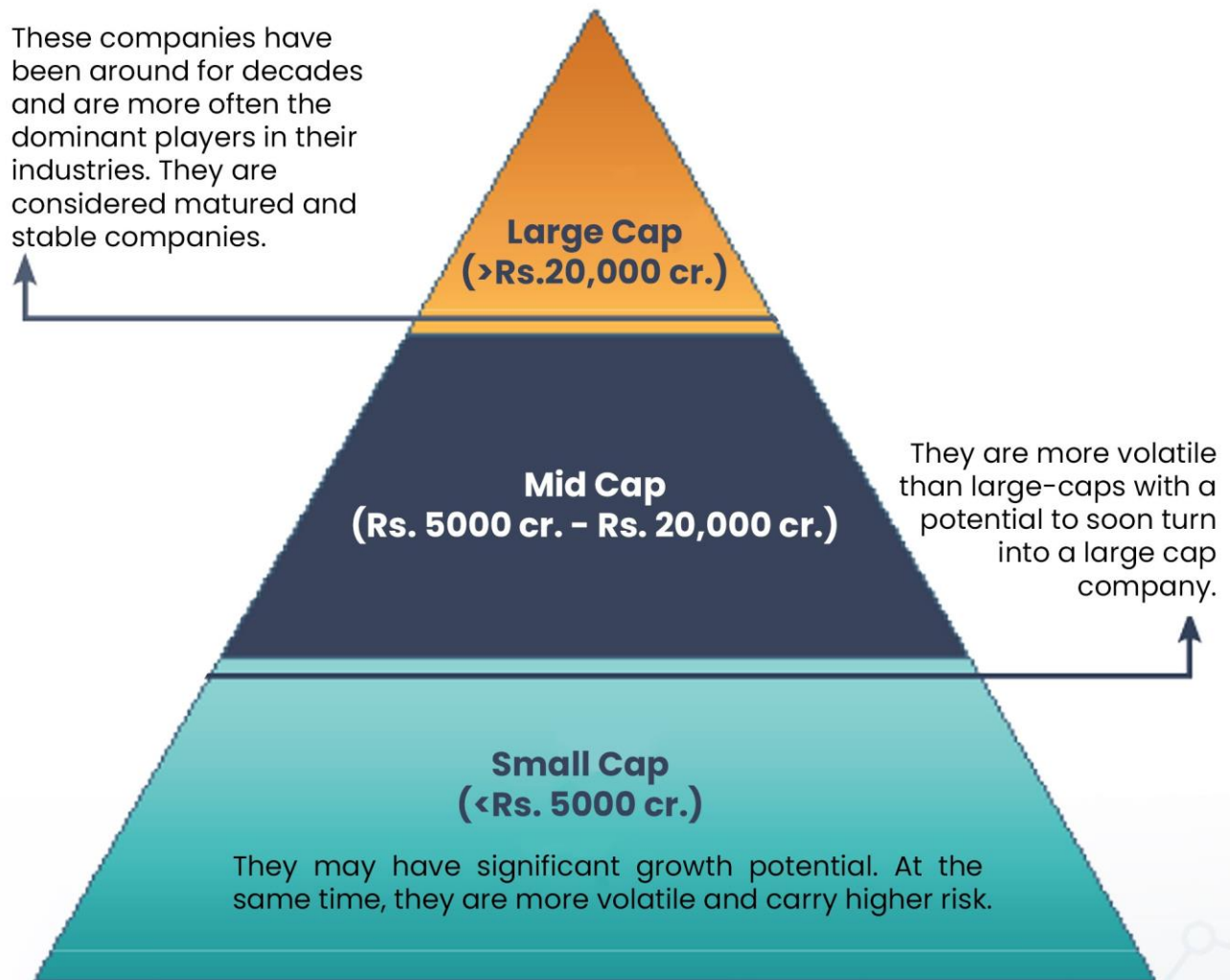


Large Cap vs Mid Cap vs Small Cap

There has always been a talk regarding the need to select the right kind of scheme. One of the debates that often comes up is whether to invest in a large/mid/small cap fund. In other words, in what size companies should I

What is Large Cap, Mid Cap and Small Cap?



Common knowledge believes that large cap funds are for conservative investors (reasonable returns with lower volatility within the equity space) while small caps are the bet for investors looking for potentially higher returns albeit with higher volatility. Many investors, particularly the new breed of investors, don't seem to fancy the large caps as they are not as exciting as midcaps and small caps from the potential return perspective.

The question which arises is: Is it true? Do small caps always beat the large caps? Should an investor looking for high returns avoid the large caps?

Let us look at some data points:

Performance of Equity Small Cap Schemes

Funds	AUM (Rs. Cr.)	1 Year	3 Years	5 Years
Aditya Birla SL Small Cap Fund	3,004	82.8	18.08	12.23
Axis Small Cap Fund	7,302	77.52	32.49	21.39
BOI AXA Small Cap Fund	192	88.38	-	-
Canara Rob Small Cap Fund	1,621	99.74	-	-
DSP Small Cap Fund	8,305	79.43	27.13	15.34
Edelweiss Small Cap Fund	1,055	91.45	-	-
Franklin India Smaller Cos Fund	7,291	92.21	21.28	14.04
HDFC Small Cap Fund	13,411	98.62	21.11	19.59
HSBC Small Cap Equity Fund	337	88.12	23.15	14.41
ICICI Pru Small Cap Fund	3,187	100.15	31.35	18.52
IDBI Small Cap Fund	130	89.89	22.4	-
IDFC Emerging Business Fund	1,421	81.87	-	-
Invesco India Smallcap Fund	1,205	95.44	28.46	-
ITI Small Cap Fund	424	73.08	-	-
Kotak Small Cap Fund	5,969	102.43	34.87	21
L&T Emerging Business Fund	7,593	101.92	22.05	18.93
Nippon India Small Cap Fund	17,197	99.92	27.66	21.41
PGIM India Small Cap Fund	954	-	-	-
Principal Small Cap Fund	473	102.71	-	-
Quant Small Cap Fund	1,158	119.57	37.45	22.84
SBI Small Cap Fund	10,191	77.85	28.47	21.87
Sundaram Small Cap Fund	1,555	90.52	24.49	13.01
Tata Small Cap Fund	1,637	100.69	-	-
Union Small Cap Fund	563	82.08	28.46	16.89
UTI Small Cap Fund	1,738	-	-	-

As on 08/11/2021. Data is of regular plan

Performance of Equity Mid Cap Schemes

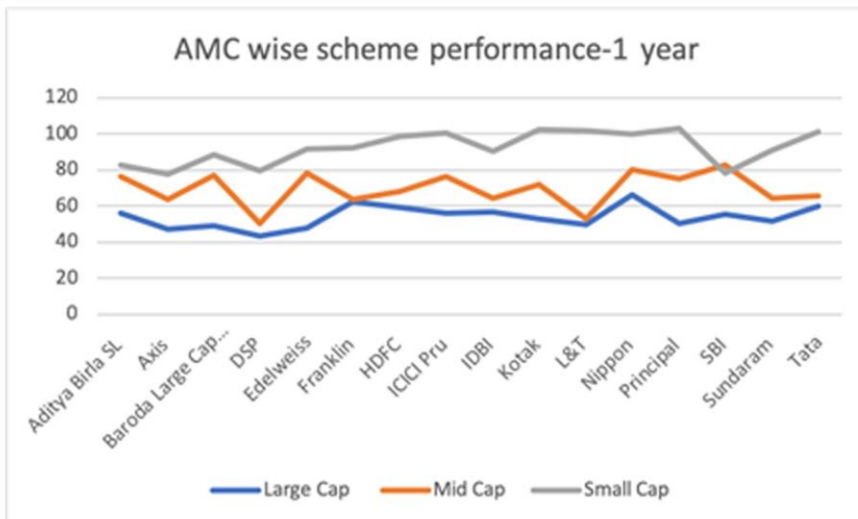
Funds	AUM (Rs. Cr.)	1 Year	3 Years	5 Years
Aditya Birla Midcap Fund	3,336	76.46	19.56	13.2
Axis Midcap Fund	15,394	63.6	27.48	21.46
Baroda Mid-cap Fund	76	76.77	26.96	17.35
BNP Paribas Mid Cap Fund	1,077	75.01	25.82	16.37
DSP Midcap Fund	14,160	50.5	22.78	15.85
Edelweiss Mid Cap Fund	1,706	78.43	27.08	18.6
Franklin India Prima Fund	8,156	63.79	20.63	14.84
HDFC Mid-cap Opportunities Fund	31,751	68.11	21.3	15.37
ICICI Pru Midcap Fund	3,135	76.32	21.8	16.27
IDBI Midcap Fund	214	63.97	19.35	-
Invesco India Midcap Fund	1,994	66.32	23.87	18.37
ITI Mid Cap Fund	363	-	-	-
Kotak Emerging Equity Fund	16,318	71.83	26.54	17.65
L&T Midcap Fund	7,081	52.97	17.93	14.99
Mahindra Manulife Mid Cap Unnati Yojana	821	77.46	25.45	-
Mirae Asset Midcap Fund	6,484	80.69	-	-
Motilal Oswal Midcap 30 Fund	2,366	76.39	23.77	13.86
Nippon India Growth Fund	11,919	79.75	27.05	18.5
PGIM India Midcap Opp Fund	3,060	93.05	35.79	21.18
Principal Midcap Fund	445	74.76	-	-
Quant Mid Cap Fund	189	83.01	28.07	20.57
SBI Magnum Midcap Fund	6,251	82.36	26.54	14.36
Sundaram Mid Cap Fund	7,007	64.47	17.5	11.48
Tata Mid Cap Growth Fund	1,428	65.52	25.81	17.37
Taurus Discovery (Midcap) Fund	77	59.89	22.25	17.32
Union Midcap Fund	325	76.27	-	-
UTI Mid Cap Fund	6,651	71.63	25.05	15.84

As on 08/11/2021. Data is of regular plan

Performance of Equity Large Cap Schemes

Funds	AUM (Rs. Cr.)	1 Year	3 Years	5 Years
Aditya Birla SL Frontline Equity Fund	22,550	55.96	18.61	14.36
Axis Bluechip Fund	33,153	47.14	22.95	19.04
Baroda Large Cap Fund	50	49.17	19.26	13.23
BNP Paribas Large Cap Fund	1,236	47.1	21.5	15.66
BOI AXA Bluechip Fund	108	-	-	-
Canara Rob Bluechip Equity Fund	4,701	49.56	23.24	17.93
DSP Top 100 Equity Fund	2,951	43.29	16.56	11.67
Edelweiss Large Cap Fund	296	47.42	19.39	15.76
Franklin India Bluechip Fund	6,771	62.11	18.96	14.17
HDFC Top 100 Fund	21,520	58.83	15.65	14.26
HSBC Large Cap Equity Fund	780	46.65	19.05	14.91
ICICI Pru Bluechip Fund	30,724	56.23	18.69	16.07
IDBI India Top 100 Equity Fund	547	56.47	22.54	14.74
IDFC Large Cap Fund	938	47.71	19.57	15.64
Indiabulls Blue Chip Fund	107	43.16	15.59	12.85
Invesco India Largecap Fund	408	55.59	20.7	15.57
ITI Large Cap Fund	201	-	-	-
JM Large Cap Fund	51	40.86	16.36	13.01
Kotak Bluechip Fund	3,346	52.98	21.35	15.6
L&T India Large Cap Fund	740	49.44	18.84	14.15
LIC MF Large Cap Fund	684	50.83	20.62	14.67
Mahindra Manulife Large Cap Pragati Yojana	132	58.03	-	-
Mirae Asset Large Cap Fund	30,456	51.39	19.71	17.12
Navi Large Cap Equity Fund	106	51.83	18.18	13.85
Nippon India Large Cap Fund	11,279	66.31	16.31	15.47
PGIM India Large Cap Fund	361	45.54	17.89	13.69
Principal Large Cap Fund	532	50.35	-	-
SBI Bluechip Fund	31,816	55.33	19.85	14.51
Sundaram Bluechip Fund	1,284	51.49	-	-
Tata Large Cap Fund	1,080	59.87	19.73	14.46
Taurus Largecap Equity Fund	33	41.12	14.51	10.47
Union Largecap Fund	213	55.94	20.58	-
UTI Mastershare	9,536	55.24	20.27	15.85

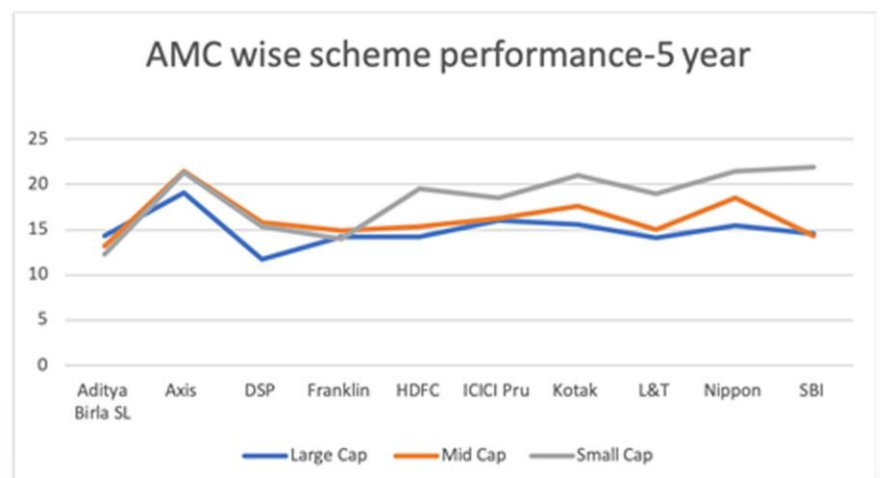
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(Fig A)

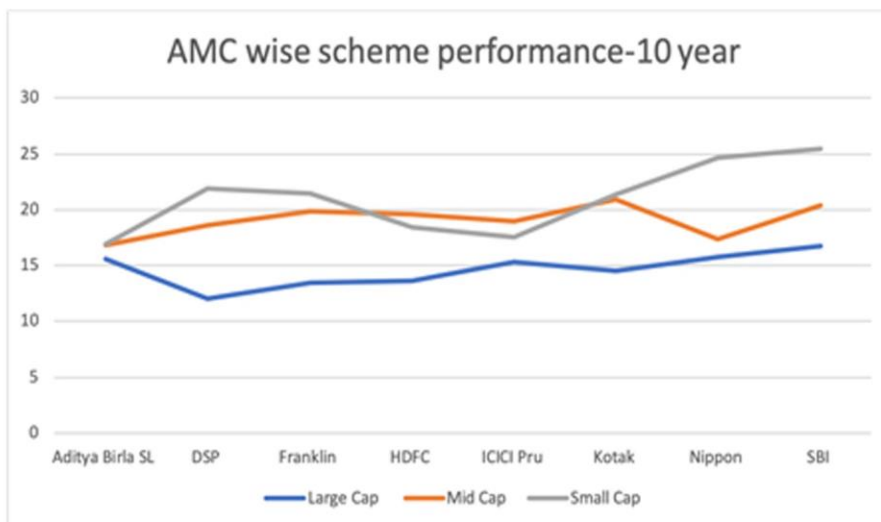
In figure (A) we have the 1 year returns for all the funds for the 3 categories (Large/mid/small cap) for which the data is available. We notice that there is hardly any overlapping of returns and that small cap funds are the clear winners. Should we conclude that small caps are always the best? Probably not.

In figure (B), we see a different picture. The returns smoothen out when we see performance over 5 years. The gap between the returns of the Large, Mid and Small cap funds of even the same AMCs is narrow. The returns provided by the mid cap and small cap funds run along a



(Fig B)

similar trajectory. In fact, if we look closely at the fund houses of Aditya Birla Sun Life, Axis and Franklin Templeton, returns of all the categories are quite similar. A point here to consider is that large caps and mid-caps have historically shown lower volatility over small caps and yet returns are quite close which means on a risk adjusted basis, large caps did better over 5-year period. Does it mean that once can conclude large caps dare better for long term? Probably not.



(Fig C)

Finally, let's look at 10-year performance of large, mid and small caps (Fig C). The data suggests that the mid and small caps have again outperformed the large cap funds over 10-year period. Another point to notice is, as against 1 year performance, the divergence between small caps and mid-caps has reduced. Note that all the funds of the same fund house have been taken for comparison.

Limitations of the report

Risk measures have not been taken into consideration. Inherently, mid and small caps have higher risk ratios. Last one year has been exceptional for mid and small caps which also have resulted in enhancing the 5 year and 10 year returns of these categories significantly.

Conclusion

It is difficult to have one single conclusion which category is superior in short/mid/long term. Different time periods throw different results. The recent performance also distorts the real picture of medium term and long-term returns, either positively or negatively. It seems to completely an individual's view and liking of a particular category.

What we as distributors and investors have to look at while choosing a scheme and a category are the risk and returns correlation together. Different investors have different risk appetite and different levels of the willingness to take risk. Simply investing in a small cap or a mid-cap fund because it 'will' provide better returns is not the correct way to think about it.

Disclaimer : For private circulation only. All precautions have been taken to ensure correctness of the data.

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