

Comparative Study of Midcap Funds

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Abstract: Midcap Funds have become popular in the recent years with the kind of return it generates compared to that of large cap funds. The study tries to find the relationship between various parameters involved in mutual funds. It also seeks to find explanation for various choices made by the investors on the basis of Assets Under Management, Net Asset Value and Returns. The study uses the statistical tool of correlation to compare five mutual funds. The study concludes that Asset Under Management is a major deciding factor of investment for the investors.

Keywords: Asset under Management, Market capitalization, Net Asset Value, Returns, Correlation

1. Introduction

A midcap fund is a type of fund that invests in mid-sized companies. The size of the company is determined generally by its market capitalization. When the performance of the mutual fund products is observed for the last three years, it can be analyzed that the midcap funds have performed really well compared to the large cap mutual funds. This can also be attributed to the policies passed by the government to boost the economy.

2. Objectives of the Study

The following are the main objectives of the study:

- 1) To analyze the performance of the Midcap funds over the years and to understand the growth pattern.

- 2) To compare various midcap mutual funds for the last 3 years.
- 3) To find out how the mutual funds have performed within the industry.

3. Methods/Approach

The study aims at comparing the performance of five mutual funds. The five equity diversified funds are as follows:

- 1) Birla Sunlife Small and Midcap Fund
- 2) Kotak Midcap Fund
- 3) SBI Magnum Midcap Fund
- 4) Sahara Midcap Fund and
- 5) L&T Midcap Fund

The funds are compared on the basis of Net Asset Value, Returns, and Assets Under Management. The following table explains the three parameters.

Mutual Funds	Asset Under Management (in crores)	Net Asset Value	1 Year Return(%)	3 Years Return(%)	5 Years Return(%)
Birla Sun life Small and Midcap Fund	238.75	30.67	15.49	39.10	20.43
Kotak Midcap Fund	400.75	63.74	10.01	38.72	20.51
SBI Magnum Midcap Fund	2201.97	70.43	9.22	42.75	25.68
Sahara Midcap Fund	8.58	64.155	8.58	33.32	16.46
L&T Midcap Fund	492.91	101.24	5.28	39.90	22.01

The comparison of the five mutual funds on the basis of the Asset Under Management mentions that SBI Magnum Midcap Fund has highest AUM followed by L&T Mutual Fund, Kotak, Birla Sunlife and Sahara Midcap Funds.

On the basis of Net Asset Value, L&T Midcap Fund is in the top position with the highest NAV followed by SBI Magnum, Sahara Midcap, Kotak Midcap and Birla Sunlife Small and Midcap Fund.

The 1 year return is highest for Birla Sunlife followed by Kotak, SBI, Sahara and L&T.

The 3 year return is highest in SBI Magnum, followed by L&T Midcap, Birla Sunlife, Kotak and Sahara Mutual Fund. The 5 year returns were maximum in SBI Magnum, L&T Midcap, Kotak, Birla and Sahara Midcap Fund.

The data below explains the statistical relationship between various parameters.

Correlation between Asset Under Management and NAV	0.200196199
Correlation between Asset Under Management and Return 1st year	-0.973423388
Correlation between Asset Under Management and Return 3rd year	0.780332588
Correlation between Asset Under Management and Return 5th year	0.890769713
Correlation between NAV and Return 1st year	-0.973423388
Correlation between NAV and Return 3rd year	0.162874134
Correlation between NAV and Return 5th year	0.257970199

4. Results/Discussion

It can be analyzed that there is a positive correlation between Asset Under Management and NAV. But there is no perfect correlation between two parameters. Therefore, both these parameters are related in a significant way.

There is a negative correlation between Asset Under Management and Return for the 1st year of mutual fund investment. The third year and fifth year correlation have positive values which indicate that more the number of investment in a particular fund, highest would be the return. Total market value of the investments has a positive correlation on the returns of the investors.

It can further be analyzed that there is a negative correlation between NAV and return of the 1st year investment whereas the 3rd year and 5th year returns are positive but there is lesser correlation. Therefore, it can be stated that NAV and returns are not related to each other.

5. Conclusion

From the above research it can be concluded that the investors consider Asset Under Management before investing in mutual funds as it gives them good returns over the years. Higher the Asset Under Management higher is the return and NAV. Therefore it becomes one of the major contributing factor in decision making. NAV becomes the secondary factor for the investors for investment. Asset Under Management and NAV also have lesser correlation compared to returns.

6. Future Scope

The study can be used as a basis for decision making for the investors intending to invest in mutual funds. The study would also help the Asset Management companies to make sound decisions related to the investors and to understand their investment pattern.

References

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- [2] www.moneycontrol.com

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