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Title : MFs Hike Exit Load to Retain Investors

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Our Bureau

Mumbai: Fund houses are going all out to remind investors to reap the benefits of a structured bull market by staying invested for a longer time. Indeed, from now on, investors of many mutual fund plans – debt as well as equity — will find early exit more expensive. Some of the fund houses have raised the exit load tenure in equity, balanced, debt and international funds to deter investors from pulling out. Exit load is the charge – calculated on the redemption amount — investors quitting a scheme have to pay the asset management company.

In the balanced fund space, HDFC Prudence fund now levies an exit load of 1% for 18 months against 12 months earlier, while in the diversified equities space, DSP Blackrock Focused 25 Fund will now levy an exit load of 1% for two years compared to one year earlier. In the debt space, Franklin India Income Fund which had an exit load of 0.5% if redeemed three months before allotment now levies an exit load of 0.5% if redeemed before 48 months, and a load as high as 3% for withdrawal in the first 12 months; Axis Dynamic Bond now has an exit load of 1% for three years.

International funds like Franklin Asian Eq-

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| Scheme Name | 1% Exit load if redeemed within | |
|---|---------------------------------|-----------|
| | Earlier | Now |
| HDFC Prudence/Core and Satellite | 1 year | 18 months |
| Franklin India Build Fund/Infotech Fund | 1 year | 2 years |
| Franklin Asian Equity/US Opportunities | 18 months | 3 years |
| DSP BR Small and Midcap | 1 year | 18 months |
| Axis Dynamic Bond | 1 year | 3 years |

uity Fund and Franklin US Opportunities Fund have an exit load of 1% for three years compared to one year earlier. Fund houses feel the longer load tenures is justified following the surge run in equity markets in the past one year. In case of non-equity mutual funds longer load tenure has been aligned with the change in tax rules.

“The reason for increasing the exit load period is to better align them with the investment time frame suitable for those schemes, particularly the sectoral, thematic and concentrated portfolios,” says Ajit Menon, executive vice president & head – sales, DSP Blackrock Mutual Fund. DSP BR Tiger Fund is a thematic

fund while DSP BR Focused 25 Fund has a concentrated portfolio.

Equity markets have generated very good returns in the past one year. According to Value Research, equity (mid- and small-cap) category funds have given a return of 80.29%, while the large-cap category has generated 36.28%. Distributors often attract investors by presenting this numbers. “By increasing the tenure of exit load beyond a year, mutual funds are trying to deter short-term investors. This also indicates that they want investors for the longer term.” says Vishal Dhanwan, chief financial planner, Plan Ahead Wealth Advisors.

