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Case Study NJPMRS

Performance Analysis of ICICI Prudential, Canara Robecco, Nippon India, Quant, and Union Small Cap Mutual Funds

Sarthak Soni[1,]*, Meghna Jain[2]

Abstract

This article aims to analyze the small cap mutual funds are invested in companies that below top 250 stocks in the exchange as per their market capitalization. Small cap mutual funds have turned out to be a popular investment option due to their high returns. Small cap funds invest in all companies expect the top 250 in terms of market capitalization. Thought these funds are relatively riskier and volatile in short to medium term than other equity-oriented funds, they promise a higher upside of return in the long term. A mutual fund is a capital market financial intermediary that aggregates collective investments as units of individual and corporate investors and maintains a portfolio of multiple investment schemes. These collective investments in stocks and debt securities on behalf of those investors.

Keywords: Mutual funds, small cap funds, annualized returns, absolute returns, investment schemes

INTRODUCTION

Mutual Funds

A mutual fund is a professionally managed investment fund that gathers capital from many investors to purchase securities. A mutual fund offers investors the opportunity to pool their money with other investors in an investment managed by professional investment managers. Mutual funds invest in stocks, bonds, or other securities depending on the goals of each fund [1].

A mutual fund is a capital market financial intermediary that aggregates collective investments as units of individual and corporate investors and maintains a portfolio of multiple investment schemes. These collective investments in stocks and debt securities on behalf of those investors [2].

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Small Cap Mutual Funds

Small cap mutual funds are invested in companies that below top 250 stocks in the exchange as per their market capitalization. Small cap mutual funds have turned out to be a popular investment option due to their high returns [3].

Small cap funds invest in all companies expect the top 250 in terms of market capitalization [4]. Thought these funds are relatively riskier and volatile in short to medium term than other equity-oriented funds, they promise a higher upside of return in the long term [5].

In the long term, you should consider small cap funds for wealth creation. However, investing in a small cap fund is not easy. They are prone to continuous free falls. You will be anxious when you are putting your money in something that is not earning returns when other parts of the markets are doing well. That is why you should not allocate more than 10% to 15% of the overall corpus to small cap funds [6].

LITERATURE REVIEW

The review of any literature is an essential part of any sort of research project, paper, or any study. In the starting of the studying of social entrepreneurship the researcher of the research must know the basic concept of the review of the specific literature [7]. The social entrepreneur term means an individual who came up with an idea and an organization or took an initiative in social entrepreneurship, the social entrepreneurs sometimes are called as social innovators [8].

OBJECTIVES OF STUDY

- To know more about mutual funds, their types and specially the small cap funds and their performance.
- To know the performance and returns of selected small cap funds during a period of 5 years.
- To know the SIP returns of the selected funds at over a period of 5 years.

RESEARCH METHODOLOGY

The present study is all analytical in nature. The data available and presented here in the study is secondary, which is sourced and taken from different publications (shown or depicted in the reference, from various websites and annual reports). Some researches, which have been previously done by the related topics has been explored for the material used in this research paper.

Statistical Tool

To examine the performance of small cap mutual funds, various techniques of statistical methods and graphs have been used in this study.

Data Collection Method

The study has used data from various websites including AMFI, AMCs, morningstar.com, moneycontrol.com, grow.com, economictimes.com, and so forth. The BSE 200 TRI Sensex has been used as a benchmark for evaluating the performance of various schemes, which covers a fairly long period of time series data.

Data sample

This project covers a sample of 5 years of data spanning from Jan (2018) to Jan (2023). The study incorporates a pool of the top 05 small cap mutual funds, which include the following:

- ICICI Prudential Small Cap Fund.
- Canara Robecco Small Cap Fund.
- Nippon India Small Cap Fund.
- Quant Small Cap Fund.
- Union Small Cap Fund.

Period of Study

The study is based upon the performance of small-cap mutual funds from: January 2018 to January 2023 [9].

DATA ANALYSIS AND INTERPRETATION

Table 1 shows that the amount invested in the Nippon India small cap fund fluctuated during the first year, but after the end of the second year, the absolute return increased to 81.43%. Furthermore, at the end of Year 3, the returns peaked at around 136.33%. But, on completion of Fiscal Year 5, the fund has an absolute return approximately 97.03% [10]. And talking about the annual return of investment in particular Nippon small cap fund, we can see that the return is 2.66% in the first year and increases to about 34.70% in the second year, but we see a slight decrease in returns in Year 3 but at the end of Year 5, we can see that the fund has an annual return of only about 14.51% (Figure 1).

Table 1. Nippon India small cap fund direct plan growth.

Period invested for	₹10,000 Invested on	Latest value	Absolute returns	Annualised returns
1 Week	06-Jan-2023	10065.3	0.65%	—
1 Month	13-Dec-2022	9731.9	–2.68%	—
3 Month	13-Oct-2022	10253.1	2.53%	—
6 Month	13-Jul-2022	11565.7	15.66%	—
YTD	30-Dec-2022	10016.9	0.17%	—
1 Year	13-Jan-2022	10266.1	2.66%	2.66%
2 Year	13-Jan-2021	18143	81.43%	34.70%
3 Year	13-Jan-2020	23632.8	136.33%	33.17%
5 Year	12-Jan-2018	19702.8	97.03%	14.51%

Table 1 shows the returns and value of the amount (10,000) invested in different period of time.

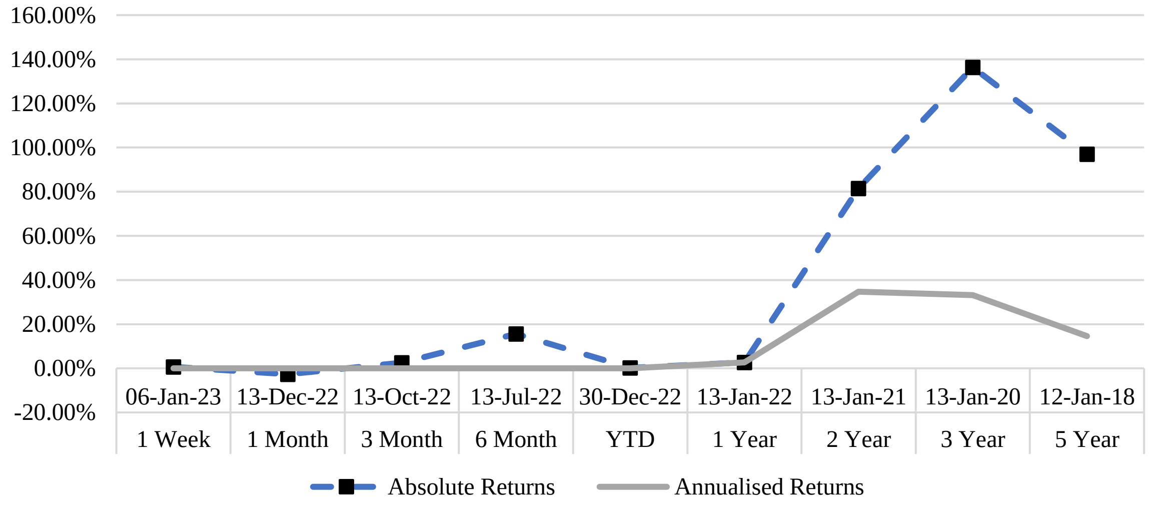

Figure 1. Absolute return and annualised returns.

Table 2. Sip returns of Nippon India small cap fund.

Period invested for	₹1000 SIP started on	Investments	Latest value	Absolute returns	Annualised returns
1 Year	13-Jan-2022	12,000	13049.13	8.74%	16.50%
2 Year	13-Jan-2021	24,000	29506.23	22.94%	21.20%
3 Year	13-Jan-2020	36,000	60108.97	66.97%	36.24%
5 Year	12-Jan-2018	60,000	117414.56	95.69%	27.19%

Table 2 shows the SIP returns of Nippon India small cap mutual funds during different period of time:

From the above data (Table 2), we can analyse that the amount of investment each year in SIP is increasing at different rate every year like; the absolute return was (8.74%) in the first year, increasing every year to (22.97%) in the second year, (66.97%) in the third year, and (95.69%) at the end of the fifth year.

By contrast, the annual SIP return of the amount invested in the fund fluctuates slightly. At first, it showed a gradual growth (16.50%) in the first year, (21.20%) in the second year, (36.24%) in the third year, but the yield showed a decrease at the end of the 5th year by (27.19%; Figure 2).

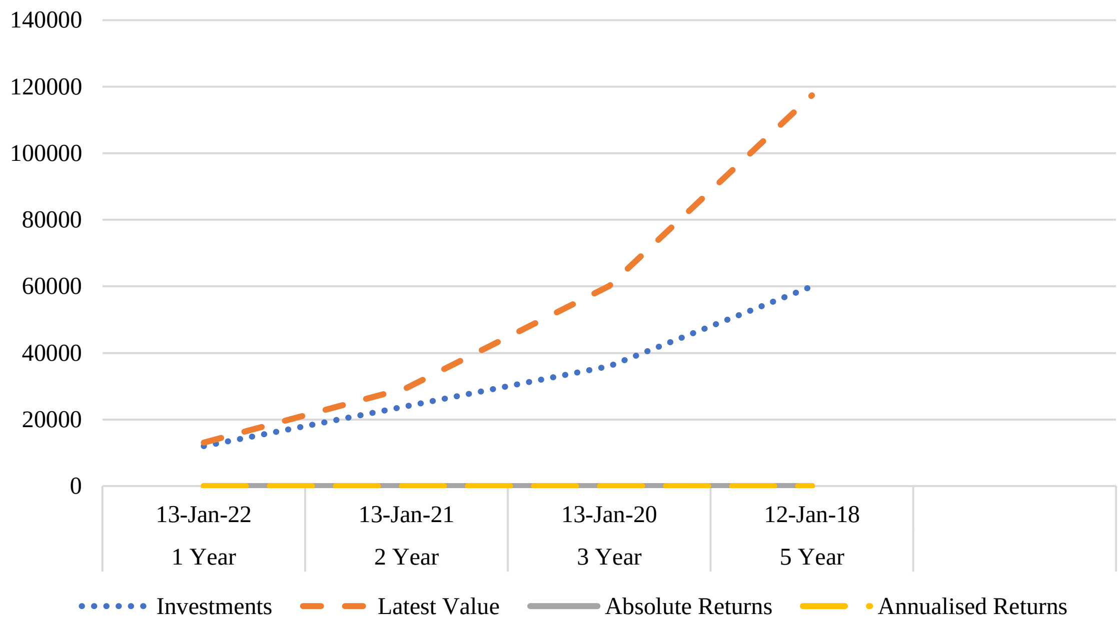

Figure 2. Amount of investment each year in SIP.

Table 3. Quant small cap fund direct plan growth.

Period invested for	₹10000 Invested on	Latest value	Absolute returns	Annualised returns
1 Week	06-Jan-2023	10085.7	0.86%	—
1 Month	13-Dec-2022	9911.2	–0.89%	—
3 Month	13-Oct-2022	11110.5	11.11%	—
6 Month	13-Jul-2022	12412.3	24.12%	—
YTD	30-Dec-2022	10115.4	1.15%	—
1 Year	13-Jan-2022	10524.5	5.25%	5.25%
2 Year	13-Jan-2021	20327.9	103.28%	42.58%
3 Year	13-Jan-2020	35994.6	259.95%	53.19%
5 Year	12-Jan-2018	30029.9	200.30%	24.57%

The above chart shows the returns and value of the amount (10,000) invested in different period of time.

The table and the graphical data show the fluctuating returns of QUANT small-cap fund (Table 3). The returns were drastically fluctuating during the first year and at the end of the first year, the absolute returns were (5.25%); and at the end of the second year, it raised till (103.28%); also, it continued, and the returns of third year were (259.95%), which were the highest all-over. But at the end of the period of 5 years, the absolute returns were (200.30%).

The annualised returns of the fund are continuously increasing in the first 3 years as; (5.25%) in the first year, (42.58%) in the second year, and (53.19%) in the third year, which was the highest all-over the annualised returns. But the returns at the end of the year 5 were (24.57%) according to the data (Figure 3).

Table 3 shows the SIP returns of Quant small cap mutual funds direct during different period of time.

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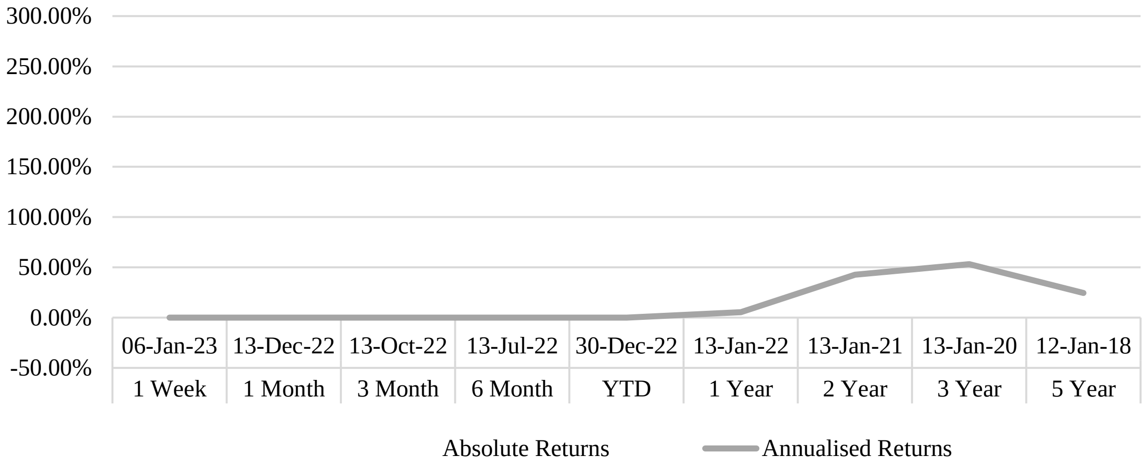

Figure 3. The fluctuating returns of QUANT small cap fund.

Table 4. SIP returns of quant small cap fund direct.

Period invested for	₹1000 SIP started on	Investments	Latest value	Absolute returns	Annualised returns
1 Year	13-Jan-2022	12,000	13577.02	13.14%	25.08%
2 Year	13-Jan-2021	24,000	30869.68	28.62%	26.22%
3 Year	13-Jan-2020	36,000	71060.51	97.39%	49.48%
5 Year	12-Jan-2018	60,000	148936.15	148.23%	37.30%

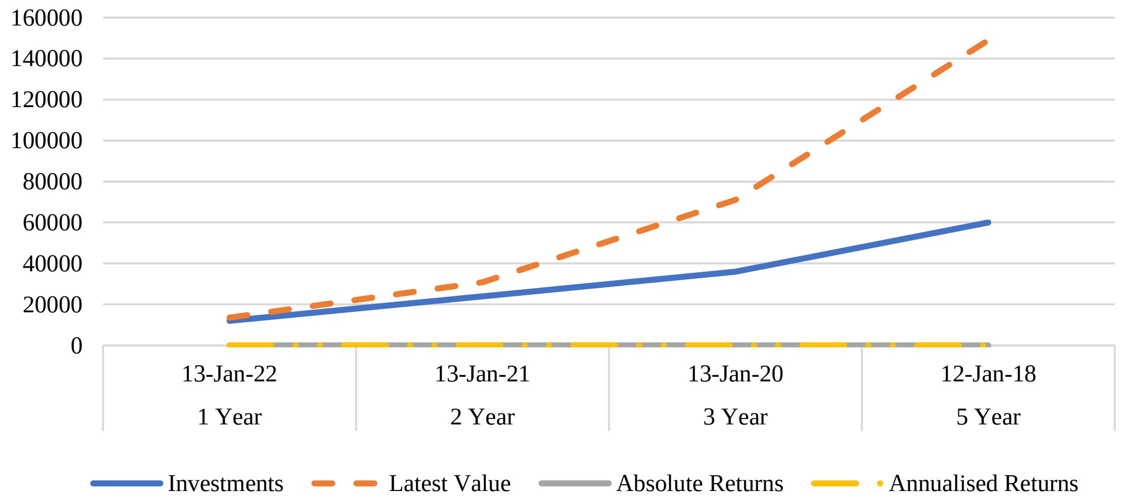

Figure 4. The returns and value of the amount invested over different period of time.

(Table 4), shows the SIP returns of the fund for 5 years has a gradual growth in absolute returns which were (13.14%) in Year 1, (28.62%) in the Year 2, (97.39) in the third year, and (148.23%) at the end of Year 5, which was the highest return.

And the annualised returns of the funds can be seen (25.08%) in the first year, (26.22%) in the Year 2, (49.48%) in the third year, which was the highest among the all year's returns and at last the returns of fifth year was (37.30%).

(Table 5), we can understand that the absolute returns of the fund are continuously fluctuating in the short-term period but continuously increasing in the long run. The absolute return of the first year was (−5.36%); second year, it was (54.78%); in the third year, it was (97.46%) highest among all the returns and at end of fifth year the returns were (73.24%; Figure 4).

The annualised returns of the specific fund are also fluctuating which were (–5.36%) in the first year, (24.41%) in the second year, (25.43%) in the third year, and (11.60%) at the end of fifth financial year (Figure 5).

Table 5. Union small cap fund direct plan growth.

Period invested for	₹10000 Invested on	Latest value	Absolute returns	Annualised returns
1 Week	13-Jan-2023	9936.1	–0.64%	—
1 Month	20-Dec-2022	9749.1	–2.51%	—
3 Month	20-Oct-2022	9294.3	–7.06%	—
6 Month	20-Jul-2022	10291.4	2.91%	—
YTD	30-Dec-2022	9901.2	–0.99%	m
1 Year	20-Jan-2022	9464.1	–5.36%	–5.36%
2 Year	20-Jan-2021	15478.1	54.78%	24.41%
3 Year	20-Jan-2020	19745.9	97.46%	25.43%
5 Year	19-Jan-2018	17324.4	73.24%	11.60%

The above chart shows the returns and value of the amount (10,000) invested over different period of time.

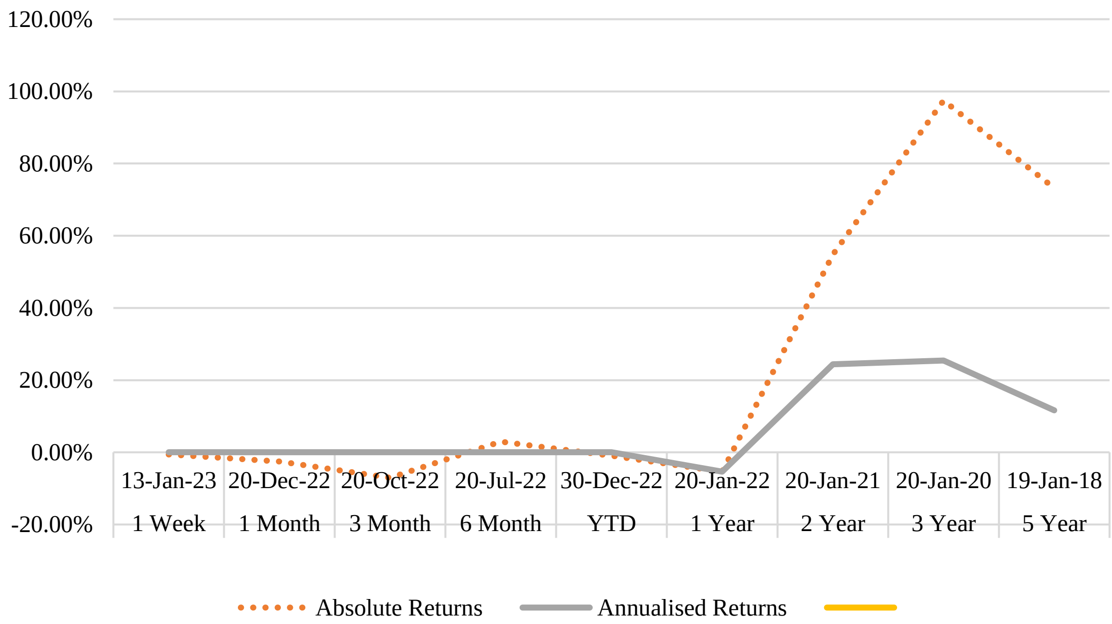

Figure 5. Absolute returns.

The above chart shows the SIP returns of Union small cap fund direct plan growth during different period of time.

(Table 6), we can interpret that the absolute SIP returns of the fund are gradually going upward by (0.97%) in the first year, (11.37%) in the second year, (44.74%) in the third year, and also (71.87%) at the end of 5 years.

But the annualised returns are (1.79%) in the first year and gradually is also increasing by (10.70%) in the second year; (25.50%) in the third year, which highest annualised SIP return; but at the end of the fifth financial year, the annualised returns are (21.79%; Figure 6).

Table 6. SIP returns of union small cap fund - direct plan – growth.

Period Invested for	₹1000 SIP Started on	Investments	Latest Value	Absolute Returns	Annualised Returns
1 Year	20-Jan-2022	12,000	12116.03	0.97%	1.79%
2 Year	20-Jan-2021	24,000	26728.53	11.37%	10.70%
3 Year	20-Jan-2020	36,000	52104.65	44.74%	25.50%
5 Year	19-Jan-2018	60,000	103123.89	71.87%	21.79%

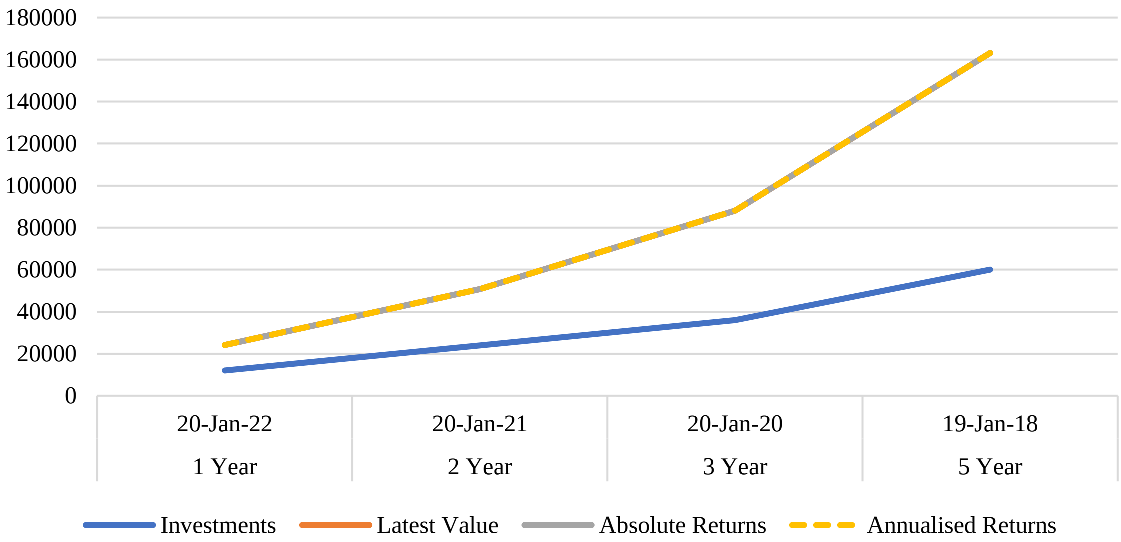

Figure 6. The annualised returns.

Table 7. ICICI Prudential small cap fund direct plan growth.

Period invested for	₹10,000 Invested on	Latest value	Absolute returns	Annualised returns
1 Week	13-Jan-2023	9929.4	–0.71%	—
1 Month	20-Dec-2022	9876.2	–1.24%	—
3 Month	20-Oct-2022	10078.5	0.78%	—
6 Month	20-Jul-2022	10578.7	5.79%	—
YTD	30-Dec-2022	9996.6	–0.03%	—
1 Year	20-Jan-2022	10392.5	3.92%	3.93%
2 Year	20-Jan-2021	16873.4	68.73%	29.90%
3 Year	20-Jan-2020	20715.8	107.16%	27.45%
5 Year	19-Jan-2018	18766.7	87.67%	13.40%

The data mentioned above depicts the returns and value of the amount (10,000) invested over different period of time.

The information from thee above table (Table 7) clearly shows the returns over investment in ICICI Prudential Small Cap Fund are significantly changing. The absolute returns of the fund during the first financial year are drastically fluctuating; and at the end of the first financial year, the returns were (3.92%), (68.73%) in the second year, (68.73%) in the third year, (107.16%) in the Year 3, which are highest absolute returns recorded, and at the end of fifth year the returns were (87.67%).

The annualised returns of the fund can also be seen fluctuating as; (3.93%) in the Year 1, (29.90%) in the Year 2, which is the highest annualised returns of the fund during 5 years, The annualised returns are decreased in the Year 3, that is, (27.45%); and at end of 5 years, the annualised returns are (13.40%; Figure 7).

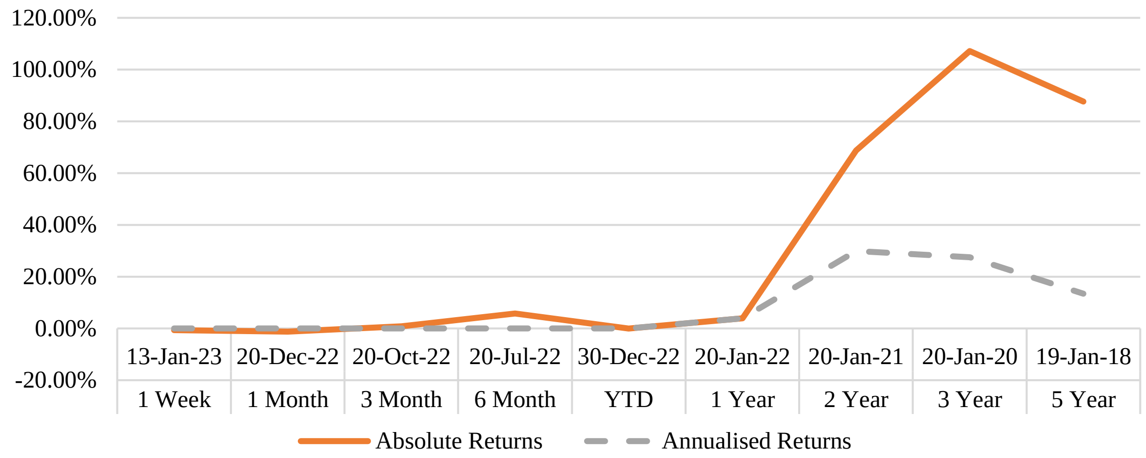

Figure 7. The annualised returns.

Table 8. SIP returns of ICICI Prudential Small Cap Fund direct plan growth.

Period invested for	₹1,000 SIP started on	Investments	Latest value	Absolute returns	Annualised returns
1 Year	20-Jan-2022	12,000	12773.1	6.44%	12.08%
2 Year	20-Jan-2021	24,000	28607.08	19.20%	17.84%
3 Year	20-Jan-2020	36,000	57197.4	58.88%	32.45%
5 Year	19-Jan-2018	60,000	111945.75	86.58%	25.19%

The above chart shows the SIP returns of ICICI Prudential Small Cap Fund Direct Plan Growth during different period of time.

(Table 8) clearly defines us the SIP returns of ICICI prudential small cap funds where the absolute returns are constantly increasing by (6.44%) in Year 1; (19.20%) in Year 2; (58.88) in Year 3; and the end of financial Year 5, the returns were (86.58%), which is highest return seen among the 5 years.

On the contrary, the annualised returns of the fund are slightly fluctuating by (12.08%) in the first year, (17.84%) in the second year, (32.45%) in the third year, which was highest annualised return seen over years and at the end of fifth year the annualised return of the fund was (25.19%).

The above chart shows the returns and value of the amount (10,000) invested in different period of time.

According to the above chart and graph (Table 9), we can interpret the various returns over amount invested in Axis small cap fund and the absolute return of the fund are fluctuating during the first year of investment; but at the end of first year, it was (0.88%); (60.02%) in the second year; (98.24%) in the third year; and at the end of the fifth year, it was about (132.15%).

The annualised returns of the first year (0.88%); (26.50%) in the second year, which is the highest annualised return recorded over years; (25.60%) in the third year; but at the end of fifth year, the returns were (18.32%; Figure 8).

Table 9. Axis small cap fund direct plan growth.

Period invested for	₹10,000 Invested on	Latest value	Absolute returns	Annualised returns
1 Week	13-Jan-2023	9942.7	–0.57%	—
1 Month	20-Dec-2022	9777.3	–2.23%	—
3 Month	20-Oct-2022	9960.8	–0.39%	—
6 Month	20-Jul-2022	10886.1	8.86%	—

YTD	30-Dec-2022	9926	–0.74%	—
1 Year	20-Jan-2022	10087.9	0.88%	0.88%
2 Year	20-Jan-2021	16002.2	60.02%	26.50%
3 Year	20-Jan-2020	19824.4	98.24%	25.60%
5 Year	19-Jan-2018	23214.8	132.15%	18.32%

Table 10. SIP returns of Axis small cap fund direct plan growth.

Period invested for	₹1,000 SIP Started on	Investments	Latest Value	Absolute Returns	Annualised Returns
1 Year	20-Jan-2022	12,000	12602.05	5.02%	9.37%
2 Year	20-Jan-2021	24,000	28131.61	17.22%	16.05%
3 Year	20-Jan-2020	36,000	53682.44	49.12%	27.70%
5 Year	19-Jan-2018	60,000	111769.94	86.28%	25.13%

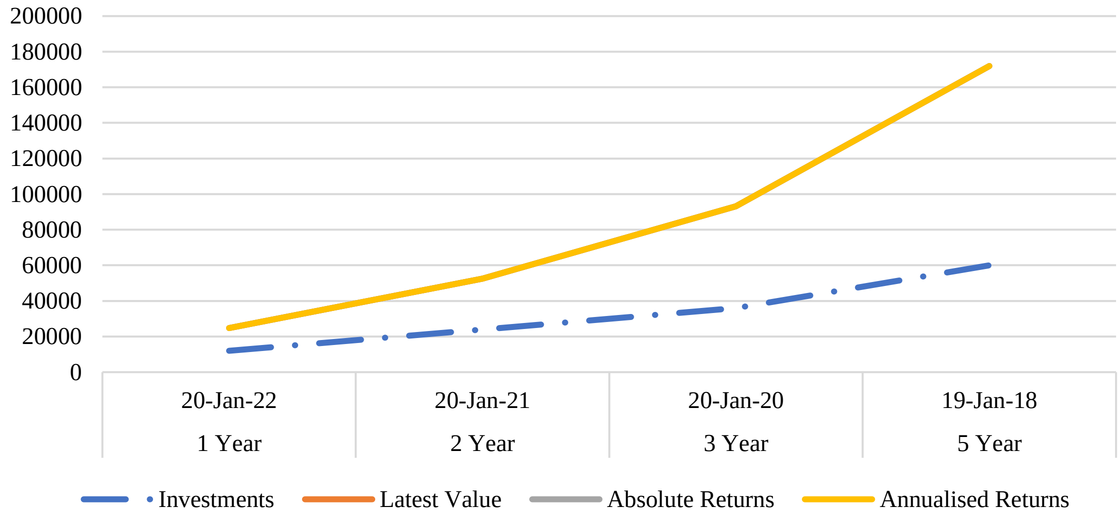

Figure 8. Various returns over amount invested in AXIS small-cap fund and the absolute return of the fund.

The above data shows the SIP return over investment done in Axis Small Cap Fund Direct Plan Growth during different period of time.

From the data above (Table 10), it can be seen that the fund's absolute SIP return was gradually increasing by (5.02%) in the first year, (17.22%) in the second year, (49.12%) in the third year, and at the end of the fifth year, the absolute return was (86.28%).

The annualised return was slightly fluctuating and the return of first year was (9.37%); (16.05%) in the second year; (27.70%) in the third year, which was highest annualised returns recorded and at the end of the fifth year, the return was (25.13%; (Figures 9 and 10).

From the above studied information, we can come to the conclusion that, over all of the studied small cap funds the Quant Small Cap Fund is performing much better comparative to the other funds available for the study. Whereas, the Union Small Cap Fund is performing lower than the other funds available for study (Table 11).

The chart above shows a comparison between the total absolute return and the annual return of all the funds considered over a 5-year period.

- Nippon India Small Cap Fund

- Quant Small Cap Fund
- Union Small Cap Fund
- ICICI Prudential Small Cap Fund
- Axis Small Cap Fund

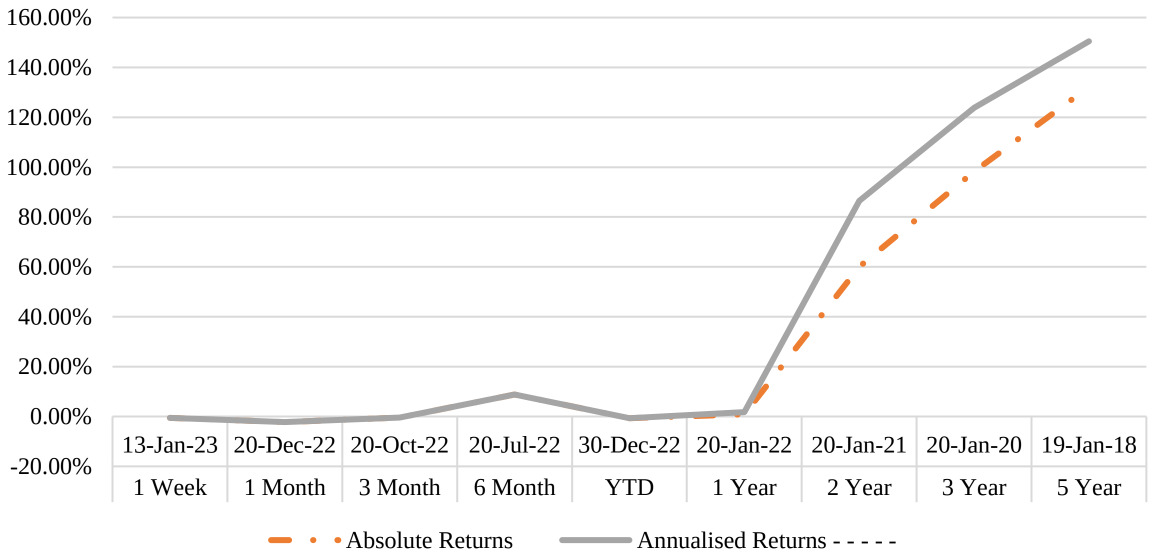

Figure 9. The SIP return over investment.

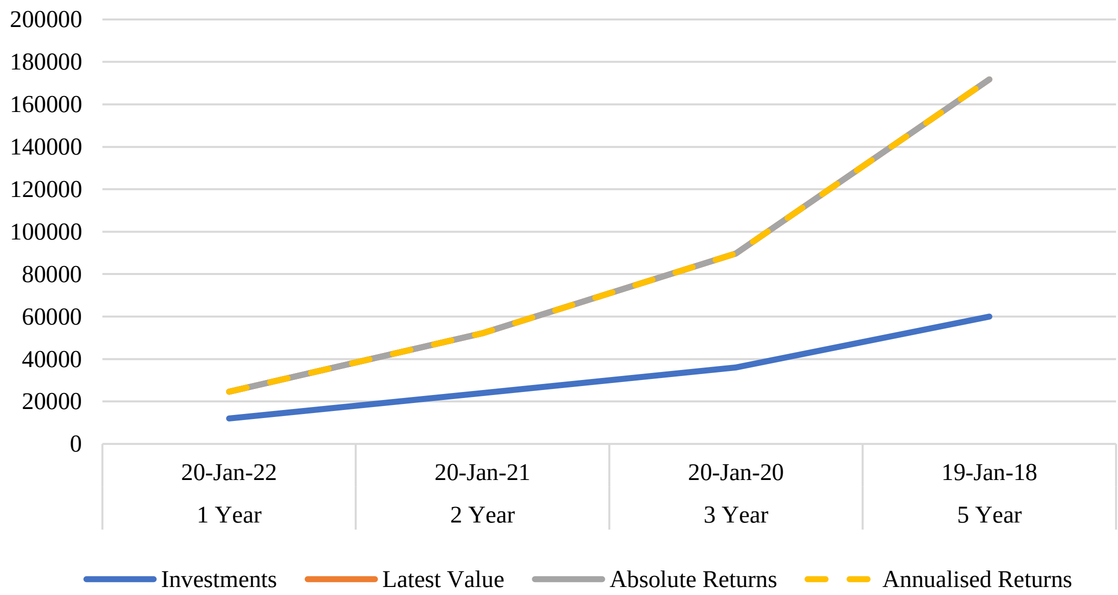

Figure 10. The annualised return.

Table 11. Overall returns and performance of the small cap mutual funds in long run (5 years).

	5-Year returns	
	Absolute return	***Annualised return***
Nippon India Small Cap Fund	97.03%	14.51%
Quant Small Cap Fund	200.30%	24.57%
Union Small Cap Fund	73.24%	11.60%
ICICI Prudential Small Cap Fund	87.67%	13.40%
AXIS Small Cap Fund	132.15%	18.51%

NOLEGEIN Journal of Performance Management & Retention Strategies
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From which we have seen that the (Quant Small Cap Fund) has been recorded the best performing fund over a period of time and the (Union Small Cap Fund) has been identified as the lowest performing fund over a period of 5 years.

FINDINGS

The study has illustrated various small cap mutual funds. The summary of the data and findings obtained were presented through the use of various charts and tables. This examination gives a few insights into mutual fund investments in order to help investors take suitable investment decisions. The performance of the schemes in the selected set has been assessed in terms of risk and returns, and includes various risk-adjusted performances measures (Figure 11).

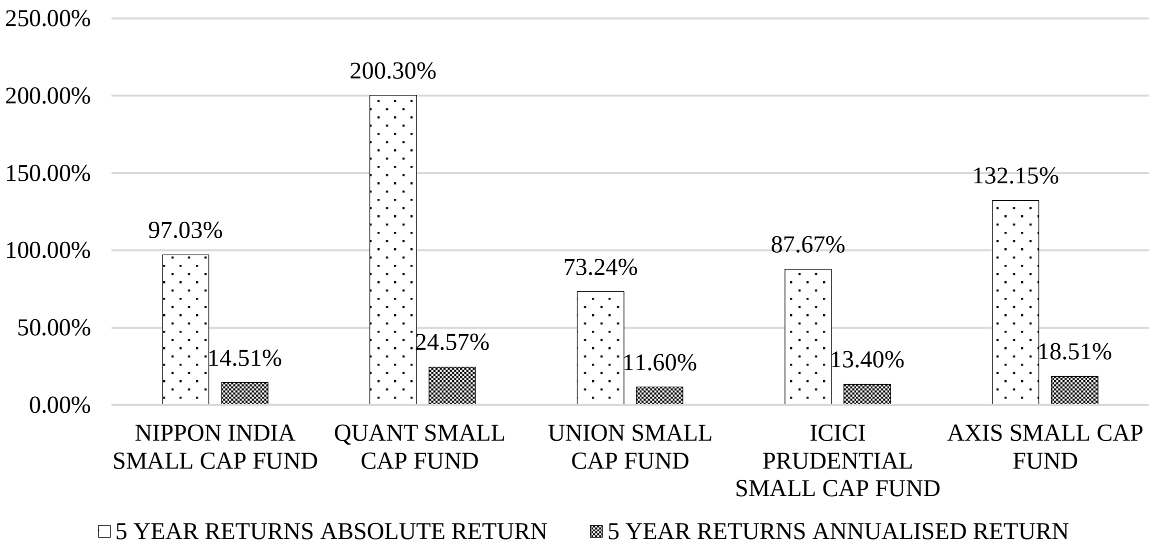

Figure 11. Various small-cap mutual funds.

The following conclusion has been arrived:

- Performance of the Nippon India Small Cap Fund were gradually increasing in the long run but was volatile in the short run.
- The Quant Small Cap Fund has been seen the best performing fund over all the funds taken for the study.
- The overall performance of the Union Small Cap Fund was satisfactory and was analysed as the lowest performing fund taken for the study.
- The ICICI Prudential Small Cap Fund was seen volatile in the short run but has given an average return over a period of 5 years.
- The Axis Small Cap Fund was seen showing negative returns in the short run but has given satisfactory returns over long run.

CONCLUSION

Mutual fund is an emerging market for investment seen for every kind of risk-taking investors. Analysis of the data reveals that the small cap funds are performing well in the long run about a minimum period of 3 years to 5 years.

From the above interpretation, we have come to the conclusion that the returns of all the funds taken for the study are volatile in nature in short run and the returns are also be seen negative some times.

But in the long run the funds are performing well and have a satisfying return over a period of time. Like in most of the cases, the absolute return and the annualised returns of the funds are the highest at the end of the third year of investment.

And from the above study, we can come to the conclusion that the Quant Small Cap Fund is the best performing fund seen over a period of 5 years and also the Union Small Cap Fund has been seen a low performing fund over the same period of study.

The research findings suggest a few ideas and the importance of the mutual fund industry in our economy. The findings of the research could create business opportunities for many sub-functions involved in the functioning of small cap mutual funds such as portfolio management service providers, stand-alone fund managers, professional training institutions, and candidates willing to adopt this as a career option.

It is recommended to the firms involved in daily monitoring of these funds to properly allocate their assets, changing it whenever necessary to get the best possible outcome. Teaching and creating awareness about the advantages of long-term investing and tax saving advantages from small cap funds specifically will build a significant niche operating segment. AMCs and AMFI could expand the centre around this through their instructive seminars and activities.

So, this concludes that small cap mutual funds needs more awareness levels and initiatives for the consumer to invest, the customer need more knowledge about this product and they need proper relevant guidance like financial advisors, relationship managers, financial seminars provided for free by government, more advertisements on this topic, and so on. The government should give more importance middle-level and low-level income groups, which have direct impact on buying behaviour of small cap funds.

Suggestions

- As the Union Small Cap Fund is not performing well in the long run as well, as compared with the other small cap funds taken for study. So, the investors are advised to go for other funds for the investment options in the small cap category.
- The Union Small Cap Fund, has indicated a negative performance based on absolute return of 1 year. Hence, the fund manager should have been more focused on returns for short term also.
- Nippon India Small Cap Fund has indicated a low return during 1 year period and also its YTD is quite low as 0.17%; hence, it is important that fund managers should focus on the performance of the fund for short as well as long term.
- In Nippon India Small Cap Fund, the performance based on SIP returns is similar during 2 and 5 years, this indicates an individual who has remained invested for a period of 5 years is getting similar return, this suggests the fund managers to focus on long term also for performance.
- Quant Small Cap Fund has shown low return during the period of 1 year as compared with long term; that is, 2, 3, 5 years. Sometimes, the investors do not continue in having an interest to remain invested for long run, if the return is not good during short term.
- ICICI Prudential Small Cap Fund has indicated that the performance of the fund has indicated lower returns during a period of 5 years as compared with 3 years, long-term returns should have been a focus area of the fund manager.

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