

# MF Tracker: Can this 3-year midcap topper keep its edge amid market volatility?

By Surbhi Khanna, Published on: August 25, 2025.



Invesco India Midcap Fund has delivered the highest return in the mid cap category in a three-year period of around 29.21%. Apart from this mid cap fund, there were around 27 other funds in the mid cap category which have completed three years of existence in the market.

This mid cap fund is given four-star rating by both Value Research and Morningstar. According to the data available on Value Research, the fund was given three-star rating in 2016 and 2017 and then gained the four-star rating in 2018 and continued with the same till 2021. After having three-

star rating again in 2022 and 2023, the fund has been given four-star rating in 2024.

The fund was launched in April 2007, has completed nearly 18.35 years in the market and delivered 17.18% CAGR since its inception.

Based on trailing returns, the fund has managed to beat its category average across all horizons such as in the last three months, six months, nine months, one year, three years, five years, and 10 years. Note, the data for benchmark was not available in ACE MF for comparison.

In the last three months, the fund gave 11.20% return against the 5.145 as the category average. In the last six months, the fund gave 24.38% return against 15.95% as the category average. The fund offered a return of 12.77% in the last nine months against the category average as 4.11%.

The fund delivered a return of 13.99% against a minimal loss by the category of 0.37%. In the last five years, the fund offered a CAGR of 28.19% against a category average of 25.50% whereas in the last 10 years, the fund gave a CAGR of 17.83% against a category average of 15.54%.

## Fund managers take on fund

“Invesco India Midcap Fund is a high-quality, high-earnings growth portfolio manager with a blend style of investing, having good diversification across sectors. This approach to portfolio construction has been the key to its performance. Along with that, the fund is managed with a combination of identification of top-down themes and bottom-up stock picking. Within this, stock selection has contributed to the bulk of the performance. The overall approach ensures that all stocks contribute to the performance, rather than a few stocks doing the heavy lifting,” Aditya Khemani - Fund Manager Equity at Invesco India Mutual Fund shared with ETMutualFunds.

“The last year has been a challenging one for the markets after a 4–5-year dream run, and because we were clear about what to avoid in the market—due to weak business models or excessive valuations—we were able to navigate it better. Also, even though one views the portfolio from the lens of relativity, a lot of focus is also placed on absolute valuations and absolute upside, and we believe this philosophy has helped the portfolio perform much better.

Last but not least, risk management has played a key role—for example, by capping the top weight at around 5%, etc,” Khemani further added.

Based on the daily rolling returns, the fund gave 24.75% and 18.95% CAGR in the last three and five years respectively. Based on the same parameters, the fund has offered a CAGR of 17.35% and 17.89% in the last seven and 10 years respectively.

Looking at the yearly performance of the fund in the last 10 years from 2015, the fund has delivered negative returns only in 2018. The fund has not offered the highest returns in any of these years.

## How does an expert evaluate the performance?

According to an expert, the scheme has done very well in terms of trailing returns but before deciding time horizon, one should note that fund performance is best assessed through rolling returns, which measure returns

over overlapping periods and reflect consistency, unlike trailing returns that can be distorted by market highs or lows and in addition to returns, investors should also consider parameters such as valuation, fund manager tenure and track record, expense ratio, management quality, risk measures, AUM trends, consistency, etc.

**"If we look at different time horizons, less than 3 years of timeframe usually reflects short-term market cycles, momentum, or one-off events, which is why we ideally should not make a decision based on shorter timeframes," Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai told ETMutualFunds.**

"A three- to five-year horizon captures some business cyclicity but is still not the most reliable period for evaluating equities. Long horizons like 7–15 years are more appropriate, as they align with the ideal equity holding period and account for mean reversion—ensuring that even if recent returns are unusually high, long-term performance typically settles closer to historical averages," he added.

If an investor invested Rs 10,000 via SIP mode since the time of inception in the fund, the current value of this investment would have been Rs 1.80 crore now with an XIRR of 19.95%. The value of the same investment in the last five years would have been Rs 11.54 lakh with an XIRR of 26.74% and in the last three years would have been Rs 5.51 lakh with an XIRR of 30.28%.

A lumpsum investment of Rs 1 lakh in the fund at the time of inception would have been Rs 18.36 lakh now with a CAGR of 17.18%. In the last five years, the value of the same investment would have been Rs 3.46 lakh now with a CAGR of 28.23%. In the last three years, the value of this investment would have been Rs 2.14 lakh with a CAGR of 28.90%.

Invesco India Midcap Fund holds 14.85% in large cap, 63.61% in mid cap, 3.23% in others, and lastly 18.30% in small cap. The asset allocation includes 98.08% in equity and 1.92% in others.

### **Time to focus on mid caps?**

**According to Dhawan, with midcaps delivering strong trailing returns, they may seem attractive, but valuations are now well above long-term historical averages, while recent quarterly earnings growth has remained subdued.**

According to a report by Equirus Securities, mid-caps remain elevated but offer stronger earnings visibility than small caps, where multiple expansion dominates. "In an environment where CY25 EPS forecasts have fallen - 13.8%, the steepest cut since the pandemic," investing wisely backed by adequate research is key to outperformance. Large caps provide the best margin of safety, mid-caps should be approached selectively in structural growth areas, and small caps warrant caution until earnings catch up," said Maulik Patel Head of Research at Equirus Securities.

**Dhawan further recommends that a balanced strategy is to invest gradually through SIPs and use staggered allocations to average entry costs and reduce timing risk and if a meaningful correction occurs, a lump sum can be added to complement SIPs.**

**"Ultimately, discipline and phased investing work far better than attempting to time the market in midcaps. In the current market environment, it is better to invest in any midcap funds through SIPs rather than a lump sum. Midcaps have delivered strong short-term returns, but they don't have valuation comfort. A lump sum can be considered only if there is a meaningful market correction or time correction till earning improves significantly and valuation," Dhawan added.**

In the last one month, Nifty Midcap indices were in red. Nifty Midcap 150 - TRI was down by 1.91% whereas Nifty Midcap 100 - TRI was down by 2.38%. In the last six months, Nifty Midcap 150 - TRI went up by 15.16% and went up by 5.50% in the last nine months. In the last one year, it went down by 0.90%.

**Now the thing to know is that given midcaps' higher volatility, should investors stay invested for at least 7–10 years to capture full potential? To which Dhawan answers that equity investments are best suited for the long term, ideally 10 years or more and for midcap funds in particular, investors should remain invested for at least 7–10 years to unlock their full potential.**

"Midcaps are inherently more volatile due to smaller business size, lower liquidity, and greater sensitivity to economic cycles, which can lead to sharp short-term fluctuations. Over longer horizons, however, many quality

midcap companies evolve into large caps, delivering significant wealth through compounding. A sustained holding period helps investors ride out market cycles, overcome market noise, manage volatility, and capture the long-term growth opportunities in this segment,” he adds.

The PE and PBV ratio of the multi asset allocation fund were recorded at 68.72 times and 9.87 times respectively whereas the dividend yield ratio was recorded at 0.41 times as of July 2025.

“The scheme has a very high price to earnings multiple as well, and thus earnings growth of the underlying businesses will need to be very robust to justify these valuations. Any downward surprise on earnings across portfolio companies of the scheme could cause sharp corrections,” Dhawan said.

The fund had the highest allocation in the finance of around 21.75% compared to 10.23% by the category. The scheme is overweight on healthcare, retailing, realty, consumer durables, construction materials, and aviation.

ETMutualFunds analysed the other key ratios of the fund. Based on the last three years, the scheme has offered a Treynor ratio of 1.84 and an alpha of 1.06. Note, the fund had the second highest alpha among all the equity mutual funds that have completed three years of existence in the industry.

The Sortino ratio of the scheme was recorded at 0.81. The return due to net selectivity was recorded at 0.77 and return due to improper diversification was recorded at 0.28 in the last three years.

The investment style of the fund is to invest in growth oriented mid cap stocks.

Apart from Invesco India Midcap Fund, there are around 25 funds in the mid cap category which have completed three years of existence. Among these 25 funds, Motilal Oswal Midcap Fund gave the highest return of around 28.93%, followed by HDFC Mid Cap Fund which gave 26.65% return in the same period. PGIM India Midcap Fund gave the lowest return of around 15.14% in the last three years.

After analysing the performance of mid cap funds, Dhawan mentioned that midcaps are well placed to benefit from India’s structural growth drivers such as rising domestic consumption, manufacturing expansion, and digitization and over the long term, they continue to offer strong wealth-creation potential as many quality midcap companies eventually graduate to large caps.

“Investors should temper their expectations for the coming years, as it will be difficult to replicate the exceptionally high returns seen recently. Valuations in many sectors are elevated after the recent rally, and midcaps are more sensitive to economic cycles. They tend to outperform in upcycles but underperform in downturns, making them inherently more volatile. In the near term, returns may moderate or correct but this also creates better entry opportunities,” Dhawan recommends.

“Overall, the category remains attractive for long-term investors, provided they invest gradually through SIPs or staggered allocations, diversify across funds, and remain patient through market cycles,” he adds.

The fund had an AUM of Rs 7,801 crore as on July 31, 2025. It is benchmarked against BSE 150 Midcap - TRI and is managed by Aditya Khemani.

One should always invest based on their risk appetite, investment horizon, and goals.