

Equity MF outflows hit a decade high in August

ASHLEY COUTINHO

Mumbai, 9 September

Equity schemes posted net outflows of around ₹4,000 crore in August — the highest in a decade — led by withdrawals in large- and multi-cap schemes. Investors booked profits or redeemed their investments to meet liquidity needs in a month when the benchmark indices rose 2.7 per cent.

Seven of the 10 equity-oriented categories saw outflows of ₹4,402 crore. Redemptions grew 11.6 per cent to ₹18,558 crore over the previous month. Inflows via systematic investment plans (SIP) held steady despite slipping for the fifth straight month. Contributions totalled ₹7,792 crore in August, 0.5 per cent lower than the ₹7,831 crore garnered in the previous month.

"It is clear that retail investors are impacted due to the current economic environment brought on by Covid-19. Investors tend to reduce risk on their portfolios by selling

equity MFs in such an environment. While the long-term opportunity in mutual funds remains promising, the pain in the short term is unlikely to go away soon," said Jean-Christophe Gougeon, director — Investment Solutions, Sharekhan by BNP Paribas.

Market players, however, do not see the outflows as alarming and expect things to stabilise in a quarter or two, likening the current situation to that seen in 2009 when the markets recovered following the global financial crisis.

"The number of folios, as well as funds mobilised during the month were marginally higher than July. However, redemptions shot up sharply, too, indicating that more investors chose to book profits, given the surge in the equity market in recent times," said Himanshu Srivastava, associate director-manager — research, Morningstar India.

The industry saw a net addition of 465,000 new folios, including 343,000 SIP folios, indicating sustained



retail interest in mutual funds, said experts. N S Venkatesh, chief executive, Association of Mutual Funds in India (Amfi), said: "Retail investors continue to exhibit mature investment behaviour despite a volatile and challenging economic envi-

ronment, as seen from the record high retail AUMs, rise in SIP AUMs, SIP folios, and significantly higher quantum of flows towards multi-asset allocation schemes during the month."

According to G Pradeepkumar, CEO Union AMC,

HITTING THE EXIT BUTTON

Equity MFs have seen nearly ₹8,000-crore outflows in July and August



Source: Primemfdatabase.com, Amfi

Ultra-short term, low-duration, and money-market funds together saw inflows of over ₹18,000 crore, even as the debt category as a whole saw outflows of ₹3,907 crore, led by redemptions in liquid and overnight funds of over ₹26,000 crore.

"Given the current interest rate scenario, investors are largely focusing on fixed-income categories having a shorter-duration profile. In addition, funds with pristine credit quality, especially from categories, such as money market, corporate bond, and banking and PSU, continue to gain traction from investors highlighting their preference for safety in this segment," said Srivastava.

He said investors continued to shy away from riskier bets in the credit space, which is why the credit risk funds saw outflows of ₹554 crore.

Total AUM for the MF industry stood at ₹27.8 trillion at the end of August, up slightly from ₹27.3 trillion at the end of the previous month.