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An Evaluation of Large Cap, Mid Cap, and Small Cap Mutual Funds: Return, Risk, and Investor Considerations

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Abstract

Investing in mutual funds presents a straightforward entry point into the stock market, particularly for novice investors. Regardless of one's familiarity with stock markets or age, mutual funds offer accessible investment opportunities. However, selecting the most suitable mutual fund scheme can be challenging, given investors' varying risk appetites and financial goals. This study aims to assist such investors grappling with scheme selection dilemmas by analysing mutual fund schemes of many types and determining which ones offer superior returns at lower risks. The research evaluates the risk and return profiles of various mutual fund schemes taken up for the study. Utilising various ratio like Jensen's, Sharpe, and Treynor, present discussion compares the returns by considering the systematic and unsystematic risk of selected schemes within each category. The analysis spans 5 years, from April 01, 2017, to March 31, 2022, drawing data from secondary sources including Moneycontrol, journals, books, and official websites of relevant financial bodies. BNP Paribas Large Cap Fund (G) emerges as a top performer in the sphere of large cap funds according to Sharpe and Jensen's measures, while Edelweiss Large Cap Fund-A(G) excels by Treynor ratio. Among mid cap schemes, Edelweiss Mid Cap Fund (G) consistently outperforms its peers across all evaluated ratios. In the small cap category, Axis Small Cap Fund-Regular (G) stands out for delivering the highest returns on the basis of Jensen's, Sharpe and Treynor ratios. Ultimately, this study serves to guide investors in navigating the complexities of mutual fund selection, offering insights into which funds align best with their risk-return preferences and investment objectives. Findings reveal distinct return patterns across fund categories, with specific funds outperforming peers based on various return metrics. The study concludes that while BNP Paribas Large Cap mutual Fund (G) excels in large cap schemes, Edelweiss Mid Cap mutual Fund (G) stands out among mid cap funds, and Axis Small Cap mutual Fund-Regular (G) leads in the small cap mutual funds category. Implications suggest that investors can make informed decisions based on risk-return preferences, with large cap funds offering stability, mid cap funds providing moderate returns, and small cap funds presenting opportunities for better growth with higher risk acceptance capacity.

Keywords: Mutual Funds, Risk, Return, Return Evaluation, Financial Analysis, Financial Securities

Introduction

A collective investing vehicle encompassing funds generated from multiple investors is mutual fund, and this money is to be well diversified and financed by professionals who have great knowledge about market financial securities.

The investor in a mutual fund is known as a 'unitholder'. Sometimes, the small investor cannot afford professionals to manage their portfolio and sometimes, a person who

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has no background knowledge about the financial market. But they want to enter the market. So, in that case mutual funds become a great and attractive option for them.

Mutual funds are beneficial for all categories of people like small or big investors, beginners or known, young or an adult investor.

In the highly volatile market, to reduce the risk and to enable regular return, Admired ways to gain good results through better decisions in investment process and yield better outcome is mutual fund (Prajapati & Patel, 2012).

However, as per demands of investors, mutual fund provide a lot of offers to its investor to satisfy them. A Mutual fund become a pure broker, which is well known for purchading and merchandising securities on behalf of its unit holder (Singh, 2019).

Companies provide diverse options with regards to mutual funds for investors to invest. Like- equity mutual fund, Debt mutual fund, systematic investment plan mutual fund (SIP), systematic withdraw plan mutual fund (STP), income mutual fund, growth mutual fund, balanced conservative mutual fund, taxation mutual fund etc.

The majority of people invest in equity mutual funds which give higher return as well as growth oriented. Equity mutual funds also had various types, on the basis of size. Like- Large Cap fund, Mid Cap fund, Small Cap fund.

In order to maintain uniformity in investment, SEBI issued a circular on October 6, 2017, on the topic of "Categorization and Rationalization of mutual fund schemes". In this circular, SEBI clearly says that in terms of market Capitalization, 1st to 100th companies are come under Large Cap, 101st to 250th companies come under Mid Cap and 250th and above companies are come under Small Cap.

Risk and return both are low in large cap companies. Stock or fund of these companies are also known as Bluechip fund or Bluechip stocks. The possibility of growth in that type of company is low, because they are already very big companies.

In Mid-cap companies, the risk and return both are moderate. It can also be stated that such companies are smaller than large cap companies. The possibility of growth in these companies is very high.

In Small-Cap companies, the risk and return are very high. These companies are smaller in size and the possibility of growth is high in these companies.

Research Objectives

- To assess the Return of selected mutual fund Schemes.
- To analyse the risk among Mutual Fund schemes taken up for the study.
- To compare the return adjusted with risk of Selected Schemes by utilising Jensen's ratio, Sharpe ratio, and Treynor ratio.

Literature Review

(Rani & Bahl, 2012) The purpose of the study was to investigate the performance of 29 open-ended and growth-oriented equity mutual funds that were evaluated over the period from April 2005 through March 2011 with returns being computed by Monthly NAV. The evaluations were intended to focus on whether specific schemes performed well based on risks versus benefits they offer thereby helping in comparison of the performance of different equity mutual funds. Through the outcomes of this research, it was revealed that all funds provide greater return by Sharpe ratio and pointed out that 19 out of 29 schemes had overperformed by Jensen ratio.

(Chaudhary & Chawla, 2014) inspected eight mutual fund schemes for eight years (2005-2013). The author had the objective of studying the return of selected Diversified equity schemes and comparing them by using Sharpe and Treynor ratio. Average return had been used for calculating these ratios. The researcher founded that most selected schemes had better performed under Sharpe and Treynor ratio.

(Prajapati & Patel, 2012) The author looked at the performance of 25 mutual funds out of 5 Indian companies over 5 years using risk and return elements and other measures such as Treynor`s ratio, Sharpe ratio, Jensen ratio as well as Fama`s measure. A 364-day Treasury bill was employed to represent riskless return on investment. It was realised that most mutual fund performed well from 2007 up to 2011.

(Sharma, 2020) compared the return of 5 Debt mutual fund for 3 years (from January 2017 to December 2019). The author evaluated the risk and return component of selected Debt funds. The researcher took the data from AMC's factsheet and historical NAV. It is found that the three funds out of 5 funds performed very well.

(Tripathi & Japee, 2020) The research is centered upon 15 equity open-ended mutual funds, using them to judge 5 large-cap schemes, 5 mid-cap schemes and 5 small-cap schemes. Jensen's alpha method, the beta, standard deviation and Sharpe ratio were used to measure returns. It emerged that ten out of fifteen funds performed well under changing market conditions.

(Kumar & Adhikary, 2015) The author evaluated the outcomes of five tax-saving mutual fund schemes, researcher tried to investigate the relations between the returns of these funds and the market, and to contrast the returns of private sector funds with those of public sector funds against a particular case. The findings revealed that no discernible relations found between fund returns and market performance. Notably that, the private funds performed well in comparison to public funds. The author investigated that HDFC tax saver (G) give higher return among all. Notably, private funds outperformed public funds. Additionally, it is identified HDFC Tax Saver (G) as the top performer among all the schemes analysed.

(Bhagyasree & Kishori, 2016) Assess 30 different equity mutual fund schemes to ascertain their performance and risk ratio, and their Return by applying Treynor, Sharpe and Jensen ratios. Researcher used 91 days treasury bill for risk free return. The research was conducted for 5 years from April 2011 to March 2015. The author inspects that all funds had a positive return by Sharpe ratio, and by Jensen's measure, 19 out of 30 schemes had overperformed.

(Singh, 2019) inspected 5 SIP mutual funds from August 1, 2014 to July 31st, 2019. The study is conducted to examine their return and to predict the trends for investment. The study takes BSE Small cap TRI as benchmark. The study find out that, 2 out of 5 performed very well and give high returns. The study also pointed out that Reliance fund gives high return, but it also belongs to high risk -category.

(Goyal, 2015) This study evaluated the top 10 Equity diversified mutual fund return from August 1, 2014 to November 9, 2014. The company used 91 days treasury bill for risk free rate. S&P CNX NIFTY taken as Benchmark in this study. Evaluation criteria of selected schemes funds had been measured by Treynor ratio, Sharpe ratio and Jensen measures. The author pointed out like all funds give higher return but 'Franklin India Opportunities fund' is very well performed among them.

(Kalyan & Gautami, 2018) had examined the 5 Contra funds to measure their Average return and risk and to compare the SBI Magnum Contra Fund with Other Contra fund return. Through the evaluation it is concluded in 5 years from 2011-12 to 2015-16. The author used many financial tests to measure the return like Sharpe ratio and Treynor ratio. At the end, the author founded that, TATA Contra fund had high risk but it also giving high return. And in L&T Contra fund both risk and return are low.

(Sathish & Srinivasan, 2016) The analysis involved twenty open-ended mutual funds to investigate the connection between one's risk and his gains. The study determined how much one was correlating his net asset value with market portfolio return. The research applied Sharpe, Treynor as well as Jensen ratios among other return measures over a five-year period. Consequently, there was a significant improvement out of twenty products that were considered under this analysis.

(Roy & Ghosh, 2012) evaluated the 31 open ended gilt mutual fund shemes. The time of study is 2008-09 (recession period). Research conducted for examining the return of mutual fund and to compared them on the basis of ownership pattern by using Sharpe and Treynor ratio during recession period. The study found that funds of all companies had not given satisfactory result during recession period.

(Kandpal & Kavidayal, 2014) inspected 18 equity Diversified mutual funds for 5 years. The author took 91 days treasury bill @5.5% as risk free rate. The study was conducted to examine the understanding regarding funds to market volatility. As a result, based on the outcomes, it can be stated that private sector funds give improved return than public funds due to various reasons like well diversification of funds.

Research Gap

The researcher studied many Journals, books etc. and found that numerous research was initiated and submitted on various topics of mutual fund. Some of them compare Debt Mutual fund and some of them compare combined mutual fund. But very few studies had been conducted on Large-Cap, Mid-Cap and Small-Cap equity mutual funds. Indeed, evaluating mutual funds has become a captivating area for researchers.

Need of Study

For small investor and households, who want to enter in stock market without any background Knowledge, Mutual fund become a great option for them to investment. But while they invested in mutual fund, they get confused about the type of fund they should invest in, like- In large Cap or Small Cap, Regular or Direct, Growth oriented or not. This study provides some help to them in taking rational decisions about selecting mutual fund according to their needs. And they can easily invest their savings in the right type of mutual fund schemes.

Research Methodology

Population and Sample

The study encompasses the diverse array of Large-Cap, Mid-Cap, and Small-Cap mutual fund Schemes available for investors in the financial market of India. From this broad spectrum, researchers had carefully chosen five schemes from each category, focusing on those offering regular income and growth orientation, to form our sample for the present study.

Source of Data

Present paper relies entirely on the secondary data sources. "Data with regards to return on investment, is gathered from the official website of Moneycontrol. Additionally, information from various journals, books, conference proceedings, as well as the official websites of AMFI and BSE, is utilised for comprehensive analysis."

Periodicity of Study

During five years starting on April 1, 2017 and ending on March 31, 2022, getting the yearly returns was done in order to calculate the average return. It is this average return that was used for assessing how well the selected mutual fund schemes have fared.

Tools and Analysis

Various parameters are utilised to evaluate the return of some mutual funds, they are, average return, standard deviation, and beta. Both the Sharpe ratio, Treynor ratio and the Jensen measure are employed for comparison purposes. In analysing these ratios, Microsoft Excel is used.

- *Average Return* = It shows the average of the last 5 years' return.

$$\frac{\Sigma R_x}{n}$$

- *Standard Deviation (σ)* = It shows the total risk or historical volatility of mutual fund schemes.

$$\frac{\sqrt{\sum(R_x - \bar{R}_x)^2}}{n}$$

- *Beta (β)* = It shows the systematic risk or relative risk of mutual fund schemes.

$$\frac{cov(R_x, R_m)}{var(R_m)}$$

- *Sharpe Ratio* = It shows the excess return per unit of total risk. It used Standard deviation to measure risk.

$$\frac{R_\rho - R_f}{\sigma\rho}$$

- *Treynor Ratio* = It shows risk premium per unit of systematic risk. It used Beta to measure risk. It assumes that all returns were well diversified. That's why it ignores unsystematic risk.

$$\frac{R\rho - R_f}{\beta_\rho}$$

- *Jensen's Ratio* = It is based on CAPM model. It shows the return over expectation of Portfolio under CAPM.

$$\alpha_p = R_p - [R_f + \beta_p (R_m - R_f)]$$

Large Cap Mutual Fund

Data Analysis

Large-Cap mutual fund Schemes, Mid-Cap mutual Fund Schemes and Small-Cap mutual Fund Schemes had been analysed by the researchers as mentioned below:

Table 1: Comparison of Risk and Return of Funds with S&P BSE Large Cap Fund

Years	*BNP Paribas L C Fund (G)*	*Edelweiss L C Fund-A (G)*	*HSBC L C Equity Fund-Regular (G)*	*IDFC L C Fund-Regular Plan (G)*	*Indiabulls Blue Chip Fund-Direct plan (G)*	*S&P BSE L C fund*
2017-18	9.1	12.3	8.7	10.5	13.3	9.92
2018-19	6.9	9.3	7.6	8.3	8.4	13.26
2019-20	-13.8	-21.7	-21.8	-21.3	-22.9	-26.11
2020-21	61.1	70	70.6	67	61.1	70.52
2021-22	16.2	16	13.6	17.7	14.1	19.45
Total Fund Returns	79.5	85.9	78.7	82.2	74	87.03
n	5	5	5	5	5	5
Average fund return (R_n)	15.90	17.18	15.74	16.44	14.80	17.41
Standard deviation (σ)	27.62	33.12	33.69	31.95	30.04	34.61
Beta(β)	0.79	0.95	0.97	0.92	0.86	1.00

Source: Self-generated.

Table 1 presents a comparison of the risk and return of five Large-Cap Mutual Fund schemes against the S&P BSE Large-Cap fund, serving as the benchmark, over a five-year period from 2017-2018 to 2021-2022. The trend observed in the return of the Large Cap mutual fund schemes during this period had been notably volatile, attributed to the impact of the COVID-19 pandemic. It is noteworthy that none of the schemes was able to match or exceed the return generated by the benchmark. However, among them, the Edelweiss Large Cap Fund-A (G) demonstrated the highest return.

Furthermore, all the mutual fund schemes under consideration exhibit a lower standard deviation compared to the benchmark S&P BSE Large Cap fund. Additionally, each scheme demonstrates a low beta, with values even below 1, indicating relatively lower systematic risk compared to the market.

Table 2: Comparison of Sharpe, Treynor, Jenson Alpha Measures

Schemes	*Sharpe ratio*	*Treynor ratio*	*Jenson ratio*
BNP Paribas Large Cap Fund (G)	0.41	11.34	**1.20**
Edelweiss Large Cap Fund-A (G)	0.38	**13.23**	0.38
HSBC Large Cap Equity Fund-Regular (G)	0.33	11.55	-1.23
IDFC Large Cap Fund- Regular Plan (G)	0.37	12.89	0.06
Indiabulls Blue Chip Fund- Direct plan (G)	0.34	11.84	-0.85

Source: Self-generated.

Table 2 provides a comparative analysis of return measures among the five selected L C mutual funds. The Sharpe ratio indicates that BNP Paribas L C Fund (G) exhibits superior return compared to other funds, with a ratio of 0.41. Conversely, HSBC L C Equity Fund-Regular (G) demonstrates the lowest return among the selected funds, with a Sharpe ratio of 0.33.

Regarding the Treynor ratio, Edelweiss L C Fund-A (G) emerges as the top performer among the five selected L C funds, with a ratio of 13.23. On the other hand, BNP Paribas L C Fund (G) exhibits the lowest return among the selected funds, with a Treynor ratio of 11.34.

The Jensen return measure reveals that BNP Paribas L C Fund (G) had outperformed its peers, achieving a Jensen ratio of 1.20. In contrast, HSBC L C Equity Fund-Regular (G) exhibits the lowest return among the selected funds, with a Jensen ratio of -1.23.

Mid Cap Fund

Table 3: Comparison of Risk and Return of Funds with BSE Mid Cap Fund

Years	*Baroda Pioneer M C Fund (G)*	*BNP Paribas M C Fund (G)*	*DSP M C Fund- Regular Plan (G)*	*Edelweiss M C Fund (G)*	*ICICI Prudential M C Fund (G)*	*BSE M C Fund*
2017-18	14.6	7.7	10.3	22.5	13.2	12.87
2018-19	-7.5	-4.8	-0.9	-7.8	-3.8	-3.03
2019-20	-22.2	-19.9	-18.9	-24.9	-33.4	-31.72
2020-21	87.6	85.5	75.4	98.9	100.9	90.93
2021-22	27.5	22.8	11.7	24.6	23.6	19.46
Total Fund Returns	100	91.3	77.6	113.3	100.5	88.51
N	5	5	5	5	5	5
Average fund return (R_n)	20.00	18.26	15.52	22.66	20.10	17.70
Standard deviation	42.40	40.75	35.64	47.45	50.05	45.44
Beta(β)	0.93	0.89	0.78	1.04	1.10	1.00

Source: Self-generated.

Table 3 represents the comparison of the annual average return and risk of five Selected equity growth oriented M C fund with the BSE M C fund as Benchmark. In this table it is found that all Selected Funds overperformed the benchmark except DSP regular plan (G) fund.

The Baroda Pioneer (G) M C fund, BNP Paribas (G) M C fund, DSP Fund- Regular Plan (G) M C funds had low standard deviation and lower beta than market standard deviation and beta.

BNP Paribas Mid Cap (G) is (0.89), Baroda Pioneer Mid Cap (G) is (0.93), DSP Mid Cap Fund- Regular Plan (G) is (0.78) and had low Beta from 1 or market risk.

Table 4: Comparison of Sharpe, Treynor, Jensen Ratio

Schemes	*Sharpe Ratio*	*Treynor Ratio*	*Jensen Ratio*
Baroda Pioneer M C Fund (G)	0.36	16.66	3.28
BNP Paribas M C Fund (G)	0.34	15.38	2.01
DSP M C Fund- Regular Plan (G)	0.31	14.02	0.70
Edelweiss M C Fund (G)	0.38	17.43	4.47
ICICI Prudential M C Fund (G)	0.31	14.10	1.07

Source: self-generated.

Table 4 revealed that the return measures of various mutual fund schemes by Sharpe ratio, Treynor ratio, Jensen ratio.

The Sharpe ratio in Table 4 revealed that Edelweiss M C Fund (G) had better performed with 0.38 than another funds. And DSP M C Fund- Regular Plan (G) with 0.31 and ICICI Prudential M C Fund (G) with 0.31 performed equal and lower than another 3 mutual fund schemes.

Treynor ration revealed that Edelweiss M C Fund (G) had better performed with 17.43 and DSP M C Fund- Regular Plan (G) had lowest performed with 14.02 among selected fund Schemes.

The Jensen ratio revealed that all funds had a positive return and all return had over performed and if compared, it can be stated that Edelweiss M C Fund (G) had higher performed with 4.47 and DSP M C Fund- Regular Plan (G) lower performed than other funds with 0.70.

Small Cap Mutual Fund

Table 5: Comparison of Risk and Return of Funds with S&P BSE Small Cap

Years	*Aditya Birla Sun Life S C Fund- Regular (G)*	*Axis S C Fund- Regular (G)*	*DSP S C Fund- Regular (G)*	*HDFC S C Fund (G)*	*HSBC S C Equity Fund- Regular (G)*	*S&P BSE S C*
2017-18	13.9	13.3	7.3	29.6	16.2	17.47
2018-19	-12.2	-0.3	-11.8	-0.7	-15.4	-11.57
2019-20	-43.6	-13.2	-30.6	-41.9	-38.4	-37.91
2020-21	112.3	83.4	103.3	104.7	106.2	121.30
2021-22	19.3	38.8	37	32.1	33.4	36.64
Total Fund Returns	89.7	122	105.2	123.8	102	125.9301
N	5	5	5	5	5	5
Average fund return (R_n)	17.94	24.40	21.04	24.76	20.40	25.19
Standard deviation	58.35	38.19	52.33	53.76	55.42	60.75
Beta(β)	0.96	0.62	0.86	0.87	0.91	1.00

Source: Self-generated.

Table 5 shows the comparison of the annual average return and risk of five Selected equity growth oriented S C fund with the S&P BSE S C fund as Benchmark.

According to average return, all mutual fund schemes give a better return but a lower than benchmark return of 25.19%.

But all mutual funds had a lower standard deviation than benchmark and when closely look at the beta, additionally, it is also found that the beta of all mutual funds is less than 1.

Table 6: Comparison of Sharpe Ratio, Treynor Ratio, and Jensen Ratio

Schemes	*Sharpe Ratio*	*Treynor Ratio*	*Jensen Ratio*
Aditya Birla Sun Life S C Fund- Regular (G)	0.23	13.98	-6.33
Axis S C Fund- Regular (G)	0.52	31.79	6.97
DSP S C Fund- Regular (G)	0.31	19.19	-1.21
HDFC S C Fund (G)	0.38	23.14	2.21
HSBC S C Equity Fund- Regular (G)	0.29	17.36	-2.96

Source: Self-generated.

Table 6 reveals the ratio of selected mutual fund schemes, which measures the return.

The Sharpe ratio revealed that Axis Regular (G) S C Fund had performed better than another funds with Sharpe ratio 0.52 and Aditya Birla Sun Life Small Regular (G) S C Fund with Sharpe ratio 0.23 had a lower return than another selected mutual fund scheme.

The Treynor ratio also inspects that Axis Regular (G) S C Fund had superior return with Treynor ratio 31.79 and Aditya Birla Sun Life Regular (G) S C Fund had lower return than other funds with Treynor ratio 13.98.

The Jensen ratio found that Axis Regular (G) S C Fund with Jensen ratio 6.97 and HDFC (G) S C Fund with Jensen ratio 2.21 are over performed. Whereas remaining mutual funds are Aditya Birla Sun Life Small Regular (G) S C Fund, DSP Regular (G) S C Fund, HSBC Regular (G) S C Equity Fund had under Performed.

Findings

Average Return Analysis

Among the selected L C mutual fund schemes, none surpassed the return of the benchmark scheme, "S&P BSE L C Fund." However, all selected schemes outperformed the benchmark scheme "BSE Fund," except for the "DSP Regular Plan (G)" fund. Conversely, all selected S C fund schemes underperformed in comparison to the benchmark scheme "S&P BSE S C Fund."

Risk Analysis

All selected L C Fund Schemes exhibited lower Beta and Standard Deviation than the benchmark "S&P BSE L C Fund." Similarly, most M C fund schemes had lower beta and standard deviation than the benchmark, except for Edelweiss (G) fund and the ICICI Prudential (G) fund. Among S C fund schemes, all demonstrated lower beta and standard deviation compared to the benchmark "S&P BSE Small Cap."

Sharpe Ratio Analysis

BNP Paribas (G) was identified as the top performer on the basis of Sharpe ratio among the selected L C fund schemes. Edelweiss Fund (G) stood out as the best performer in the M C fund category, while Axis Regular (G) fund led in the Small Cap fund category by providing an excess return per unit of total risk.

Treynor Ratio Analysis

Edelweiss A (G) fund showcased a higher risk premium among all selected L C fund schemes. In the Small Cap fund category, Axis Regular (G) fund emerged as the best performer, offering a higher risk premium.

Jensen Ratio Analysis

BNP Paribas (G) fund demonstrated a superior return according to the Jensen ratio among all selected L C mutual fund schemes. In the M C fund category, Edelweiss Fund (G) outperformed by providing higher returns than expected. Among selected Small Cap Fund schemes, only two schemes, Axis Regular (G) and HDFC (G) Small Cap Fund, offered returns over expectation, with Axis Regular (G) Small Cap Fund being the better performer.

Conclusion

In today's market, a plethora of mutual fund options, including L C, M C, and small cap mutual fund schemes, present investors with a challenging task of selecting suitable investment avenues. To address this challenge, this study was conducted, employing key metrics such as the Sharpe ratio, Treynor ratio, and Jensen's measure to discern the funds offering superior returns at lower risk among popular and selected options. The findings reveal that while BNP Paribas' L C fund schemes had excelled in terms of Sharpe and Jensen's ratios over the past five years, Edelweiss' large cap fund – A(G) had demonstrated superior return according to the Treynor ratio. Similarly, in the mid cap category, Edelweiss mid-cap fund (G) had

outperformed its counterparts consistently over the same period. For small-cap funds, Axis small-cap fund – Regular (G) emerges as the top performer, exhibiting superior return across all selected schemes based on Jensen's, Sharpe and Treynor ratios. This study comprehensively evaluated the return and risk characteristics of L C, Mid Cap, and Small-Cap mutual fund schemes over a five-year period. The findings shed light on several crucial aspects of mutual fund investments, providing valuable insights for investors and fund managers alike. The analysis revealed that while L C mutual fund schemes generally yielded positive returns, none were able to surpass the benchmark scheme, "S&P BSE L C Fund." However, Mid Cap fund schemes demonstrated higher average returns compared to their benchmarks, except for the "DSP Regular Plan (G)" fund. Conversely, all selected Small Cap fund schemes underperformed relative to the benchmark scheme, "S&P BSE Small Cap Fund." In terms of risk analysis, all selected funds exhibited lower Beta and Standard Deviation than their respective benchmarks, indicating relatively lower volatility and systematic risk. Notably, certain Mid-Cap and Small-Cap funds showed higher beta and standard deviation, suggesting increased exposure to market fluctuations. The Sharpe ratio analysis highlighted the BNP Paribas (G) fund as the top performer among selected L C funds, while Edelweiss Fund (G) stood out in the Mid Cap category, and Axis Regular (G) fund led among Small Cap funds, providing excess returns per unit of total risk. Furthermore, the Treynor ratio analysis revealed that Edelweiss A (G) fund offered higher risk premiums among L C funds, whereas Axis Regular (G) fund demonstrated superior return in the Small Cap category. Jensen ratio analysis underscored BNP Paribas (G) fund's outperformes among L C funds, while Edelweiss Fund (G) exhibited better-than-expected returns in the Mid Cap category. Notably, Axis Regular (G) and HDFC (G) Small Cap funds delivered returns above expectation, with Axis Regular (G) Small Cap Fund emerging as the better performer.

In conclusion, this study provides valuable insights for investors seeking to minimise the complexities of mutual fund investments. By understanding the return and risk characteristics of various mutual fund schemes, investors can make more rational decisions aligned with their investment objectives and their risk tolerance levels. Moreover, fund managers can utilise these findings to optimise their fund strategies and enhance investor returns over the long term.

Suggestions

For investors seeking a certain return at low risk, L C funds present an attractive option. These funds basically invest in well-established companies which give stable earnings, offering investors a balance between growth potential and risk mitigation.

Investors aiming for moderate to high returns and willing to tolerate moderate risk levels perhaps find mid cap funds suitable for their investment objectives. Mid cap funds often invest in companies with promising growth prospects, albeit with slightly higher volatility compared to L C funds.

For those seeking wealth creation or higher returns at lower initial investments but are prepared to accept higher levels of risk, small cap fund schemes offer an opportunity. These funds typically invest in smaller companies with significant growth potential, providing investors with the possibility of substantial returns over the long term, albeit with increased volatility.

By aligning investment choices with their risk tolerance and return expectations, investors can construct diversified portfolios that cater to their financial goals and preferences. Additionally, seeking professional financial advice can further enhance the decision-making process and optimise investment outcomes.

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