

Consistent performer

INVEST

Suresh Parthasarathy

If value investing and occasional profit booking are what you prefer then diversified equity fund Tata Equity PE may fit your bill. This strategy allows the fund to restrict exposure to stocks that have price earnings multiple higher than market.

The fund, which follows a value strategy, delivered a compounded annualised return of 17.6 per cent over a five-year period and bettered its benchmark Sensex by four percentage points.

The fund has a mandate to invest at least 70 per cent of assets in stocks that are available at a price to earnings ratio of less than its benchmark BSE Sensex and hold the rest of the assets in stocks that

may not fulfil this criterion. The strategy of picking stocks based on their intrinsic value helped it to contain losses during the market meltdown in 2008. Despite holding substantial exposure to the mid-

and small-cap space and not moving to higher cash position, the fund trailed its benchmark in 2008 only by a few percentage points. But during the market pullback in 2009 the fund's value strate-

gy aided it to outpace the Sensex by 23 percentage points. Tata PE's investment strategy may work well for investors looking to build a long-term portfolio.

The fund also offers a choice for investors eager to cash out during the market rallies through its dividend trigger option B. Through this option an investor can fix a pre-determined target of 10 per cent appreciation in the NAV to book profits and receive dividends.

The volatility in 2010 provided an opportunity for the fund to declare dividend totalling Rs 8 per unit for those investors who opted for trigger option B. For the same period the growth scheme NAV moved in the Rs 44-Rs 48.4 range.

Performance: The fund

delivered 8.5 per cent over the past year and trailed its benchmark Sensex by 2.5 percentage points. The reason for the same can partly be attributed to its lower exposure to the banking sector compared with its benchmark.

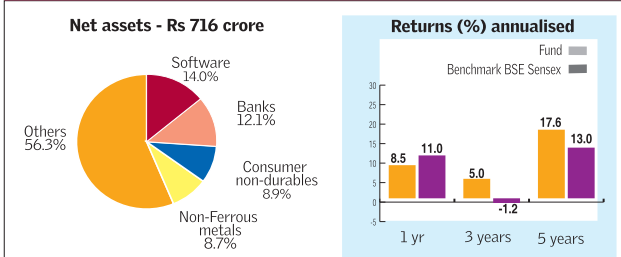
Portfolio strategy:

Banks, IT, consumer non-durables, non-ferrous metals and auto were the prominent sectors in the portfolio.

At times, if any sector has potential to outperform the market, the fund allocates one-fourth of the assets to it, but restricts single-stock exposure.

For instance, in 2009, the fund invested 25 per cent of its assets in the IT sector when the sector was viewed favourably by most of the fund houses.

How the portfolio breaks up



Top ten holdings (% of assets)

Mahindra and Mahindra	5.8	Grasim Industries	3.2
Hindalco	5.1	Balrampur Chini	3.1
Polaris Software	4.7	Tata Chemicals	2.8
O N G C	3.4	Maruti Suzuki	2.6
Cadila Healthcare	3.3	Axis Bank	2.6