

MF cash holdings on the rise at 3% of equity assets

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The amount of cash mutual funds (MFs) hold has been on the rise.

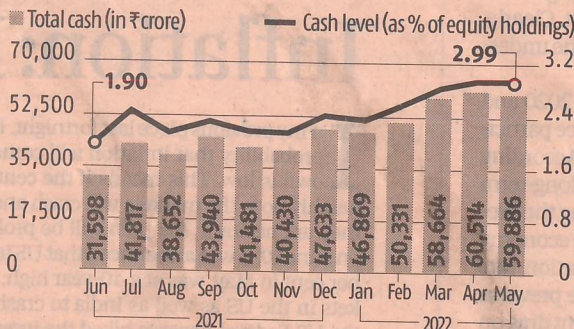
They held the equivalent of 1.9 per cent of equity assets in cash in June 2021, reveals the data from tracker primemfdatabase.com. This has since risen to 2.99 per cent as of May. The total amount in cash is up from ₹31,598 crore to ₹59,886 crore in the same period.

The rise could also be a function of inflows, according to a financial services executive. He suggested MFs could simply be getting more cash than they would have deployed rather than actively seeking to sell portfolio stocks to ride out recent market volatility.

"I don't think it's an asset allocation call," said the executive.

Individual fund houses are sitting on more cash than others. There were at least five fund houses that held more than 5 per cent cash as

GROWING CASH PILE



Source: primemfdatabase.com

of end-May. There were four such fund houses in May 2021. None of them had double-digit cash holding, unlike now, with the top cash holding at 10.8 per cent for Parag Parikh Financial Advisory Services (PPFAS) Asset Management.

Rajeev Thakkar, chief investment officer and director at PPFAS Asset Management, said increased cash levels could be an outcome of inflows towards the end of the month, or prices remaining above levels at which orders

have been placed for execution. He added that he did not expect cash levels to increase significantly beyond the current levels.

MFs were net-buyers by an average of ₹14,992 crore per month in 2021-22 (FY22). They were net-buyers by ₹22,371 in April, the first month of the latest financial year (2022-23), shows regulatory data.

They received ₹12,286 crore in May through systematic investment plans (SIPs), which make automatic periodic monthly investments.

This is higher than the ₹11,863.09 crore seen in April, according to the data from industry body, the Association of Mutual Funds in India (Amfi). The number of such SIP accounts was at an all-time high of 54.8 million in May, reveals Amfi data.

Unitholders invested a total of ₹18,529.43 crore in equity funds in May. This includes both SIP investments, as well as other lump-sum contributions. Retail investors held around ₹18.49 trillion in equity assets as of May.

The inflows have come despite a challenging time for markets, with a correction of nearly 20 per cent from their all-time highs in October.

The S&P BSE Sensex has dropped more than 10,000 points from its peak to close at 51,360.42 on Friday. The index is a benchmark of 30 companies, counted among India's largest. Its movements are seen to be broadly representative of how the market is doing.

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