

Largecaps or broader market: Flexicaps split over allocation

Portfolio mix reflects stock-level opportunities, not allocation views

ABHISHEK KUMAR

Mumbai, 22 April

Flexicap funds, which allow managers the flexibility to allocate across market capitalisation (mcap) segments, appear divided on the relative appeal of large, mid, and smallcap stocks. Over the past year, while a majority of schemes have increased their largecap exposure, a sizeable cohort has raised allocations to mid and smallcaps.

As of March-end, 22 of 39 flexicap funds had higher largecap exposure compared to March 2025, while the remaining 17 increased their mid and smallcap allocation, according to data from Prime Database. Schemes from Samco, 360 One, and Motilal Oswal led the increase in largecap exposure, while those from Aditya Birla Sun Life, Axis, and Quant saw the sharpest reductions.

Fund managers say these allocation shifts are less about top-down calls on market segments and more a reflection of bottom-up stock selection and evolving opportunity sets. "The shift has been a function of where we are finding oppor-

ILLUSTRATION: BINAY SINHA



tunities. Across sectors where we want to increase exposure — such as information technology services, insurance, banking, chemicals, building materials, retail, and consumer distribution — we are finding a number of mid and smallcap companies that are sector leaders. As some of the earlier froth in the broader market has come off, these opportunities have become more attractive," said Harish Krishnan, chief investment officer — equity, Aditya Birla

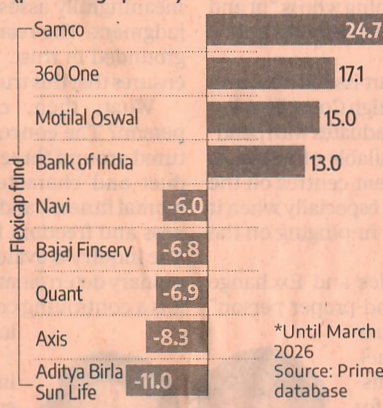
Sun Life Asset Management Company.

Sachin Relekar, senior fund manager and head of research — equity at Axis Mutual Fund (MF), said the current mcap mix of Axis Flexi Cap Fund is largely a byproduct of bottom-up stock selection.

"The change in mcap exposure in the fund is not a top-down mcap call. It is primarily the outcome of a change in our fundamental view — where we have reduced exposure to certain companies which, in our

Not on the same page

Y-o-Y change* in largecap allocation (percentage points)



view, are high risk, and increased allocation to select themes and valuation-attractive segments. The resulting mcap mix is therefore a byproduct of bottom-up stock selection rather than a conscious shift in mcap strategy," he said.

Samco MF, which raised its largecap exposure by nearly 25 percentage points over the past year, credited the increase to stronger momentum in largecap stocks. "As a fund house, our investment strat-

egy is based on the momentum factor. Between March 2025 and March 2026, the largecap exposure of our flexicap fund went up due to better momentum compared to mid and smallcap stocks," said Samco MF Chief Executive Officer Viraj Gandhi.

Experts said the shifts also reflect prior positioning, benchmark dynamics, the inherent flexibility of the flexicap mandate, and scheme size.

The three schemes that saw the sharpest increase in largecap exposure started from a lower base. Even after the increase, the flexicap funds of Samco, 360 One, and Motilal Oswal had 60 per cent or less allocated to large caps as of March 2026.

In contrast, most large flexicap funds — as well as the benchmark Nifty 500 — have over 60 per cent exposure to largecaps. HDFC Flexi Cap Fund, the second-largest in the category, had the highest largecap exposure at 78 per cent in March 2026. The largest scheme, Parag Parikh Flexi Cap Fund, also maintained a pronounced largecap tilt, with 62.5 per cent of its 67.2 per cent equity exposure in largecaps.