Affluent investors warm up to passives

By Kushan Shah, Published on: 31st August 2026

Passive investing is no longer just a low-cost alternative for investors but is fast becoming a favourite of high net worth individuals (HNIs) seeking more predictable portfolio returns for wealth creation.

The shift is showing up sharply in the numbers. The share of high net-worth individuals (HNIs), or those investing more than Rs 2 lakh, in passive fund assets has nearly tripled in five years — from 6.6% in March 2021 to 19.9% in March 2026, according to data from the Association of Mutual Funds in India (Amfi) and CRISIL Intelligence.

The growing preference for passives comes as wealthy investors become more familiar with such products and a larger number of actively managed equity schemes struggle to consistently beat their benchmarks.

Shobhit Mathur, co-founder of Ionic Wealth, said the rise in HNI participation is largely a function of discovery, with affluent investors increasingly looking beyond conventional investment options for strategies that complement their existing portfolios.

Wealth managers, too, have played a key role in the shift, recommending more nuanced passive strategies such as smart-beta products, with greater focus on efficient alpha generation, costs, taxation and portfolio construction, Mathur said.

For investors with a large investable surplus, predictability is another attraction.

Suresh Sadagopan, a Mumbai-based registered investment adviser and founder of Ladder7 Financial Advisories, said wealthy investors tend to prioritise capital preservation and may prefer passive schemes because they eliminate the additional risk associated with the performance and proficiency of an individual fund manager.

There is also growing recognition that active management does not necessarily guarantee alpha.

Vishal Dhawan, founder of Plan Ahead Wealth Advisors, said affluent investors have increasingly accepted that a large number of equity schemes across categories have been unable to outperform their benchmarks. The strong performance of international schemes — many of which are available through passive products — has also helped increase their appeal among wealthy investors, he said.

Retail vs HNI Divergence

Interestingly, the growing HNI presence in passive funds has coincided with a decline in the share of retail investors. Their share of passive assets fell to 9.1% in March 2026 from 13.4% in March 2021.

Dhawan attributed the divergence partly to the strong rally in mid- and small-cap funds until the second half of 2024. The rally drew retail investors towards actively managed schemes in the hope of generating higher alpha, resulting in relatively lower allocations to passive products.

Sadagopan, too, said retail investors' preference for chasing alpha through actively managed schemes has contributed to their lower share in passive assets.

The gap, however, may not persist though.

Mathur expects HNI participation to broaden further as passive strategies expand beyond traditional large-cap indices into other segments of the market. “As these strategies become better understood, adoption should eventually filter down to retail investors as well,” he said.

Dhawan said affluent investors have been quicker to embrace passives because of greater access to data and professional advice. As awareness improves, retail investors are also likely to gradually increase their allocation to passive schemes.

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