

Reliance Focused Large Cap

A good turnaround story

Since the change in mandate in 2014, the fund's performance has improved sharply

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Among the few large-cap funds that have held their head above water in 2015 is Reliance Focused Large Cap. The fund managed a rise of 4 per cent plus over the past year compared with the near 4 per cent dip in the benchmark Nifty 50.

This good show also places the fund in the top quartile among large-cap peers. Over the past three and five years too, Reliance Focused Large Cap has beaten the benchmark comfortably and figures within the top two quartiles among peers.

But the fund's good track record primarily flows from a strong turnaround in its performance over the past two years or so. In January 2014, Reliance Equity Fund was renamed Reliance Focused Large Cap Fund, and the mandate was narrowed to investing in up to 25 stocks belonging to the top 100 by market

cap. Earlier, the fund was allowed to invest in the top 100 stocks by market cap.

Noticeably better

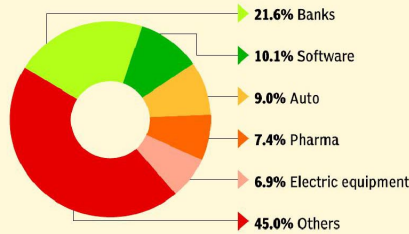
This change in mandate appears to have helped. On a one-year daily rolling return basis, the fund has beaten the benchmark more than 99 per cent of the times since January 2014, a much better record than the near 62 per cent win rate over the past five years.

So, while its performance during both market upsides and downsides was patchy earlier, Reliance Focused Large Cap has convincingly scored over the benchmark Nifty 50 both during the market rally from August 2013 to January 2015 and during the weakness last year.

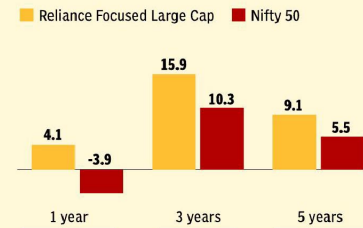
Investors willing to bet on a turnaround story shaping up well can buy units of Reliance Focused Large Cap.

Benchmark beater

Assets as on Nov 30, 2015: ₹1,075 crore



Annual returns (in %)



The fund generally invests more than 95 per cent of its portfolio in equity — predominantly large-caps — with the rest in cash and debt instruments.

In an iffy market as the one at present, a large-cap dominated portfolio should shield the fund from being hit badly if the mood worsens. Also, a market pick-up may see the currently out-of-favour large-caps regain their mojo.

A limited number of stocks (maximum 25) in the portfolio

does peg up the risk of a big bet going wrong. As of November 2015, HDFC Bank, Reliance Industries and Infosys each accounted for more than 6 per cent of the portfolio. But good stock selection has helped Reliance Focused Large Cap avoid this pitfall so far. For instance, stocks such as Siemens and Max India in which the fund increased stake rose 35-45 per cent last year.

Paring stakes in losing stocks such as SBI too helped. Over long-term periods, picks such as Maruti

Suzuki have more than tripled. Some bets, such as buying the stock of BHEL last year have hurt, but wrong moves have been few and far between.

The fund's good sector choices, a mix of cyclicals, such as banks (mostly private sector), and defensives, such as software, also helped it weather the tide last year. This combination, along with other top sector holdings such as auto and pharma, should continue to provide a good hedge in choppy markets.



Fundas

- Max 25 stocks
- Large-cap focus
- In the top quartile