

NFO Insight: Will TRUSTMF Mid Cap Fund's GARV and LIM strategy help identify quality mid-cap opportunities?

By Surbhi Khanna, Published on: March 02, 2026



TRUST Mutual Fund has launched TRUST Mid Cap Fund, an open-ended equity scheme that seeks to generate long-term capital appreciation by investing in equity and equity-related instruments of businesses ranked 101st to 250th in terms of full market capitalization, as defined by SEBI. The new fund offer or NFO of the scheme is open for subscription and will close on March 13. The scheme will be benchmarked against the Nifty Midcap 150 TRI and will be managed by Mihir Vora and Aakash Manghani.

Investment strategy and approach

The TRUSTMF Mid Cap Fund will be managed in line with TRUST Mutual Fund's core investment philosophy of Growth at Reasonable Valuations (GARV) and Terminal Value Investing. The investment team applies the LIM framework — Leadership, Intangibles and Megatrends — to evaluate companies with durable competitive positioning, scalable models and structural growth alignment.

What CIO, CEO and fund manager say on launch

Sandeep Bagla, Chief Executive Officer : Growth investing is central to our philosophy. In the mid-cap universe, outcomes can vary significantly, making research depth and valuation discipline especially important. Our investment process combines fundamental analysis, relative valuation and Terminal Value Investing to identify businesses that can create sustainable long-term value

Mihir Vora, Chief Investment Officer : Mid-caps fit naturally within our Terminal Value Investing framework. These companies typically have established business models and a long runway for growth. Our approach focuses on identifying scalable businesses with strong leadership, competitive advantages and alignment with structural megatrends. Given the relatively lower research coverage in the mid-cap space compared to large caps, disciplined stock selection becomes critical.

Aakash Manghani, Fund Manager : Mid-cap investing demands strong bottom-up research and sharp execution focus. We are looking for companies that are gaining market share, improving operating efficiencies and demonstrating consistent earnings delivery. By maintaining valuation discipline and focusing on quality growth businesses, we aim to build a resilient portfolio positioned to benefit from India's next phase of expansion.

What experts say about the fund

Experts typically ask investors to avoid investing in NFOs unless they offer something unique. The uniqueness could be that the scheme is offering an investment option that is not available in the market or offering something extra to an existing option. Otherwise, the experts believe investors are better off with an existing scheme with a long performance record. This is because you have some historical data to base your investment decision. You don't have any data when it comes to new offerings.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors shared with ETMutualFunds that The fund will focus on building a sector-diversified portfolio and the company will adopt a limited Active Methodology in portfolio creation.

Dhawan further said that this contrasts with many mid-cap peers that run high-conviction concentrated bets. Additionally, Trust may not have large AUM constraints that large legacy AMCs have due to their size, hence it is likely to have more opportunity to invest in smaller mid-cap companies relative to larger AUM AMCs.

Aarti Desikan, Executive Director, Anand Rathi Wealth Limited told ETMutualFunds that what really sets one fund apart from another is not the mandate, but how well the fund manager selects stocks, builds the portfolio, and manages risk over time. However as it is an NFO, this fund does not yet have a performance track record.

Desikan further said that investors already have access to several established mid-cap funds with long operating histories across market cycles so unless there is strong conviction in the fund house or management team, investors may prefer funds with demonstrated execution capability.

Why mid cap now?

According to the fund house, this mid cap fund is launched now because of earnings momentum, midcap earnings are supported by PAT growth, midcap valuations are now far more reasonable, and mid caps beat large caps in the majority of calendar years, specially during recovery & growth phase.

The fund will allocate 65-100% in Equity and Equity related instruments of Mid Cap Companies, 0-35% in Equity and Equity related instruments of other than Mid Cap Companies, 0-35% in Debt and Money market Instruments (including cash & cash equivalents), and 0-10% in Units issued by InvITs. The portfolio construction will be based on the parameters - fundamental analysis, relative valuation, terminal value investing and GARV (Growth at Reasonable Valuation).

Should one prefer mid cap funds now?

Desikan said investors should maintain exposure to mid-caps as part of their overall portfolio, within 23 to 25% of total allocation. It is a common misconception that mid-caps are riskier than they actually are.

While sharing the performance trend and data, Desikan said, the February 2025 correction saw the Nifty Midcap 150 drop 10.58% within weeks, naturally making investors hesitant and further corrections were seen in July–August 2025 and January 2026, creating multiple phases of volatility through the year.

“However, these phases were followed by strong recoveries. The Midcap 150 rebounded nearly 24% from its February lows and moved close to all-time highs by year-end. What is often overlooked is that many mid-cap mutual funds have a beta of around 0.6, which is lower than the Nifty 50 and hence prove that they are less volatility than the broader market.”

She further said that investors may opt for either lump sum or SIP based on fund availability, if surplus funds are available and they have a long-term horizon, lump sum can be considered and if not, stagger the investment.

Dhawan said certain mid caps may represent future large caps; they can deliver superior long-term wealth creation opportunities over the long term. However, the current valuation of the mid-cap segment is still high, which provides a low level of margin for error. Therefore, in these circumstances, investors should focus on SIPs and should hold investments for the long term, as in the short term, volatility could be experienced by investors invested in this market cap.

Who should invest in TrustMF Mid Cap Fund?

The TRUSTMF Mid Cap Fund is suitable for investors with a high-risk appetite who can withstand short-term volatility, long-term investors with a minimum investment horizon of five years, SIP-oriented investors seeking disciplined exposure to mid-caps, and investors looking to diversify portfolios with dedicated mid-cap allocation.

Investors seeking to balance potential returns and volatility, and fundamental investors who believe in emerging leaders and appreciate businesses that are beyond their early-stage risk, professionally managed, improving financially but still have room to scale before becoming large cap companies can invest in this mid cap fund by Trust Mutual Fund.

So should one cap mid cap exposure? Dhawan said the risk and potential reward of the mid-cap segment are high, mid-caps carry higher volatility, lower liquidity, and larger drawdowns in corrections, the liquidity risk is specifically cited as a major risk in mid-cap investing, as in this segment, there are companies that have low free float shares in the market and this creates high volatility in the company's stock price.

Generally, mid-cap allocation should not exceed 20% to 25% in most portfolios. Of course, it should be capped differently based on the investor's risk appetite, market valuation, and growth dynamics, Dhawan further said.

Desikan said mid-cap exposure should match your risk comfort and overall portfolio mix as they offer higher growth potential, but they can also see sharper corrections during economic slowdowns or tight liquidity phases.

Investors should maintain a 55% allocation in large caps and the rest in mid and small caps as large caps help anchor the portfolio during volatile phases, while mid and small caps provide the growth over longer periods, she further said.

Way ahead for mid caps

As TrustMF Mid Cap Fund is suitable for long-term investors with a minimum investment horizon of five years, there are 24 mid cap funds who have completed five years of existence in the industry.

Of these 24 funds, HDFC Mid Cap Fund gave the highest return of around 22.76% in the last five years and Taurus Mid Cap Fund gave the lowest return of around 14.07% in the same period.

Desikan said that the outlook for mid-cap funds remains positive, the February 2025 correction helped cool some excesses, but mid-cap valuations are still above their long-term averages which means returns going forward may be steadier rather than as sharp as the rallies seen in earlier years. Overall, the long-term opportunity remains intact, supported by growth potential and sustained investor interest

Dhawan said Indian mid-caps benefited from the manufacturing shift (China+1), Domestic consumption, Capex cycle revival, and emerging sector leaders. In the past year, the segment has seen high volatility due to a slowdown in earnings growth and high valuation.

Currently, valuation comfort is not present in the segment. Hence, a strategic and systemic investment strategy with a long term view might be needed to calibrate risk-return dynamics for the portfolio, Dhawan further said.