

# MFs realign overseas offers after Sebi diktat

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Mutual fund (MF) houses have started realigning their overseas product offerings after the Securities and Exchange Board of India (Sebi) advised them to stop subscriptions.

PPFAS Asset Management has decided to suspend transactions in Parag Parikh Flexi Cap Fund with effect from February 2, 2022. Though new lump-sum and systematic investment plans (SIPs) will not be accepted, existing SIPs and systematic transfer plans (STPs) will continue.

The new fund offer (NFO) of ICICI Prudential Strategic Metal and Energy Equity Fund of Fund has been pre-closed (January 28).

On Friday, Sebi in communication to the Association of Mutual Funds in India advised stopping subscriptions in the schemes intending to invest in overseas securities with immediate effect to avoid breach of industry-wide limits of \$7 billion for investment in overseas securities.

Investments in overseas ETFs may continue as the \$1-billion limit is yet to be fully utilised. Currently, MFs can make investments in overseas ETFs subject to a maximum of \$300 million per MF, within the overall industry limit of \$1 billion. In June 2021, Sebi had increased the limit from \$600 million to \$1 billion per mutual fund within the overall indus-



## TOP INTERNATIONAL FUNDS

Fund	Net assets (₹cr)
Motilal Oswal NASDAQ 100 Exchange Traded Fund	6,273
Motilal Oswal Nasdaq 100 FOF - Direct Plan	4,471
Franklin India Feeder Franklin US Opportunities Fund - Direct Plan	4,167
Motilal Oswal S&P 500 Index Fund - Direct Plan	2,737
Edelweiss US Technology Equity FoF - Direct Plan	2,248

Assets as on December 31, 2021

Source: Value Research

try limit of \$7 billion. Market participants say that Amfi has requested the Reserve Bank of India (RBI) to enhance the industry limits.

DSP MF had recently announced that DSP Global Innovation Fund of Fund will invest 50 per cent each in iShares PHLX Semiconductor ETF and iShares NASDAQ 100 UCITS ETF. The original design of the fund was to invest 30 per cent in two international ETFs and 70 per cent in four active international funds.

According to wealth managers, the rule will have an adverse impact on the industry and investors. "International equities have low correlation to Indian equities, and hence provide diversified risk/return.

Also, stopping outflows to foreign investments creates a trust issue with foreign participants and ecosystem and reduces India's competitiveness on the global front," Vaibhav Porwal, co-founder, dezerv — a wealth management company.

Recently, Motilal Oswal Asset Management company halted lump-sum subscription and switch-ins under its three international schemes, to manage overseas investment limits.

Investing in international funds had been a success in the past few years. The data from PRIME MF Database shows that aggregate mutual funds holdings in foreign equity as of Dec 21 was ₹34,521.31 crore.