

PASSIVE FUNDS SEE INCREASE IN OVERALL ASSETS UNDER MANAGEMENT

Index outperformance by open-ended funds falls 16%

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THE PERCENTAGE OF open-ended equity funds that were able to outperform their respective benchmarks declined in March. According to data from PL Capital, 38.64% of 298 open-ended equity diversified funds were able to outperform their respective benchmarks over the past one month, compared to 54.08% in February – a drop of 16%.

Pankaj Shreshtha, head of investment services at PL Capital, explained that the rally in the indices in March was led by a few stocks that performed exceptionally well while a majority of stocks has fallen.

Pranav Haldea, MD of PRIME Database Group, said fund managers' ability to outperform their respective benchmarks has been a concern for quite some time not just in India, but globally as well. The trend is being reflected in rising assets under management of passive funds. Experts believe that if this trend continues, Indian investors may prefer to put money in index funds, rather than actively-managed ones.

Data reveal that 57.56% of 271 open-ended equity diversified funds

CATEGORY-WISE SCHEMES OUTPERFORMING BENCHMARKS

Mutual fund category	No. of schemes outperforming			Category benchmark	Percentage of schemes outperforming benchmarks		
	1M	6M	12M		1M	6M	1Y
Mutual fund category	1M	6M	12M		1M	6M	1Y
Large cap funds	23	5	13	NIFTY 50 TRI	71.88	15.63	43.33
Large & mid cap funds	18	16	19	NIFTY LargeMidcap250 -TRI	58.06	53.33	67.86
Multi cap funds	7	15	16	Nifty500 Multicap 50:25:25 -TRI	23.33	55.56	69.57
Flexi cap fund	14	20	22	NIFTY 500 -TRI	35.90	51.28	59.46
Mid cap funds	15	14	18	Nifty Midcap 150 -TRI	51.72	48.28	64.29
Small cap funds	3	18	14	Nifty Smallcap250 -TRI	10.00	64.29	53.85
Focused funds	9	19	15	NIFTY 500 -TRI	32.14	67.86	55.56
Value-contradiv.yield funds	9	9	14	NIFTY 500 -TRI	27.27	27.27	45.16
Equity linked savings schemes	16	22	25	NIFTY 500 -TRI	37.21	52.38	60.98
Total MF category	114	138	156		38.64	47.92	57.56

Source: ACE MF, PL Research, data as on March 31, 2025

were able to outperform respective benchmarks in the previous fiscal, against 67.02% delivering benchmark-beating returns in the 12 months ended February.

In comparison, the Nifty 50 returned 6.31% in March, Nifty 500 rose 7.35%, Nifty Midcap 150 gained 7.73% and Nifty Smallcap 250 advanced 9.1%. In the one-year to March, these indices rose in the

range of 6% to 8.2%.

According to NSE data, the overall AUM of passive funds, including index and exchange traded funds, rose to ₹11.22 lakh crore in March, from ₹10.51 lakh crore in February and ₹ 9.38 lakh crore in April 2024.

The number of new fund offers increased to 21 in March from 5 in January.

Shreshtha advises new investors

to invest in an index fund, but a well-informed investor can opt for actively-managed funds. "Flexicap is a good category to be in, along with large-caps," he said.

According to Juzer Gabajiwala, director of Ventura Securities, if an investor is chasing alpha, active funds should be chosen. Passive funds should be picked if they are looking for market-related returns.