Business Line

Fund Call **Reliance Top 200 Fund**

Adopt a wait-and-watch approach

The fund has underperformed benchmark and category in the last one year

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The Indian equity market, which started off the year on a sombre note, has been upbeat since the February lows. However, renewed fears of a US Fed rate hike have brought back some volatility, with the Sensex giving up part of its gains though still up 10 per cent since the start of this year.

Reliance Top 200 Fund, launched in August 2007, has managed to take such see-sawing markets in its stride. Earlier known as Reliance Equity Advantage Fund, this diversified large-cap fund may not have aced the charts, but has done well over the longer term. Over the last three and five years, the fund has beaten its benchmark, BSE 200, by 5-7 percentage points.

But its one-year returns are a little muted when compared to its benchmark and other funds, such as Birla Sun Life Frontline Equity Fund and HDFC Top 200 Fund.

On a one-year rolling return basis, in the last five years, it has beaten its benchmark 73 per cent of the time, but over a three-year period it dropped to 68 per cent. Its one-year rolling return has slid to 48 per cent. Existing investors can hence, hold on to their investments and follow a wait-and-watch approach.

Portfolio moves

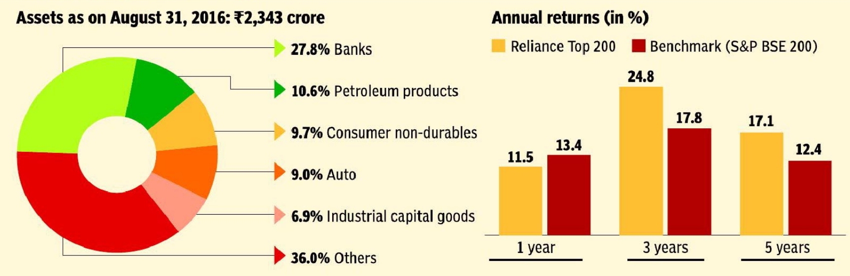
Following a tepid 2013 as the markets took off in 2014, the fund smartly rallied 55 per cent, outperforming its benchmark that gained 35 per cent. The fund's picks in the banking sector paid off as State Bank of India, ICICI Bank and HDFC Bank zoomed between 43 and 77 per cent. Its bet on the industrial products and cap goods was bang on, as stocks such as Cummins India, ABB India and Bharat Forge rose between 82 and 187 per cent.

In the last one year, though the fund managed to stay in the green by returning 11.5 per cent, it underperformed its benchmark by 1.9 percentage points. Its total allocation of 10.5 per cent to ICICI Bank and SBI did not pay off. While the former fell 7 per cent, the latter gained just 2 per cent. So too did its bets on HCL Technologies and Infosys. Its 15 per cent exposure to industrial products did not work either, as stocks such as Bharat Forge and BHEL lost 27 and 39 per cent.

Current holdings

The Top 5 sectors account for around 60 per cent of its August 2016 portfolio with banking (28 per cent of portfolio) on the top of the pecking order. While stocks such as ICICI Bank and SBI failed to deliver in the last one year, owing to asset quality concerns, long-term prospects remain healthy. As investment activity picks up, these stocks can turn the corner given their healthy capital position. Petroleum products, consumer non-durables and autos are the other top sectors with around 10 per cent allocation to each.

Subdued performance



Fundas

- Large-cap stance
- Does well in rising markets
- Benchmark-beater over long term