# Gilt-y pleasure: Active debt MFs see heaviest inflows in over 3 years

## Gilt schemes garner ₹5,200 cr in April, most in at least 5 yrs

**ABHISHEK KUMAR & ANJALI KUMARI**
Mumbai, 13 May

Debt mutual fund (MF) schemes, which witnessed relatively muted inflows in the past three years, saw a surge in investor interest in April amid election-induced volatility in the equity markets.

Active debt funds garnered nearly ₹66,000 crore net inflows in April, most at least since December 2020. Net monthly inflows averaged ₹1,600 crore in 2023-2024 with April last year witnessing the heaviest monthly inflows worth ₹37,350 crore.

The data excludes liquid and overnight schemes as they are mostly used by institutions to park money for a short period, unlike others which are generally used for investment purposes. The money in April this year flowed into funds at the opposite ends of the duration spectrum, showing that while some investors were looking to lock in elevated yields, others wanted to stick to the shorter end of the yield curve with interest rate cuts still being out of sight.

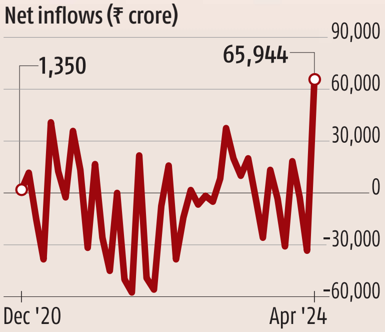
Funds that invest in shorter-duration papers like those in the ultra-short duration, low duration and money market categories recorded the heaviest net inflows in at least the past year as they together garnered nearly ₹53,000 crore.

Among the rest of the 11 categories, gilt funds raked in net inflows worth ₹5,210 crore, the most for the category in a month at least in the past five years. Gilt funds, which invest only in government bonds, generally have the highest average maturity among all debt funds. At present, it ranges from 4 years to almost 28 years with the median being 14 years.

"India sovereign bonds are scheduled to become part of global emerging market bond indices from June onwards and hence, we are seeing traction among market participants for this segment. Further, yields went up in April following a reset of market expectations regarding rate cuts by the Federal Reserve as US inflation continues to remain sticky and the outlook on growth remains robust. The higher yields allowed market participants to enter at attractive pricing," said Peshotan Dastoor, head of sales, UTI AMC.


**Debt fund inflows* spike in April 2024**

Net inflows (₹ crore)




*Aggregate of active debt funds excluding liquid and overnight funds

Source: Amfi

According to investment advisors, investors should go for gilt funds only if they have a long time horizon as interest rate cuts may still be some time away. "As long as investors have a horizon of over 2 years, they can look at gilt funds. Also, they should ideally take a staggered approach. The challenge is that a lot of money that may have come in recently may have been tactical, assuming that the interest rate will start falling soon. However, going by what is happening in the US market and Fed commentary, an interest rate cut may happen later than previously envisaged," said Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors.

According to the CME Fedwatch tool, 50 per cent of traders expect a 25 basis points rate cut in September by the US Federal Reserve. Domestically, the market does not foresee any rate cut for the next year, with the earliest expected in March 2025. A segment of the market sees a potential rate cut only in the latter half of the next financial year.