

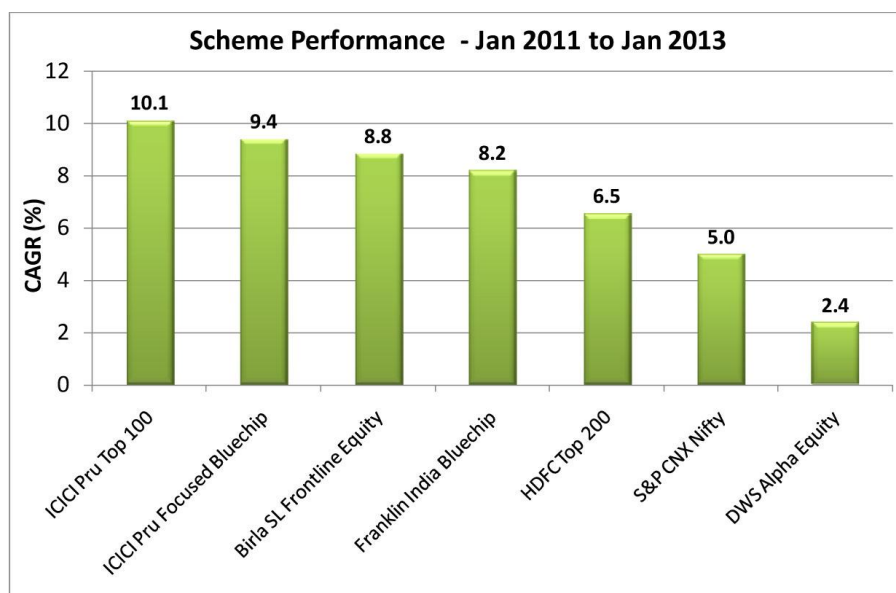
Investing In Equity Funds

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*If your equity fund is not performing up to your expectations, you can switch to a top-performing large-cap fund, says **T Srikanth Bhagavat, MD, Hexagon Capital Advisors***

I had invested in DWS Alpha Equity Fund two years ago. Should I hold this investment or switch to another fund?

- Kewal Pratape



DWS Alpha Equity is a large-cap fund that is benchmarked to the Nifty. The fund aims to generate long-term capital growth from a diversified equity portfolio. On an average, over the last two years, the fund has invested about 77 per cent in large-cap stocks, while your investment would have generated a return of only 2.4 per cent

(CAGR). During the same period, the Nifty's returns were more than twice the returns generated by DWS Alpha Equity, while some large-cap funds have generated returns close to 10 per cent.

You could choose to redeem your investment and switch to another large-cap fund such as those indicated in the table. On a long-term risk-adjusted return basis, these funds have outperformed DWS Alpha Equity and have also beaten the Nifty. On a five-year basis, the fund was in the top quartile only 15 per cent of the time, whereas some of the large-cap funds were consistently in the top quartile. In addition, they also had lower downside risks than DWS Alpha Equity.

Scheme Name	Returns – CAGR (%)			Downside Risk (%)		
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
As On January 28, 2013						
Birla SL Frontline Equity Fund(G)	25.77	10.29	7.52	1.44	5.85	12.54
DWS Alpha Equity Fund(G)	16.46	5.31	1.46	1.5	6.09	12.99
Franklin India Bluechip Fund(G)	17.68	10.7	7.51	1.51	5.16	12.26
HDFC Top 200 Fund(G)	19.28	10.9	8.89	1.8	6.17	12.64
ICICI Pru Focused BlueChip Eq Fund(G)	19.44	13.03	–	1.67	5.63	–
ICICI Pru Top 100 Fund(G)	19.99	11.15	6.56	1.3	5.92	12.9

Note: ICICI Pru Focused Bluechip Equity Fund was launched in May 2008

The portfolio of DWS Alpha Equity is comparable to those of other large-cap diversified funds. On an average, over the last two years, both had invested the majority of their portfolios in large-cap stocks.

Birla Sun Life Frontline Equity is a large-cap oriented diversified fund. The fund's sector allocation is broadly in line with the BSE 200 index and its small and mid-cap exposure is capped at 20 per cent of the portfolio. Franklin India Bluechip Fund seeks to generate consistent growth through investments in large, well-established companies. HDFC Top 200 Fund is a diversified large-cap scheme that generally invests in companies in the BSE 200 index. ICICI Prudential Focused Bluechip Equity Fund aims to maximise the long-term total returns by investing in large-cap companies. ICICI Prudential Top 100 is an actively-managed diversified large-cap fund, which predominantly invests in the top 100 stocks by market capitalisation on the NSE. The fund managers aim to generate an alpha through a top-down approach and sector rotation.

In December 2012, DWS Alpha Equity had a greater percentage of its portfolio invested in the top five stocks relative to other large-cap funds.

Allocation (%) – Top 5 Stocks					
Birla SL Frontline Equity	DWS Alpha Equity	Franklin India Bluechip	HDFC Top 200	ICICI Pru Focused Bluechip	ICICI Pru Top 100
20	43	29	32	32	37

In conclusion, by redeeming your investment in DWS Alpha Equity and switching to a top-performing large-cap fund, you will be able to add value to your portfolio and simultaneously reduce downside risk.