

MFs invest in more stocks amid volatility

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Mumbai, 21 March

Mutual funds (MFs) are investing in more stocks despite the recent volatility.

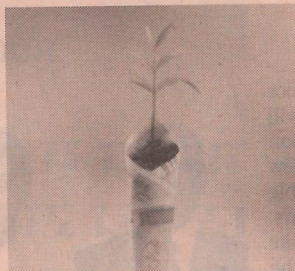
The industry invested in 824 companies across the listed universe as of October, according to primemfdatabase.com. The S&P BSE Sensex hit its all-time high of 62,245 that month. The index has corrected to 57,864, around 7 per cent below the peak.

Despite this correction, MFs have invested in 842 firms, the highest in at least 69 months, according to primemfdatabase.com.

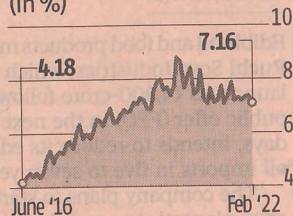
There is also an increase in the pace at which new stocks have been added. The month-on-month change has nearly doubled from October.

MFs have seen steady inflows. Equity schemes saw ₹19,705 crore in net inflows in February, according to the Association of Mutual Funds in India.

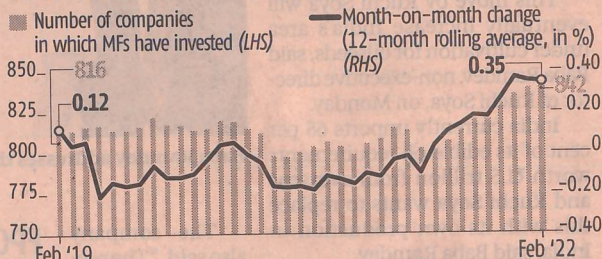
However, foreign portfolio investors (FPIs) have been net sellers to the tune of ₹1.49 trillion in since October. Russia's invasion of Ukraine, and expectations of tightening by central banks is said to have affected sentiment. The



OWNERSHIP SHARE DOWN (in %)



MFs ARE BACKING A LARGER NUMBER OF FIRMS



Source: primemfdatabase.com

attendant volatility resulted in an erosion in the value of stakes. MFs currently own 7.16 per cent stake in the listed universe, according to primemfdatabase.com. The peak was 8.81 per cent in April 2020.

There has been a trend of investors coming in with more money during market corrections, rather than buying at a high and exiting when stocks crash, noted a February 24 'Mutual Fund

Review' from brokerage and financial services firm ICICI Securities.

"Further fall or volatility in the near term cannot be ruled out given heightened uncertainty surrounding the geopolitical conflict... Corporate earnings, which is the ultimate barometer of the market performance, remains on track for a sharp recovery," it said.

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