

# Comparative Analysis of Mid & Small-cap Funds Vs Large Cap Funds – A study of top rated fund of India

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## ABSTRACT

There has been an emerging trend of increased investment in Mid & small cap in the recent days. The reason is outstanding returns provided by the mid & small cap funds, many funds have in fact outperformed large cap in the recent years, few of the funds claimed to have provided return of 30-40% in last 5-year tenure. The researcher is interested to check the validity of the claims and also interest to know whether the investments in the mid and small cap safer or large cap shall be continued to be believed as a safe haven for investment.

Through this paper an attempt is made to evaluate the performance of top rated Mid and small cap mutual funds Vs Large cap funds, on the basis of risk and returns, measured and analysed both absolutely and relatively. For this purpose, risk adjusted performance measures are employed namely Treynor ratio, Sharpe ratio, and Jensen's alpha. Data is taken for last ten-year duration, to cover the impact of change in business cycle, both at domestic and international level, on the fund performance.

## 1. Introduction

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). UTI enjoyed a monopoly in the Indian mutual fund market until 1987, when a host of other government-controlled Indian financial companies established their own funds, including State Bank of India, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG).

Even though the market for mutual fund is underperforming, there has been a significant growth in the magnitude of investment in the recent decade. Due to increasing awareness and jest for higher growth in the returns, there has been a tremendous trend of increased flow of investment in mutual funds. On 6th January, 2017 mutual funds record highest growth in 7 years, Rs3.71 trillion added to their kitty. Mutual fund assets have reached a total corpus of around Rs17 trillion, despite lacklustre equity markets, demonetisation woes and a surge in global oil prices. During the year ended December 2016, asset management companies, or AMCs, grew their average assets by around 30% by adding investments worth at least Rs3.71 trillion to their MF portfolios—the highest ever in absolute terms and the highest since December 2009 in percentage terms.

## 2. Large, Mid & Small capitalisation Definition

Companies are categorized into large cap, mid cap and small cap, based on their relative market capitalizations. Market capitalization is basically the market value of the company, calculated by multiplying the current share price of a company with the company's total number of outstanding shares. Bombay Stock Exchange (BSE) categorizes companies into market cap

segments based on the 80 – 15 – 5 rule. In the 80 – 15 – 5 rule, companies listed on BSE are arranged in an descending order of market cap and starting from the large capitalised companies, the largest market companies which cover 80% of the total market cap of all the companies listed on the BSE are categorized as large cap companies. The next set of companies will cover 80 to 95% of the total market cap of all BSE listed companies, categorized as mid cap companies. The last set of companies, covering 95 to 100% of total market cap of all BSE listed companies, are small cap companies. You can understand that, if we go by the BSE market cap definitions, since share prices and market caps are dynamic, there are no fixed market cap segment limits.

US defined the companies in terms of amount of dollar value. If we translate US market cap definitions to Indian Rupees, companies with more than Rs 10,000 crores of market cap are large cap companies. Companies with market caps between Rs 500 to 10,000 crores are mid cap companies. Companies with market cap of less than Rs 500 crores are small cap companies.

## 3. Literature review

(Burugula , 2017), The blue-chip companies that form the Nifty index account for 52.2 per cent of the total m-cap, down from a peak of 61 per cent in 2013. Currently, Nifty firms' m-cap is Rs 70.3 lakh crore against Rs 132.3 lakh crore, the m-cap of all listed companies. The Nifty's share has come down in the past four years as the broader markets have consistently beaten the benchmarks. So far in 2017, the Nifty has gone up by 22.4 per cent. In comparison, the NSE Mid-cap and NSE Small-cap indices have gone up 30.3 per cent and 34.2 per cent, respectively. The board-based mid- and small-cap indices have consistently outperformed the benchmark Nifty in the past three years. Strong mutual fund (MF) buying has spurred the rally in mid- and small-cap stocks in recent years. This shows

an increasing trend of investors acute interest in Mid – and small-cap funds. In fact, the figures of returns are also lucrative enough, to tempt for investment. But still, experts are of the opinion that the fundamentals are not that supportive to investment for mid and small cap. In coming future, analysts predict the large-cap stocks to do better than the broader markets as the earnings recovery in the Nifty universe is anticipated to be better than the mid- and small-cap indices. So a mix opinion will be formed regarding the avenue for investment, the dilemma prevails.

(Money control, 2017), Trend slowly moving towards small & mid-caps. FPIs were more comfortable investing in large-cap names and they have mostly shied away from small and mid-cap names in the past. But, it looks like the trend is fast changing. The recent data suggests that FPIs have mostly raised their stake in companies from the small and mid-cap space. The slowdown in growth prospects of large-cap names amid GST and demonetisation woes might have pulled FPIs towards companies with good growth prospects.

Sluggish growth in large-cap space in recent time has urged many FPI investor to hunt for value stock in mid and small cap space to offset against subdued growth reported by large cap stocks.

(Anwar, 2016), This paper had attempted to measure and evaluate the performance of mutual funds in Bangladesh, which is at developing stage. Sharpe, Jensen and Treynor ratio are used to measure the performance of the funds. Result shows that on overall basis, funds industry underperform than the market. Fund managers are investing in the market very defensively as evident from their beta. Mutual Fund industry's Sharpe ratio is -4.87% as compared to market that is -0.09 risk premium per one percent of standard deviation. Results of Jensen differential measure also show negative after cost alpha. Hence overall results suggest that mutual funds in Bangladesh are going on a trouble system.

(Md.Qamruzzaman, 2014), The author of the paper had evaluated the performance of 32 growth oriented mutual fund with the help of risk adjusted performance measures suggested by Jensen, Treynor and Sharpe are employed widely known as Treynor ratio, Sharpe ratio, and Jensen's alpha. The study reveals that some of the mutual funds outperformed market return. Alternative measures used showed almost similar results, with exception to few. It was concluded that, the growth oriented mutual funds have not performed better than their respect to volatility most of the funds have not performed better. It was suggested to broaden the mutual fund market and float more number of funds, mobilisation of more savings would be possible with this implementation.

(Lina Zalgirytė, 2012), The authors had used four different methods to evaluate the performance of mutual funds named, Modigliani & Modigliani RAP, Graham – Harvey 1, Treynor ratio and Jensen alpha, it also included correlation and comparative analysis. They tested the correlation and its significance among these measures. We also compare the performance of chosen mutual funds with results of T-Bills and S&P500 index to see the differences in evaluation. Results show that there is a

dependence on year of analysis while evaluating the performance of bond funds compared to results of index, equity and balanced funds. Comparison of mutual fund performance with S&P500 Index and 3 months Bills show that there are pairs of measures which evaluate equity, index and balanced funds similarly. There are more differences in bond fund evaluation.

(Annaert, 2002), Author tried to test whether in an efficient market setting, actively managed portfolios can outperform a passive benchmark or not. Bayesian stochastic frontier approach is used to measure the same. To analyse the situation they decomposed the return deviation from its expected return into a noise component and an efficiency term, which is 100% if the fund exhibits no underperformance. It was found evidence that fund efficiency is positively related to fund size and historical performance, the latter being solely due to the poorly performing funds. No link was found between fund age and performance.

#### 4. Objectives of study

- To measure the risk -return relationship of top rated large cap funds and Mid & Small Cap funds, by morning star, with the help of Sharpe, Jensen and Treynor ratio.
- To analyze and compare the performance of large Vs Mid & Small cap funds, in terms of risk and return, both absolutely and relatively.

#### 5. Research methodology

##### 5.1 Data Source

Secondary data was collected for the last ten years from

- Bombay stock exchange – Data pertaining the closing index value from 2nd April 2007 to 31st March 2017
- Association of mutual funds in India – NAV value of selected funds
- Official website of mutual fund companies – NAV value of selected funds
- Website of Reserve bank of India – Calculation of risk free rate was done with the help of published data of RBI. T-bills rate was taken as reference rate for calculating Risk free rate.

##### 5.2 Sample

There are so many AMCs listed now a day providing different funds, catering to varied need of differenced investors. Researcher had selected 20 funds belonging to the category of large- cap & small & mid-cap. For the purpose of comparison, researcher had taken the below mentioned funds.

**Large Cap**

- Birla Sunlife Frontline Equity Fund Growth
- UTI Opportunities Fund Growth
- HDFC Top 200 fund growth
- Kotak Opportunity Fund Growth
- UTI Equity Fund Growth
- DSP BlackRock Opportunities Fund Growth
- HDFC Growth Fund Growth
- L & T Equity Fund Growth
- Birla Sun life top 100 Fund Growth
- HDFC Equity fund growth

**Mid & Small cap**

- IDFC Premier Equity Plan A Growth
- Canara Robeco Emerging equity growth
- Sundaram S.M.I.L.E Fund – Regular Plan Growth
- Sundaram selected Mid cap growth
- Franklin India smaller companies fund growth
- DSP Blackrock small and Mid-cap fund growth
- L & T Mid cap fund growth
- Birla Sun life Mid cap fund growth
- Franklin India Prima Fund Growth
- UTI Mid cap Fund Growth

been gained on a risk-less investment, per each unit of market risk. The Treynor ratio was developed by Jack Treynor, the equation for the same is as follow

$$\text{Treynor ratio} = \frac{R_p - R_f}{\beta}$$

**Jensen:** The Jensen's measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. The equation for the same is as follows.

$$\text{Alpha} = R(f) + B \times (R(m) - R(f))$$

**5.3.1 Data Analysis & Finding**

Main objective of the researcher is to evaluate the risk return relationship for the selected funds of Mid & Small Cap Vs Large cap. Last ten years' data has been analysed for the given purpose. Ten years' data was taken, to cover major change in the business cycle. In fact, the change in international business cycle will also be reflected by the change in the returns of portfolio.

Selected funds are compared on the basis of their absolute return and risk level also. For the purpose of comparison, the data of average return, standard deviation and Beta are calculated. After calculating it, for 20 Funds, for last ten years, there average is calculated to know their overall performance. They are compared with the benchmark performance of Sensex.

Researcher has taken average calculation into consideration for selected funds, the motive is not to compare the individual funds of large Vs Mid & small cap, the main motive is to compare their overall performance. For this reason, after calculating their individual performance for ten years for 20 funds, they are averaged for the purpose of comparison. Researcher had assumed that well diversified investor will not invest in one particular fund only, he will invest in multiple funds and hedge his investment.

**5.3 Data Analysis Tools and Technique**

Data has been analysed mainly with the help of Sharpe, Jensen and Treynor ratio.

Analysis is also done with the help of absolute return of respective funds, their standard deviation and Beta values

**Sharpe ratio:** The Sharpe Ratio is a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations. It was developed by Nobel laureate William F. Sharpe. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Subtracting the risk-free rate from the mean return, the performance associated with risk-taking activities can be isolated. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return. Equation for sharpe ratio is as follows,

$$\text{Sharpe ratio} = \frac{R_p - R_f}{\sigma_p}$$

**Treynor ratio:**

The Treynor ratio, it is also known as the reward-to-volatility ratio, is a metric for returns that exceed those that might have

**Table 1: Average Absolute Risk and Return Profile of selected Funds**

Year	Fund/Sensex	Standard Dev	Average Return	Beta
2007-08	Sensex Index	31.89499829	28.76779407	---
	Large cap Funds	35.82233687	21.1781396	0.329088472
	Mid & Small Cap	29.55169536	26.36454605	0.420479126
2008-09	Sensex Index	49.21685652	-37.00847481	---
	Large cap Funds	31.6977478	-38.75633517	0.902600629
	Mid & Small Cap	28.9136512	-54.49453289	0.110846929
2009-10	Sensex Index	30.5497221	63.77687172	---
	Large cap Funds	21.64072404	53.56747564	0.084853171
	Mid & Small Cap	39.78105752	57.5711116	0.115833464

2010-11	Sensex Index	16.92141112	11.00565323	---
	Large cap Funds	15.13904571	13.87130318	0.130611408
	Mid & Small Cap	16.21915241	7.87137155	-0.044265862
2011-12	Sensex Index	21.16318467	-10.59208967	---
	Large cap Funds	16.82928097	-4.573243433	0.226896583
	Mid & Small Cap	15.46719775	0.612177385	0.134763126
2012-13	Sensex Index	13.60117818	7.960298292	---
	Large cap Funds	12.04765292	5.274998558	0.164273083
	Mid & Small Cap	11.07092364	5.521107191	0.012278064
2013-14	Sensex Index	17.44055873	18.67275596	---
	Large cap Funds	16.13405898	20.19180275	0.276381479
	Mid & Small Cap	13.41255491	26.2102712	-0.009881475
2014-15	Sensex Index	13.73762038	23.27409349	---
	Large cap Funds	14.41626693	33.86693644	0.314902618
	Mid & Small Cap	15.63777797	54.67689358	-0.006558418
2015-16	Sensex Index	16.56140226	-8.342514046	---
	Large cap Funds	17.64393457	-6.888056481	0.255551404
	Mid & Small Cap	18.03467146	-2.197203452	-0.017489914
2016-17	Sensex Index	13.48002725	16.72032845	---
	Large cap Funds	13.14704395	23.84053257	0.304885941
	Mid & Small Cap	12.97326912	30.46689722	0.080639642

### Standard Deviation

Here standard deviation of annual return is calculated, higher standard deviation means a greater fluctuation in available return. One of the objective of investing in mutual fund is to restrict the level of fluctuations in return, through effective diversification. From the above given table it can be seen that in majority years the standard deviation of sensex is more than the average standard deviation of the funds, so fund managers are able to diversify the level of risk in appropriate manner. In 2014-15 and 2015-16, it can be observed that the standard deviation in return of Mid & small cap is more than sensex as well of Large cap funds, reflecting the riskiness of investing in the fund.

Comparing the standard deviation of Large Vs Mid & small cap, it can be seen that both are leading each other for five times, in the last ten years. So, both are reflecting equal share of risk.

### Beta

Beta represents the tendency of a security's returns to respond to the swings of market. Here fund's beta is calculated by dividing the covariance the fund's returns and the benchmark's returns by the variance of the benchmark's returns over a specified period. Beta is a measure of systematic risk. Surprisingly, it was witnessed that the beta of large cap fund was for 7 times more than Mid & small cap funds, in the last ten years. Mid & small cap funds beta was more for 3 times. It means that Mid & small cap funds are showing less sensitivity to the benchmark return.

Riskiness of returns can be reduced by involving the Mid & small cap in the portfolio, as it is less sensitive to Sensex.

### Average Return

Absolute return on annual basis is calculated to check the performance. One of the objective of diversification is to reduce risk and increase the return. But, through the above given data, it can be analysed that sensex is beating the performance of both the types of funds for 4 times, which is a significant in counts. It means, fund managers are able the reduce the level of risk, in terms of standard deviation, but returns are also decreasing, which is negatively affecting the investors' expectations.

Comparing the performance of Large-cap Vs Mid & small cap, it can be seen that later is out beating the earlier for 8 times. So in economic growing years it is advisable to invest in Mid & small cap. In fact, in the slow growing years Mid & small cap have performed worst, for instance in 2008-09, it showed a negative return of -54.49%. But reverse tendency can be seen in moderate slow growing years like 2011-12 and 2015-16, in 2011-12 overall market showed a negative return of -10.59 whereas Mid cap and small cap showed positive return of 0.61%. In year 2015-16, market showed and negative return of -8.34% while the crash in the return of Mid & small cap was only to that of -2.19%.

### Sharpe, Treynor & Jensen Analysis

Ranks are given for the performance of funds, based on Sharpe ratio, ranks for every year is calculated and then after

rank total is done for ten years and then final raking is done based on the rank total.

**Sharpe Ratio**  
**Table 2: Rank of the selected funds based on Sharpe ratio**

Funds		Rank	Rank Total	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
		10	108	15	12	14	11	3	18	12	12	3	8
Large Cap	Birla Sun Life Frontline Equity Fund-Growth	15	115	12	13	15	9	5	13	11	18	4	15
	Birla Sun Life Top 100 Fund -Growth Option	9	107	11	7	13	15	8	20	9	7	8	9
	DSP BlackRock Opportunities Fund-Regular Plan - Growth	15	115	13	17	20	19	12	14	4	8	1	7
	HDFC Top 200 Fund - Growth Option	18	119	16	18	18	16	15	17	1	1	6	11
	HDFC Equity Fund - Growth Option	11	109	14	10	19	20	17	10	2	4	11	2
	HDFC Growth Fund - Growth Option	14	114	8	11	11	14	10	16	16	16	7	4
	Kotak Opportunities---Growth	19	124	18	19	9	13	19	19	3	9	5	10
	L & T Equity Fund Growth	12	111	19	15	12	10	6	9	5	6	9	20
	UTI - Equity Fund-Growth Option	13	112	20	20	17	17	11	3	8	11	2	3
	UTI Opportunities Fund-Growth Option	17	117	9	5	7	18	13	8	20	15	17	5
Mid & Small Cap	Birla Sun Life MID-CAP Fund-Growth	1	72	4	4	6	6	9	1	7	3	20	12
	Canara Robeco Emerging Equities - Regular Plan - GROWTH	5	90	2	1	10	8	16	5	10	2	19	17
	DSP BlackRock Small and Mid Cap Fund - Regular Plan - Growth	4	88	5	6	3	5	2	4	18	13	14	18
	Franklin India Prima Fund-Growth	3	87	3	3	1	2	1	12	14	16	16	19
	Franklin India Smaller Companies Fund-Growth	2	77	7	16	16	3	4	2	6	10	12	1
	IDFC Premier Equity Fund - Regular Plan - Growth	7	104	1	9	2	4	20	11	17	14	13	13
	L & T Mid cap fund growth												

Sundaram S.M.I.L.E.Fund-Growth	6	10	20	19	15	18	12	5	14	10	129	20
Sundaram Select Mid-cap-Growth	14	15	19	13	6	7	7	8	2	6	97	6
UTI Mid Cap Fund-Growth Option	16	18	5	15	7	14	1	4	8	17	105	8

Ranks are given for the performance of fund, based on Sharpe ratio, ranks for every year is calculated and then after total of rank is done and then final raking is done for 10 years' performance.

every unit of standard deviation. It can be observed that from 1 to 20 ranking of funds, 9 funds of Mid and small cap have outperformed to that of Large cap, which is a considerable figure.

Sharpe ratio, which is considered as risk adjusted return ratio, shows that Large cap is not showing satisfactory return for

**Treynor Ratio**  
**Table 3: Rank of the selected funds based on Treynor Ratio**

Funds	Rank										Rank Total	Rank
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
Large Cap	Birla Sun Life Frontline Equity Fund-Growth	6	10	13	11	13	7	9	16	15	101	11
	Birla Sun Life Top 100 Fund -Growth Option	14	5	11	9	6	5	7	15	13	87	5
	DSP BlackRock Opportunities Fund-Regular Plan - Growth	9	4	5	8	17	4	6	11	12	86	2
	HDFC Top 200 Fund - Growth Option	5	1	6	2	8	7	13	18	14	87	5
	HDFC Equity Fund - Growth Option	11	6	1	1	11	8	10	19	16	95	8
	HDFC Growth Fund - Growth Option	2	7	2	3	5	10	12	13	18	86	2
	Kotak Opportunities---Growth	4	8	10	12	10	5	5	12	11	86	2
	L & T Equity Fund Growth	10	3	14	4	14	12	4	17	17	103	12
	UTI - Equity Fund-Growth Option	20	9	9	7	4	3	8	14	19	99	10
	UTI Opportunities Fund-Growth Option	3	2	18	6	1	6	11	20	20	98	9
Mid & Small Cap	Birla Sun Life MID-CAP Fund-Growth	7	14	15	5	15	15	3	4	7	104	13
	Canara Robeco Emerging Equities - Regular Plan - GROWTH	13	17	17	19	2	3	18	3	2	112	14
	DSP BlackRock Small and Mid Cap Fund - Regular Plan - Growth	17	19	3	18	7	20	18	10	5	137	20
	Franklin India Prima Fund-Growth	16	16	4	13	9	15	2	5	8	90	7

Franklin India Smaller Companies Fund-Growth	18	134	4	6	16	4	14	19	16	20	19
IDFC Premier Equity Fund - Regular Plan - Growth	1	80	10	2	14	1	9	3	7	13	1
L & T Mid cap fund growth	18	134	3	7	12	20	17	18	12	12	12
Sundaram S.M.I.L.E.Fund-Growth	15	120	1	1	19	16	13	20	15	15	8
Sundaram Select Mid-cap-Growth	16	130	6	9	17	17	11	16	20	18	15
UTI Mid Cap Fund-Growth Option	17	131	9	8	15	19	16	12	11	11	18

This method considers beta as a measure of risk. Beta was calculated by considering sensex as a benchmark return. This method shows a contradictory result to that of Sharpe. For every unit of beta the return of Large cap is considered to be better. Out of 20 ranks, Large cap occupied 7 ranks in the range of 1 to 20. In fact, first rank goes to IDFC Premier Equity Fund - Regular Plan – Growth, which belongs to Mid & Small cap. But, in general large cap out beats the performance of Mid & small cap.

Jensen Value

Table 4: Rank of the selected funds based on Jensen value

Funds		Rank	Rank Total	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Large Cap	Birla Sun Life Frontline Equity Fund-Growth	3	94	8	11	7	6	9	16	6	5	11	15
	Birla Sun Life Top 100 Fund -Growth Option	4	97	7	12	10	4	10	15	2	9	14	14
	DSP BlackRock Opportunities Fund-Regular Plan - Growth	5	101	4	15	6	7	6	13	5	14	19	12
	HDFC Top 200 Fund - Growth Option	9	106	2	17	2	2	3	19	10	12	20	19
	HDFC Equity Fund - Growth Option	8	105	1	20	1	1	4	20	9	16	15	18
	HDFC Growth Fund - Growth Option	7	104	3	16	3	3	5	18	8	15	16	17
	Kotak Opportunities---Growth	6	103	6	19	5	9	11	17	1	7	17	11
	L & T Equity Fund Growth	13	108	5	13	9	10	12	12	7	6	18	16
	UTI - Equity Fund-Growth Option	13	108	10	18	8	8	7	14	3	8	12	20
	UTI Opportunities Fund-Growth Option	1	76	9	14	4	4	2	11	4	1	13	13
Mid & Small Cap	Birla Sun Life MID-CAP Fund-Growth	15	109	12	7	11	18	15	4	19	11	7	5
	Canara Robeco Emerging Equities - Regular Plan - GROWTH	9	106	19	8	16	12	16	3	11	4	9	8
	DSP BlackRock Small and Mid Cap Fund - Regular Plan - Growth	16	110	14	1	14	15	17	10	13	18	2	6

Franklin India Prima Fund-Growth	9	5	20	18	5	18	13	12	5	13	118	18
Franklin India Smaller Companies Fund-Growth	10	1	10	14	6	19	11	17	6	17	111	17
IDFC Premier Equity Fund - Regular Plan - Growth	7	4	19	12	2	20	20	20	10	18	132	20
L & T Mid cap fund growth	3	8	13	15	7	13	14	15	3	16	107	11
Sundaram S.M.I.L.E.Fund-Growth	1	6	3	20	9	1	19	19	9	20	107	11
Sundaram Select Mid-cap-Growth	4	3	2	17	1	8	16	13	4	11	79	2
UTI Mid Cap Fund-Growth Option	2	10	17	16	8	14	17	18	2	15	119	19

Higher the alpha, the more a portfolio has earned above the level predicted. In terms of the given formula, it is observed that Large cap is dominating Mid and small cap. Higher the Beta higher the sensitivity of return. It was observed that the Beta value of Large & Small cap is more to that of Mid and small cap, due to it when the market is going up large cap can be expected to give you more returns compared to Mid & small cap. But again the validity of it is doubtful, because through the data of absolute return it is observed that, in growing years, the return of Mid & small cap is far ahead to that of large cap funds. Out of the total 20 ranks, 8 ranks in single digits are belonging to Large cap funds, which proves its dominance.

#### 5.4 Finding and Conclusion

For comparing the performance of large-cap Vs Mid & small-cap, their absolute level of risk-return and their relative performance, in terms of Sharpe, Treynor and Jensen were computed and compared.

Absolutely values of risk and return, shows the following conclusion

- Standard deviation – In terms of absolute values of standard deviation, we cannot come to any conclusion, we cannot say which type of fund is more riskier, whether Large-cap or Mid-cap. In the

last ten years, both have averaged more standard deviation for equal number of times.

- Beta – Large-cap are observed to be more sensitive to benchmark Sensex, Mid and small-cap are less prone to the exposure of sensex. Due to the mentioned properties of Mid and small-cap, it can be included in the portfolio to diversify the risk in effective way. It can be part of efficient frontier.
- In the last 10 years India had generally witnessed economically growing years. In economically growing years, mid and small-cap have generally outperformed the performance of Large-cap. It is advisable to an investor to invest in mid and small-cap for better returns.

Relatively comparing the performance of funds have revealed following conclusions.

- Teynor and Jensen ratio are showing that Large cap can be considered to be a better option. It has got the capacity to give better return for every unit of risk. Whereas sharpe ratio is favouring Mid-cap.
- So in totality when risk as well as return is considered Large cap seems to be a better option.

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