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CLASSROOM**

# New to MFs? Start with Equity Savings Funds

Investors looking to move from fixed deposits to equities for the first time and eyeing a low-risk product can consider an allocation to an equity savings fund.



## WHAT ARE EQUITY SAVINGS FUNDS?

These funds belong to the hybrid category. These schemes earn a return by investing in stocks, bonds, and arbitrage opportunities. The equity exposure helps generate capital appreciation, while arbitrage opportunities and allocation to debt securities provide income and generate stable returns.

## WHY ARE INVESTORS ATTRACTED TO THIS CATEGORY NOW?

The portfolio of these schemes is structured in a way that the corpus set aside for investing in stocks and arbitrage remains above 65%. Due to this, they are classified as equity mutual funds for taxation. With equity taxation, investors pay only 20% for short-term capital gains for investments held for less than a year and 12.5% for long-term capital gains, if held for more than a year.

## HOW DO THEY WORK?

Typically, equity could constitute 65-90% of the portfolio, of which arbitrage opportunities could be 25-75%, unhedged equities at 15-40% and debt and money market instruments at 10-35% of the portfolio. If the fund manager is positive on equities, it could find a higher allocation in the portfolio. Conservative fund managers typically keep it at 15-35%, with the equity component primarily invested in large-cap funds. The debt portion, too, is conservatively managed with allocation largely to AAA-rated paper or government securities with low duration.



## Invesco Mutual Fund

### An investor education and awareness initiative

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on [www.invescomutualfund.com](http://www.invescomutualfund.com). Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/Market Infrastructure Institutions" on <https://www.sebi.gov.in/index.html>. For any grievance / complaint, please call us on 1800-209-0007 or write to us at [mfservices@invesco.com](mailto:mfservices@invesco.com). Alternatively, complaints can be registered on the SEBI SCORES Portal at <https://scores.gov.in>

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

## HOW HAVE THESE FUNDS PERFORMED?

There are 22 schemes in the equity savings category that manage assets of ₹42,780 crore. As per data from Value Research, this category of funds has given a return of 11.85% over the last year, while over three years they

have returned 9.47%. Distributors feel they suit investors eyeing equity exposure but do not have a very long time horizon and want low volatility. Investors seeking tax efficiency are also attracted to this category over debt funds.

**PRASHANT MAHESH**