

Chote miyan out, bade miyan in! How MF investors are shuffling their cards

By Surbhi Khanna, Published on: 28th April 2024



After recording an inflow of Rs 40,188 crore in FY24, small cap mutual funds are now beginning to show early signs of a possible reversal in March when an outflow of Rs 94.17 crore was seen for the first time in 31 months. Large cap funds, on the other hand, are back in vogue as investors poured in Rs 2,127 crore last month after pulling out Rs 2,741 crore in the last 11 months.

The total assets under management (AUM) of large cap funds has now surged to Rs 3.14 lakh crore, the second highest in equity category after flex cap funds.

Does the on-going volatility in the mid and small cap funds and the outflows from small cap funds in March indicate that large cap funds will gain more popularity from the investors?

“The valuations in large caps, though also at a premium to long term averages, look more reasonable as compared to mid and small caps, and are therefore a relatively better place to invest in, than mid and small caps,” Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

Analysts believe that the froth in the small and mid-cap segment will shift the trend. It will make investors shift toward the large cap funds.

“The trend reversal in terms of flows into the small cap category was witnessed after more than two years of continuous positive flows into the segment. The SIPs have however continued on a strong trend though. The nervousness in the market also seems to be abating. Given all this, it would be too early to suggest it could be a trend reversal,” said Harsha Upadhyaya, CIO – Equity, Kotak Mahindra AMC.

He added, “Currently, it is expected that mid and small cap baskets will deliver 7-9% higher earnings growth than Nifty basket over the next two years. This sort of higher pace of earnings growth is crucial for sustenance of mid and small cap valuations which are at all-time high premium levels as compared to that of large caps.

The large cap funds have offered an average return of around 36.45% in FY24. There were around 30 large cap schemes in the said period. All these 30 large cap schemes offered more than 25% return in FY24. Quant Large Cap Fund, the topper in the category, gave 52.37% return in FY24. Bank of India Blue-chip Fund gave 47.74% return in the same time period.

ICICI Prudential Blue-chip Fund, the largest scheme in the large cap category based on assets managed, offered 42.37% return in FY24. Aditya Birla SL Frontline Equity Fund and SBI BlueChip Fund gave 33.84% and 29.51% returns respectively in the same time period.

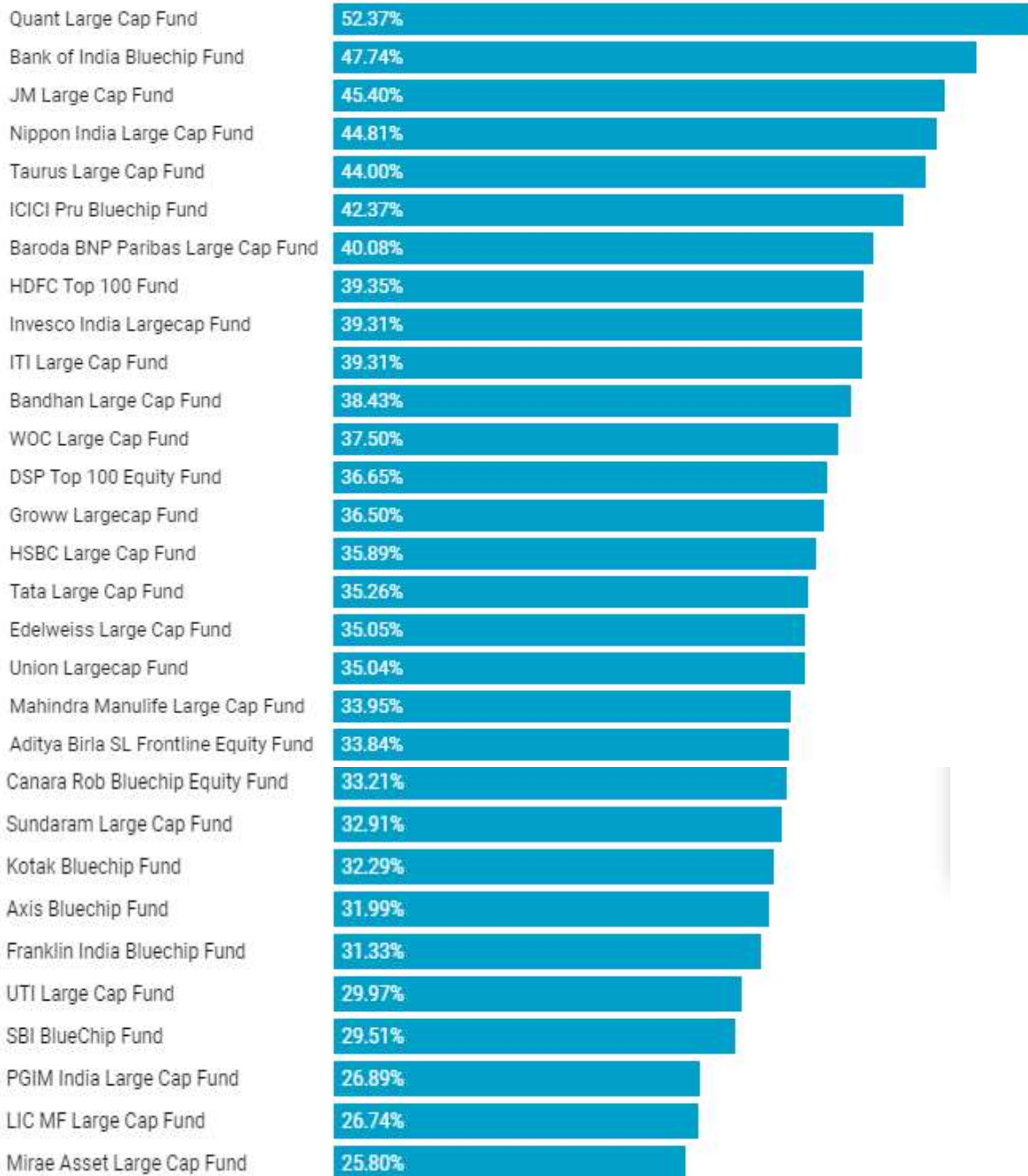
ET Mutual Funds also compared the performance of large cap schemes with the performance of their respective benchmark. Out of these 30 large cap schemes available in the market for investment, around 18 large cap schemes have managed to outperform their respective benchmarks. In other words, around 12 large cap schemes have failed to beat their respective benchmarks.

Some prominent schemes in the large cap category such as Kotak Blue-chip Fund, SBI BlueChip Fund, Axis Blue-chip Fund have failed to beat their respective benchmarks. ICICI Prudential Blue-chip Fund, the largest scheme in the category, managed to beat its benchmark.

Looking at these returns, are you thinking of investing in large cap schemes and wondering what strategy to follow?

Large Cap Funds: FY24 Scorecard

FY24 return



(Trailing returns from April 1, 2023 to March 31, 2024)

Chart: ET Online • Source: ACE MF

“It is suggested to invest through a staggered approach in the form of Systematic Investment Plans (SIPs) or Systematic Transfer Plans (STPs) to navigate possible volatility on the back of geopolitical challenges, elections in the India and US later in the year, as well as interest rate direction and inflation uncertainty that is currently playing out both in India and across the globe,” suggested Vishal Dhawan.

Note, we considered regular and growth options. We calculated returns for FY24 from April 1, 2023, to March 31, 2024.

Large cap schemes are recommended to conservative investors looking for equity mutual fund schemes to achieve your long-term goals. These schemes are mandated to invest in top 100 companies by market capitalisation. These large companies fare better in a volatile market as these companies may be market leaders and resilient to downturns. This makes these schemes relatively less risky and volatile. One should not make investment or redemption decisions based on the above exercise. One should always consider risk appetite, investment horizon, and goal before making investment decisions.