



# YOUR MONEY

## FLEXICAP FUNDS

# Look for consistency of return, resilience during downturn in fund

**SANJAY KUMAR SINGH & KARTHIK JEROME**

Flexicap funds attracted net inflows of ₹10,054.12 crore in March 2026, their highest tally in the past 12 months. But retail investors should resist chasing the category on momentum alone. The more important question is whether it suits their investment needs.

### Drivers of high inflows

Several factors contributed to the high inflows in March. “Its relatively stronger performance compared with some other categories supported flows,” says D P Singh, joint chief executive officer (CEO), SBI Mutual Fund. He adds that the category has the largest systematic investment plan (SIP) book.

“Many retail investors appear to have bought the dip to average out purchase costs,” says Raj Mehta, executive vice president and fund manager, PPFAS Mutual Fund.

### What makes them popular

The category’s appeal rests on the flexibility it gives fund managers

to invest across market caps. “This structure offers greater leeway to fund managers to shift from one market cap to another, making flexicap funds especially dynamic within the diversified fund universe,” says Singh.

Investors do not have to decide when to move into or out of various market-cap segments. “The fund manager decides on their behalf. Investors also get exposure across market caps through a single fund,” says Mehta.

### Who should invest in them?

Flexicap funds are suited to investors who do not want to take active

market-cap calls. Investors who cannot construct and rebalance a portfolio diversified across market caps may also use these funds.

Whether flexicap funds should serve as a core holding for first-time equity mutual fund investors depends on their profile. “Investors moving from fixed-coupon products such as fixed deposits or bonds into mutual funds may be better served initially by multi-asset allocation funds or balanced advantage funds. Those who have already been investing directly in equities may go for a flexicap, multicap or large and midcap fund,” says Singh.

### Over-dependence on fund manager

The category’s principal drawback is its dependence on the fund manager’s judgment. “Investors place substantial trust in the manager’s allocation decisions and timing. Poor decisions can lead to prolonged underperformance,” says Abhishek Kumar, Sebi-registered investment advisor and founder, SahajMoney.com. Investors who want a fixed allocation to different market caps may also find this category unsuitable.

### Key checks

Selecting a flexicap fund requires

investors to look beyond short-term returns. “They should give greater weight to the fund manager’s performance across market cycles. Consistency of returns, downside protection, and risk-adjusted performance matter more than absolute returns,” says Mohit Bagdi, head of investment research and founding member, MIRA Money.

Investors should understand how much risk the fund manager takes through mid and smallcap exposure in pursuit of growth.

“Investors should also review portfolio concentration and sector and stock exposure to ensure that flexibility is not used to take excessive risk,” says Bagdi.

The fund manager’s allocation decisions in various stages of the market cycle should be examined. “A steady and well-considered shift in allocations is a positive sign. But if allocations change too often and without a clear pattern, decisions may be driven by events rather than by a coherent investment framework,” says Bagdi.

Large fund size need not be an automatic deterrent. “The relevant question is whether the fund can continue to execute its strategy effectively despite its size,” says Bagdi.

### Mistakes to avoid

Many investors rely excessively on recent performance without asking whether those returns were driven by a temporary and risky smallcap bias. “Many also overlook portfolio overlap and end up duplicating exposure to stocks they already own through dedicated market-cap funds,” says Kumar.

## Sound performers over long term

Flexicap funds	AUM (₹ cr)	Returns (%)			
		1-year	3-year	5-year	10-year
Parag Parikh	1,28,966	8.2	18.6	16.7	18.3
HDFC	91,335	11.3	20.9	20.4	17.9
Kotak	50,146	14.5	17.0	13.8	15.5
ABSL	23,018	15.4	18.8	14.4	15.6
SBI	20,626	8.4	13.0	11.6	13.6

Returns as on April 10, 2026; AUM as on March 31, 2026; Above one-year returns are annualised. Data is of direct plans Source: Value Research