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## MF asset growth slows on outflow from debt funds

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After the record-high inflows and equity markets touching a new high, assets under management of mutual funds have increased just 6 per cent to ₹40.38-lakh crore in November from ₹38.01-lakh crore logged in January, largely due to profit booking in equity and outflow from debt schemes.

The asset growth in the same period last year was 22 per cent at ₹37.33-lakh crore against ₹30.50-lakh crore in January 2021, data from the Association of Mutual Funds in India show. Despite all the upheaval, the net inflow into equity schemes more than doubled to ₹1.54 lakh crore in 11 months of this year against ₹71,593 crore in the same period last year. It registered the highest inflow of ₹28,463 crore in March this year.

### DEBT FUNDS

However, debt funds played spoilsport, registering a net outflow of ₹1.98-lakh crore in 11 months of this year against an inflow of ₹39,585 crore in the same period last year.

Murthy Nagarajan, Head Fixed Income, Tata Mutual Fund, said the current year was most challenging for debt markets as the RBI increased repo rates from 4 per cent to 6.25 per cent due to high CPI inflation and aggressive hikes by the US Federal Reserve. The RBI also changed its stance and withdrew excess liquidity of ₹7-lakh crore at the beginning of the current fiscal year.

Rates cuts should benefit the short and medium end of the yield curve. Investors can look to invest in short-term corporate bonds and banking and PSU funds which invest predominantly in this segment, he added.

George Thomas, Fund Manager (Equity), Quantum AMC, said 2022 was eventful with inflation across the globe testing multi-decadal highs forcing the global central banks to hike interest rates multiple times. Equity flows from FPIs could come under pressure given their possible preference for overseas markets post the recent correction in their valuations. Persistent volatility in the domestic equity market could also lead to pressure on MF flows, he said.