

Benchmarks >

Nifty **CLOSED**
11,274.20 569.40

NSE Gainer-Large Cap >

Ashok Leyland
69.20 10.80

SPONSORED FUND

Tata Large Cap Direct Plan-Growth
★★★★★

5Y RETURN

9.02 %

EXPLORE

Stock Analysis, IPO, Mutual Funds, Bonds & More

Market Watch

Going high on cash helps Axis Mutual Fund schemes to outperform peers

BY PRASHANT MAHESH, ET BUREAU | UPDATED: SEP 18, 2019, 10.27 AM IST

Post a Comment

Equity fund managers in India are many a time criticised for holding higher cash levels; but the strategy has worked for Axis Mutual Fund in the recent past. In August, three schemes of the fund house – Bluechip Fund, Multicap Fund and Midcap Fund - raised their cash levels to 20 per cent, the highest in the calendar year, helping the schemes outperform peers in challenging market conditions.

“At current level of stock prices, we are deploying them over a period. Considering valuations and growth, the risk reward need to be judged more objectively,” said Shreyash Devalkar, senior fund manager at Axis Mutual Fund.

Devalkar said cash levels in the schemes have gone up in recent months partly due to strong inflows.

Equity funds usually do not hold more than 5-7 per cent of the corpus in cash. The criticism against holding higher cash levels is that mutual funds are paid to invest.

“Cash allocation can be done by an investor at his portfolio level or through asset allocation schemes,” says Vishal Dhawan, chief financial planner at Plan Ahead Wealth Advisors.

But when stock picking becomes tough, some fund managers prefer to raise cash holdings to insulate their stock portfolios from the stock market slump.

For Axis, the decision has helped it emerge as the top performer.

Over the last one year, Axis Bluechip Fund with assets of Rs 7,005 crore has returned 5 per cent compared to its benchmark S&P BSE Sensex 50 TRI returns of -3.21 per cent. Axis Midcap Fund with assets of Rs 2,819 crore has lost 2.19 per cent, while its benchmark S&P BSE Midcap TRI has fallen 15.74 per cent. Axis Multicap Fund with assets of Rs 4,091 crore has gained 4.8 per cent while its benchmark S&P BSE 500 TRI has lost 6.81 per cent .

During the same period, the S&P BSE Sensex has lost 4.19 per cent while the S&P BSE Midcap index has lost 18 per cent.

The strategy of holding higher cash would backfire if the markets rebound sharply. Some large equity schemes, which held cash worth almost 25 per cent of the corpus, were caught on the back-foot in 2009 after the market bounced back.

Going high on cash helps Axis schemes to outperform peers

“Cash is a double-edged sword. In a falling market, it helps protect the downside; but when the markets move up, it is an impediment,” says the CIO at a domestic fund house.

“Our strategy has been to remain invested as illustrated by our average cash allocation of under 5 per cent in the fund historically,” said Devalkar. Kotak Bank, Bajaj Finance, HDFC Bank, Bata India, Astral Poly are among Axis Mutual Fund’s top picks.

As of August 31, Axis Bluechip had 20 per cent cash, Axis Midcap had 19.3 per cent and Axis Multicap had 20.13 per cent. All these three schemes were toppers in the large-cap, midcap and multi-cap categories.

Stay on top of business news with The Economic Times App. [Download it Now!](#)



Big Change:
The end of Five-Year Plans: All you need to know