

Why Multi-Asset Funds Beat Thematic Bets in NFO Scorecard Over 1 Year?

By Riddhima Bhatnagar, Published on: December 22, 2025.



An analysis of one-year performance of active funds launched in 2024 revealed that the top performing funds came from multi-asset allocation, as per Value Research data.

The top three performing funds were the Mahindra Manulife Multi Asset Allocation Fund-Regular Plan, Sundaram Multi Asset Allocation Fund-Regular Plan and Union Multi Asset Allocation Fund-Regular Plan.

In the low performing funds, Samco Special Opportunities Fund-Regular Plan, followed by Bank of India Business Cycle Fund-Regular Plan and Quant Consumption Fund-Regular Plan.

As per experts, multi-asset funds have emerged as clear outperformers over the past year, benefiting from strong gains in commodities such as gold, silver and industrial metals, even as equity-heavy strategies, including thematic and small-cap funds struggled amid market volatility. Market experts say the divergence underscores the importance of asset allocation, disciplined investing and caution while chasing new fund launches.

Explaining the underperformance in thematic and small-cap strategies, Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, said the sharp correction in mid- and small-cap stocks played a decisive role.

"Anything which had mid- and small-cap exposure largely tended to underperform. A lot of thematic funds had exposure to these segments, and that underperformance passed through to thematic and small-cap funds," Dhawan noted. He added that the surge in thematic fund inflows last year was driven more by narratives than by a full understanding of risks.

Echoing this view, Sanjeev Govila, CEO of Hum Fauji Initiatives, pointed out that the strong performance of multi-asset funds was largely led by commodities.

"Gold, silver, copper, aluminium and even platinum have delivered exceptional returns. That's why multi-assets have done well. Otherwise, equity and debt have been fairly ordinary," Govila said. He stressed that thematic and sectoral funds are inherently cyclical and unpredictable.

"Every year there are predictions on which themes will win, but when you look back, it's always a mixed bag. These cycles are never smooth," he said, adding that small-cap investing requires patience. "Small caps need a seven- to 10-year view. Looking at them over one or two years is not the right approach."

On new fund offerings, Govila remained blunt. "We almost never recommend NFOs unless there is something absolutely different. There are so many mature funds with long track records, why invest in a fund that is just being born?" he asked, adding that NFOs are often launched to "create a buzz" rather than fill genuine portfolio gaps.

Offering a broader perspective, Joydeep Sen, independent financial adviser and author, said the NFO performance is ultimately dictated by asset-class cycles rather than the novelty of the product.

"This can be seen over the last year, where gold has done well, equity has gone through a time correction and debt has delivered base returns. Naturally, multi-asset funds have performed better," Sen explained.

He added that asset allocation tends to look irrelevant during bull markets but proves its value during periods of correction. "In markets like this year, where there was a lot of volatility, the age-old principle of allocation comes true," he said.

On the NFOs, Sen struck a balanced note, arguing that fund houses are businesses and will continue launching products where they see opportunity.

"The provider can only offer an NFO; nobody is forcing investors to buy it. If the idea is compelling, consider it. Otherwise, there are plenty of proven funds available," he said, urging investors to rely on professional advice rather than chasing trends.

Dhawan added that established funds offer greater clarity on portfolio structure, fund management, past performance, risk ratios and expense levels, allowing investors to make more informed decisions compared with investing in a new fund with limited data, says Dhawan.

Looking ahead, experts expressed optimism on India's long-term growth story, they advised investors to stay disciplined, increase SIPs selectively, and prioritise diversified strategies over thematic bets especially in uncertain market conditions.