

Size matters when it comes to MF voting patterns

Asset managers are speaking up more than before

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Mumbai, 24 May

Mutual funds are becoming more assertive with companies they have investments in, but the largest ones are less likely to take confrontational positions.

The biggest fund houses have voted against a lower share of company resolutions than the rest of the industry, according to a *Business Standard* analysis of data on more than 90,000 resolutions from primemfdatabase.com.

The analysis covered aggregate data on resolutions voted upon by all mutual fund houses. The top five mutual funds opposed 8.1 per cent of resolutions in the financial year 2023-24 (FY24) compared to 9.1 per cent by the rest of the industry. Industry group Association of Mutual Funds in India (AMFI) has 44 members. This has been the trend in four out of the last five years.

An industry official suggested that the differences may reflect differing exposures to companies where promoter practices are not to the same standard as the typical blue-chips. Fund houses with exposure to a greater number of companies could be more likely to face such a situation, suggested the official. A statistical analysis however revealed limited correlation between the number of companies a fund-house had exposure to, and their voting patterns.

Mutual funds (all combined) voted against 8.8 per cent of resolutions in FY24, the highest in data going back to FY15, when the figure was 4.5 per cent. The lowest was 1.9 per cent in FY18. Opposition increased after a regulation required mutual funds to compulsorily vote on company resolutions from FY23. It was up to the mutual funds to decide on voting patterns earlier.

Increased opposition may also reflect the rising clout of mutual funds relative to the majority owners



Gap between top funds and rest of industry

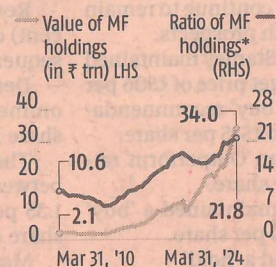
Share of resolutions voted against (in %)



Note: Compares voting patterns of five largest mutual funds with the rest of the industry. The top five is in terms of assets under management and can vary depending on the year under consideration.

Source: primemfdatabase.com, *Business Standard* calculations

Rising clout



* relative to private promoter stake (in %)

Investments extend to over 1K listed firms



Source: primemfdatabase.com

— promoters — of companies. Mutual funds managed around ₹2 trillion worth of assets, equivalent to roughly 11 per cent of the stake held by promoters in National Stock Exchange companies in 2010, shows back-of-the-envelope calculations. The value of their stake increased to ₹34 trillion as of March 2024, equivalent to 22 per cent of promoters' stake. The ratio does not consider companies in which there may not be a defined promoter; it also excludes government companies. But it gives a broad idea of the growing

influence of mutual funds.

Institutional investors' voting on resolutions may help improve governance practices at smaller companies. Investments in small cap and mid cap schemes mean that mutual fund holdings extend far beyond the top 500 stocks. Mutual funds have invested in more than 1,000 listed companies as of March 2024.

And their investing universe is only getting larger. The number of companies in which mutual funds invest has risen for eleven months straight.