

## Franklin India High Growth Companies Fund (FIHGCF)

### Focussing on High Growth

June 2007

#### Scheme Features

<b>Type</b>	An Open-End Equity Scheme
<b>Fund Manager</b>	K.N. Siva Subramanian & Anand Radhakrishnan
<b>Duration of the NFO</b>	Opening Date: 31 <sup>st</sup> May07 Closing Date: 29 <sup>th</sup> June07
<b>Option</b>	Growth & Dividend (Payout & Reinvestment)
<b>Reopens</b>	27 <sup>th</sup> July07
<b>Benchmark</b>	S&P CNX 500 Index
<b>Min Application Amount</b>	Rs. 5000
<b>Entry Load</b>	<Rs. 5 Cror : 2.25% => Rs. 5 Crore : NIL
<b>Exit Load</b>	<Rs.5 Crore : 0.5% (if redeemed within 6 months) =>Rs. 5 Crore : 1% (if redeemed within 1 yr)

#### Asset Allocation:

Instruments	% of Corpus	Risk Profile
Equity & Equity linked securities	70 – 100	Med - High
Debt & Money Market securities	0 – 30	Low – Med

#### Investment Objective:

Franklin India High Growth Companies Fund is an open-end diversified equity fund that seeks to achieve capital appreciation through investments in Indian companies/sectors with high growth rates or potential

#### Characteristics of Growth Style:

- Long-term forward earnings per share growth rate
- Short-term forward EPS growth rate
- Current Internal Growth Rate
- Long-term historical EPS growth trend
- Long-term historical sales per share growth trend

#### Fund Manager Speaks:

Speaking about the fund's strategy, Sivasubramanian KN, Senior Portfolio Manager, added, "The economic and corporate fundamentals continue to be strong and India is projected to become one of the largest economies in the world. Given that Indian companies (enjoying various competitive advantages) are growing at a rapid pace and have the potential to grow at above-average rates in the years to come, FIHGCF's growth-focussed strategy of investing in such stocks will help investors capture the growth potential of corporate India in a comprehensive manner.

#### About the Franklin Templeton AMC

Franklin Templeton Investments is one of the world's leading investment managers with assets in excess of US\$ 601billion. It offers 240 products worldwide and has 60 years of experience in international investment management. In India, Franklin Templeton Investments is one of the largest Asset management companies with over Rs. 24510 crores of assets for over 20 lakh investor accounts.

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Franklin Templeton, one of the leading AMC in MF industry, has launched an open-ended diversified equity fund - "Franklin India High Growth Companies Fund". As the name suggest, the fund would identify and invest in high growth companies, i.e., companies with above average revenue growth/potential and return on equity (ROE). Though such companies may be fairly/fully priced, yet they have the potential to deliver growth. The FIHGCF with purely growth investment style is a distinct offering from its traditional value or blended investment style based funds.

#### Investment Strategy

The fund manager intends to adopt a top down approach for identifying sectors and a bottom-up approach for stock selection.

While selecting the stocks, the primary focus would be to identify the 'high growth companies', especially in sectors witnessing above average growth. These stocks can be selected without any bias towards market cap or sectors.

#### Asset Allocation

Under normal circumstances, the fund would remain invested in equities in the range of 70% - 100%, while the remaining in the debt and money market instruments. Moreover, the fund has a clause wherein it can invest in foreign securities. Additionally, the fund can also deploy maximum upto 50% in derivatives with a view to hedge a part of the portfolio.

#### Performance of the existing schemes

Franklin Bluechip and Prima Fund have been the star funds of the AMC. Of late, the performance of these funds have taken a backseat as seen from the returns table. However, PrimaPlus and Templeton India Growth Fund have geared up their performances. FIHGCF is expected to fall in between the Franklin India Prima Fund & Franklin India Opportunities in regards to risk reward proposition.

#### As on 8<sup>th</sup> July07

Scheme/Index Name	1 M	3 M	6 M	1 Yr	3 Yr
Franklin India Bluechip Fund	2.65	9.67	2.54	49.86	41.86
Franklin India Flexi Cap Fund	3.52	11.6	3.1	49.17	N.A
Franklin India Index Tax Fund	1.61	10.1	4.9	51.82	39.11
Franklin India Opportunities Fund	5.51	16.1	1.97	66.61	49.55
Franklin India Prima Fund	7.04	14.1	0.57	47.26	45.06
Franklin India Prima Plus	4.14	16.2	9.68	64.97	47.53
Franklin India Smaller Companies Fund	8.46	17.1	4.88	43.03	N.A
Franklin Taxshield Fund	4.12	11.6	3.76	40.58	41.08
Templeton India Equity Income Fund	1.53	13.3	12	49.26	N.A
Templeton India Growth Fund	3.96	18	11.5	58.8	40.14
<b>Index</b>					
BSE Sensex	2.17	7.77	1.92	51.29	41.51
S&P CNX Nifty	1.67	10.2	4.62	52.15	38.79

#### Outlook

- Indian Equities stands at the higher end of the valuations as compared to its peers in emerging markets but such high valuation are well backed by high earnings growth by India Inc. Thus making equity an attractive investment class despite of the current valuations.
- Growth stocks tend to outpace value stocks when the equity markets exhibits prolonged northward trends. So the fund can capitalize on the high growth story arising from the long-term potential of the Indian Markets.
- With its stated investment objective, the fund is likely to fall under high-risk high-return proposition accompanied with inevitable volatility.
- Aggressive equity investors seeking long-term capital appreciation may invest in the fund. However, we suggest the investors to evaluate the performance of the fund for atleast a year. Meanwhile, the investors can look for the existing funds with past track records and similar investment objective.

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