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MF investors pulled out record ₹11K crore from SIPs in Dec 2023

Intensified redemption pressure came amid profit-taking by investors after a sharp market rally

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Mutual fund (MF) investors pulled out over ₹11,140 crore from systematic investment plan (SIP) accounts in December 2023.

The intensified redemption pressure came amid profit-taking by investors following a sharp market rally.

The net SIP inflows came in at ₹6,470 crore after offsetting the outflow from gross inflows of ₹17,600 crore.

Last month, the equity market registered its best monthly performance in 18 months with the Sensex and the Nifty rising over 7.8 per cent.

The broader market Nifty Smallcap 100 index rose 7 per cent, extending its two-month gain to 20 per cent.

The ₹11,140 crore outflow from SIP accounts is the highest since April 2021, when the Association of Mutual Funds in India (Amfi) started sharing this data with the industry.

MF executive says redemptions go up every time the market scales up significantly. This approach, they feel, is problematic if it becomes a trend among SIP investors.

"This is now a normal occurrence. Every time the market goes up, a section of investors book profits in SIP accounts. Such an approach is against the concept for SIP, wherein the objective should be long-term wealth creation through participation in the ups and downs of the market," said Swarup Mohanty, VC & CEO, Mirae Asset Investment Managers (India).

"The only possible reason I see is profit booking. December was a good month return-wise. People tend to book profits when the market delivers such high returns, which is not a good trend as SIPs are best suited for long-term investments and frequent withdrawals come in the way of compounding," said Anand Varadarajan, Head — Institutional clients, Banking, Alternate investments and Product strategy,

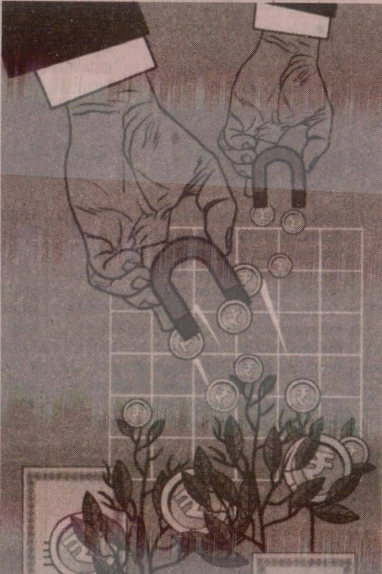
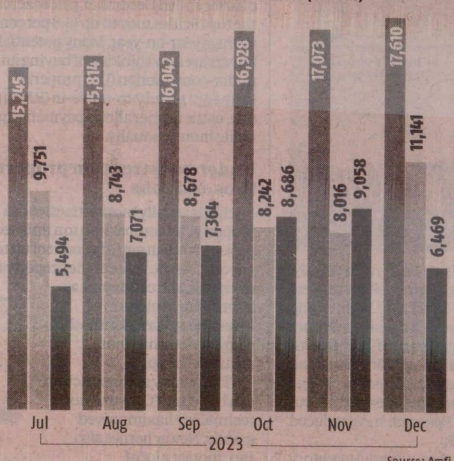


ILLUSTRATION: BINAY SINHA

TAKING STOCK

Consistent rise in inflows; outflows jump in December
■ Gross inflows ■ Outflows ■ Net inflows (₹ crore)



Source: Amfi

Tata AMC.

Some distributors and MF officials said redemptions could have also been on account of year-end holidays when a lot of people go on vacations.

The redemptions from SIP accounts also remained elevated during the May and July 2023 period when the market was scaling new highs. SIP investors had redeemed over ₹9,000 crore in each of these months.

Overall, MFs raked in a net SIP inflow of ₹85,870 crore in the calendar year 2023 as against the gross SIP inflow of ₹1.8 trillion.

The net-to-gross ratio came in at 0.47 in 2023, significantly lower than the 2022 figure of 0.51. In 2022, MFs received ₹1.5 trillion gross SIP inflows, while the net came in at ₹78,700 crore, according

to data from Amfi.

In December 2023, the industry witnessed a sharp rise in both inflows and outflows into equity MF schemes, taking both SIP and lump sum flows into account.

While investors made gross purchases of over ₹50,000 crore for the first time, the redemptions also scaled to a new all-time high of ₹33,670 crore.

The net inflows into active equity schemes stood at ₹16,997 crore.

Strong inflows through the SIP route have provided sticky money both for the ₹50-trillion MF industry as well as for the equity markets.

Given the predictability of flows through SIPs and the Employees' Provident Fund Organisation (EPFO) routes, domestic funds are now in a

position to deploy as much as ₹3 trillion a year into equities and offset the sharp selloffs from overseas funds, a report by Kotak MF had said last month.

The flows through the SIP route is also leading to a surge in retail investors' share in MF assets under management (AUM).

Their share in AUM of MFs went past 60 per cent for the first time in December 2023 on the back of a rally in the stock market and strong retail flows into equity schemes.

The retail pie in the MF AUM has been inching upwards for some years now, with the pace picking up after the Covid-19 pandemic.

Retail investors and institutions had a 50-50 share in the MF AUM as of June 2020.