Nifty still below peak, but why are these mutual funds at record-high NAVs?

By Surbhi Khanna, Published on May 26, 2025

Despite benchmark indices Nifty 50 and BSE Sensex falling nearly 5% from their 52-week highs, several hybrid mutual funds have hit their own 52-week high NAVs. Mutual fund experts attribute this outperformance to two key factors: diversification across multiple asset classes and the relatively lower volatility of hybrid funds.

“The funds in the category of balanced advantage, dynamic asset, equity savings, and aggressive hybrid would have part of their portfolio in debt instruments, which provide stable returns and cushion the downside in a market downturn. When markets become volatile, as we are currently witnessing due to geopolitical and global financial headwinds, investors start to favour these categories as they are relatively less volatile than the Nifty and Sensex,” said Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

“This brings into sharp focus the importance of active stock-picking instead of just relying on the index for investment processes,” commented Rajesh Minocha, a Certified Financial Planner (CFP), Founder of Financial Radiance.

An analysis by ETMutualFunds showed that many funds from arbitrage, aggressive hybrid, equity savings, balanced advantage, and dynamic asset allocation fund categories have recently hit their 52-week high NAVs, and some funds are behind by less than 1% from their 52-week high NAV

A further analysis of these categories showed that there were around 66 schemes of which only one was large cap fund which has been in the market for nearly 1.29 years so it hit its 52-week high level.

Aditya Birla SL Balanced Advantage Fund, which was at its 52-week high level on May 16 with a NAV of Rs 105.3300, is now trading at Rs 105.1500 down by 0.17% from the 52-week high NAV.

Top 10 equity mutual funds at their 52-week high NAVs:

Scheme Name	52-week high date	52-week high NAV	Current NAV
Aditya Birla SL Arbitrage Fund	May 23, 2025	26.39	26.39
Axis Arbitrage Fund	May 23, 2025	18.571	18.571
Bajaj Finserv Arbitrage Fund	May 23, 2025	11.16	11.16
Bandhan Arbitrage Fund	May 23, 2025	32.246	32.246
Bandhan Equity Savings Fund	May 23, 2025	30.938	30.938
Bank of India Arbitrage Fund	May 23, 2025	13.714	13.714
Baroda BNP Paribas Arbitrage Fund	May 23, 2025	15.954	15.954
DSP Arbitrage Fund	May 23, 2025	14.843	14.843
Edelweiss Arbitrage Fund	May 23, 2025	19.252	19.252
Edelweiss Equity Savings Fund	May 19, 2025	24.766	24.766

Harish Krishnan, Co-CIO and Head Equity, Aditya Birla Sun Life AMC, said that asset allocation is about having a disciplined framework to book profits when everything seems to be going great for an asset class and to increase allocation when the margin of safety improves.

“ABSL BAF has navigated the last 6 months with agility and discipline- from 38% in mid-October 2024 to directional equity to around 70% by mid-March 2025, a period where pessimism was on the rise and conversely margin of safety improved. It is this dynamic asset allocation that helps protect the downside while participating in the eventual upside of markets," he added.

The funds that have reached their 52-week high level were on May 15, May 16, May 19, May 21, and May 23. Analysis of daily data of the benchmark indices showed that Nifty and Sensex went up on May 15, May 21, and May 23, whereas they dropped marginally on May 16. Some funds reached their 52-week high level when Nifty and Sensex hit their 52-week high level.

If you're considering shifting your investments into these high-performing funds, Minocha cautions against chasing trends, noting that today's top performers could underperform tomorrow.

He further recommends that investors should focus on those assets which are most appropriate for allocation given their objectives, risk appetites, and investment horizons and one should always go with an investment approach based on a goal-oriented perspective over the long term, which is far more beneficial than reacting to short-term returns.

To this Dhawan adds in the current market scenario, where there are near to medium-term uncertainties regarding global trade policies and geopolitical tensions, volatility and the probability of a downturn in the equity market rise and these funds can be ideal for such an environment, and they are often recommended to investors who would have a moderate to low risk tolerance level.

"The primary objective of these categories is to provide a stable return by combining equity and debt together in different proportions. Arbitrage funds can be used for short-term investment purposes for high liquidity and emergency cash requirements. They can also be used to park money until there is a better investment opportunity to invest elsewhere," he added.

Investing in mutual funds near their 52-week highs carries risks such as limited upside potential, overvaluation, and increased chances of a market correction. These funds may reflect temporary performance driven by recent trends, leading to recency bias and unrealistic expectations.

Commenting on the risk associated with investing in mutual funds that are near to their 52-week high level that one should be aware of, Dhawan mentions that investing in mutual funds that are near their 52-week high can present certain risks such as increased valuations and higher potential correction, active management risk, and market risk.

"After a sharp outperformance, there is always a probability of a market correction or a 'profit-booking' event, which can lead to drawdown or consolidation in the equity market. Since many of these funds have some exposure to equity, they could also correct. Additionally, past performance doesn't guarantee future results, and good fund managers can navigate through different market conditions, but their strategy, which drove the fund to a 52-week high, may not work going ahead," he added.

And lastly he adds that regardless of whether a fund is at its 52-week high or low, it's always subject to general market risk and factors like economic conditions, interest rate changes, geopolitical tensions, and overall market sentiment can impact the fund's performance.

On the other hand, Minocha is of the opinion that 52-week highs should not be considered red flags to delay entry into a fund and as markets operate in cycles, these dynamics change with strategy, consistency, or one's financial goals.

Investors need to understand the philosophy and the investment approach of a particular fund and see if it is aligned with their own thought process and then select investment categories and fund houses. One should always remember that equity funds suit long-term investors, while debt or hybrid funds are the alternatives for the shorter end, said Minocha.

One should always choose a scheme based on risk appetite, investment horizon, and goals.