

Big Moves in Heavyweight Infy, Sun Stocks to Surprise Tech, Pharma Fund Investors

A gain of 11% in Infy could push tech funds' NAVs up by about 3.3%; pharma funds could see NAVs dip 3-3.5%

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Mumbai: Values of technology and pharma mutual fund schemes moved sharply in opposite directions on Tuesday reacting to steep moves in Infosys and Sun Pharma respectively. Investors in both the category of funds will see a notable change in values on Tuesday as the stocks have high weightages in the respective funds.

Infosys has a weight varying between 27% and 33% in technology funds. Sun Pharma, on the other hand, has weights of 15% to 25% in pharma funds.

Infosys moved up 11.05% to end at ₹1,112.65 as it posted a sequential revenue growth of 4.5%, much above the street's expectations, its highest quarterly revenue growth in nearly four years. Sun Pharma dived 15%, after the company issued an unexpected guidance for a disappointment in revenues. These led to the CNX IT index ending up 3.45%, and CNX Pharma index losing 6.99% on Tuesday.

An upmove of 11% in Infosys could mean technology funds' net asset values (NAV) would move up by about 3.3%. Pharma funds could see their NAVs dip 3-3.5% due to the fall in the price of Sun Pharma alone in a single trading session.

Pharma funds have been the best performers among sectoral funds over the last one year. As per Value Research, this category has given a return of 52.11% in the last one year, while technology funds have returned 17.67% in the same period.

Wealth managers said sectoral funds are riskier compared to

That's the Weight

Pharma Funds

Sun Pharma Holding (%)



Note: MF Portfolios as on June 30, 2015

Source: Value Research



Technology Funds

Infosys Holding (%)



other equity mutual funds as there is no restriction on the percentage of investment in a single stock. In many sectoral funds, the top three holdings constitute half of the portfolio.

"Since sector funds run concentrated portfolios, if one or two stocks are beaten down they can hurt the portfolio significantly. Compared to this, diversified equity mutual funds that invest across sectors need to cap exposure to a single stock at 10% and hence any impact of a stock price fall would be limited," says Vi-

dya Bala, head of research, FundsIndia.Com.

Wealth managers said sectoral funds are meant for sophisticated investors who understand the associated risk. "Sectoral funds are meant for high risk investors. Investors should allocated a maximum of 10% to sectoral funds in their portfolio." says Vishal Dhanwan, certified financial planner, Plan Ahead Wealth Advisors.

Five technology funds manage assets worth of ₹800 crore, while three pharma funds together have assets of ₹2,100 crore.