Press Release

Reassuring Investors in Debt Mutual Funds

- AMFI Advises investors to remain invested in Mutual Funds to create wealth over the long term-

Mumbai, April 24, 2020: Following the announcement of winding up of six income oriented debt schemes by one of the asset management companies (AMC), Association of Mutual Funds in India (AMFI), the mutual fund industry body, today assured investors that majority of income oriented debt schemes have invested in superior credit quality securities and have appropriate liquidity to ensure normal operations.

AMFI strongly recommends that investors continue to focus on their investment goals, consult their financial advisor and not get side-tracked by an isolated event in a few schemes of a single fund company.

The action taken by the particular AMC is limited to the six specific income oriented debt schemes managed by the said AMC. The assets under management (AUM) of these six schemes constitute less than 1.4% of the Indian Mutual Fund Industry’s aggregate AUM as on March 31, 2020.

Income oriented debt schemes of most mutual funds have superior credit quality as confirmed by ratings of independent credit rating agencies and continue to remain fairly liquid even in these challenging times.

SEBI regulations allow mutual funds schemes to borrow up to 20% of their assets to meet liquidity needs for redemption / dividend pay-out. However, as of April 23, 2020 out of the 42 mutual funds only four mutual funds, including the affected mutual fund, had borrowings, aggregating to Rs. 4,427.68 crores.

Liquidity, Maturity profile and Credit quality for Debt Funds is appropriate for day to day operations to continue uninteruptedly. We expect the debt funds across the Mutual Fund Industry to continue their normal operation without any material impact.

Mr. Nilesh Shah, Chairman, AMFI, commented, “Banking liquidity in excess of Rs 700,000 crore, Long Term Repo Operations (LTRO) conducted by the RBI, expectations of further rate cuts and Operation Twist by the RBI is likely to keep bond market liquid and normally functioning in current challenging times”.

“The Mutual Fund industry remains fully committed to investor interests and there is no need for them to panic and redeem their investments. The industry continues to remain robust like in 2008 sub-prime crisis or 2013 taper tantrum crisis.” Mr Shah added.

Mr. NS Venkatesh, Chief Executive, AMFI, said: Mr. NS Venkatesh, Chief Executive, AMFI, said “The Mutual Fund industry has seen many cycles and its professional fixed income fund managers have managed crises efficiently over the years. Investors continue to repose trust in the industry and over the last 5 years the Indian MF Industry AAUMs have doubled from Rs. 11.88 lakh crores as on March 31, 2015 to Rs. 24.70 lakh crores of AAUM as on March 31, 2020.”
About AMFI
The Association of Mutual Funds in India (AMFI) is dedicated to developing the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders. AMFI, the association of SEBI registered mutual funds in India of all the registered Asset Management Companies, was incorporated on August 22, 1995, as a non-profit organisation.

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