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## **Small Cap Funds (Top 5 & Bottom 5)**

Small-cap mutual funds often go through sharp cycles of outperformance and underperformance. While some funds generate exceptional long-term wealth, others struggle due to stock selection, timing, or market conditions. In this report, we analyse the top five best-performing and bottom five underperforming small-cap funds, highlighting how performance can vary widely within the same category. The objective of this study is to help investors understand the importance of fund quality, patience, and disciplined investing when investing in the small-cap segment.

### ***What are Small Cap Funds?***

Small-cap mutual funds invest primarily in companies with relatively smaller market capitalisation, typically ranked beyond the top 250 companies by market value. These companies are often in their early or expansion stages and have the potential to grow faster than large, established businesses.

Due to their size, small-cap companies tend to be more sensitive to economic cycles and market volatility, which can lead to higher short-term fluctuations. However, over the long term, successful small-cap companies can deliver superior growth as they scale up their operations.

### ***Why Should One Invest in Small Cap Funds in the Current Market Phase?***

#### **1) Long-term growth potential remains intact:**

Despite periodic corrections, the long-term growth story of well-managed small-cap companies remains strong. Many small-cap firms benefit from domestic demand, manufacturing growth, and structural reforms, positioning them well for future expansion.

#### **2) Corrections create selective opportunities:**

Recent market volatility has led to valuation corrections in several small-cap stocks, offering investors an opportunity to enter quality businesses at more reasonable prices—provided the investment horizon is long-term.

#### **3) Higher alpha generation potential:**

Small-cap funds have greater flexibility to identify undiscovered or under-researched companies, giving skilled fund managers the ability to generate higher alpha compared to large-cap funds.



#### 4) Suitable for investors with time and risk appetite:

Small-cap funds are best suited for investors with a long investment horizon (7–10 years or more) and the ability to stay invested during periods of volatility. SIPs help average costs and reduce timing risk.

#### 5) Portfolio diversification:

Allocating a measured portion of the portfolio to small-cap funds can enhance overall portfolio returns and diversification when combined with large-cap and mid-cap exposure.

#### Top 5 & Bottom 5 Performers:

##### Top 5 Performers:

Fund Name	Returns	
	3 Year	5 Year
Quant Small Cap Fund	23.54%	29.58%
Nippon India Small Cap Fund	23.24%	27.67%
Invesco India Small Cap Fund	26.19%	25.96%
Bandhan Small Cap Fund	31.47%	25.92%
HDFC Small Cap Fund	22.77%	25.17%
<b>Nifty Smallcap 250 TRI</b>	<b>23.68%</b>	<b>23.87%</b>

**Data from MoneyControl  
Returns as on 24<sup>th</sup> December, 2025**

##### Bottom 5 Performers:

Fund Name	Returns	
	3 Year	5 Year
ABSL Small Cap Fund	19.58%	18.52%
SBI Small Cap Fund	15.27%	19.25%
ITI Small Cap Fund	27.19%	20.29%
UTI Small Cap Fund	19.15%	20.45%
Kotak Small Cap Fund	16.62%	21.11%
<b>Nifty Smallcap 250 TRI</b>	<b>23.68%</b>	<b>23.87%</b>

**Data from MoneyControl  
Returns as on 24<sup>th</sup> December, 2025**



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\* Mutual funds are subject to market risks. Please read all scheme-related documents carefully before investing. Past performance does not indicate future results. Investments are subject to market fluctuations, and there is no assurance of returns.

