

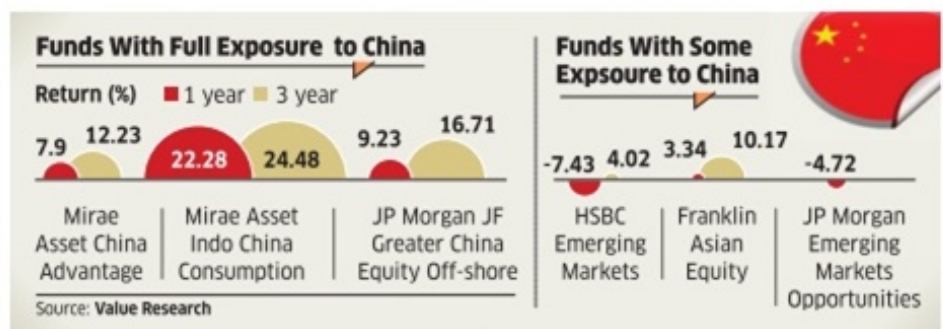
‘Switch MF Bets on China to the US’

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Mumbai: Attracted by the stunning growth in Chinese markets, many wealth managers had suggested Indian investors to allocate a slice of their money to China. The only avenue was the mutual fund route. Some aggressive investors did put money into funds like Mirae Asset China Advantage Fund, Mirae Asset Indo China Consumption Fund and JP Morgan JF Greater China Equity Offshore Fund which together manage close to ₹180 crore.

Apart from these, other international funds which sold products to Indian investors are Franklin Asian Equity Fund, HSBC Emerging Markets Fund (22.4% exposure to China), JP Morgan Emerging Markets. Mutual funds investing in China have given a return of 12-15% over the past three years.

Wealth managers, believe investors could take partial profits from these funds now and reallocate them to developed markets such as the US.



“When leveraged positions close out, it is difficult to predict where the Chinese markets could head, and hence investors are better off taking some profits,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

High valuations and closing out of leveraged positions has led to the Chinese market down 33% from the recent peak and one third of the companies have decided to halt trading leading to liquidity issues.

Chinese stocks have crashed amid tightening liquidity and investors liquidating

leveraged positions. This is a cause of worry for Indian investors “The panic is more in A-class shares where local Chinese investors trade,” says Gopal Agrawal, chief investment officer at Mirae Asset MF. He believes these shares are correcting sharply after the 150% rise in the markets over the last one year.

“Given that the dollar is expected to remain strong, investors could reallocate these funds to the US-based funds,” says Harshvardhan Roongta, chief financial planner, Roongta Securities.