Funds invest in fewer firms in June but boost holdings

With markets declining, quality not quantity could be the need of the hour

SACHIN P MAMPATTA Mumbai, 15 July

utual funds (MFs) spread their bets across fewer companies in June, even as the number of firms they invested in swelled to a record for recent years in the previous month.

They invested in 838 companies as of end-June, or eight fewer than the 846 firms in May, shows data from tracker primemfdatabase.com. The May figure was the highest in at least six years, reveal records dating back to June 2016.

Equity MFs collect money from clients and invest it on their behalf in the stock market. They manage ₹12.9 trillion through such schemes. according to data provided by industry body Association of Mutual Funds in India (Amfi). The industry manages assets worth nearly ₹37 trillion, including debt investments and hybrid schemes.

There was a fall in the number of companies into which MFs are investing, even as their overall holding in the stock market went up. MF ownership was at 7.79 per cent in June against 7.45 per cent in the previous month. This would indicate that the industry put more money into work, even as the number of companies they invested in came down, thus increasing their holding in fewer firms. Net inflows in pure June, shows the data from Amfi. in the previous year. The S&P BSE Sensex, whose movements are seen to be broadly to 53.018.94.

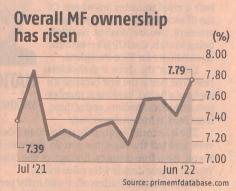
liquidity. Global central banks have involves a sell-off in less liquid 2021's ₹70,668 crore.



MOVING IN DIFFERENT DIRECTIONS

No. of companies has gone down





been sucking money out of the finan-stocks. Transactions can involve deep cial system. Foreign portfolio investors have been net sellers in the Indian markets by ₹1.14 trillion in 2022-23, so far. This is in addition to equity funds were ₹15,497.76 crore in the record ₹1.4-trillion outflows seen that one may see playing out going

Sorbh Gupta, fund managerequity, Quantum Mutual Fund, said representative of how the market is the first round of selling typically doing, was down 4.6 per cent in June happens in the more liquid names. There are a lot of buyers and sellers The markets are on a decline for these shares and transactions are because of the tightening of global easily executed. The next phase often

price cuts since there aren't as many counterparties, and finding a buyer for a sizable number of shares can be difficult. Gupta said that this is a risk forward. "We prefer more liquid names," he said.

Liquidity has been coming down. The National Stock Exchange saw shares worth ₹44,608 crore change hands daily on average in June. This was lower than the May average of ₹57,677 crore and June ling commodity price volatility will

There was a sell-off despite earnings growth. Indian companies are likely to see 30 per cent year-onyear growth in earnings, excluding commodity majors, according to the 11 July Equity Strategy report from global financial services group Jefferies, authored by equity analysts Mahesh Nandurkar and Abhinay Sinha.

"A low base and fully reopened economy should drive.... earnings growth. Demand outlook and tackbe key commentary to watch," it said.