

The Equity *Mutual Fund* Review

AN INDEPENDENT ANALYSIS · DIRECT PLANS · GROWTH OPTION BY CA PARVESH AGHI

EXECUTIVE SUMMARY · MAY 2026

Mid-caps lead the market, large-caps await a *cyclical turn*, and small-caps reward only the patient.

Indian equity markets in mid-2026 are characterised by a clear divergence: mid-cap funds are outperforming across every meaningful timeframe, large-cap funds are weathering near-term FII outflows despite robust three-year returns, and small-caps continue to deliver category-leading long-term wealth creation — provided investors hold through volatility. This report distils three category leaders from a universe of more than seventy direct-plan schemes, with portfolio-level evidence for each conviction call.

★ The Three Best Picks

Large-Cap

Nippon India Large Cap

10Y **15.74%** ER **0.71%** AUM **₹51,690 Cr**

Mid-Cap · Tactical

ICICI Prudential MidCap

3Y **26.80%** Sharpe **1.06** AUM **₹7,557 Cr**

Small-Cap · Long-Term SIP

Nippon India Small Cap

10Y **21.90%** ER **0.67%** AUM **₹72,673 Cr**

Large-Cap · 3Y CAGR

Scheme · Direct Plan - Growth 1Y 3Y 5Y 10Y AUM (₹ Cr)

ICICI Prudential Large Cap -2.89 14.88 14.92 14.90 Large

DSP Large Cap -3.80 14.73 12.88 — Medium

★ Best Pick · Large-Cap

Nippon India Large Cap Fund — Direct Plan

Ranked **1st out of 23 peers** over a ten-year horizon — the most consistent long-term outperformer in the category, with a Sharpe ratio of 0.75 against a category average of 0.47.

10-Year CAGR

15.74%

Expense Ratio

0.71%

AUM

₹51,690 Cr

Sharpe Ratio

0.75

Portfolio Structure

Equity Allocation 96.44%

Cash 3.56%

Large-Cap Weight 80.70%

Mid-Cap Weight 12.61%

Number of Stocks 69

Top 10 Stocks 43.43%

Top 5 Holdings

HDFC Bank Ltd Financial Services 9.24%

ICICI Bank Ltd Financial Services 7.99%

ICICI Prudential MidCap Fund — *Direct Plan*

Consistent across timeframes — 1st of 30 over 1Y, 3rd of 29 over 3Y, 6th of 25 over 5Y. A category-best Sharpe of **1.06** versus a peer average of 0.84.

10-Year CAGR

18.58%

Expense Ratio

1.05%

AUM

₹7,557 Cr

Sharpe Ratio

1.06

Portfolio Structure

Equity Allocation 98.02%

Cash 1.98%

Large-Cap Weight 10.02%

Mid-Cap Weight 75.62%

Number of Stocks 88

Top 10 Stocks 38.24%

Top 5 Holdings

Multi Commodity Exchange Financial Services 4.88%

BSE Ltd Financial Services 4.87%

Jindal Steel Ltd Basic Materials 4.51%

Apar Industries Ltd Industrials 4.30%

Muthoot Finance Ltd Financial Services 3.74%

Sector Concentration: Top 3 sectors — Financial Services, Industrials, Basic Materials — account for 69.49% of the portfolio.

Sharpe Ratio

0.79

Portfolio Structure

Equity Allocation 97.05%

Cash 2.95%

Large-Cap Weight 12.30%

Mid-Cap Weight 13.99%

Small-Cap Weight 65.93%

Number of Stocks 254

Top 10 Stocks 14.27%

Portfolio Turnover 17.92%

Top 5 Holdings

HDFC Bank Ltd Financial Services 1.89%

MCX India Ltd Financial Services 1.76%

Bharat Heavy Electricals Industrials 1.67%

TD Power Systems Ltd Industrials 1.54%

Apar Industries Ltd Industrials 1.49%

Diversification Strength: 254 stocks · Top 10 only 14.27% — well-distributed risk.

Top 3 sectors: Industrials, Financial Services, Consumer Cyclical (54.20%).

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Master Summary

Best Picks · Side-by-Side

Category	Fund · Direct Plan - Growth	1Y	3Y	5Y	10Y	Expense Ratio
Large-Cap	★Nippon India Large Cap	-0.95%	15.47%	17.34%	15.74%	0.71%
Mid-Cap	★ICICI Pru MidCap	+19.95	26.80	21.78	18.58	1.05%

Category	Fund · Direct Plan - Growth	1Y	3Y	5Y	10Y	Expense Ratio
		%	%	%	%	
Small-Cap	★★Nippon India Small Cap	+6.90%	21.07%	23.04%	21.90%	0.67%

★ Recommended for tactical growth allocation · ★★ Recommended for aggressive long-term wealth creation via SIP only.

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Portfolio Allocation

Frameworks by Investor Profile

Profile A

Conservative

Large-Cap70%

Mid-Cap30%

Small-Cap0%

Stability-focused; minimal volatility tolerance.

Recommended

Profile B

Moderate

Large-Cap40%

Mid-Cap40%

Small-Cap20%

Balanced growth with manageable risk — the recommended baseline.

Profile C

Aggressive

Large-Cap20%

Mid-Cap40%

Small-Cap40%

Maximum long-term growth (5–7 year horizon required).

Macro Factors to Monitor

Macro Factor

Impact on Funds

Current Status · May 2026

India GDP & RBI Rate Policy

Core driver of equity valuations and corporate earnings.

Neutral

Moderate growth; RBI cautious on rates.

Government Capital Expenditure

Direct boost to industrials, infrastructure, and mid/small-cap earnings.

Tailwind

Government CapEx cycle robust.

FII Flows & INR/USD

Large-cap highly sensitive to FII buying/selling cycles.

Headwind

FII outflows pressuring large-caps.

Corporate Earnings · Q4 FY26 / FY27

Key near-term driver for all fund performance.

Mixed

Mid-cap earnings strong; large-cap under pressure.

Global Commodity Prices

Affects Basic Materials and Energy sector holdings.

Watch

Moderating but remain volatile.

US Fed Monetary Policy

Impacts global risk appetite and emerging-market flows.

Watch

Fed holding rates; market awaiting pivot signals.

Action Items

✓

Start / Increase Mid-Cap SIP

Allocate to ICICI Prudential MidCap. Current market rotation favours domestic growth stories — and mid-caps are the cleanest expression of that thesis.

✓

Hold Large-Cap Positions

Do not panic-sell. Near-term pressure is cyclical; 3-year-plus returns of the best funds remain solid. Recovery is a question of when, not if.

✓

Small-Cap via SIP Only

Never lump-sum. A 5–7 year minimum horizon is required for Nippon India Small Cap to express its long-term edge.

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Avoid Switching During Corrections

The funds in this analysis have weathered multiple market cycles. Patience is the key to capturing their long-term outperformance — not activity.

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Methodology

Data sourced from *Moneycontrol.com* as of 15 May 2026. All returns are annualised CAGR based on Direct Plans · Growth Option. Rankings reflect a peer-relative universe at the time of analysis.

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