

MULTI CAP FUNDS



INTRODUCTION

- These are diversified mutual funds which can invest in stocks across market capitalization.
- These funds invest in stocks across market capitalization. That is, their portfolio comprises of large cap, midcap and small cap stocks. They are relatively less risky compared to a pure mid cap or a small cap fund and are suitable for not-so-aggressive investors.

CURRENT RULES

- Currently, in a Multi-Cap Fund, the Minimum investment in equity & equity related instruments is to be 65% of total assets investing across large cap, mid-cap, small-cap stocks.
- SEBI rules do not prescribe percentage allocations for large, mid and small cap stocks.
- Such funds are given a high level of flexibility to move between these market caps.

UPDATED RULE

- Today SEBI has introduced a detailed portfolio structure for multi-cap funds.
- Such schemes **must invest at least 25% of their portfolios in large, mid and small caps each.**
- Existing schemes will have to comply with the circular by January 2021, within 1 month of the Association of Mutual Funds in India (AMFI) publishing the new list of large, mid and small-cap stocks in December 2020

Definition to ensure uniformity:

LARGE CAP

The largest 100 stocks by market capitalization

MID CAP

Next 150 largest stocks by market capitalization

SMALL CAP

251st stock by market capitalization