

Equity MFs witness outflows after 4 yrs

Outflows stood at over ₹3,500 crore in July as investors took advantage of market rebound amid Covid uncertainty

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Equity and hybrid mutual fund (MF) schemes saw net outflows last month, as a sharp rebound in stocks from March lows and the need for cash amid the Covid-19 pandemic prompted investors to pull out money in droves.

Equity schemes witnessed outflows to the tune of ₹3,500-4,000 crore in July, said sources in the know, basing their estimates on the data collected from 88 per cent of the industry. This is the first time in more than four years that money has made its way out from the category. June had seen inflows of ₹240 crore.

Hybrid schemes, which include the data for arbitrage funds, balanced advantage funds, and dynamic asset allocation funds, could have seen outflows of about ₹3,000 crore during the month, taking the net outflows in the category this year to about ₹28,000 crore.

"Volatility is not agreeing with investors, and the profit booking that we are seeing could be symptomatic of the flight to safety due to the risk and the downside that unfolded recently," said Swarup Mohanty, CEO, Mirae Asset MF. "There could be a fair amount of disillusionment among investors who have not made money in the past few years," he added.

One-year returns for core equity categories (excluding international, thematic, and sectoral funds) have ranged from 0.9 to 7.8 per cent, against 1.6 per cent given by the Nifty50 Index. Five-year returns have ranged from 3.6 to 5.7 per cent. The paltry returns may have also prompted some investors to move to direct equities, say experts.

TREND REVERSAL

Monthly net flows

in ₹ cr

— Equity schemes — Hybrid schemes



Jan 2016

Jul 2020*

Note: *Estimates based on data for 88% of industry; equity flows include ELSS schemes; flows for hybrid schemes include only balanced funds till March 2018 Source: Primemfdatabase.com

"The sharp rebound from the March lows has exceeded investor expectations, given the lockdown and the hit to the economy. The markets are almost fairly valued and there may be little upside in the immediate term, which is why some investors may have found it prudent to take money off the table and wait for a correction to re-enter. Businessmen who have faced cash flow issues in the recent past may have chosen to cash out," said G Pradeepkumar, CEO, Union MF.