation comfort in mid- and small-cap stocks at the moment,” adds Janakiraman.

Small-cap funds are ideal for investors who desire high returns, but do not want to risk direct investments in small, lesser-known companies. Direct investment in small-cap stocks (and penny stocks) is not advisable as these companies have a short history and are not tracked by analysts and brokerage houses. Low float, poor management quality and competition from larger players add to overall risk. Fund houses like Franklin do extensive research before investing in lesser-known companies.

“We adopt a quality-oriented approach... It pays to have exposure to quality mid- and small-cap stocks,” he says. For now, it’s matchpoint — Janakiraman.

— *Shailesh Menon*

STOCKS TOP 5

1. YES Bank
2. Finolex Cables
3. Axis Bank
4. Repco Home Finance
5. HDFC Bank