

Performance Analysis of Large-Cap, Mid- Cap, And Small-Cap Mutual Funds

AUTHOR'S

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ABSTRACT:

The Indian mutual fund industry provides investors with professionally managed investment options that cater to various risk appetites and financial goals. Among the many schemes available, large-cap, mid-cap, and small-cap funds stand out for their unique return potential and risk levels. This study focuses on comparing the performance of these three fund categories over a five-year period, aiming to guide investors in choosing the most suitable option based on their investment objectives and tolerance for risk. To assess fund performance, the study uses key financial metrics such as annual returns, standard deviation, and beta. These indicators help evaluate both the profitability and the volatility of each fund type. The analysis reveals that large-cap funds typically show lower risk and more stable returns, making them suitable for conservative investors. In contrast, mid-cap and small-cap funds tend to offer higher returns but also come with greater market sensitivity and fluctuations, appealing more to aggressive investors. Data was collected from reliable financial sources and analyzed using software tools like SPSS and Excel to ensure accuracy and depth in evaluation. Based on the findings, the study offers tailored recommendations for different investor profiles and emphasizes the importance of diversification. It also highlights potential areas for future research, such as the influence of economic events and fund management strategies on performance. This research provides valuable insights for investors and financial advisors looking to optimize their portfolios in a dynamic market environment.

Keywords:

Mutual Funds, Large-Cap Funds, Mid-Cap Funds, Small-Cap Funds, Performance Evaluation, Risk-Adjusted Returns, Standard Deviation, Beta Coefficient, Investment Analysis, Portfolio Management, Equity Investments, SPSS Analysis, Financial Metrics, Fund Volatility, Benchmark Comparison.

1 INTRODUCTION:

Mutual funds are like community savings jars, where multiple investors pool their money with a common goal: to invest in a diverse mix of securities, such as stocks, bonds, and other assets. This approach allows individuals to benefit from professional management and diversification, which can help reduce risk and enhance potential returns. When it comes to evaluating mutual funds, performance measurement is essential. It helps investors understand how well their fund is being managed and whether it meets their investment goals. By looking at a fund's historical performance, fees, and risk levels, investors can make informed decisions about where to put their money. It's all about ensuring that the fund not only fits your financial strategy but also aligns with your investment values and priorities. Making these informed choices can ultimately lead to a more secure financial future.

Importance of Evaluating Mutual Fund Performance

Assessing the performance of a mutual fund is a crucial aspect of investment decision-making. It allows investors to determine how effectively the fund is managed and whether it aligns with their financial objectives. By examining key indicators like past returns, associated costs, and risk levels, investors are better equipped to choose funds that support their overall investment strategy and personal financial goals. Informed fund selection not only enhances the likelihood of achieving financial growth but also supports long-term financial stability.

Types of Mutual Funds

- **Equity Funds:** Invest primarily in stocks, with subtypes including:
 - Large-cap, mid-cap, or small-cap funds
 - Growth, value, or blend funds
 - Sector-specific funds (technology, healthcare, etc.)
 - International/global funds
- **Fixed Income Funds:** Focus on bonds and other debt securities:
 - Government bond funds
 - Corporate bond funds
 - Municipal bond funds
 - High-yield (junk) bond funds
- **Balanced/Hybrid Funds:** Maintain a mix of stocks and bonds
 - Target-date funds (adjust allocation as retirement date approaches)
 - Asset allocation funds
- **Money Market Funds:** Invest in short-term, high-quality debt instruments
- **Index Funds:** Passively track a market index rather than attempting to outperform it
- **Exchange-Traded Funds (ETFs):** Similar to mutual funds but trade like stocks on exchanges

LITERATURE REVIEW

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NEED FOR THE STUDY:

Mutual funds have emerged as a popular investment avenue due to their diversification benefits and professional management. Among them, large-cap, mid-cap, and small-cap funds cater to different segments of the market, each with distinct risk-return profiles. However, investors often struggle to choose the appropriate fund type based on their financial goals, risk tolerance, and time horizon. The need for this study arises from the growing importance of understanding the dynamics of these fund categories and their behaviour under different economic and market conditions.

SCOPE OF THE STUDY:

This study aims to examine and compare the historical performance of selected large-cap, mid-cap, and small-cap mutual funds over a specific period, typically the past five years. It involves a quantitative assessment using key financial metrics such as annual returns, standard deviation, and beta to evaluate both risk and return. The scope is confined to mutual funds operating within the Indian financial market, providing a domestic perspective on fund performance.

The study includes funds from recognized asset management companies and considers factors such as market capitalization, volatility, and overall market trends. It does not include international mutual funds, hybrid schemes, or sector-specific funds. However, the insights gained can be applied by individual investors, institutional analysts, and fund managers to make more informed investment decisions. Additionally, this study sets a foundation for future research on mutual fund performance, benchmarking, or strategy development in the Indian investment landscape.

PROBLEM STATEMENT:

Investors face difficulty choosing between large-cap, mid-cap, and small-cap mutual funds due to varying risk-return profiles and inconsistent performance data. Despite the availability of information, comprehensive analysis comparing these fund types is limited. Factors like market conditions and fund management styles further complicate performance evaluation. This study aims to analyse and compare the historical performance of each category using key metrics such as returns, volatility, and risk-adjusted measures. The goal is to provide insights that help investors make informed, goal-aligned investment decisions.

OBJECTIVES:

1. To learn about the concept of mutual funds.
2. To assess the fund's historical performance over the past 5 years.
3. To analyse volatility, standard deviation and beta to measure risk-adjusted returns.

Tools and Software

- **Software Used:** IBM SPSS Statistics, Microsoft Excel
- **Statistical Techniques:** Risk, Return, and Linear Regression

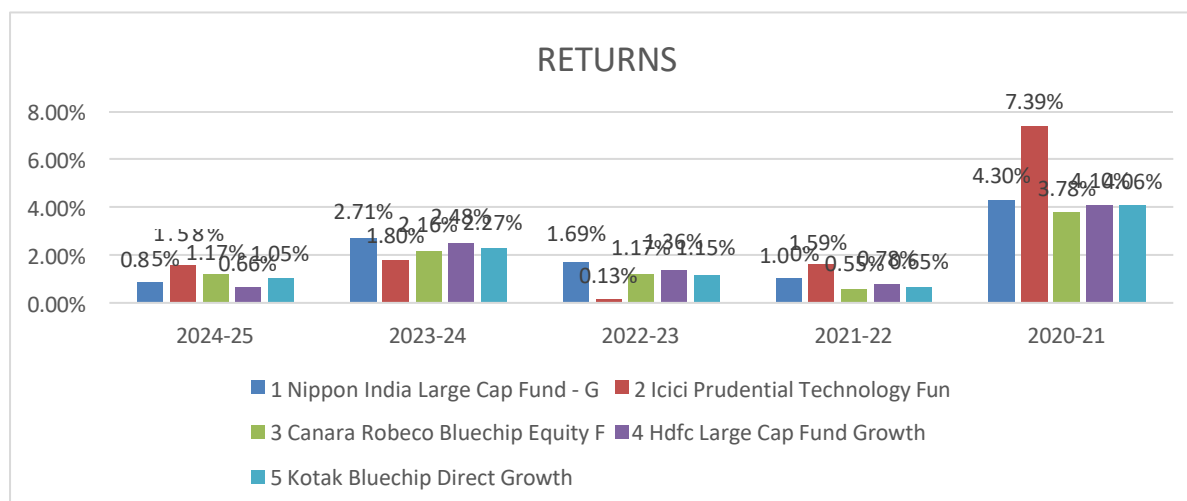
ANALYSIS

1. LARGE CAP MUTUAL FUNDS RETURNS

Returns of Large-cap mutual funds

S.NO	COMPANY NAME	2024-25	2023-24	2022-23	2021-22	2020-21
1	Nippon India Large Cap Fund	0.85%	2.71%	1.69%	1.00%	4.30%
2	Icici Prudential Technology Fun	1.58%	1.80%	0.13%	1.59%	7.39%
3	Canara Robeco Bluechip Equity	1.17%	2.16%	1.17%	0.55%	3.78%
4	Hdfc Large Cap Fund Growth	0.66%	2.48%	1.36%	0.78%	4.10%
5	Kotak Bluechip Direct Growth	1.05%	2.27%	1.15%	0.65%	4.06%

Returns of Large-cap mutual funds



INTERPRETATION

1. ICICI Prudential Technology Fund

Exhibits the highest standard deviation every year, peaking at 7.33% in 2021–22 and remaining elevated at 6.12% in 2024–25. This indicates high volatility and a risk-prone profile, typical of sector-specific funds like technology. Suitable for aggressive investors with a high-risk appetite.

2. Nippon India Large Cap Fund

Shows moderate to high volatility, especially in 2020–21 (5.90%) and again in 2024–25 (4.40%). The fund's fluctuation suggests inconsistent market responses, possibly due to portfolio adjustments or changing market conditions. Moderate-risk option for investors who are cautiously growth-oriented.

3. HDFC Large Cap Fund Growth

Displays a moderate level of risk with standard deviation ranging from 3.21% to 5.55%. Its 2020–21 volatility was relatively high (5.55%) but stabilized in later years. Indicates a balanced risk-return profile, suitable for moderate-risk investors.

4. Kotak Bluechip Direct Growth

Standard deviation remained relatively stable, peaking slightly at 4.83% in 2024–25, with minimal fluctuation across years. Offers a controlled risk environment, making it a good choice for conservative investors seeking blue-chip exposure.

5. Canara Robeco Bluechip Equity Fund

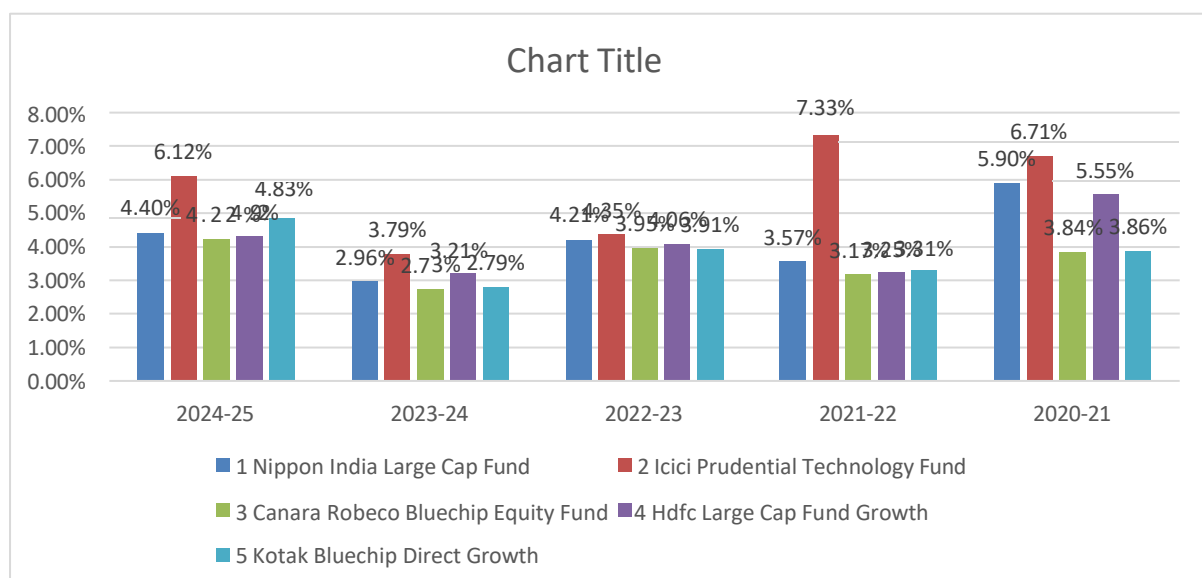
Exhibits the lowest average standard deviation, ranging between 2.73% and 4.22%. Demonstrates consistent low volatility, indicating high stability and predictability in returns. Ideal for risk-averse investors who prioritize capital preservation.

STANDARD DEVIATION:

Risk of Large-cap mutual funds

S.NO	COMPANY NAME	2024-25	2023-24	2022-23	2021-22	2020-21
1	Nippon India Large Cap Fund	4.40%	2.96%	4.21%	3.57%	5.90%
2	Icici Prudential Technology Fund	6.12%	3.79%	4.35%	7.33%	6.71%
3	Canara Robeco Bluechip Equity Fund	4.22%	2.73%	3.95%	3.17%	3.84%
4	Hdfc Large Cap Fund Growth	4.29%	3.21%	4.06%	3.25%	5.55%
5	Kotak Bluechip Direct Growth	4.83%	2.79%	3.91%	3.31%	3.86%

Graph No.2 Risk of Large-cap mutual funds



Interpretation:

- High Risk, High Reward:**

ICICI Prudential Technology Fund exemplifies this, with the highest return (7.39% in 2020-21) and highest risk (6.71% in 2020-21, 7.33% in 2021-22). Its technology focus likely drives both higher returns and volatility.

- Low Risk, Moderate Returns:**

Canara Robeco Bluechip Equity Fund consistently shows the lowest risk and stable returns (e.g., 3.78% in 2020-21, 0.55% in 2021-22). Ideal for investors prioritizing stability over high returns.

- Balanced Risk-Return:**

Nippon India, HDFC, and Kotak funds fall in the middle, offering decent returns (e.g., 4.06%-4.30% in 2020-21) with moderate risk (3.86%-5.90% in 2020-21). These funds balance growth and stability, appealing to investors seeking moderate risk exposure.

BETA: Beta value of Nippon Large-cap fund

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	453	207		2.192	.033
	Index	1.026	.049	.941	21.046	.000
a. Dependent Variable: Nippon India						

Interpretation:

The beta value of 1.026 indicates that Nippon India is slightly more volatile than the market. This means that for every 1% change in the market index, Nippon India's return is expected to change by approximately 1.026% in the same direction. A beta greater than 1 suggests the fund tends to amplify market movements, making it more responsive to both market gains and losses.

Beta value of ICICI Prudential Technology Fund

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.921	.685		1.345	.184
	Index	.945	.162	.612	5.848	.000
a. Dependent Variable: ICICI						

Interpretation:

The beta value of 0.945 indicates that ICICI is slightly less volatile than the market. It suggests that the fund's returns move in the same direction as the market but with slightly lower sensitivity to market changes.

Beta value of Canara Robeco Bluechip Equity Fund

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	299	100		2.991	.004
	Index	.907	.024	.981	38.524	.000
a. Dependent Variable: Canara						

Interpretation:

The beta value of 0.907 indicates that Canara is less volatile than the market. This means its returns change in the same direction as the market but with lower sensitivity, making it relatively more stable during market fluctuations.

Beta value of HDFC Large Cap Fund Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.252	.180		1.403	.166
	Index	1.004	.042	.953	23.655	.000
a. Dependent Variable: HDFC						

Interpretation:

The beta value of 1.004 indicates that HDFC has nearly identical volatility to the market. Its returns tend to move in line with the market, showing almost a one-to-one response to market changes.

Beta value of Kotak Bluechip Direct Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta		
1	(Constant)	299	124		2.420	019
	Index	949	029	974	32.529	000
a. Dependent Variable: Kotak						

Interpretation:

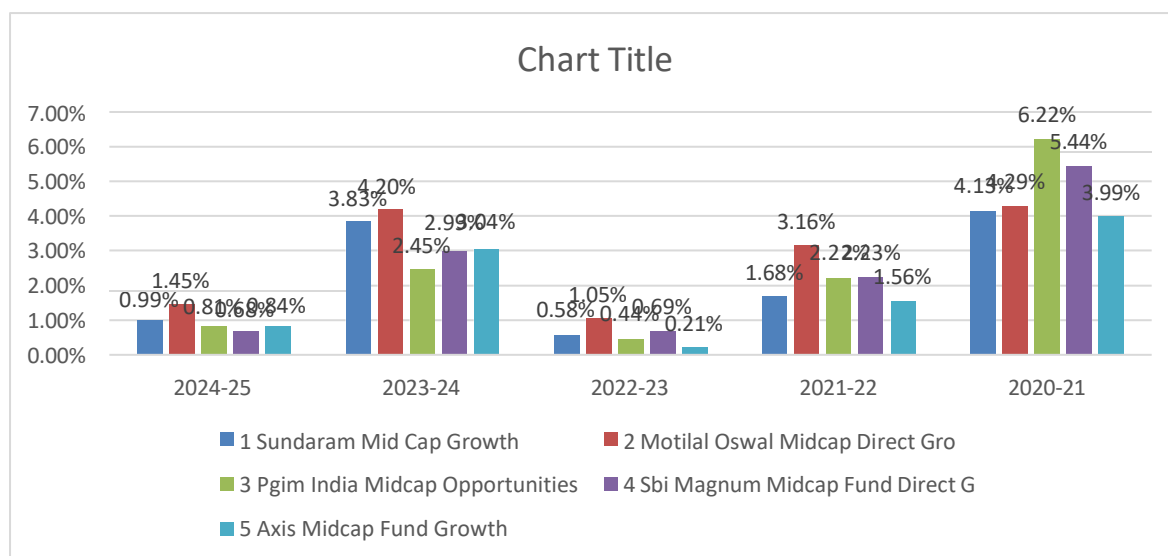
The beta value of 0.949 indicates that Kotak is slightly less volatile than the market. Its returns generally move in the same direction as the market but with slightly lower sensitivity to market fluctuations.

2. MID CAP MUTUAL FUNDS---RETURNS

Returns of Mid-Cap Mutual Funds

S.NO	COMPANY NAME	2024-25	2023-24	2022-23	2021-22	2020-21
1	Sundaram Mid Cap Growth	0.99%	3.83%	0.58%	1.68%	4.13%
2	Motilal Oswal Midcap Direct Gro	1.45%	4.20%	1.05%	3.16%	4.29%
3	Pgim India Midcap Opportunities	0.81%	2.45%	0.44%	2.22%	6.22%
4	Sbi Magnum Midcap Fund Direct	0.68%	2.99%	0.69%	2.23%	5.44%
5	Axis Midcap Fund Growth	0.84%	3.04%	0.21%	1.56%	3.99%

Returns of Mid-Cap Mutual Funds



Interpretation:

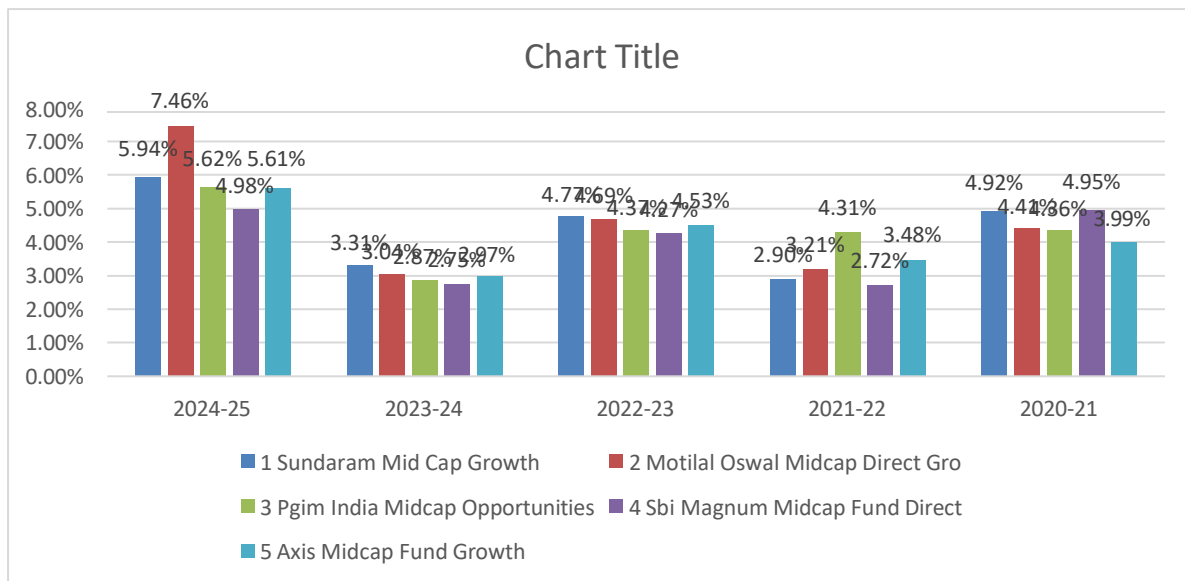
2020–21 was the **strongest year** for all five funds, indicating favorable market conditions for mid-cap companies. Since then, returns have **declined across the board**, reflecting increased **market volatility**, **macro-economic challenges**, or **valuation corrections** in mid- cap stocks **Motilal Oswal Midcap Fund** stands out as the **most consistent performer**. Investors in the mid-cap space must remain **vigilant** and **review fund performance annually**, as this segment is **more sensitive** to economic shifts than large-cap counterparts.

RISK:

Risk of Mid-Cap Mutual Funds

S.NO	COMPANY NAME	2024-25	2023-24	2022-23	2021-22	2020-21
1	Sundaram Mid Cap Growth	5.94%	3.31%	4.77%	2.90%	4.92%
2	Motilal Oswal Midcap Direct Gro	7.46%	3.04%	4.69%	3.21%	4.41%
3	Pgim India Midcap Opportunities	5.62%	2.87%	4.37%	4.31%	4.36%
4	Sbi Magnum Midcap Fund Direct	4.98%	2.75%	4.27%	2.72%	4.95%
5	Axis Midcap Fund Growth	5.61%	2.97%	4.53%	3.48%	3.99%

Risk of Mid-Cap Mutual Funds



Interpretation:

Motilal Oswal Midcap Fund shows the **highest volatility**, aligning with its higher return performance but posing greater risk. **SBI Magnum** and **PGIM India** funds are the **least volatile**, appealing to more **cautious investors**. All funds saw an **uptick in volatility in 2024–25**, possibly due to broader market uncertainties. Investors should balance **return expectations with risk tolerance**, especially in the **mid-cap space**, which tends to be **more volatile than large-cap** funds but less aggressive than small-cap.

BETA: Beta value of Sundaram Mid-Cap Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	747	393		1.901	.062
	Index	.910	.092	.797	9.874	.000

a. Dependent Variable: Sundaram

Interpretation:

The beta value of **0.910** indicates that Sundaram is **less volatile than the market**. Its returns move in the same direction as the market but with **moderately lower sensitivity** to market movements.

Beta value of Motilal Oswal Direct Mid-Cap Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta		
1	(Constant)	1.541	.528		2.920	.005
	Index	.789	.124	.649	6.381	.000
a. Dependent Variable: Motilal Oswal						

Interpretation:

The beta value of **0.789** indicates that Motilal Oswal is **significantly less volatile than the market**. Its returns tend to move in the same direction as the market but with **notably lower sensitivity** to market fluctuations.

Beta value of PGIM India Mid-Cap Opportunities Fund

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta		
1	(Constant)	.848	.407		2.083	.042
	Index	.924	.095	.791	9.687	.000
a. Dependent Variable: Pgim India						

Interpretation:

The beta value of **0.924** indicates that PGIM India is **slightly less volatile than the market**. Its returns move in the same direction as the market but with **moderately lower sensitivity** to market changes.

Beta value of SBI Magnum Mid-Cap Fund Direct

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta		
1	(Constant)	1.016	.384		2.646	.011

	Index	818	090	772	9.090	000
a. Dependent Variable: SBI Magnum						

Interpretation:

The beta value of **0.818** indicates that SBI Magnum is **less volatile than the market**. Its returns generally move in the same direction as the market but with **lower sensitivity** to market fluctuations.

Beta value of Axis Midcap Fund Growth

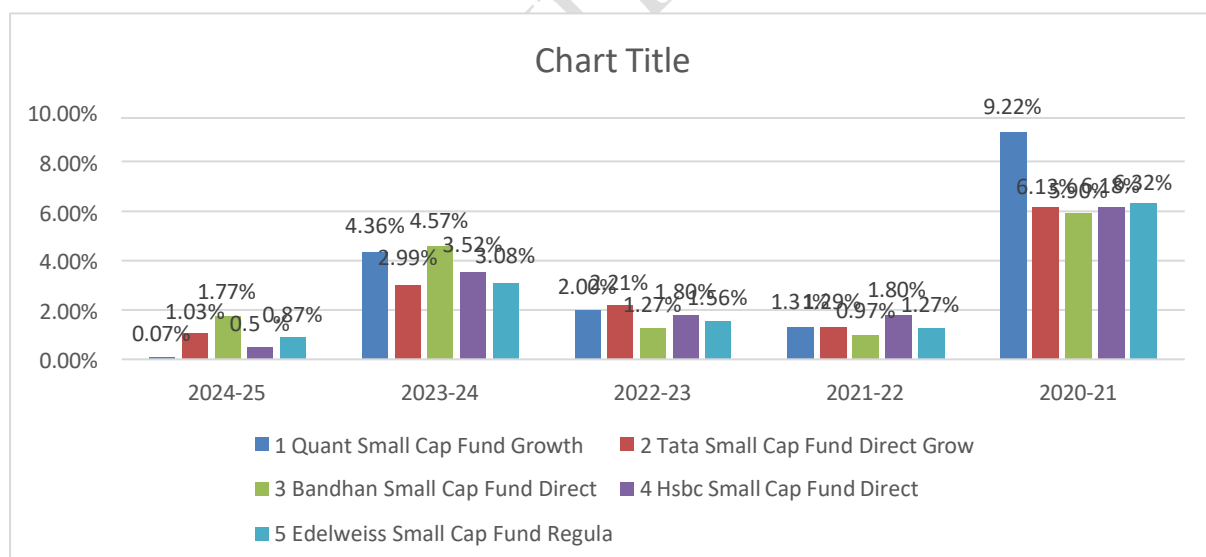
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	490	358		1.369	176
	Index	872	084	812	10.395	000
a. Dependent Variable: Axis						

Interpretation:

The beta value of **0.872** indicates that Axis is **less volatile than the market**. Its returns tend to move in the same direction as the market but with **moderately lower sensitivity** to market fluctuations.

3. SMALL-CAP MUTUAL FUNDS RETURNS:

Returns of Small-Cap Mutual Funds

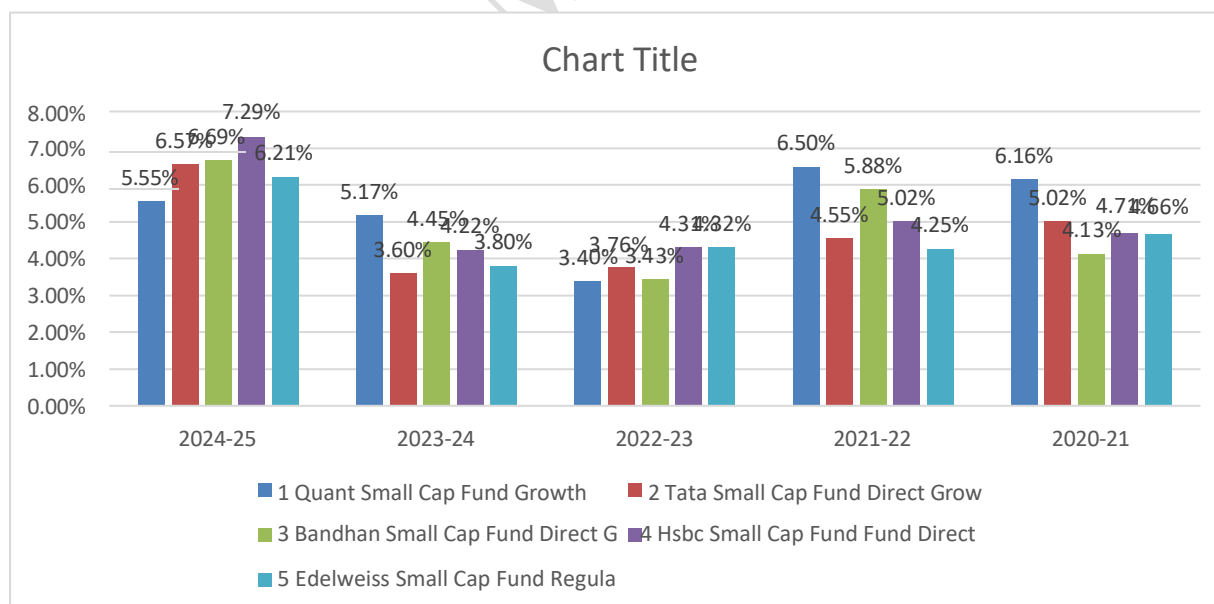


STANDARD DEVIATION:

Risk of Small-Cap Mutual Funds

S.NO	COMPANY NAME	2024-25	2023-24	2022-23	2021-22	2020-21
1	Quant Small Cap Fund Growth	5.55%	5.17%	3.40%	6.50%	6.16%
2	Tata Small Cap Fund Direct Grow	6.57%	3.60%	3.76%	4.55%	5.02%
3	Bandhan Small Cap Fund Direct G	6.69%	4.45%	3.43%	5.88%	4.13%
4	Hsbc Small Cap Fund Fund Direct	7.29%	4.22%	4.31%	5.02%	4.71%
5	Edelweiss Small Cap Fund Regular	6.21%	3.80%	4.32%	4.25%	4.66%

Risk of Small-Cap Mutual Funds



Interpretation:

HSBC and Bandhan Funds exhibit the highest volatility, making them suitable for high- risk investors. Edelweiss and Tata show moderate risk, striking a balance between performance and stability. Quant Small Cap Fund combines high volatility with potential high returns but requires a strong risk tolerance. All small-cap funds experienced increased volatility in 2024–25, indicating broader market uncertainty

or sector-specific shocks.

BETA:

Beta value of Quant Small-cap Fund Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.837	.716		2.566	.013
	Index	.921	.169	.586	5.455	.000
a. Dependent Variable: Quant						

Interpretation:

The beta value of **0.921** indicates that Quant is **slightly less volatile than the market**. Its returns move in the same direction as the market but with **moderately lower sensitivity** to market fluctuations.

Beta value of Tata Small-cap Fund Direct Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.448	.547		2.647	.010
	Index	.775	.129	.622	6.003	.000
a. Dependent Variable: TATA						

Interpretation:

The beta value of **0.775** indicates that TATA is **less volatile than the market**. Its returns move in the same direction as the market but with **notably lower sensitivity** to market fluctuations.

Beta value of Bandhan Small-cap Fund Direct Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		

1	(Constant)	1.444	564		2.559	013
	Index	887	133	662	6.670	000
a. Dependent Variable: Bandhan						

Interpretation:

The beta value of **0.887** indicates that Bandhan is **less volatile than the market**. Its returns generally move in the same direction as the market but with **moderately lower sensitivity** to market fluctuations.

Beta value of HSBC Small-cap Fund Direct Growth

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.381	584		2.363	022
	Index	837	138	627	6.071	000
a. Dependent Variable: Hsbc						

Interpretation:

The beta value of **0.837** indicates that HSBC is **less volatile than the market**. Its returns tend to move in the same direction as the market but with **moderately lower sensitivity** to market fluctuations.

Beta value of Edelweiss Small-cap Fund Regular Plan

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.112	478		2.326	024
	Index	915	113	732	8.112	000
a. Dependent Variable: Edelweiss						

Interpretation:

The beta value of **0.915** indicates that Edelweiss is **slightly less volatile than the market**. Its returns generally move in the same direction as the market but with **moderately lower sensitivity** to market

fluctuations.

FINDINGS

1. 2020–21 was the Peak Performance Year Mutual funds across large-cap, mid-cap, and small-cap categories delivered their highest returns in 2020–21 due to post-pandemic recovery and market optimism.
2. Returns Declined or Fluctuated in Later Years 2021–2025 saw inconsistent or decreasing returns across most funds, driven by macroeconomic uncertainties, sectoral shifts, and global market volatility.
3. Large-Cap Funds: Stable but Slow-Growing Canara Robeco stood out for stability and low risk, ideal for conservative investors. ICICI Prudential Technology Fund was high-performing early but showed high volatility, suiting risk-tolerant investors. Beta analysis indicated Canara and Kotak were less market-sensitive, while Nippon India was more reactive.
4. Mid-Cap Funds: Balanced Growth and Volatility Motilal Oswal Midcap Fund was the best performer but most volatile. SBI Magnum was the most stable with low volatility and consistent returns. All mid-cap funds had $\beta < 1$, indicating less market sensitivity.
5. Small-Cap Funds: High Reward, High Risk, Quant Small Cap Fund gave the highest return in 2020–21, followed by sharp declines. Tata and Edelweiss Funds showed lower risk and steady performance, attracting risk-averse investors. HSBC Small Cap Fund had the highest volatility in 2024–25. Tata Fund recorded the lowest beta, suggesting high market stability.
6. Volatility Rose in 2024–25 All fund categories experienced a rise in standard deviation, reflecting increased market uncertainty, inflationary pressures, and economic tightening. Highlights the importance of diversification and risk-aware investment planning.

SUGGESTIONS

- Choose Lower Beta Funds for Stability: **If you want less risk, consider funds like Tata and HSBC, as they react less to market ups and downs.**
- Pick Balanced Options: Edelweiss and Bandhan offer a good mix of growth and stability, making them suitable for moderate risk-takers.
- Higher Risk, Higher Return Potential: Quant Fund is more volatile, so it may suit investors who are comfortable with market swings and looking for higher returns over time.
- Diversify Your Investments: **Spreading your money across different small-cap funds can reduce risk and provide more balanced returns.**
- Check Fund Performance Regularly: **Since small-cap funds can fluctuate, it's important to review your investments often and make changes if needed.**
- Match with Your Goals: **Select funds based on what you want to achieve— whether it's steady growth or aggressive long-term gains.**

CONCLUSION:

This study provides a detailed comparative analysis of large-cap, mid-cap, and small-cap mutual funds based on their historical performance, risk measures, and responsiveness to market movements. The analysis clearly highlights that each fund category caters to a different investor profile. Large-cap funds, with their lower volatility and stable returns, are best suited for conservative investors seeking security and predictability. Mid-

cap funds strike a balance between risk and return, making them ideal for moderate investors aiming for growth with manageable fluctuations. On the other hand, small-cap funds, while capable of delivering higher returns, exhibit greater volatility and are more appropriate for risk-tolerant investors with long-term investment goals.

Performance metrics such as standard deviation and beta revealed that mid-cap and small-cap funds experienced higher market sensitivity compared to large-cap funds. Among large-cap funds, Canara Robeco showed consistent and low-risk performance, while ICICI Prudential Technology Fund displayed the highest volatility. In the mid-cap category, Motilal Oswal stood out with superior returns but came with greater risk. In the small-cap space, Quant Fund had the highest return potential but also carried the most volatility, whereas Edelweiss and Tata offered more stable alternatives.

Overall, the findings emphasize the importance of aligning fund selection with individual financial objectives and risk tolerance. Investors should adopt a diversified approach, regularly monitor fund performance, and adjust their portfolios in response to changing market conditions. The study also underscores the value of risk-adjusted evaluation for making informed investment decisions. As mutual funds continue to evolve with market dynamics, this research offers valuable insights for investors, financial advisors, and fund managers in shaping effective investment strategies.

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