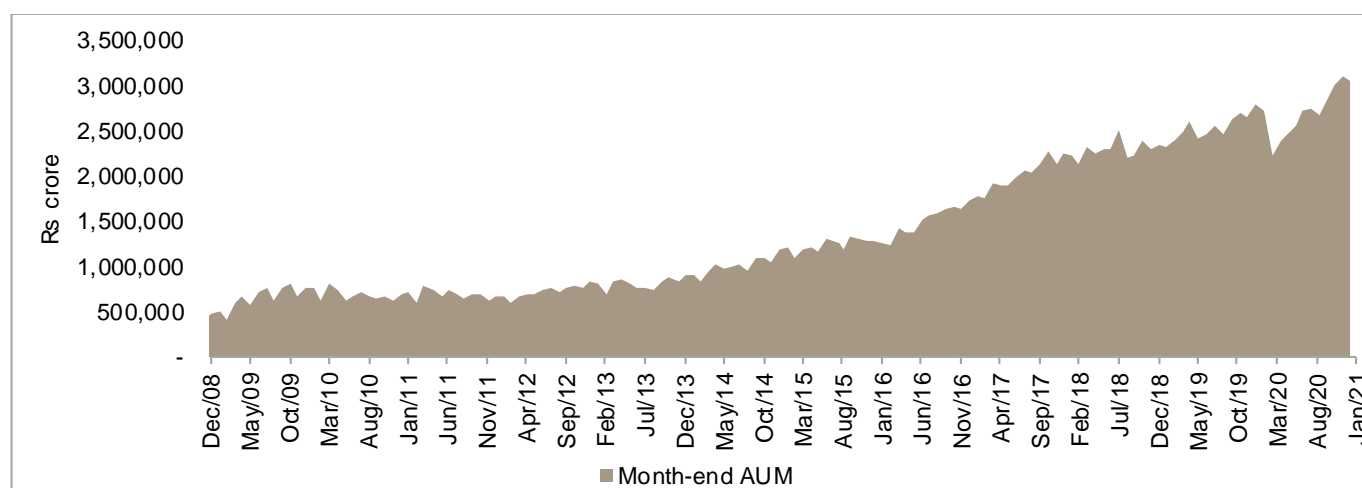


MFs have weak opening in 2021, assets fall ~2%

Industry body starts declaring data for segregated portfolios

Surprise net outflows from liquid funds in the first month of the quarter, led by pressure on yields in the short term due to the Reserve Bank of India's (RBI's) liquidity-normalising measures, coupled with continuing outflows from equity-oriented mutual fund (MF) schemes and mark-to-market (MTM) losses in the underlying market dragged assets of the MF industry in the first month of 2021. Aggregate AUM dwindled ~Rs 52,345 crore or 1.7% from the record high of above Rs 31 lakh crore at the end of last year to Rs 30.50 lakh crore in January 2021.

MF assets declined ~ 2% in January



Note: Excludes domestic fund of funds

Source: Association of Mutual Funds in India (AMFI), CRISIL Research

Pressure on short-term yields pushes money out of short-term debt categories

RBI's liquidity-normalising measures in the first and third week of January in the form of special reverse repo auctions exerted pressure on short-term yields, resulting in money being removed from open-ended short-term debt categories. Within that liquid funds bled the most with net outflows at ~Rs 45,316 crore, reversing December's net inflow figure of Rs 5,102 crore. In January, low duration and money market schemes reported net outflows at ~Rs 8,041 crore and ~Rs 1,043 crore, respectively.

Long-duration maturity funds such as gilt, long-duration and medium-to-long duration funds also felt the pressure of outflows in the month, as investors removed money ahead of the budget and RBI's monetary policy measures. The three categories at an aggregate level saw outflows of Rs 465 crore in the month.

Corporate bond funds, banking and PSU funds, and short-duration funds continued to attract investor interest in January; these funds received net inflows of Rs 5,429 crore, Rs 1,740 crore and Rs 6,893 crore, respectively.

Furthermore, credit risk funds recorded net inflows at ~Rs 366 crore in January, marking the first time the fund flow trend turned positive for the category since April 2019 (when AMFI changed its format of dissemination).

At an aggregate level, the asset base of open-ended debt funds fell ~Rs 31,926 crore on-month, or ~2.3%, to settle at Rs 13.74 lakh crore. December had seen the asset base of the category hit a record high of Rs 14.06 lakh crore.

Equity funds see seventh straight month of outflows

Investors continued to exit open-ended equity funds with January marking the seventh consecutive month of net outflows for the category. Net outflows totalled Rs 9,253 crore, marginally lower than December's figure of Rs 10,147 crore.

AMFI began dissemination of the newly introduced flexi-cap category data separately in January, which is the rehashed avatar of the erstwhile definition of multi-cap fund category. The new category witnessed the highest net outflows among open-ended equity schemes at ~Rs 5,934 crore. Furthermore, 16 multi-cap funds were re-categorised as flexi-cap funds in January, according to AMFI.

Among other major categories, large cap funds also witnessed net outflows for the eighth straight month at Rs 2,853 crore in January. Multi-cap and sectoral/thematic schemes recorded net inflows of Rs 2,858 crore and Rs 2,586 crore, respectively, at the end of January.

The outflows, coupled with MTM losses of the equity market (Nifty 50 and S&P BSE Sensex fell ~2.5% and 3.1%, respectively, in January), dragged the open-ended equity fund asset base down by ~1.7% to settle at Rs 8.91 lakh crore.

Meanwhile, the continued inflow of money through the systematic investment plan (SIP) route has been supporting equity MFs. According to data from AMFI, the industry reported inflows of Rs 8,418 crore in December, up from Rs 7,302 crore in November.

ETFs continued to see net inflows in January

Equity ETFs continued to attract investors' interest with the category recording the third straight month of net inflows at Rs 6,133 crore in January, albeit lower than the net inflows of Rs 6,832 crore in December. Gold ETFs also attracted net inflows for the second straight month at ~Rs 625 crore, though gold prices declined ~1.6% in January.

Risk mitigating hybrid fund categories see inflows in January

After recording net outflows for six straight months, January saw hybrid schemes attracting net inflows of ~Rs 2,142 crore in January. The main contributors to the change in the overall fund flow trend amid the underlying market's volatility were the arbitrage and the dynamic asset allocation categories, which recorded net inflows of ~Rs 5,235 crore and Rs 658 crore, respectively. While arbitrage schemes recorded net outflows in the previous two months, dynamic asset allocation schemes have seen net outflows for the previous 10 months.

Among other major categories in the segment, the sentiment for aggressive hybrid funds remained persistently weak — January marked the 18th straight month of net outflows for the category.

At the aggregate level, MTM losses in the underlying equity asset class resulted in the asset base of hybrid schemes declining ~Rs 329 crore, or 0.10%, to Rs 3.17 lakh crore.

Dissemination of segregated portfolio data

AMFI also began disclosing segregated portfolio details at the category level. As of the end of January, 29 segregated portfolios within the open-ended debt category have been created, and the AUM of these portfolios stood at Rs 782 crore. Similarly, six segregated portfolios have been created among hybrid schemes, and the AUM of these portfolios amounted to Rs 77 crore.

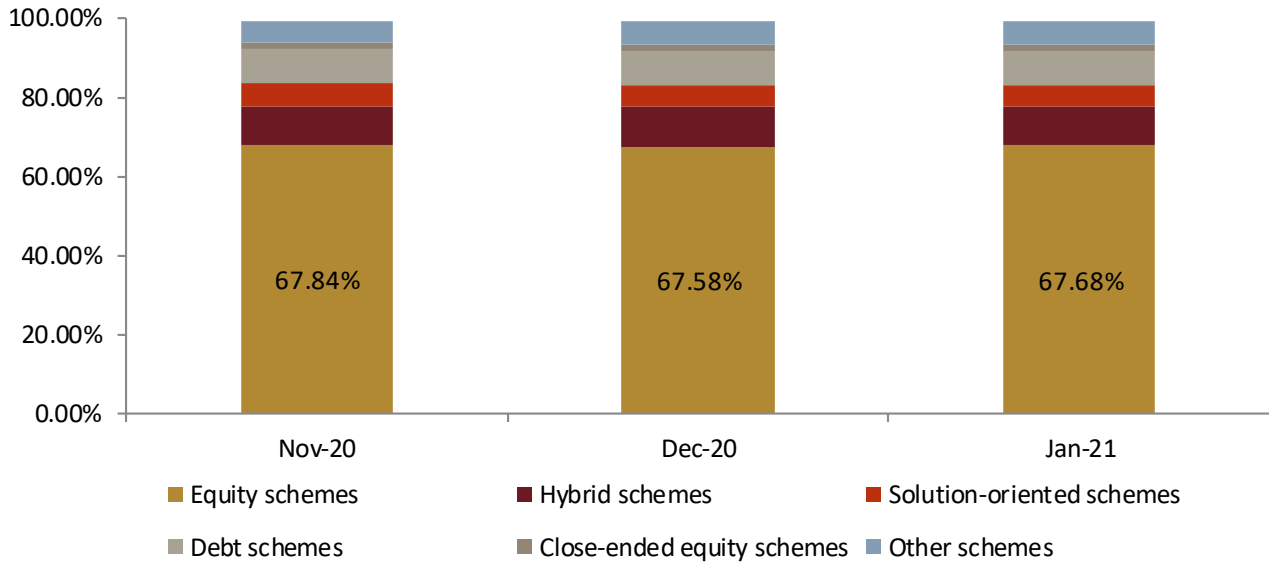
Category-wise inflow/outflow and industry AUM (Rs crore)

Categories	Net flow for the period		Month-end AUM		
	Jan-21	Dec-20	Jan-21	Dec-20	Change
A – Open-ended schemes					
Debt-oriented schemes	-33,409	13,863	1,374,117	1,406,042	-31,926
Equity-oriented schemes	-9,253	-10,147	891,399	906,767	-15,368
Hybrid schemes	2,142	-5,932	317,244	317,572	-329
Solution-oriented schemes	4	-28	22,052	22,283	-231
Other schemes	7,967	8,209	296,459	294,732	1,726
B – Closed-ended schemes					
Debt-oriented schemes	-94	-17	124,823	124,660	164
Equity-oriented schemes	-2,941	-2,974	23,657	30,039	-6,381
C – Interval schemes					
Debt-oriented schemes	-2	-6	379	381	-1
Equity-oriented schemes	0	0	0	0	0
Total (A + B + C)	-35,587	2,968	3,050,130	3,102,476	-52,345

Note: Excludes domestic fund of funds

Source: AMFI

MF schemes' folio share



Note: Excludes domestic fund of funds

Source: AMFI

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