

Investors pour record money worth over Rs 10,000 cr in flexicap MFs in December. Time to add or rebalance?

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Investors have poured record money in the flexi cap mutual funds in December to Rs 10,019 crore, as per data released by the Association of Mutual Funds in India (AMFI). This marked the highest inflow ever for the flexi cap category in a single month. Market experts say the surge in inflows into flexi-cap funds is likely driven by their inherent flexibility and a cautious investor approach, while advising investors to stick to their long-term asset allocation and avoid chasing recent trends.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors shared with ETMutualFunds that this category provided relatively better returns than many other categories and after a volatile 2025, with weak and uneven returns in mid- and small-cap segments, investors have gravitated toward funds that allow managers to shift across market caps based on valuations and earnings visibility, making flexi-cap funds a preferred diversified core option.

Dhawan also said that record inflows alone do not justify a meaningful increase in exposure; flexi-cap funds are suitable as core holdings, but investors should broadly maintain allocations in line with their long-term asset allocation and any increase should be gradual and need-based, and existing investors are generally better off staying invested and not making changes based on short-term fund inflows or market noise.

Another expert, Rajesh Minocha, a Certified Financial Planner (CFP), Founder of Financial Radiance had a similar opinion on the reason for this surge and the strategy investors should follow. He said that he has strongly advocated flexi cap funds and that has now been proven.

“Select good fund managers and let them decide which type of stock capitalisation to buy and sell. But I would say that this surge is driven by strong performance, flexibility, and investor caution. Flexi-cap funds have performed consistently well throughout market cycles, especially through strong, skilful shifting between large, mid, and small caps,” Minocha said.

Yet, despite these dynamics, record inflows do not guarantee increased allocations; flexi-cap funds should serve as core holdings, not tactical bets and investors should maintain strategic allocations, rebalance as needed, and avoid chasing recent trends, he further said.

In December, flexi cap funds received a total inflow of Rs 10,019 crore witnessing a jump of 23% on monthly basis from an inflow of Rs 8,135 crore in November. On a yearly basis, the jump in the inflows was 112% from Rs 4,730 crore in December 2024.

Vaiibhav Chugh, CEO, Abakkus Mutual Fund said Flexi cap funds continue to be the preferred category as they have inbuilt flexibility to manoeuvre across market caps and the valuation in large caps is reaching comfortable levels thus making large & midcap funds a relevant choice along with flexicap funds.

The other equity mutual fund categories such as - large cap, mid cap, small cap, multi cap, focused fund, and large & mid cap funds saw a decline on monthly basis by upto 48% in December.

So how do flexi-cap funds fit into a long-term equity allocation compared with large- or multi-cap funds or other funds and how should first-time equity investors approach flexi-cap funds given the surge in inflows?

Minocha said that flexi-cap funds are well-suited for core long-term equity allocations, particularly for investors who prefer not to actively manage market-cap exposure and for first-time equity investors, flexi-cap funds are a prudent starting point so these are best accessed through SIPs, rather than lump-sum investments, especially following record inflows.

Having a similar opinion, Dhawan said that flexi-cap funds fit well into long-term equity allocation by offering dynamic exposure across market caps within a single portfolio; for first-time equity investors, the recent surge in inflows should not drive decisions and flexi-cap funds can serve as a good starting point due to their diversification, but allocations should be measured and built gradually, preferably through SIPs.

Flexicap funds recorded the highest inflows at Rs 80,978 crore, with December alone contributing about Rs 10,019 crore. Over the 12 months of calendar year 2025, flexicap funds topped inflow charts in nearly nine months.

So are there any factors that investors should look at while selecting a flexi-cap fund amid a crowded category? While responding to this, Dhawan said that investors should focus on the fund manager's investment framework and track record across market cycles, rather than recent performance alone and consistency of returns, risk management during market corrections, and clarity on how market-cap allocations are decided are critical, as flexibility is only effective when backed by a disciplined process

He further said that equally important are portfolio quality and costs so investors should assess diversification vis a vis concentration levels, along with expense ratios that do not erode long-term returns. "Overall, preference should be given to funds that demonstrate a balanced approach between growth and stability, aligned with long-term investment objectives."

In addition to this, Minocha said that when making choices among categories, it is important to remember that the quality of selection is more important than the category itself and investors should base their fund selection on consistency of performance across market cycles and a clearly defined investment policy that outlines a committed, disciplined approach to asset allocation. It is critical to check the risk-adjusted returns, with particular attention to downside protection.

In December 2025, flexi cap funds gave a negative average return of 0.67% with the maximum gain of around 0.56% and maximum loss of around 3.17%. In the calendar year 2025, these funds gave an average return of 3.69% with maximum gain of around 11.78% and maximum loss of 18.02%.

During the calendar year 2025, five flexi cap funds launched in the category were - Unifi Flexi Cap Fund, Capitalmind Flexi Cap Fund, JioBlackRock Flexi Cap Fund, The Wealth Company Flexi Cap Fund and Abakkus Flexi Cap Fund. These five funds together have collected Rs 4,305 crore in 2025.

Way ahead for flexi cap funds

Commenting on the outlook of flexi cap funds, Minocha said flexi-cap funds are likely to continue attracting investments, as they align well with current market uncertainty and valuation differences. However, investors should temper expectations as future returns will depend on earnings growth and effective asset allocation, rather than liquidity-driven rallies.

Whereas Dhawan is also of the same opinion. He said that the outlook for flexi-cap funds remains positive in the current market environment, primarily due to their ability to adapt across market cycles and with valuations and earnings visibility differing across large, mid, and small caps, flexi-cap funds are well positioned to benefit from selective opportunities while managing downside risk through dynamic allocation.

"Over the long term, their relevance as core equity holdings is expected to remain intact, especially as investors move towards diversified strategies over narrow or theme-driven exposures. However, outcomes will continue to depend on the fund manager's discipline and stock selection rather than the category-level trend alone," he added.

One should always invest based on their risk appetite, investment horizon, and goals.