

Domestic MFs' foreign holdings balloon 229%

Top 10 holdings account for more than 50% of assets

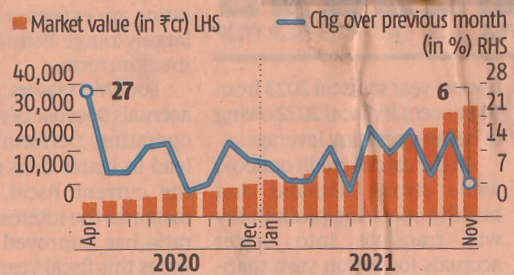
SACHIN P MAMPATTA
Mumbai, 30 December

Mutual funds' investment in shares of companies listed abroad surged this year, increasing to ₹33,078 crore as of November from ₹10,042 crore in December 2020.

The sharp climb, seen in the figures of tracker primemfdbase, comes despite a ceiling on mutual fund investment in foreign companies, which has remained unchanged at \$7 billion since 2008. An increasing number of asset managers are launching schemes that invest abroad.

The data shows that Tesla, Google parent Alphabet, and computing company Nvidia are among the top holdings. The top 10 holdings

FOREIGN HOLDINGS: SHARP SURGE DURING PANDEMIC



Foreign holdings: Sharp surge during pandemic

account for more than half the assets.

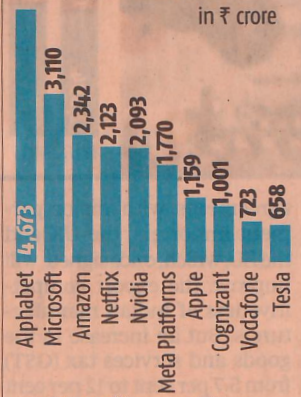
Investors are said to be increasingly putting in money in such funds because of the opportunity to diversify, like investing in a currency other than the rupee.



Foreign holdings appreciate in value if the rupee falls.

The weakening of the rupee, such as when the dollar became worth more than ₹76 earlier in December, provides some respite to absorb fresh

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Note: Data as of November, 2021

inflows.

Investment worth \$1,000 will absorb ₹73,000 at an exchange rate of ₹73. This rises to ₹76,000 if the rupee depreciates to ₹76 against the dollar. The opposite also holds true.

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The mutual fund industry has been in talks with Sebi to raise the \$7-billion limit, according to a person with knowledge of the matter. Sebi and the RBI are likely monitoring the situation, and a hike in the limit is expected. The asset value of ₹33,078 crore works out to around \$4.4 billion at an exchange rate of ₹75. This reflects the value of the assets held and not the investment made.

The value of the assets may have gone up because of market movements as well. This would leave more room before the \$7-billion ceiling is hit. Additional inflows into new schemes investing abroad means getting closer to the limit. A number of new schemes investing abroad have filed documents with Sebi. These include the Motilal Oswal S&P U.S. IPO & Spinoff Fund of Funds, HSBC Global Equity Sustainable Healthcare Fund of Fund, Tata Global Semiconductor Fund of Fund, and Navi World Index Fund of Fund.

Overseas funds provide access to investment opportunities, which may not be there in India's listed universe, said an industry official. This could include premier electric vehicles, global internet and social media companies, and hardware companies, said the person.