

Midcap SIPs do twice as well as large-cap plans

By Prashant Ilahezh, ET Bureau | 3 Dec, 2015, 01:55AM IST

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Mumbai: Investors who had systematic investment plans (SIPs) in midcap equity mutual funds saw far higher returns than schemes focused on large caps over the past three years.

Midcaps have rallied while blue chips underperformed sharply, and investors who chose midcaps have made double the returns when compared with that of large caps. The run-up has led to some midcap stocks being overvalued, and fund managers and financial advisors say that investors should now turn to large caps.

In SIPs, investors park a fixed sum every month typically into equity mutual fund schemes at a predefined date — monthly or quarterly. This helps mitigate risks of lumpsum

investments. According to an ET study, HDFC Midcap Opportunities Fund has delivered annual returns of 34.54% in the last three years, compared to 15.33% of HDFC Top 200, a large cap fund. Similarly, Axis Midcap has given 30.66% in the period compared with Axis Equity's (large cap) 15.39%. ICICI Midcap has given 38.68% compared with ICICI Focused Bluechip's 16.78%.

The BSE's Midcap index has gained 17% on a compounded basis in the last three years compared with the Sensex's rise of 10.59%. "Midcaps are overvalued vis-a-vis their large cap peers. With the global environment turning more uncertain, investors would do well to put additional money in large cap stocks, where there is a margin of safety," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Over the last year, the valuation gap between large and midcap stocks has narrowed. The Midcap Index's price to earnings (P/E) ratio, which was at 16.77 in December 2014, has risen to 21.32, while the Nifty's P/E reduced marginally from 21.81 to 21.51. "Midcaps are now trading at a premium to large caps, though historically they trade at a discount. Large caps have underperformed as selling over the last year has come primarily from foreign investors who own large caps," says Harsha Upadhyaya, head equity investments, Kotak Mutual Fund.

Topping The Returns Chart

3-Year SIP CAGR (%)

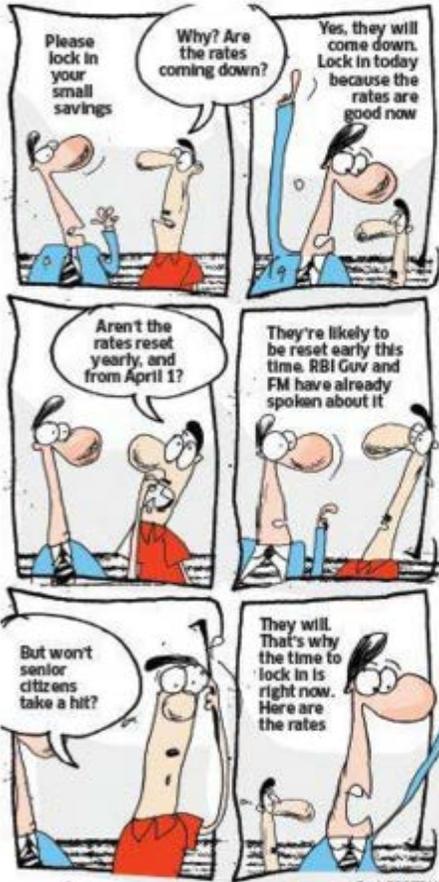
LARGE CAP FUND

Franklin India Bluechip	16.37
HDFC Top 200	15.33
Birla Sunlife Frontline Equity	18.40
ICICI Prudential Focused Bluechip	16.78
DSP BR Top 100	13.22

MIDCAP FUND

Franklin India Prima	35.38
HDFC Mid-Cap Opportunities	34.54
Birla SL Midcap	34.10
ICICI Prudential Value Discovery	33.98
DSP BR Small and Midcap	35.08

NOTE: For an SIP for 3 years. SOURCE: Accord Fintech, Compiled by ETG Database



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What's On Offer

Investment Avenues & the Rates of Interest

Senior Citizens Savings Scheme (SCSS)

9.30%

Sukanya Samriddhi Yojana

9.20%

Five-year Post Office Time Deposits

8.50%

5-year National Savings Certificate

8.50%

Public Provident Fund (PPF)

8.70%

Kisan Vikas Patra

8.70%

Post Office Monthly Income Scheme

8.40%

Bank Fixed Deposits **7.5-8.40%***

NOTE: Except Kisan Vikas Patra and PPFMS, all schemes are eligible for section 80C benefits. In case of bank deposits, tax breaks available only on the 5-year tax-saver FDs.

*Across various banks for senior citizens; lower by 1% regular customers.

