

# MF tracker: Should you chase this Multicap topper beating Nifty50 in 3 years?

By Surbhi Khanna, Published on: September 24, 2025.



With markets remaining volatile, experts are advising investors to look at diversified options such as multi-cap and flexi-cap funds. One notable performer in this category is Kotak Multicap Fund, which has delivered the highest CAGR of 22.96% among the 15 multi-cap funds that have completed three years in the market. The fund has also outperformed the benchmark index, the Nifty50, which returned 12.63% over the same period.

Launched on September 29, 2021 and about to complete four years of existence in the market, the fund is given four star rating by ValueResearch and Morningstar.

Based on the trailing returns, In the last three years, the has outperformed its benchmark and category average. The fund gave a CAGR of 22.96% in the last three years against 18.52% by the benchmark (Nifty500 Multicap 50:25:25 - TRI) and 18.64% as the category average. Since its inception in 2021, the fund has offered a CAGR of 18.28%.

On the basis of daily rolling returns, in the last three years the fund has delivered a CAGR of 24.04%, the third highest among all multi cap funds in the mentioned time period.

On the basis of yearly returns since 2021, the fund lost 2.95% in its inception year which is 2021 from September to December. In 2022, the fund gave 9.92% return, followed by 39.77% and 27.11% in 2023 and 2024 respectively. In 2025 so far, the fund has given a return of 2.20%.

## How fund manager analyses the performance

The fund manager of this multi cap fund, Devender Singhal describes the fund as a consistent performer who has managed to deliver alpha over a two year and three-year rolling basis. He further states that the last year return has been a bit subdued because of the market volatility against the ability to outperform.

“Kotak Multicap is almost completing four years of launch. This has been a volatile period for the market with higher volatility and sharp corrections in the market over the last four years. Kotak Multicap has been able to wither these conditions effectively and deliver a consistent alpha especially over a two year and three year rolling basis. The fund has not even beaten the benchmark NSE500 Multicap 50:25:25 index but also Nifty 50 index emphatically since inception” Devender Singhal, Fund Manager, Kotak Mutual Fund told ETMutualFunds.

“The fund has delivered alpha over the benchmark over a two year and three year period since launch of the fund in September 2021. The fund has delivered around 25pc CAGR over the last three years. The last year return has been a bit subdued and is more to do with the market’s volatility than with our ability to outperform as during this period also, the fund has been able to generate alpha,” Singhal added.

## How analyst analyse the performance

According to an analyst, the fund has outperformed its benchmark in the past three years and the allocation to healthcare and consumer discretionary helped it to do better than the benchmark in the past one year.

“The fund has outperformed its benchmark with returns of more than 20% pa, whilst its benchmark delivered around 14% pa, in the past 3 years. The Fund has also been among the top performers in this category, as far as its rolling returns are concerned. In the past 1 year, the funds allocation to healthcare and consumer discretionary helped it to do better than the benchmark,” Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai told ETMutualFunds.

The investment objective of the scheme is to generate long-term capital appreciation from a portfolio of equity and equity related securities across market capitalization.

The performance of the fund is benchmarked against Nifty 500 Multicap 50:25:25 TRI and is managed by Devender Singhal and Abhishek Bisen.

As on August 31, 2025 the fund had an AUM of Rs 19,227 crore with total folio count of 8,03,436. The minimum investment amount for lumpsum and SIP is Rs100 and any amount thereafter.

#### Portfolio allocation

Being a multi cap fund, the fund holds 38.3% in large caps, 29.83% in mid caps, 28.62% in small caps and 3.25% in others. In comparison to the multi cap category, the fund is overweight on mid caps and small caps.

#### Time to allocate to multi caps?

According to Dhawan, currently, the Indian market's valuation is a concern and in mid and small caps, this concern is even higher as they are trading at a premium of more than 50% to their historical long term averages.

“A moderate return expectation is key for fresh investments along with a longer investment time horizon as investors often build their return expectations based on past returns, this may not be an appropriate approach in the current investment environment. Fresh investment can be made with an investment horizon of 7-10 years,” he added.

The market experts have been recommending flexi cap funds as well along with multi cap funds for investments in the current market scenario.

According to the Sebi mandate, flexi cap funds should have a minimum investment in equity and equity related instruments of around 65% of total assets and these are open ended dynamic equity schemes investing across large cap, mid cap, small cap stocks without the rigid allocation rules of other categories.

Flexi cap mutual funds offer the fund managers the freedom to invest across market capitalisations and sectors/themes. It means the fund managers can invest anywhere based on his outlook on the market.

On the contrary, multi cap schemes invest 25% each in large cap, mid cap, and small cap stocks. These schemes are recommended to investors with a higher risk appetite and long investment horizon. Their exposure to mid and small cap stocks makes them extremely risky, but with the potential to offer higher returns.

So should an investor diversify between multi cap and flexi cap funds both or should focus only on one category? In response to this Dhawan explains that if an investor prefers simplicity, selecting a multicap fund would be preferable and for more conservative or moderate investors, a flexi-cap can be a good start, since it has a broader mandate and often more large cap exposure, which is less volatile than the other two categories of mid and small caps, make up at least 50% of a multicap fund portfolio.

“For aggressive investors with higher risk tolerance, combining the two can create a “forced small/mid-cap” allocation through multi-caps with “tactical flexibility” through flexi-caps,” he added.

This multi cap fund has the highest allocation in banks of around 14.32%, followed by 14.10% in automobile and ancillaries. The fund had 8.73% and 8.05% in IT and construction material.

## Risk ratio parameters of fund

The PE and PBV ratio of the multi cap fund were recorded at 31.55 times and 5.53 times respectively whereas the dividend yield ratio was recorded at 1.46 times as of August 2025.

ET MutualFunds analysed the other key ratios of the fund in a three-year period. Based on the last three years, the scheme has offered a Treynor ratio of 1.54 and an alpha of 0.32. The Sortino ratio of the scheme was recorded at 0.74.

The return due to net selectivity was recorded at 0.28 and return due to improper diversification was recorded at 0.04 in the last three years.

The investment style of the fund is to invest in growth oriented large cap, mid cap, and small cap stocks.

Apart from Kotak Multicap Fund, there are around 13 funds in the multi cap category who have completed three years of existence in the market. Out of these 14 funds, where Kotak Multicap Fund gave the highest return in the last three years, Quant Multi Cap Fund gave the lowest return of 11.79% in the same time period.

These 14 multi cap funds gave an average return of 18.80% in the last three-year horizon. In the last five years, these funds gave an average return of 24.68% with Nippon India Multi Cap Fund being the topper by offering 30.96% CAGR in the last five years.

Looking at the long-term return chart and current market scenario, Dhawan said that continuing SIPs is still advisable for long-term investors as market volatility can also provide an opportunity to purchase at low prices and SIPs also allow investors to continue disciplined investing for the long-term and enable overreacting to the noise in the macro environment.

“There is reasonable growth potential in Indian equities over the long term, but risks like valuations and global macroeconomic factors do exist. Thus, equities are still well-positioned for the long term, but an expectation of moderate returns would be more rational, rather than the very high returns of the post Covid period,” he added.

One should always consider risk appetite, investment horizon, and goals before making any investment decisions.