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Tata MF Suspends Lump Sum Flows into Small-cap Schemes

Fund house will, however, continue to accept money through SIPs/STPs

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Mumbai: Large flows from investors into small-cap funds, low liquidity and diminishing opportunities have led Tata Mutual Fund to suspend lump sum flows into its small cap fund. Beginning July 1, the fund house will not accept any lump sum money into the small cap fund. However, it will continue to accept money through SIPs / STPs without any restrictions.

"There are opportunities in the smallcap space. The category has been seeing strong inflows. We felt it would be prudent to stop lump sum for the time being, and have SIP/STP as the only mode of investing starting July 1. This will allow more time to deploy and will calibrate inflows," said Anand Vardarajan, business head, Tata Mutual Fund.

Analysts point out that of late, fund managers have been finding it difficult to implement their buy ideas in the small-cap space.

The Scorecard

Tata Small Cap Top 3 Holdings	IDFC, Radico Khaitan, Ques Corp
1 Year Return	42.98
3 Year Return	42.83
Return since Launch (Nov 2018)	25.87
AUM (₹Cr)	4,458

Returns as of June 23, 2023. (Fig in %)
AUM as of May 31, 2023.
Source: Value Research

"In a frenzied environment, stock prices move up fast. Liquidity is a challenge in small caps, leading to high impact cost for investors, which could impact returns," says Shankar S, certified financial planner, Credo Capital. Shankar believes it makes sense for a fund house to protect investor interest in the long term and stop inflows in such an environment.

SBI Small Cap Fund is another fund in the space that does not ac-

cept lump sum investments.

In the first five months of this calendar year, small-cap funds have received flows of ₹12,400 crore, compared to ₹8,100 crore in the same period in the previous year. Given the high returns, fund managers expect a sharper increase in flows in the coming months.

Over the last one year, Tata Small Cap Fund has been one of the best performing schemes returning 43%, compared to the S&P BSE Small Cap 250 TRI that returned 35.43%. Over a three-year period the scheme returned 42.83% against its benchmark return of 36.88%. As of May 31, Tata Small Cap Fund had assets of ₹4,458 crore, compared to ₹2,048 crore a year back and the fund manager held 14% cash in portfolio in May 2023.

Investors have been pouring money into small-cap funds as they believe they are under-researched and there is an opportunity to spot multi-baggers in this space. They give access to a wider range of sectors, unlike the large-cap space, which is BFSI heavy.