

NFO Insight: Quant Mutual Fund's equity saving fund opens for subscription. Should you add this in current market scenario?

By Surbhi Khanna, Published on: July 08, 2025.



Quant Mutual Fund's latest new fund offer of Quant Equity Savings Fund is open for subscription and will close on July 21. The fund is an open-ended scheme investing in equity, arbitrage and debt.

The investment objective of the scheme is to generate regular income by predominantly investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and debt and money market instruments and to generate long-term capital appreciation through unhedged exposure to equity and equity-related instruments.

The fund is an "All-weather" scheme with moderate risk and a tax-efficient alternative for risk-averse investors, including first-time equity investors and investors migrating from fixed deposits, seeking lower volatility as compared to traditional equity funds and long-term wealth creation.

The Quant Equity Savings Fund's equity portfolio will be managed as a flexi-cap investment strategy with a large cap bias for stability and limited exposure to mid/ small-cap stocks in a relatively stable environment. Secondly, the arbitrage and hedging strategy will protect the portfolio in the risk-averse phase.

Lastly, the scheme's debt portfolio seeks to generate stable accrual income by investing in high-quality corporate bonds and government securities with low credit risk and dynamic duration management based on interest rate outlook.

The scheme will be rebalanced across market cycles through 'Predictive Analytics' tools and the VLRT Framework with a focus on delivering superior risk-adjusted returns and lower drawdowns during market corrections through dynamic asset allocation and hedging. Quant Equity Savings Fund combines twin objectives of stability and growth to help risk-averse investors with their long-term wealth creation goal.

What analysts say about the new offering?

Experts typically ask investors to avoid investing in NFOs unless they offer something unique. The uniqueness could be that the scheme is offering an investment option that is not available in the market or offering something extra to an existing option. Otherwise, the experts believe investors are better off with an existing scheme with a long performance record. This is because you have some historical data to base your investment decision. You don't have any data when it comes to new offering.

An expert is of the opinion that with equity valuations running above long-term averages after a strong market rally, equity savings funds—due to their lower equity exposure—are a suitable option for investors with low to moderate risk appetite.

"Considering that equity valuations are now above their historical long-term averages on the back of the strong rally in domestic equities in the last few months, the relatively lower equity exposure in equity savings vis a vis other hybrid categories make them a good choice in the current environment for investors with a low to moderate risk profile," Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai told ETMutualFunds.

While commenting on should one choose equity saving funds now and what advantage do they offer in current market scenario compared to other hybrid funds, another expert said that equity savings fund is a category of hybrid fund which consists of equity, debt, and a portion allocated to arbitrage and the arbitrage component makes this category different from the other hybrid funds. Lastly, the exact asset

allocation can easily be achieved through investing separately in pure-play equity, pure-play debt, and pure-play arbitrage funds.

“We do not believe it is essential to have this category in the portfolio, as investors lose visibility and control over their asset allocation. The only advantage it offers is some additional exposure to arbitrage, but that alone is not a strong enough reason to opt for this category. An arbitrage fund on a standalone basis can serve the purpose,” Shweta Rajani, Head - Mutual Funds, Anand Rathi Wealth Limited shared with ETMutualFunds.

The performance of the new fund is benchmarked against Nifty Equity Savings TRI and will be managed by Sanjeev Sharma, Harshvardhan Bharatia, Ankit Pande, Varun Pattani, and Ayusha Kumbhat.

The minimum investment amount is Rs 5,000 and in multiples of Re 1 thereafter. The fund will invest 65-90% in equity and equity-related Instruments, of which 25-80% in Hedged–Equity and Equity Derivatives and 10-40% in unhedged – equity and equity-related instruments.

It will further allocate 10-35% in debt securities and money market instruments and government securities, 0-10% in exchange-traded commodity derivatives, and 0-10% in units issued by REITS and InVITs.

Dhawan believes that Quants equity savings fund has a wide range of exposure possible between net equity and debt positions depending on the view on the markets, and thus the fund could be more dynamically managed and this could work well if the view on the markets goes right, but could work against the investor in case the view goes wrong.

With refraining investors from investing in a NFO as they lack a track record, Shweta Rajani also does not consider this fund suitable for conservative investors who are looking for equity exposure with lower volatility because it does not allow investors full visibility or control over portfolio asset allocation and even though it may offer a degree of diversification, there is a high likelihood of portfolio overlap, particularly in the equity portion, which may not be adequately diversified.

“Equity Saving funds have a tendency to be skewed towards large-cap funds, as almost 68% of the Equity portion is invested in large cap, which may lead to significant overlap across schemes from the same category. Conservative investors should create two separate baskets, one for your short to medium-term goals, and another for long-term growth that helps beat inflation,” she added.

An ideal combination of 80:20 in equity and debt, constructed through separate funds, can achieve better outcomes is what Shweta Rajani recommends.

The scheme has a dual objective of generating income by investing in debt and money market securities, as well as generating capital appreciation by investing in equity and equity-related securities. It will seek to reduce the volatility of returns by actively using equity derivatives as a hedge. Further, the scheme may invest in equity stocks in the cash market and take a short position in the futures market to avail arbitrage between the spot & futures markets and reduce net long equity exposure.

The fund is suitable for investors who are seeking to generate income by investing in arbitrage opportunities in the cash and derivatives segment of the equity market, fixed-income securities and capital appreciation through an exposure to equity and equity-related instruments and want regular income and capital appreciation.

In the current calendar year so far, in January and February, the category received a total of Rs 492 crore. In March and April, there was a total outflow of Rs 703 crore, and lastly, May observed an inflow of Rs 569 crore.

Witnessing the trend of inflow/outflow, the important thing to know is whether the category is gaining investors' attention again to which Dhawan replied that investor's attention to this category has tended to vary depending on the performance of equities.

“Considering that interest rates have also moved down sharply in the last few months, equity savings have benefited from both the debt and equity rally,” he added.

In May 2025, the category received an inflow of Rs 569 crore against an inflow of Rs 849 crore in May 2024 registering a decline of 33% on yearly inflows. In CY2025 so far, the category received a total inflow of Rs 358 crore.

The expert from Anand Rathi Wealth is of the view that in the last six months the inflows have been volatile with a couple of the months seeing positive flows and the inflows into this category can be attributed to several factors.

“One key reason could be the increased market volatility witnessed in recent months. With markets facing sharp moves, some investors may have viewed this diversified-looking category as a safer parking space for their funds, which may explain the inflows seen in May. However, this should not be mistaken for sustained investor conviction in this category,” she added.

With investors considering the fund for investment, Dhawan said that a lumpsum is preferred in this category as equity allocations are controlled by the fund manager in any case, and the manager can dynamically move equity allocations as per his view therefore investors may need to temper their expectations of returns in this category as capital gains from interest rate movement downwards, and equity exposure may not repeat going forward.

Continuing with a similar opinion, Shweta Rajani says that investors should avoid investing in this category as much as possible and should opt for SIPs or lump-sum investments in a well-diversified equity fund which provides exposure across market caps, sectors, and categories.

She adds that investors with a small portfolio say up to Rs 1 lakh can explore this category as a starting point, though building a disciplined exposure to pure equity and debt funds separately is likely to yield better long-term results.

According to the Sebi mandate, equity savings funds have a minimum investment in equity and equity-related instruments, which is 65% of total assets and a minimum investment in debt is 10% of total assets.