

Diversified Portfolio Delivers Big

The increasing uncertainty over recovery in demand has been a key obstacle in spotting investment ideas in large number of sectors. This has also made the task of revising earnings estimates for companies difficult. In such times, it makes sense to follow the value investing approach, which aims at spotting value in a company by juxtaposing present valuation with historical valuation.

Identifying companies through this approach helps investors deal with the uncertainty about future earnings and current peak

valuations of large number of well-placed companies.

Among schemes which follow value investing, investors can consider Invesco India Contra. One of the key features of the scheme is that it is well-diversified in terms of market capitalisation. Close to 65% of the portfolio is made up of large-sized companies, and 26% mid-sized companies. Interestingly, in comparison with its benchmark index (S&P BSE 500 index),

the scheme's fund managers Amit Ganatra and Taher Badshah have higher exposure to mid-sized companies than in large-sized companies. Given the theme of the scheme is value investing, mid-sized companies are likely to show higher growth than large-sized companies.

The scheme is the best performer among its peers. In the past three-year and five-year periods, the scheme has given 14.5% and 14% returns, respectively, while its peers have given 10.2% and 10.5% returns in the same periods, respectively.

– Rajesh N Naidu/ET Intelligence Group



PORTFOLIO CHANGE (PAST 6 MONTHS)

New Entrants

Rail Vikas Nigam

NTPC

ONGC

Complete Exits

L&T Finance Holdings

Karur Vysya Bank

Reliance Industries

Increase in Allocation

Coromandel International

Bharti Airtel

National Aluminium Company

RETURNS (in %)

PERIOD	CAGR RETURN	SIP CAGR RETURN	EQUITY CONTRA FUND – AVG CAGR RETURN (%)
1 Year	4.93	7.92	7.40
3 Year	14.51	11.16	15.36
5 Year	14.19	13.23	13.03

RETURNS PEER COMPARISON (in %)

	1-YEAR	3-YEAR	5-YEAR
Kotak India EQ Contra Fund - Regular	6.85	14.49	11.22
L&T India Value Fund	3.69	11.48	13.80
Tata Equity PE Fund - Regular Plan	-0.52	13.04	12.64

Source: Accord Fintech, Compiled by ETIG Database

Expert Take

KAUSTUBH BELAPURKAR,
director, fund research, Morningstar India

The fund primarily invests into contrarian themes which leads it into the undervalued segment of the market. While the fund has a flexible approach, it has traditionally had a large-cap bias. Given the contra approach the fund could underperform over the short term but should add significant value over a market cycle in the long term.