FLEXICAP

FRANKLIN BUILD INDIA

ANAND RADHAKRISHNAN

CIO, Equity, Franklin Templeton Investments

AUM: Rs 351 crore

3-YEAR RETURN
39.71 per cent

DELIVERING ON PROMISE

The fund held its own amid downturns due to its small size and focused portfolio

THE TARGET is set for this year: 42 km in sub-five hours and 21 km in less than 120 minutes. You may call him a creature of habit, but Anand Radhakrishnan believes in setting modest and realistic targets — be it for the mutual funds he manages or the marathons he intends to run this year.

"It has to be realistic because it's a promise," he says, adding as an immediate afterthought, "like our funds."

"Every investment product is a promise to investors. It should be consistent at all times; it should deliver the best-possible returns at all times," elaborates Radhakrishnan, fund manager at Franklin Templeton Investments.

Radhakrishnan's Franklin Build India Fund tops Morningstar's flexicap category, scripting a three-year return of over 39 per cent. The fund is closely trailed by another Franklin Templeton fund (Franklin India High Growth Companies), Birla Sun Life Buy India Fund and L&T India Value Fund — in that order, and all posting returns in the range of 34 to 38 per cent over a three-year period.

Morningstar defines flexicap mutual funds as those that invest at least 65 per cent of their total assets in equities, and the balance in any other asset class. Funds in this category ideally invest not more than 65 per cent of total assets in large-cap stocks, small or mid-cap stocks.

"This fund is a play on India, mostly focusing on core sectors, and not much on IT, FMCG or healthcare stocks," says Radhakrishnan. "It will invest in anything that supports core growth; Build India Fund is broad-based, making it very flexible to manage. This feature limits the fund's downside risk."

About 26 per cent of the Rs 351-crore fund is invested in shares of financial services institutions. Shares of engineering companies, auto manufacturers and telecom majors command 8-13 per cent weightage in the portfolio.

"Almost 25 per cent of India Inc.'s gross profits come from banks and financial services institutions. Besides that, the financial services sector traces the economic growth of a country. Also by investing in the financial services sector, we get a proxy play on infrastructure companies; banks and FSI lend working capital and project funds to companies in the core sector," he explains.

The Build India Fund has managed to hold value in times of market downturns, thanks to its small size and a concentrated portfolio (of 30-35 stocks).

"It's a thematic fund... it'll be less volatile than a sectoral grouping. The fund has a 70 per cent core, with a 30 per cent dynamic (tradable) structure, which makes it very nimble-footed," he says.

The Build India Fund, launched in 2009, has seen just one market cycle. Akin to its fund manager, this fund has a marathon to finish in good time.

— Shailesh Menon

TOP 5 STOCKS

1. Axis Bank
2. SBI
3. ICICI Bank
4. HDFC Bank
5. Maruti Suzuki