

# Equity schemes see outflow for 6th month on surge in profit-booking

Outflows surpassed ₹33K crore between July and December

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Equity schemes have seen outflows for the sixth straight month in December.

In the last month of 2020, over ₹10,000 crore exited as the markets touched new highs and investors booked profits, the latest data from the Association of Mutual Funds in India (Amfi) shows.

Taken together with closed-ended schemes, net outflows amounted to ₹13,121 crore, higher than the ₹13,004 crore in November.

Between July and December, the industry has seen outflows of more than ₹33,000 crore. Outflows are likely to continue, experts say, till such time as the markets see a significant correction. For calendar year, 2020, however, flows remained positive at ₹2,143 crore.

All except dividend yields and sectoral/thematic categories saw an outflow last month. The large-cap and multi-cap categories saw outflows of ₹3,876 crore and ₹3,541 crore, respectively, the highest among the equity categories.

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Overall, outflows could have been higher had it not been for collection from new fund offerings (NFOs).

"The continuation of net outflows from equity funds could be because of profit booking and portfolio rebalancing. The net outflow number would have been higher had it not been for the NFOs across multiple equity categories, which collected ₹7,600 crore. Moreover, while the gross purchase (new investment) was lower in December than in the previous month, gross redemption at

₹36,220 crore was significantly higher than the ₹27,113 crore in November. This also suggests that investors looked to book profits, given the higher market valuations," said Himanshu Srivastava, associate director (manager research), Morningstar India.

Akhil Chaturvedi, associate director and head of sales, Motilal Oswal Asset Management Company, said: "There has been a renewed interest in some of the recent NFOs and existing open-ended schemes in the last month,

	Flows (₹ crore)
January	7,548
February	10,730
March	11,485
April	6,108
May	5,046
June	225
July	-3,845
August	-4,028
September	-1,009
October	-3,991
November	-13,004
December	-13,121

Source : primemfdatabase.com

November, while the SIPs' assets under management at the end of December stood at ₹3.98 trillion, 5.2 per cent higher than the ₹3.78 trillion in the previous month.

"The increase in retail and SIP folios is a reflection of investor confidence in mutual funds. While net outflows in equity funds and hybrid schemes are indeed negative, on the back of profit-led redemptions, gross inflows into the two categories are a healthy ₹36,000 crore," said N S Venkatesh, chief executive, Amfi.

Most hybrid categories saw outflows in December, with ₹3,913 crore in the balanced/aggressive hybrid category being the highest.

On the debt side, major outflows were seen in money market funds (₹11,896 crore) and ultra-short duration funds (₹5,102 crore). Significant inflows were seen into corporate bond funds (₹8,609 crore) and banking and public sector funds (₹2,072 crore).

"On the debt side, I expect the Reserve Bank of India to continue maintaining its accommodative stance and keep rates at current levels for the economy to play a catch-up. This is reflected in positive flows into corporate bond funds owing to schemes holding quality paper and also shorter-duration strategies including floater and dynamic bond schemes," said Venkatesh.

which has led to a bump-up in gross sales."

"Re-allocating a large part of these redemptions would be in direct equities where the experience of investors has been good in the recent past."

Systematic investment plans' (SIPs) contribution in December rose 15.3 per cent to ₹8,418 crore. However, this includes figures for the last three days of November, which were non-business days. The number of SIP accounts rose to 34.7 million from 34 million in