



YOUR MONEY

FLEXICAP FUNDS

Best suited for first-time equity investors seeking broad market exposure

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Flexicap funds saw the sharpest rise in assets under management (AUM) among equity-oriented schemes in 2025. Their AUM rose 26 per cent from ₹4.38 trillion as of December 31, 2024, to ₹5.52 trillion as of December 31, 2025, according to Association of Mutual Funds in India (Amfi) data.

Professional management sought

The year 2025 saw significant market volatility. While largecap funds gained and midcaps were stable, smallcap as well as sectoral and thematic funds saw sharp drawdowns. “Investors were drawn to flexicaps’ adaptability in a volatile, range-bound market,” says Jiral Mehta, senior manager – research, FundsIndia.

Nitin Agrawal, chief executive officer (CEO), mutual funds, InCred Money, echoes this view. “Flexicap funds became attractive as investors sought professional managers who could navigate changing market conditions effectively,” he says.

In 2025, largecap valuations were more attractive than those of mid and smallcap stocks. “Flexicap funds attracted strong inflows as they remained largely largecap oriented at a time when largecap valuations were reasonable versus long-term averages,” says Trideep Bhattacharya, president and chief investment officer – equities, Edelweiss Mutual Fund.

Adaptability is their forte

The category’s main strength is flexibility. “Flexicaps grant fund managers the freedom to dynamically allocate across market caps, capturing opportunities while spreading risk,” says Mehta.

Different market-cap segments perform differently across cycles. “Flexicap funds can navigate these cycles more effectively by adjusting allocations — something static allocation funds cannot do,” says Agrawal.

Bhattacharya adds that this adaptability generally places flexicap funds lower on the risk spectrum than pure mid or smallcap funds. Flexicap funds also simplify portfolio management. “A

well-managed flexicap fund can serve as a comprehensive equity solution, reducing the need for constant rebalancing between different market-cap categories,” says Agrawal.

Some flexicap funds’ mandate allows overseas investments. “Geographic diversification can shore up performance in years when Indian equities struggle,” says Vishal Dhawan, founder and chief executive officer, Plan Ahead Wealth Advisors.

They also offer tax efficiency. “Whenever money moves within the portfolio from one sub-asset class to another, there is no tax incidence for the investor,” says Dhawan.

Active management risk

Flexicap fund performance depends heavily on the fund manager’s decisions. Poor allocation calls can hurt returns. If one segment rallies sharply and the fund lacks exposure to it, underperformance follows. Many flexicap funds remain largecap oriented. During strong risk-on phases, they may underperform mid- and smallcap funds, which tend to benefit more from aggressive market rallies.

At the other extreme, aggres-

sive allocation enhances risk. “Heavy mid- or smallcap tilt heightens volatility and draw-down risks versus pure largecaps during corrections,” says Mehta.

These funds may also lag due to stock-selection errors or inappropriate weightings of stocks within the portfolio.

Who should invest, who should avoid

Flexicap funds suit first-time equity investors seeking broad market exposure through a single fund. They also work for investors with limited time or expertise to manage and rebalance multiple schemes. “Flexicap funds best fit investors with moderate to high risk appetite and a five-plus-year horizon seeking adaptive diversification,” says Mehta.

More experienced investors may prefer separate allocations. “Sophisticated investors with a clear view on asset allocation and risk appetite may prefer separate allocations to large-, mid, and smallcap funds,” says Bhattacharya.

Such investors often want control over market-cap weights. “There could be times when they want 50-70 per cent mid and smallcap exposure. That flexibility would not be available in flexicap funds,” says Dhawan.

Life stage also matters. “Conservative investors approaching retirement might prefer largecap stability, while young professionals might want to allocate more to mid and smallcaps for growth,” says Agrawal.

These funds often serve as the core of an equity portfolio. Depending on risk appetite, investors may allocate 30-40 per cent of their equity portfolio to them.

Short-term setback, long-term record intact

Period	Category average returns (%)
1-year	6.7
3-year	16.7
5-year	15.1
10-year	14.6

Returns are for direct plans. Above one-year returns are annualised.

Source: pbcis.in