MFs deploy ₹12,611 crore in May as markets correct

- Raised cash levels in April amid volatility

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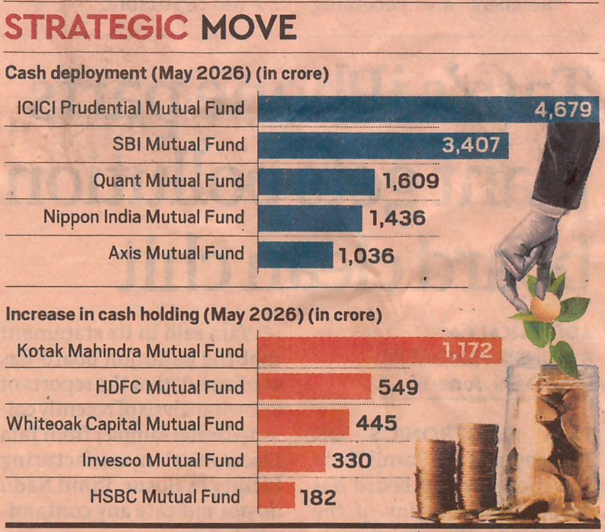

AFTER REMAINING CAUTIOUS and building cash reserves in April, mutual funds turned buyers in May, deploying over ₹12,611 crore, as the benchmark indices declined around 2% during the month, according to data from PrimeMF Database.

ICICI Prudential Mutual Fund and SBI Mutual Fund led the cash deployment, reducing their cash holdings by ₹4,679 crore and ₹3,407 crore, respectively. Quant Mutual Fund, Nippon India Mutual Fund and Axis Mutual Fund also deployed significant amounts, with cash reductions of ₹1,609 crore, ₹1,436 crore and ₹1,036 crore, respectively.

The trend, however, was not uniform across the industry. While 24 fund houses deployed cash during the month, an equal number of asset management companies (AMCs) increased their cash levels. However, the rise in cash holdings was significantly lower than the deployment.

Fund houses that opted to wait for better opportunities collectively increased their cash holdings by ₹3,590 crore, averaging around ₹150 crore each. In comparison, fund houses that deployed cash reduced holdings by ₹16,200 crore, averaging nearly ₹675 crore each.

Kotak Mahindra Mutual Fund increased its cash holdings the most, by ₹1,172 crore, followed by HDFC Mutual Fund and WhiteOak Mutual Fund, which raised cash levels by ₹549 crore and ₹445 crore, respectively. These three fund houses accounted for nearly 60% of the total increase in industry cash holdings.

"There are enough buying opportunities in the current market. Sectors such as IT, automobiles and consumer companies are available at pre-Covid valuations," said Anand Radhakrishnan, MD and CEO, Sundaram Mutual Fund.

He added some fund houses may have delayed deployment in May while awaiting a greater clarity on the West Asia conflict. With the recent peace deal between the US and Iran, these investors may now return to the market.

Anupam Tiwari, head of equity at Groww Mutual Fund, said some fund managers may be waiting for key events before deploying additional cash, including developments around the Strait of Hormuz, FII response to a major IPO such as SpaceX and Q1FY27 earnings.

He added that several market segments offer attractive opportunities, with valuations remaining reasonable in areas where revenue growth visibility is strong, including financials, NBFCs, affordable housing and automobiles.