

INVESTORS PULL OUT OVER ₹4K-CR FROM EQUITY SCHEMES

Equity schemes saw net outflows for second straight month in August, as the market's upward trajectory and the need for cash amid the Covid-19 pandemic prompted investors to pull out money. Equity schemes witnessed outflows to the tune of ₹4,000-4,200 crore in August, largely because of significant withdrawals from large-cap and multi-cap schemes, said sources in the know.

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Equity MFs set to see ₹4k-cr outflow

Flows turned negative for 2nd month in a row in August after withdrawals from large- and multi-cap schemes

ASHLEY COUTINHO
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Equity schemes witnessed outflows to the tune of ₹4,000-4,200 crore in August, led by withdrawals from large-cap and multi-cap schemes, said sources in the know, basing their estimates on the data collected from 88 per cent of the industry. These included both open- and close-ended schemes.

Open-ended scheme outflows have surpassed ₹2,480 crore outflows seen in July — their first after over four years.

Final figures could vary depending on the data provided by the Association of Mutual Funds in India (Amfi).

"A certain amount of profit-taking happened last month, similar to that seen in July. Part of this could be by wealthy investors, including promoters of cash-strapped businesses," said G Pradeepkumar, chief executive officer of Union Asset Management.

According to him, the industry

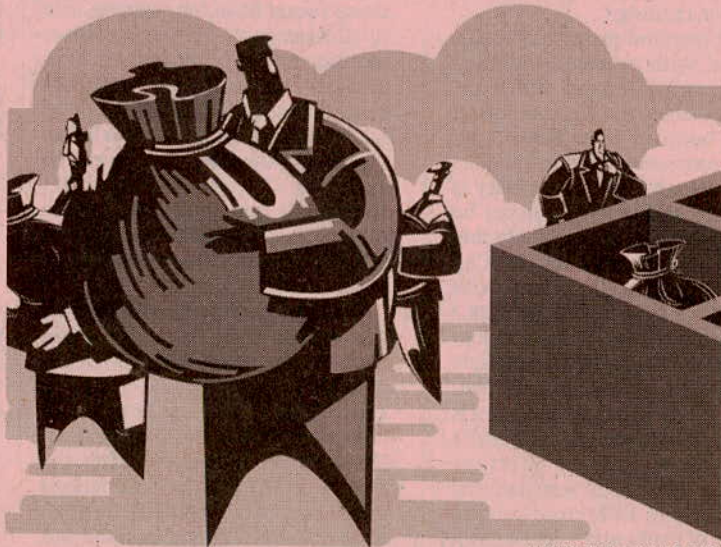


ILLUSTRATION: AJAY MOHANTY

is seeing applications from new investors, but the ticket size of the new money coming in may be lower than redemptions, resulting in net outflows.

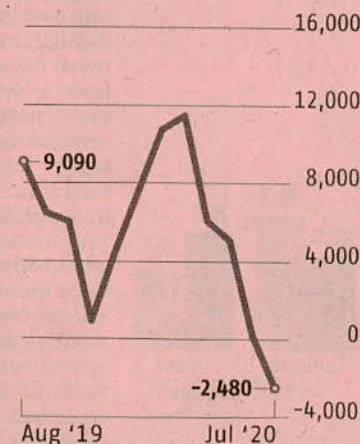
One-year average returns for core equity categories (excluding international, thematic, and sectoral funds) have ranged between 3.3 per cent and 14.9 per cent, against 3.1 per cent

given by the Nifty50 index. Five-year average returns range between 7.2 per cent and 8.6 per cent, far lower than the 45.7-per cent given by the Nifty50, according to Value Research. The paltry returns may have also prompted some investors to move to direct equities.

"Some investors might have booked profits, while others would

MONTHLY FLOWS INTO EQUITY-ORIENTED SCHEMES

In ₹ crore



Note: The Amfi data for August is awaited
Source: PRIME Database, Amfi

funds had seen outflows of ₹3,732 crore, primarily on account of dwindling returns in the category in the past few months.

Some of the arbitrage money could have moved to ultra-short-term funds in the hope of making capital gains, said Pradeepkumar. The latter has seen robust flows in excess of ₹15,000 crore in August.

It remains to be seen if the outflows signal the turn of a cycle for an industry that has largely witnessed robust inflows since 2014 or if the contribution from systematic investment plans (SIPs) start to slip as well. SIPs, which have become a favourite route for retail investors to invest in mutual funds (MFs), had slid for the fourth successive month in July to ₹7,830 crore, down 1 per cent from the previous month.

The MF industry had started to offer an SIP-pause facility to investors a few months ago, which could have had an impact on SIP flows.

The ebb in equity flows, if it continues, may hurt industry profits as fees for managing equity schemes is typically higher than that for debt funds.

It can also hamper domestic institutional flows, the bulk of which have come from MFs.

have moved to debt, given the uncertainty in the equity market. Outflows could also be distribution-led," said a senior industry executive.

Arbitrage funds, which are part of the hybrid category, but are treated as equity for taxation purposes, may have seen outflows in excess of ₹2,000 crore in August, according to industry estimates. In July, these