

# Sectoral, thematic schemes corner one-sixth of equity flows

**RIDING THE WAVE.** Investors make a beeline to these schemes lured by a slew of new fund offers

**Ashley Coutinho**  
Mumbai

One in six rupees put in by investors in equity schemes has gone into sectoral or thematic schemes in the past year. The schemes have seen inflows of ₹22,837 crore, second only to small-cap funds and nearly 18 per cent of the total equity flows in this period. Nearly 75 per cent of the flows have come in through new fund offerings. The September quarter saw investors pumping in ₹9,381 crore, accounting for 41 per cent of the flows.

ICICI Prudential Transportation and Logistics Fund was the largest thematic offering (₹2,402 crore) in the last one year, followed by HDFC Business Cycle Fund (₹2,336

crore) and Axis Business Cycles Fund (₹2,089 crore), data from Value Research shows. Top sectoral offerings include HDFC Technology Fund (₹661 crore), Bandhan Financial Services Fund (₹541 crore) and Kotak Banking & Financial Services Fund (₹454 crore).

## RETAIL FLOWS

Retail flows are often driven by near-term performance and the current flavour of the season, especially when the markets are on an upswing.

“New offerings are typically launched when the mood is upbeat. It’s easier for fund companies to weave a story around a theme and sell it as the next big thing,” said Vicky Mehta, an independent mutual fund research analyst.

## Category-wise fund flows

Category	Flows (₹ cr)
Small-Cap	34,189
Sectoral/Thematic	22,837
Mid-Cap	20,969
Large & Mid-Cap	15,937
Multi-Cap	15,406
Value/Contra	10,164
FlexiCap	6,699
Dividend Yield	5,447
ELSS	4,099
Focused	-3,099
Large-Cap	-4,609
<b>Total</b>	<b>1,28,039</b>

Source: primemfdatabase.com

Bank-sponsored asset managers have piggybacked on their distribution network to

sell these schemes, according to experts. Investors, however, shouldn’t invest in these unless something unique.

“I am not a great fan of thematic investing as markets are cyclical, and the entry and exit for such investments need to be timed perfectly. Investors need to ensure that it fits into their current portfolio and overall asset allocation,” said Kirtan Shah, Founder, Credence Wealth Advisors.

The IT theme did really well post-Covid up until mid-2021, after which the tide began to turn. In 2006-07, infrastructure funds were the flavour, but lost out in the aftermath of the global financial crisis.

## RISKY AFFAIR

“These funds are like one-trick ponies and will do well so long

as the underlying sector or theme outperforms,” said Mehta. “Investors will be better off investing in a diversified fund where fund managers have the option to go overweight or underweight on different sectors or themes at a time.”

Thematic funds have seen more traction among manufacturers as they offer broader investment opportunities than sector funds. The investment universe of these funds, however, is considerably restricted than diversified funds.

In 2017, SEBI had issued guidelines for categorisation of schemes. According to these norms, fund houses could launch only one fund per category. There was no cap, however, for index, thematic and sectoral fund launches.