

Official email id: [wishsitcapital.india@gmail.com](mailto:wishsitcapital.india@gmail.com)

Website: <https://wishlistcapital.in/>

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## **SMALL CAP FUNDS**



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As per SEBI, the market regulator, small-cap mutual funds are invested in companies that are ranked 251st and beyond in market capitalization. They have smaller market caps compared to large-cap and mid-cap companies. These are usually emerging businesses with high growth potential but can also be volatile and risky. These funds invest at least 65% of their assets in small-cap stocks. The goal is to capture the high growth potential of these companies as they expand.

### Features:

1. **High return potential:** Small-cap companies are in their growth phase, so if they succeed, your investment can grow a lot over time.
2. **Higher risk:** These companies are more sensitive to market ups and downs, so prices can be very volatile.
3. **Long-term investment:** Best suited for a 5+ year horizon, giving time for growth and recovery from short-term market fluctuations.

### Who should invest?

- Investors with high risk tolerance.
- Those looking for wealth creation over the long term.
- Suitable for young investors with a long investment timeline.

### Fund Selection

We analyse 5 top-performing funds:

1. Bandhan Small Cap Fund
2. Nippon India Small Cap Fund
3. Bank of India Small Cap Fund
4. Tata Small Cap Fund
5. Invesco India Small Cap Fund



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### Performance Comparison (1yr/3yr/5yr)

FUND NAME	1YR RETURN	3YR RETURN	5YR RETURN	SINCE INCEPTION
Bandhan Small Cap Fund	11.50%	34.44%	36.49%	33.89%
Nippon India Small Cap Fund	0.78%	29.29%	37.85%	21.28%
Bank of India Small Cap Fund	1.96%	26.25%	34.71%	27.03%
Tata Small Cap Fund	3.62%	27.23%	33.89%	23.94%
Invesco India Small Cap Fund	10.63%	30.71%	33.92%	24.34%

### Key Takeaways:

- Bandhan Small Cap Fund leads with highest 3-year CAGR (34.44%)
- Nippon India tops 5-year return with (37.85%)
- Invesco India Small Cap shows consistent returns across all periods with a strong 1-year (10.63%).

### Risk Metrics

FUND NAME	STD DEV	BETA	SHARPE RATIO	ALPHA
Bandhan Small Cap Fund	17.80%	0.88%	1.44%	5.48%



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FUND NAME	STD DEV	BETA	SHARPE RATIO	ALPHA
Nippon India Small Cap Fund	14.35%	0.82%	1.36%	3.27%
Bank of India Small Cap Fund	15.24%	0.83%	1.41%	1.56%
Tata Small Cap Fund	16.16%	0.7%	1.25%	1.56%
Invesco India Small Cap Fund	14.29%	0.87%	1.65%	4.8%

#### Portfolio highlights:

- Invesco India Small Cap Fund stands out with the highest Sharpe Ratio (1.65%) and low volatility (14.29%), offering excellent risk-adjusted returns and a strong Alpha (4.8%).
- Bandhan Small Cap Fund shows the highest Alpha (5.48%), indicating strong outperformance, but has the highest volatility (17.80%).
- Nippon India Small Cap Fund is the least volatile (14.35%) with a solid Sharpe Ratio (1.36%) and decent Alpha (3.27%).

#### Top 5 Holding Comparisons

FUND NAME	TOP HOLDINGS
Bandhan Small Cap Fund	Repro Home Finance Ltd. (4.93%), Stove Craft Ltd. (4.58%), Sobha Ltd. (4.40%), TARC Ltd. (2.70%), EFC (I) Ltd. (1.58%)
Nippon India Small Cap Fund	Multi Commodity Exchange of India Ltd. (2.49%), HDFC Bank Ltd. (2%), Kirloskar Brothers Ltd. (1.58%), Karur Vysya Bank Ltd. (1.28%), State Bank of India (1.12%)



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FUND NAME	TOP HOLDINGS
Bank of India Small Electrical Cap Fund Ordinary (2.49%)	Llyods Metals & Energy Ltd. (3.54%), Quality Power Equipments Ltd. (2.87%), Credit Access Garmeen Ltd. Shares (2.49%), Housing & Urban Development Corp Kaynes Technology India Ltd. (2.4%)
Tata Small Cap	Sudarshan Chemical Industries Ltd. (5.18%), Kirloskar Pneumatic Co. Ltd. (3.92%), IDFC First Bank Ltd. (3.85%), BASF India Ltd. (3.53%), Usha Martin Ltd. (3.46%)
Invesco India Small Cap Fund	Multi Commodity Exchange of India Ltd. (5.13%), InterGlobe Aviation Ltd. (4.57%), Aditya Birla Real Estate Ltd. (3.42%) BSE Ltd. (3.42%), Swiggy Ltd. (3.28%)

### Key Observations:

- Tata & Invesco have the highest individual stock exposure (5%+ in top holdings).
- Bandhan focuses on housing & real estate, while Nippon and BOI lean more on finance & industrials.
- Multi Commodity Exchange of India Ltd. appears in both Nippon and Invesco, showing some overlap in stock picks.

### Sector Allocation

FUND NAME	FINANCIAL SERVICES	INDUSTRIAL	CONSUMER CYCLICAL
Bandhan Small Cap Fund	22%	15%	15%
Nippon India Small Cap Fund	15%	24%	15%



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<b>FUND NAME</b>	<b>FINANCIAL SERVICES</b>	<b>INDUSTRIAL</b>	<b>CONSUMER CYCLICAL</b>
Bank of India Small Cap Fund	20%	18%	18%
Tata Small Cap Fund	28%	27.9%	19%
Invesco India Small Cap Fund	30%	21%	14.1%

\*All sector changes are between July'25 and April'25 (top 3 sectors are financial services, industrial and consumer cyclical).

#### **Asset Allocation**

<b>FUND NAME</b>	<b>EQUITY</b>	<b>LARGE CAP</b>	<b>MID CAP</b>	<b>SMALL CAP</b>
Bandhan Small Cap Fund	83.6%	5.6%	8.4%	68.7%
Nippon India Small Cap Fund	95.9%	11.8%	13.3%	70%
Bank of India Small Cap Fund	93.9%	4%	13%	70.4%
Tata Small Cap Fund	91.6%	--	8.3%	82.1%
Invesco India Small Cap Fund	97.4%	8.7%	21.5%	62.8%

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### Key Takeaways


- All funds have high equity exposure (83%–97%), with small caps dominating (63%–82%), showing their aggressive small-cap focus.
- Invesco India Small Cap has the highest mid-cap allocation (21.5%), while Tata Small Cap is most tilted to small caps (82.1%) and has no large-cap exposure.
- Bandhan Small Cap has the lowest equity allocation (83.6%), indicating slightly more defensive positioning among peers.


### Conclusion and Actionable Insights

- Diversify across funds: Consider combining Invesco (better risk-adjusted returns) with Bandhan (high alpha) to balance growth potential and volatility.
- Sector exposure: Tata and Invesco lean more on financials and industrials; useful for those bullish on these sectors.
- Long-term focus: Small caps are volatile; invest with a 5+ year horizon to ride out market fluctuations.
- Monitor overlap: Nippon and Invesco share some top holdings (e.g., MCX); avoid over-concentration if holding both.

### Fund Recommendation

INVESTOR PROFILE	RECOMMENDED FUND	RATIONALE
Aggressive, High risk Tolerance	Tata Small Cap Fund	Highest small-cap exposure (82.1%), strong sector diversification, ideal for high growth seekers.
Moderate risk tolerance	Invesco India Small Cap Fund	Best risk-adjusted returns (Sharpe 1.65), low volatility (14.29%), with mid-cap buffer (21.5%).
Conservative Small Cap Investor	Bandhan Small Cap Fund	Slightly defensive (lowest equity at 83.6%), strong alpha (5.48%), suited for cautious exposure

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In conclusion, small cap mutual funds are some of the best mutual funds for SIP and present an exciting opportunity for investors seeking high growth potential in their portfolios. While these funds come with higher volatility and risks, they can be rewarding over the long term.

### **MFD Details:**

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Regards,

Vijaylakshmi Dey

Research Executive, Wishlist Capital

**Note: Mutual funds are subject to market risks. Please read all scheme-related documents carefully before investing. Past performance does not guarantee future results. Investments are subject to market fluctuations, and there is no assurance of returns. Please direct your queries to us at all times.**



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