

Mutual Fund

Midcap funds demystified

There are no overnight success stories in the world. Companies do not become big overnight. The transition from small to mid and mid to large takes place gradually. Based on these stages and market capitalization size, companies are broadly categorized into three types – large cap, mid cap and small cap



Midcap companies – the untapped segment:

Midcap companies are the middle or medium-sized companies which are emerging businesses having the potential to become tomorrow's large caps

Key features:

- Unlike large cap companies, which are established, well-known businesses and therefore part of most investor's portfolio, midcap companies are not given much preference.
- Stocks of midcap companies are relatively under researched than large-cap stocks and therefore offer more scope of analysis and exposure.
- Midcap companies are usually niche business with new business models which carry potential for aggressive growth.

But there is a vast universe of midcap stocks in the market. It can be difficult to spot the right stock with maximum potential to expand over time. One wrong choice can impact the overall portfolio performance.

*Companies classified as Large Cap, Mid Cap and Small Cap companies as per SEBI guidelines in terms of full market capitalization



Stock selection is, thus the key to creating wealth in the long run and this is where midcap equity funds can play a vital role as these funds handpick potential wealth generators and carry the potential to boost the overall portfolio performance.

Why invest in Midcap Funds?

Midcap stocks have higher growth potential in the long run than the large cap peers. Here's the historical data to prove it:

Nifty Midcap 100 TRI vs Nifty 50 TRI on daily rolling returns:



Nifty Midcap 100 TRI outperformance over Nifty 50 TRI

Nifty Midcap 100 TRI has delivered higher returns than Nifty 50 TRI 76% of times in the 5 year period and 88% times in 10 years period.

Where investment returns have been computed for a 5-year rolling period, 2522 out of 3362 times Nifty Midcap 100 TRI offered higher returns than Nifty 50 TRI and where investment returns have been computed for a 10-year rolling period, 1868 out of 2123 times Nifty Midcap 100 TRI offered higher returns than Nifty 50 TRI. [Data as on 31 July 2021_ Source: ACE MF. Daily rolling returns for Nifty Midcap 100 Index is available from Jan 2003 & hence above analysis is done from the inception of the index. The above data is provided for illustration purpose only. Midcap Funds invest in those stocks which meets the criteria of Mid Cap Stocks as defined by SEBI i.e. 101st to 250th stocks in terms of total market capitalization of the stock and such stocks may or may not be part of Nifty Midcap 100 Index. Past performance may or may not be sustain and does not guarantee future performance.

Who should invest?

- Investors seeking long term growth (5-10 years)
- Investors with high tolerance for risk and market volatility
- Investors believing in the growth and potential of midsized companies

Points to consider before selecting the midcap fund:

Fund strategy/ philosophy:

The fund's philosophy can determine what parameters the fund considers to select midcap stocks and how is it positioned to tackle market movements.

Fund manager's experience:

It is also important to look at the experience and past performance of respective fund's research team and fund manager.

Now that you have a fair idea on midcap funds, aim to participate in the growth story of tomorrow's potential market leaders from today!

Disclaimer:

This document has been prepared by HSBC Asset Management (India) Private Limited (AMIN) for information purposes only with an intent to provide overview and should not be construed as an offer or solicitation of an offer for purchase of any of the funds of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources, which AMIN/ third party, believes to be reliable but which it has not been independently verified by AMIN/ the third party. Further, AMIN/ the third party makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of such information. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable at the time of publication, which are subject to change from time to time. Expressions of opinion are those of AMIN only and are subject to change without any prior intimation or notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed or recommended in this report and should understand that the views regarding future prospects may or may not be realized. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.