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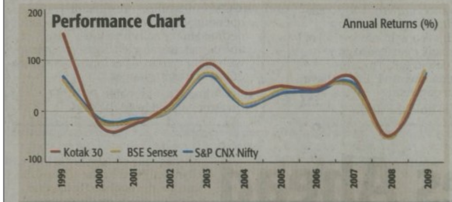
THE ECONOMIC TIMES
ET Investor's Guide

FUND REVIEW

Steady Pace

A pure large-cap fund, Kotak 30 has had a good performance track record. Investors seeking relatively safe portfolio with just about decent returns can consider it

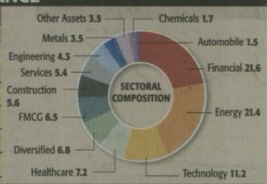


Source: Accord Fintech

PORTFOLIO AT A GLANCE

TOP 5 STOCK HOLDINGS

	Holding (%)
Reliance Inds	7.4
Infosys Tech	6.1
SBI	5.4
ONGC	5.2
ITC	3.7



Source: Accord Fintech, Valueresearchonline (%)

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GIVEN its name, one can conveniently presume that Kotak 30 is probably an index fund replicating the 30-stocks of the Sensex. The fund, however, is similar to any other diversified equity scheme with an objective to invest in about 30-40 large-cap stocks and is benchmarked to the Nifty. Launched in December 1998, the scheme has gained recognition as one of the most popular large-cap schemes of the mutual fund industry.

PERFORMANCE:

A performer in the category of diversified equity schemes, Kotak 30 has earned better returns than that of its benchmark index — the Nifty, by good margins on most occasions. This includes the meltdown year of 2008 when it lost about 50% of its net asset value (NAV) in the global market crash against nearly 52% decline in the Nifty. However, unlike many other popular schemes of its genre in this category, the scheme failed to make a smart recovery in 2009, fairly disappointing many of its investors. The gain of about 67% made by this scheme last year against 76% gains of the Nifty and about 85% average returns by the category of diversified equity schemes has come as a surprise given its past performance records. This performance has, in fact, neatly pushed down the ratings of this otherwise successful large-cap scheme.

Since the time of its launch — way back in 1999 — Kotak 30 has handsomely rewarded its investors, especially during the bullish periods of this cycle. After a remarkable performance in the year of its launch, 1999 — when it returned about 152% against the Nifty's 67% gains, Kotak 30 was beaten down during the tech bubble burst in the following couple of years, but was quick to rebound and has been outperforming the broader market indices by extremely good margins since then. Even in 2006 and 2007 — two of the most bullish years of the decade which saw many diversified equity schemes reward its investors by more than 80% gains — Kotak 30's returns of about 44% and 66%, respectively, cannot be undermined given the fact that these come from a pure large cap fund which has bare minimum exposure to the small and mid-cap category of stocks. In the current calendar year too, the fund has put up a fairly decent performance so far, delivering about 6% gains against the Nifty returns of about 4% and the average returns by the category of diversified equity schemes of about 8%.

PORTFOLIO: Kotak 30 is clearly a scheme for the conservative investor given its exposure to large caps and a relatively low beta. The fund currently commands a beta of 0.89 which implies that for every 1% gain/decline in the market returns, the scheme will gain/lose about 0.89%. This makes it relatively lesser volatile vis-a-vis the market. The fund's low volatility vis-a-vis its benchmark can be construed to its relatively high exposure in the defensive sectors such as healthcare and FMCG. After a relatively low exposure to the healthcare space in 2009, the fund has been gradually increasing its exposure in this sector, which clearly is one of the top performing sectors of the equity markets today. A low exposure to this space until last year can also be construed as one of the reasons for the fund's relatively disappointing performance last year.

Of late, the fund has completely moved out of the telecom space. Regulatory interferences and acute competition has made telecom one of the most difficult sectors of the economy today. While some fund managers perceive this as a value sector, given the kind of valuations the sector is currently commanding, for others, this sector has become a failed story all together. In case of Kotak 30, the fund manager is clearly supporting the second cause. As far as the stock selection is concerned, the fund's portfolio comprises of almost all popular large cap counters such as Reliance Industries, Infosys, SBI, TCS, HDFC, PNB, Axis bank, ONGC and others. At the same time, it also has decent exposure in Lupin, Shree Cement and IRB Infrastructure to name a few.

OUR VIEW: A pure large-cap fund, Kotak 30 has had a good performance track record. However a slowdown in its pace is clearly evident and the fund needs to put in more efforts to match the returns of its other large-cap peers in this category. The fund is recommended for those seeking relatively safe investment portfolio with just about decent returns, which are more or less at par with the market.

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