

Funds bought record ₹1.3 trn stocks in FY18

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Equity fund managers, flush with strong domestic inflows, have invested a record ₹1.3 trillion in stocks so far this financial year. The tally is more than double that in 2016-17. Fund managers have bought shares worth ₹117 billion a month on average in 2017-18. At a time when monthly flow through Systematic Investment Plans (SIPs) have touched a record ₹70 billion.

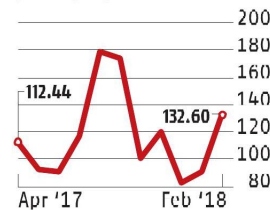
The managers expect the domestic economy to do well over the medium to long term, on the back of reforms initiated by the government. Most money managers have been continuously deploying the huge inflow into their schemes in the markets. Most scheme mandates don't allow cash levels to rise beyond five per cent.

The recent weakness in stock markets has provided an opportunity to buy quality stocks relatively cheaper. In February, when key stock indices lost about five per cent, fund managers bought shares worth ₹132 billion. Stocks of automobile makers and ancillaries, selective private banks, pharmaceuticals and in engineering were being chased. A Balasubramanian, CEO at Aditya Birla Sun Life Mutual Fund, says, "Flows into MFs are on the rise and more and more investors are taking the SIP route to invest, a healthy practice. I believe knowhow about MFs have increased over the past few years, resulting in strong inflows. This trend should continue."

Sundeep Sikka, CEO at Reliance Nippon Life MF, said: "What we are seeing in terms of flows might only be the tip of the iceberg. There is huge untapped potential in the country for the fund industry to grow." Some investment managers are turning cautious amid the huge amount of money continuing to flow into equity schemes. Most don't expect a repeat of last year's

FUND FLOW

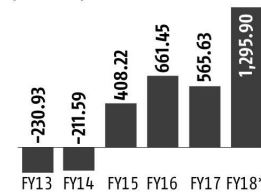
Net investments in stocks by equity fund managers so far in ₹ billion



Source : Securities and Exchange Board of India (Sebi)

MUTUAL FUND INVESTMENT IN EQUITY

(₹ billion)



*Up to February 2018
 Compiled by BS Research Bureau
 Source:Sebi

performance — the BSE exchange's benchmark Sensex had rallied 27 per cent. They expect returns to moderate. "Fund management is increasingly getting tougher and challenging at such times. At a time when markets climb, we normally prefer to reduce investments. The high inflows do not let us sit on huge cash and we have no option but to deploy funds, as per the mandate. The ongoing corrections have given us a huge opportunity to use our cash ammunition but we can't afford to go reckless in buying. We are selective in stock picking. We have to see how investor flows continue at the current pace if the corrections continue. Most investors are not used to high volatility," said a fund manager.