

**HOPE FLOATS** The mutual fund industry added close to 16 lakh folios in the month of February; investors use recent market fall to increase allocation

## Investors Keep Faith in MFs Despite LTCG Tax, Volatility

Prashant.Maresh@timesgroup.com

**Mumbai:** Investors continued to pour money into equity-oriented schemes in February undeterred by the sharp volatility in the stock market during the month and the imposition of long-term capital gains tax in the Union Budget.

Equity oriented (equity, equity savings and arbitrage), balanced and ELSS schemes have seen net inflows of ₹ 21,294 crore in February as against ₹23,055 crore in January, according to data from industry body the Association of Mutual Funds of India (AMFI). In all, the industry lost ₹21,000 crore with AUM dipping to ₹22.2 lakh crore in February from ₹22.41 lakh crore in January, due to outflows from debt funds.

Institutional brokerage CLSA said on Thursday that the impact of the LTCG tax on sustainability of equity MF flows will possibly

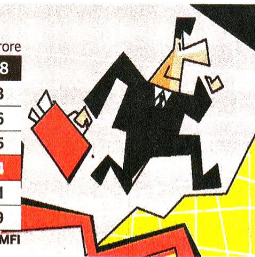
Category	Jan 2018	Feb 2018
Equity	13,404	14,683
Balanced	7,665	5,026
ELSS	1,986	1,585
<b>Total</b>	<b>23,055</b>	<b>21,294</b>
Gilt	-1,192	-1,621
Income	-9,871	-9,799

Source: AMFI

be best gauged after another one or two months of data, still, the February data is promising.

AMFI CEO NS Venkatesh said: "Despite the Nifty losing 4.85% in February, flows from investors continue to be robust. The industry added 16 lakh folios in the month, taking the total number of folios to 6.99 crore, which shows there is interest among investors to participate in wealth creation."

Many investors waiting for a



correction used the recent fall as an opportunity. "Closed-end mutual fund offers also saw the industry mopping up ₹2,100 crore in February, while arbitrage funds saw some outflows," said the product head at a large fund house.

"This was the first correction after a long time. Many investors used this as a chance to increase their allocation," said Sundeep Sikka, CEO, Reliance Nippon Asset Management.

Some wealth managers believe that several HNIs booked profits early in December and January, anticipating a harsh long-term capital gains tax. "With tax uncertainty behind us post budget, investors put back money into equities," said Aashish Somaiya, CEO, Motilal Oswal Mutual Fund.

Distributors believe that over the years financial literacy programmes by them and fund houses have helped inculcate the habit of long-term investing among investors. "Mutual funds have become one of the ways for investing. Investors are increasingly doing SIPs with a long-term vision," said A Balasubramian, CEO, Aditya Birla Sunlife MF.

A volatile bond market led to investors shifting from long-term income and gilt funds to shorter-tenure funds and liquid funds. This led to income and gilt funds seeing outflows of ₹9,799 crore and ₹1,621 crore, respectively.