

A Study on Performance Evaluation of Large-cap and Small-cap Equity Mutual Funds with Reference to Aetram Trades Private Limited

¹Shafia Farheen MH, ²Dr. S. Satheesh Kumar

¹Student, ²Assistant Professor,

¹Department of Management Studies.

¹Panimalar Engineering College, Chennai, India

shafiyafarheen011@gmail.com

Abstract- The study analyzes the performance of large-cap and small-cap equity mutual funds over the past three years from 2022-2025 using various risk and return analysis tools. The aim is to identify funds that offer superior risk-adjusted returns and stable investment opportunities. The results show that ICICI Prudential Bluechip Fund outperforms large-cap funds with strong returns and lower risk, while Mirae Asset Large Cap Fund shows weaker results. Franklin India Smaller Companies Fund delivers the highest risk-adjusted returns in small-caps, while Canara Robeco Small Cap Fund underperforms. Axis Small Cap Fund offers a balanced approach with low volatility. The research emphasizes the importance of evaluating mutual funds on risk-adjusted bases rather than solely relying on absolute returns.

Keywords-- Large-cap, Mutual funds, Performance evaluation, Risk-adjusted returns, Small-cap

I. INTRODUCTION

The equity mutual funds are a popular investment choice, offering diversification and professional management. Among them, large-cap and small-cap funds represent different strategies as large-cap funds invest in stable and well-established companies, while small-cap funds target smaller, high-growth firms with higher risk. This research uses performance metrics such as Sharpe ratio, Treynor ratio, Jensen's alpha and Fama performance index. This study aims to evaluate and analyses the performance of these two fund types, helping investors make informed decisions based on risk-adjusted returns.

II. NEED FOR THE STUDY

The Indian mutual fund industry has witnessed substantial growth, offering investors a variety of schemes tailored to different risk appetites and financial goals. Among them, large-cap and small-cap equity mutual funds stand out due to their potential for long-term capital appreciation. However, the performance of these funds is influenced by multiple factors such as market trends, economic conditions, and fund management strategies. Evaluating their performance using risk-adjusted return metrics is essential for investors to understand how these funds behave under different market scenarios. The findings will provide meaningful insights that can help investors make informed investment decisions and choose funds that align with their financial objectives and risk tolerance.

III. OBJECTIVES OF THE STUDY

Primary Objective:

To evaluate the performance of selected large-cap and small-cap equity mutual funds.

Secondary Objectives:

1. To analyse the risk-adjusted performance of large-cap and small-cap equity mutual funds using the key performance metrics for 3 years.
2. To assess the risk-adjusted returns of mutual funds using the Fama performance index.
3. To rank the selected AMC companies and determine which category performs better using the key metrics.
4. To provide insights and recommendations for investors in making informed decision.

IV. SCOPE OF THE STUDY

This study focuses on the analysis of large-cap and small-cap equity mutual funds across the top AMC companies to determine which fund performs better in each category. The evaluation is based on risk-adjusted performance metrics, including the Sharpe Ratio, Treynor Ratio, Beta, Jensen's Alpha, and Fama Performance Index. These measures help assess returns in relation to risk, volatility, and market sensitivity. The study analyses historical performance over a defined period to identify trends in fund efficiency and consistency. It is limited to equity mutual funds, excluding debt and hybrid funds.

The findings will provide valuable insights for investors, fund managers, and analysts in fund selection offering a data-driven evaluation of large-cap and small-cap fund performance.

V. LIMITATIONS OF THE STUDY

- 1) The focus is on only large-cap and small-cap funds exclude mid-cap, multi-cap or sectoral funds, which might limit the generalizability of the findings
- 2) Performance data may not always reflect the impact of management fees, entry/ exit loads, or other expenses that affect investors returns
- 3) This study is carried out for the period of three years only. This might lead to biased.
- 4) The choice of benchmark index for mutual fund performance can influence the results.

VI. REVIEW OF LITERATURE

1. **Bharathi Karanth et al. (2024)** this assesses the performance of selected equity mutual funds using risk-adjusted return metrics. It focuses on funds managed by ten different Asset Management Companies (AMCs) over a defined period. Performance is measured using tools such as the Sharpe ratio, Treynor ratio, and Jensen's alpha to evaluate how well each fund balances return with the level of risk taken. The study also looks into how diversification contributes to portfolio efficiency. Based on the findings, it provides practical guidelines for choosing mutual funds by considering both past results and future potential.
2. **Oshin Ansari et al. (2024)** this research paper evaluates the performance of equity, debt, and hybrid mutual funds from SBI, ICICI Prudential, and HDFC using secondary data from various sources for the period of 2023 and five years prior. The authors employed various performance metrics to assess fund performance. Their findings indicate that HDFC funds consistently outperformed others across various categories, while SBI funds showed mixed performance. A unique aspect of the study is its detailed segmentation of mutual funds by investment strategy and risk profile.
3. **S Siddhartha Naga Bouddha (2024)** the study analyses the performance of selected large-cap mutual funds in India from 2019-2023 using key financial indicators. ICICI Prudential Blue-Chip Fund and Canara Robeco Blue Chip Equity Fund showed higher returns. Mirae Asset Large Cap Fund and Nippon India Large Cap Fund outperformed based on Jensen's alpha. The research highlights the increasing adoption of SIPs and the importance of diversification in investment decisions. While large-cap funds are relatively stable, careful selection is essential.
4. **Aishwarya Khurana et al. (2023)** this research analyzes and compares the performance of large-cap equity mutual funds in the Indian market over a five-year period (2018-2022). It examines returns and associated risks, considering factors like asset allocation, portfolio composition, and market trends. The study employs both quantitative and qualitative analyses to provide insights for investors, fund managers, and other stakeholders in the Indian mutual fund industry.

VII. RESEARCH METHODOLOGY

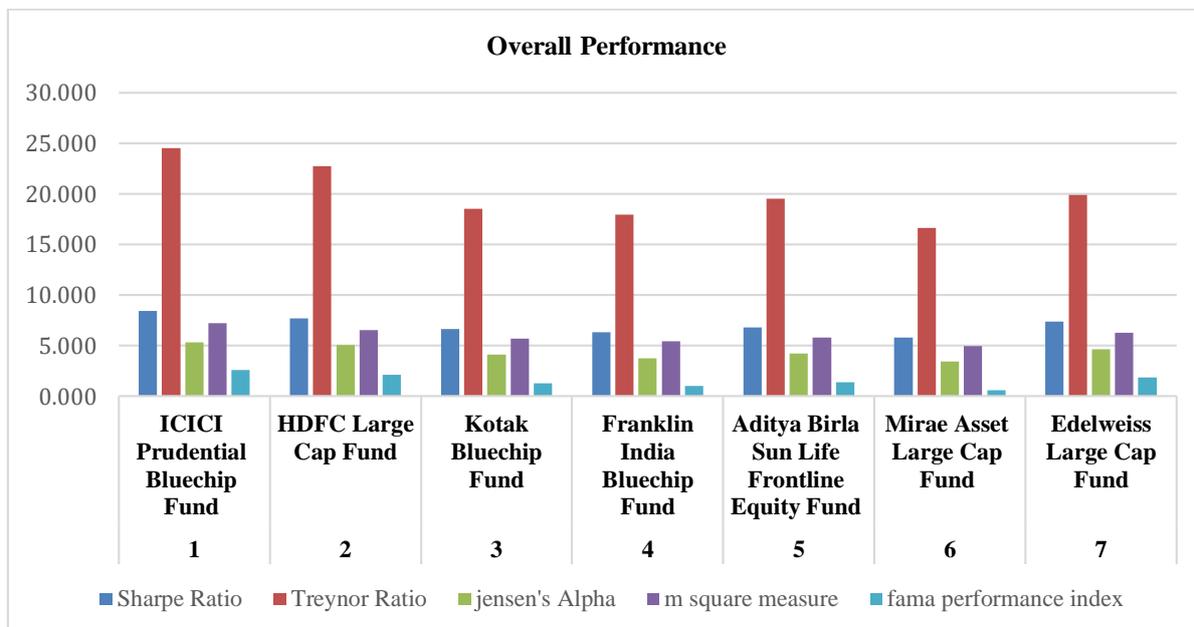
The research follows an analytical approach and relies exclusively on secondary data sources. Information has been gathered from reputable websites, academic journals, and official government databases. The study focuses on 14 mutual funds, including seven large-cap and seven small-cap funds. A purposive sampling technique was employed to select the sample. The analysis covers a three-year period from 2022 to 2025. To evaluate fund performance, the study uses several metrics: Sharpe ratio, Treynor ratio, Jensen's alpha, and the Fama performance index.

VIII. DATA ANALYSIS AND INTERPRETATION

Large-cap Analysis:

Table 1: The overall performance of Large-cap funds based on the performance metrics:

Sl. NO	LARGECAP FUNDS	Sharpe Ratio	Treynor Ratio	Jensen's Alpha	M ² measure	FAMA Index	RANK
1	ICICI Prudential Bluechip Fund	8.461	24.55	5.315	7.225	2.586	1
2	HDFC Large Cap Fund	7.680	22.78	5.084	6.566	2.134	2
3	Kotak Bluechip Fund	6.628	18.56	4.098	5.677	1.258	5
4	Franklin India Bluechip Fund	6.335	17.96	3.760	5.429	0.992	6
5	Aditya Birla Sun Life Frontline Equity Fund	6.811	19.53	4.212	5.831	1.385	4
6	Mirae Asset Large Cap Fund	5.796	16.67	3.417	4.974	0.582	7
7	Edelweiss Large Cap Fund	7.362	19.91	4.639	6.297	1.846	3

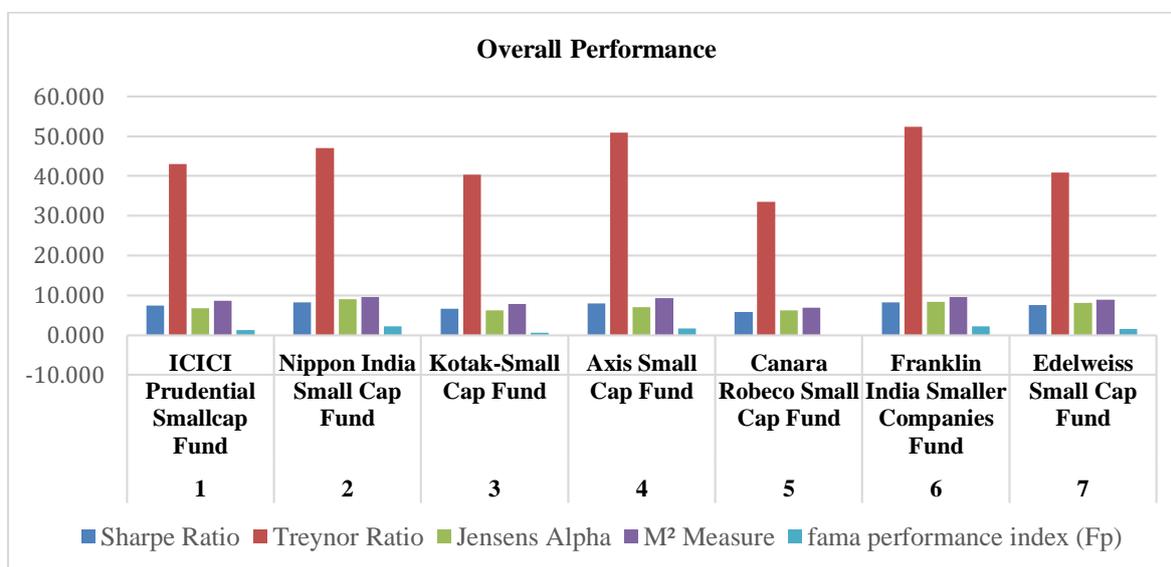


INFERENCE: The analysis shows that ICICI Prudential Bluechip Fund outperforms all other funds across risk-adjusted metrics. It records the highest Sharpe ratio of 8.461, Treynor ratio of 24.55, Jensen's alpha of 5.315, M² measure of 7.225, and Fama performance index of 2.586, indicating superior return generation relative to both total and systematic risk. In comparison, Mirae Asset Large Cap Fund ranks lowest across these indicators, with a Sharpe ratio of 5.796, Treynor ratio of 16.67, alpha of 3.417, M² value of 4.974, and Fama index of 0.582. Despite its lower relative performance, all values for Mirae Asset remain positive, reflecting a baseline level of risk-adjusted return.

Small-cap Analysis:

Table 2: The overall performance of Small-cap funds based on the performance metrics:

SI. NO	SMALL-CAP FUNDS	Sharpe Ratio	Treynor Ratio	Jensen's Alpha	M ² Measure	FAMA Index (Fp)	RANK
1	ICICI Prudential Small Cap Fund	7.402	42.974	6.811	8.608	1.232	5
2	Nippon India Small Cap Fund	8.211	47.062	9.017	9.540	2.279	1
3	Kotak-Small Cap Fund	6.691	40.353	6.211	7.788	0.635	6
4	Axis Small Cap Fund	7.968	50.923	7.094	9.260	1.687	3
5	Canara Robeco Small Cap Fund	5.881	33.562	6.289	6.854	-0.059	7
6	Franklin India Smaller Companies Fund	8.233	52.374	8.365	9.566	2.166	2
7	Edelweiss Small Cap Fund	7.623	40.900	8.058	8.862	1.603	4



INFERENCE: The Franklin India Smaller Companies Fund stands out with strong performance across all key indicators. It shows the highest Sharpe ratio of 8.233, Treynor ratio of 52.374, and M² value of 9.566, reflecting efficient risk-adjusted returns. On the other hand, Canara Robeco Small Cap Fund records the lowest results among the group, with a Sharpe ratio of 5.881, Treynor ratio of 33.562, and an M² value of 6.854, indicating relatively modest performance. When looking at Jensen's alpha, Nippon India Small Cap Fund leads with a value of 9.017, followed by Kotak Small-Cap Fund with 6.211. Nippon India also achieves the highest score on the Fama Performance Index at 2.279, while Canara Robeco records the lowest, with a negative value of -0.059, suggesting weaker performance in terms of risk-adjusted return.

IX. FINDINGS:

In large-cap analysis, it is found that:

- The ICICI Prudential Bluechip Fund, with the highest Sharpe Ratio of 8.461, Mirae Asset Large Cap Fund has the lowest ratio at 5.796 in large-cap fund.
- the ICICI Prudential Bluechip Fund has the highest Treynor Ratio of 24.55 and the Mirae Asset Large Cap Fund has the lowest ratio of 16.67.
- The ICICI Prudential Bluechip Fund with 5.315 shows the strongest excess returns over the market benchmark. Mirae Asset has the least alpha of 3.417.
- The ICICI Prudential Bluechip Fund is the most favorable with 7.225 M² value and the Mirae Asset Large Cap Fund, with the lowest M² score of 4.974, shows relatively poorer performance.
- The ICICI Prudential Bluechip Fund with 2.586 stand out with higher index values, And Mirae Asset Large Cap Fund, with an index of 0.582, is the lowest among all.

In small-cap analysis, it is found that:

- The Franklin India Smaller Companies Fund with the highest Sharpe ratio of 8.233 and Canara Robeco Small Cap Fund has the lowest Sharpe Ratio with 5.88.
- The Franklin India Smaller Companies, with the highest Treynor Ratio of 52.374, Canara Robeco Small Cap Fund with the lowest Treynor ratio of 33.562.
- The Nippon India Small Cap Fund with Jensen's alpha of 9.017 is the highest, and Kotak Small-Cap Fund with Jensen's alpha of 6.211 is the lowest among all.
- The Franklin India Smaller Companies Fund with 9.566 is the most favorable risk-adjusted performance, and the Canara Robeco Small Cap Fund, with the lowest M² score value of 6.854.
- The Nippon India Small Cap Fund recorded the highest Fama Performance Index with a value of 2.279, and the Canara Robeco Small Cap Fund recorded the lowest Fp value of -0.059.

X. SUGGESTIONS

- ❖ For low-risk investors, ICICI Prudential Bluechip Fund is recommended due to its consistent performance, while Mirae Asset Large Cap Fund may be suitable for those willing to take on higher volatility for potential returns.
- ❖ Consider investing in Franklin India Smaller Companies Fund for strong risk-adjusted returns, while avoiding Canara Robeco Small Cap Fund due to its underperformance and higher risk.
- ❖ Pair top funds like ICICI Bluechip and Axis Small Cap for balance. Be cautious with weaker funds and focus on risk-adjusted metrics over past returns.

XI. CONCLUSION

In conclusion, the study highlights that ICICI Prudential Bluechip Fund is the top performer in the large-cap, offering steady and reliable returns, making it a great option for low-risk investors. On the other hand, Franklin India Smaller Companies Fund excels in the small-cap category, providing strong risk-adjusted returns, though it comes with higher volatility. This study suggests the investors to focus on risk-adjusted returns rather than just historical performance. A well-diversified portfolio, combining both large-cap and small-cap funds, can help strike the right balance between risk and return. Regularly monitoring risk-adjusted performance will allow investors to make more informed and strategic decisions for sustained success.

BIBLIOGRAPHY

BOOKS REFERRED:

- Research Methodology “**Kothari, C.R.**”
- Mutual Funds in India: Emerging Issues “**G.S. Hiremath**”
- Security Analysis and Portfolio Management “**Kevin, S.**”

JOURNALS REFERRED:

1. Bharathi Karanth., & Prakash Pinto. (2024). A Comprehensive Performance Analysis of Equity Mutual Funds: Risk-Adjusted Performance Evaluation. 13(1), 87-95.
2. Oshin Ansari., & Agarwal, H.K. (2024). Performance Analysis of Selected Mutual Funds in India. 2(1), 10-22.
3. S Siddhartha Naga Bouddha. (2024). Performance Analysis of Mutual Funds: A Study on Selected Large-cap, Mutual Funds in India.
4. Aishwarya Khurana. (2023). A Study on the Performance & Comparison of Large Cap Equity Mutual Funds in Indian Market.

WEBSITES:

- www.nse.com
- <https://www.amfiindia.com/>
- <https://www.researchgate.net>
- <https://scholar.google.com>