CATEGORY WATCH

Picks for core portfolio

TATA EQUITY PE

Since 2007, it has been one of its category's better performers. It delivered an impressive 84 per cent (category average 60 per cent) due to bold sector allocations - metals, energy and financials. Next year, the fund shed in-line with the category. The fund managers may cast their lot with out-of-favour sectors. In 2008, the fund went against the tide with bold bets in metals, services and financials. Within metals, the managers bought stocks that were not highly leveraged and had cash on books. Similarly, for financials, they picked stocks where dividend yield and low price-to-book ratio was a cushion.

In 2009, the fund beat the category by an impressive 21 per cent. This outperformance was achieved by lowering cash to just two per cent by June and a timely move was made into technology, specially tier-II companies, between May and August. Large-cap exposure also dropped and the fund capitalised on the mid-cap rally.

By its mandate, the fund invests at least 70 per cent of its net assets in stocks that have a trailing price-to-earning (PE) - less than that of the Sensex at the time of investment. But the fund is not totally value-based. The fund managers gravitate towards low PE stocks, but this does not translate into them offloading when it goes up. They have a free hand with the balance 30 per cent.

The fund's diverse portfolio won't see much aggression with individual stocks, though strong sector exposures have been the norm. They go wherever they find value. This makes the fund a good pick.

Trailing Returns

Period	Return (%)
3-month	9.38
6-month	13.22
1-year	29.38
3-year	14.79
5-year	21.65

Returns as on September 1, 2010

Source: Business Standard, Dtd 05-09-2010