

Equity mutual funds lose sheen, inflows plummet to the lowest levels since June 2016

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Data from Value Research shows the return from the large cap category, over the last one year, is 11.74%, while for mid-caps and small caps it is 5.31% and a negative 0.23%, respectively.

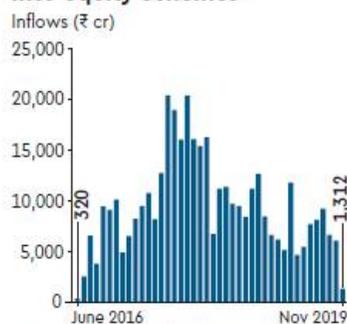


As FE has pointed out for nearly two years now most stocks have fared poorly and the indices have been driven up by just a handful of stocks.

Inflows into equity schemes of mutual funds plummeted to Rs 1,311.65 crore in November, the lowest levels since June 2016, suggesting some amount of investor fatigue. The sum was a small fraction of the average monthly net inflows of Rs 9,578 crore into equity schemes seen in the last three-and-a-half years.

Investors also seem to be somewhat disillusioned with debt-oriented schemes with the inflows more than halving to Rs 51,427.58 crore in November from Rs 1.21 lakh crore in October. As FE has pointed out for nearly two years now most stocks have fared poorly and the indices have been driven up by just a handful of stocks.

Net monthly inflows into equity schemes



Source: Amfi, Bloomberg

No. of cos with a minimum Mcap of ₹1,000 crore



*As on December 9

Data from Value Research shows the return from the large cap category, over the last one year, is 11.74%, while for mid-caps and small caps it is 5.31% and a negative 0.23%, respectively. S Naren, CIO, ICICI Prudential AMC, noted that investors were booking profits at a time when the markets were at highs.

“Our view is that investors will be benefitted when they buy low and sell high,” he said. Naren conceded that the broader markets had underperformed for over a year now but given how SIP flows remained strong, it did not seem like investors were disillusioned.

“Incremental flows outside of SIPs have dried up as the majority of investors have not seen positive returns in the last 12-18 months. The redemptions have increased,” Sundeep Sikka, ED and CEO, Reliance Nippon Life AMC, said.

Sunil Subramaniam, MD at Sundaram Mutual, said gross inflows had remained flat suggesting there has been a lot of profit booking by the older investors. “I think new investors have been steadily coming into equity funds,” he said.

Liquid schemes attracted less money of just Rs 6,938 crore, a minuscule fraction of the Rs 93,203 crore in October. Fund managers said this could be the result of the imposition of an exit load by Securities and Exchange Board of India (Sebi), following a proposal by Amfi.

The money is believed to have moved to overnight funds which received inflows of Rs 20,649.14 crore in November against Rs 5,748.08 crore in October, NS Venkatesh, CEO, Amfi, said. “Investors may be studying the impact of exit loads and may re-enter at a later stage,” Venkatesh said. Outflows were seen in dynamic bond funds, credit risk funds and gilt funds.

The 44-player mutual fund industry reported overall inflows to the tune of Rs 54,419 crore last month compared with an inflow of Rs 1.33 lakh crore in October, taking the asset base to Rs 27.04 lakh crore, a 3% month-on-month growth.

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