

## SEBI gives nod for MFs to launch flexi cap fund

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Fund managers get free hand invest to across m-caps, bringing an end to the distress due to recent change in multi-cap fund, SEBI has introduced a new flexi-cap fund under equity schemes. Of the total asset, the flexi-cap fund should have minimum investment of 65 per cent in equity and equity-related instruments across large, medium and small cap stocks.

Unlike the multi-cap fund, the new category will have the flexibility to invest as much as it wants across market cap stocks, said SEBI in a circular on Friday. Scheme under the new flexi cap category can be launched from Friday, it added. MFs have the option to convert an existing scheme into a flexi cap fund subject to compliance with the change in fundamental attributes of the scheme, said SEBI.

For easy identification by investors and to bring uniformity in names of schemes for a particular category across MFs, the scheme name should be the same as the category, it said.

Akhil Chaturvedi - Associate Director, Motilal Oswal Asset Management, said the move is in the interest of investors who want complete flexibility in ownership of companies across market-cap buckets. Investors would rely more on the fund managers capabilities and decisions to decide market cap bias. This also would give flexibility to managers to make investment decisions based on their conviction on the companies irrespective of their market caps, he said.

Since this a new category which is getting created, most multicap funds may get their schemes reclassified in to flexi cap category.

The multi-cap fund had gained investors interest till SEBI came out with a circular recently to increase the minimum investment in equity and equity related instrument to 75 per cent from 65 per cent with compulsorily exposure of 25 per cent each of large, medium and small cap stocks. This had forced many multi-cap funds, which were heavy on large-cap stocks, to look for investment opportunity in mid and small cap stocks, unsettling investors confidence.

With the change in multi-cap funds, investors had blamed SEBI for forcing mutual funds to put investors money in risky small-cap stocks.

Of the equity-oriented asset under management of ₹7.64 lakh crore, the multi-cap fund has an AUM of ₹1.43 lakh crore as of September end while large-cap funds have an AUM at ₹1.47 lakh crore.