Tata Balanced

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ANALYST PICK

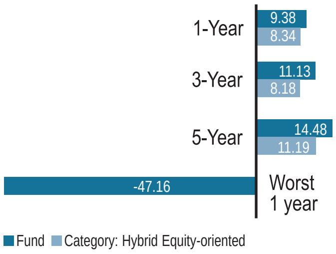
Slow and steady

Assets: ₹277 cr (Mar 2011)

Launch: October 1995

Fund manager: M Venugopal, Murthy Nagarajan

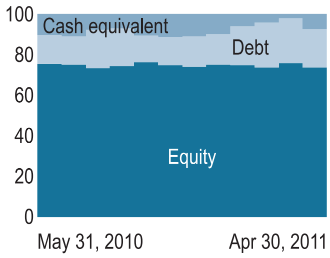
Trailing Returns (%)



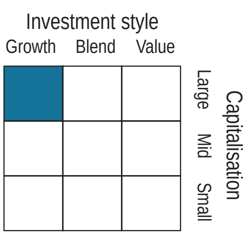
Top Equity Holdings (%)

Company	Assets	1 year range
HDFC Bank	4.21	2.63 - 4.47
Reliance Industries	3.92	1.17 - 4.35
SBI	3.85	1.93 - 3.95
ITC	3.83	0.89 - 3.83
ICICI Bank	3.54	0.31 - 4.33

Composition Break-up (%)



Fund style



Returns as on May 31, 2011, Portfolio related data as on April 30, 2011

After five years of severe underperformance, the fund began to pull up its socks in 2002 and delivered a brilliant performance in 2003. Such a top quartile performance was repeated only in 2007 and 2009. By and large, this fund is not known for its outstanding returns, but over a long-period of time, its investors won't be unhappy. Over the past five years ended May 31, 2011 it has delivered an annualized return of 14 per cent (category average: 11%).

In 2008, it was the high exposure to Metals and Capital Goods that hit the fund hard. Towards the end of that year, exposure to both the sectors was reduced significantly while that to FMCG was increased. Once the market began to rally in 2009, the fund manager immediately reduced allocation to FMCG from 16 per cent (March 2009) to 4 per cent (May 2009) and exposure to Technology began to increase. These moves helped the fund along with the fact that its equity allocation was close to the maximum level permitted (between 65 and 75%). Since March 2009, the equity allocation of the fund has averaged around 74 per cent.

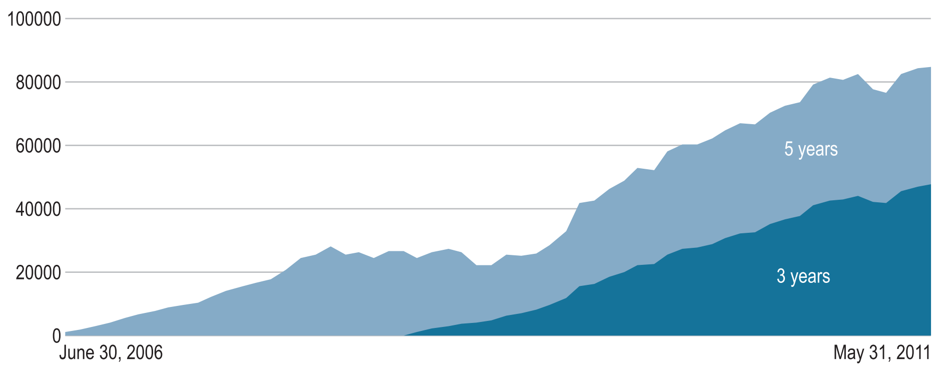
Last year the fund found itself in the third quartile. According to Venugopal it was sector bets that went wrong. "In year 2010, we had limited exposure to public sector banks which got re-rated. The fund lost out on the upside in an otherwise lackluster market. Also, the fund had investments in investment-led sectors like Industrial capital goods, Construction and Power which were a drag on the portfolio," he says. He also said that some stocks fell sharply for stock specific reasons which could not be anticipated.

The fund manager makes swift sector moves. For example, in 2009 allocation to Financial Services moved between 6 per cent (August), 18 per cent (September) and 7 per cent (December). Between June and July 2009, allocation to Technology moved from 4 per cent to 12 per cent, which was probably due to stock calls rather than a sector call.

This fund is actively managed with significant deviation from the benchmark and with reasonable level of churn, depending on valuations and opportunities. Venugopal claims that the sector rotations are just the outcome of his bottom-up stock picking approach. Though he holds significant amount of mid caps, he does not go overboard. Currently, the fund holds over 70 per cent of its portfolio in large caps and is fairly diversified with 45 stocks.

On the debt side, since mid-2008, exposure to certificate of deposits (CDs) began to increase while that to debentures decreased. ■

SIP Value (₹)



Worth of ₹1000 invested through systematic investment plan(SIP) over the past three and five years