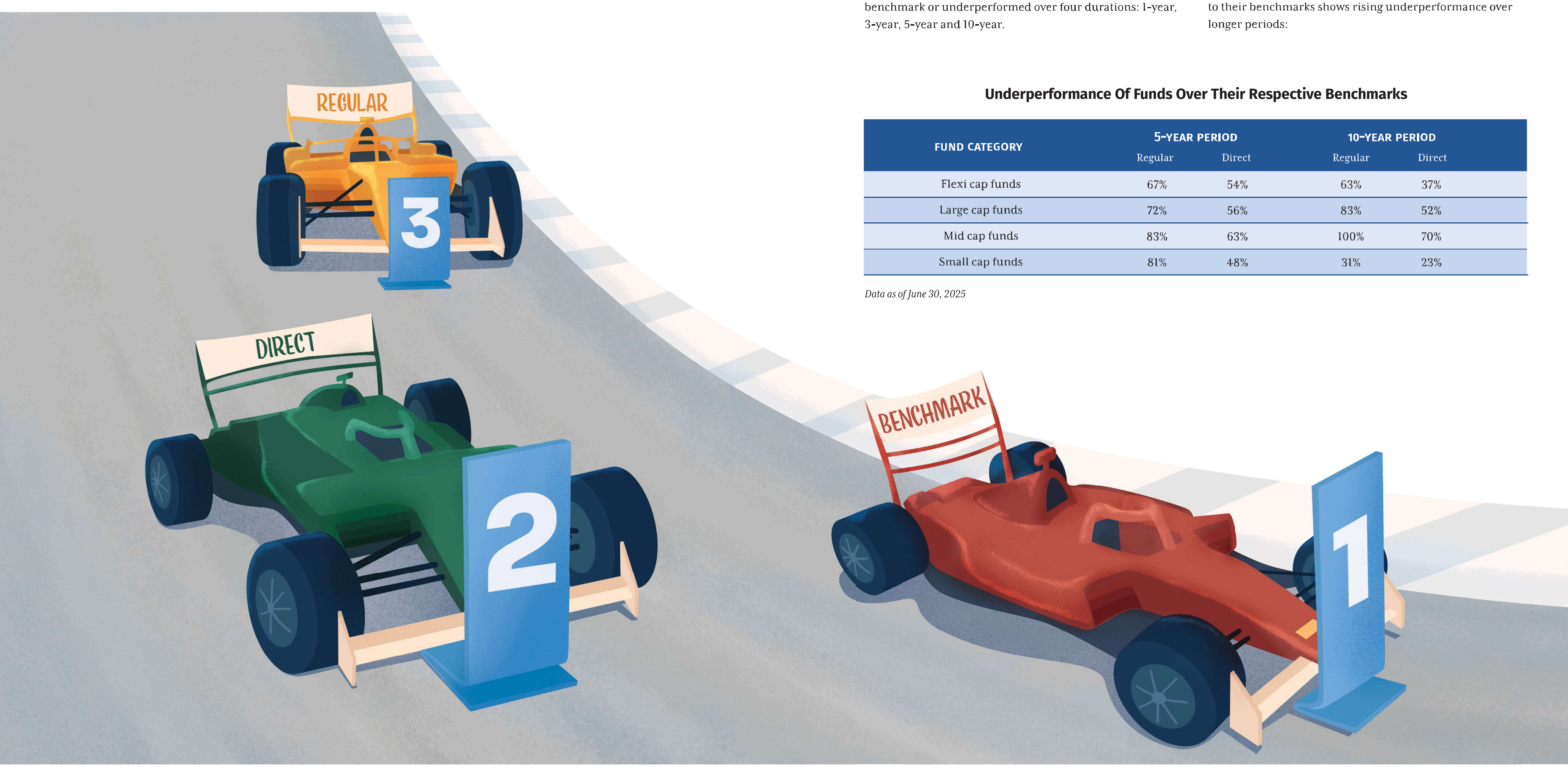
ISSUE 08 | 1 FINANCE MAGAZINE WEALTH WISDOM 4

Benchmark Comparison Report: Active Equity Mutual Funds vs AMFI Benchmarks



INTRODUCTION

This report presents a comparative analysis of **actively managed equity mutual funds** across four major categories – Flexi cap, Large cap, Mid cap and Small cap compared to their respective **AMFI-recognised benchmarks.**

The analysis is based on whether a fund outperformed its benchmark or underperformed over four durations: 1-year, 3-year, 5-year and 10-year.

All data is as of **June 30, 2025** and reflects the performance of both **regular plans and direct plans.**

For the year ending June 30, 2025, equity markets saw modest gains, with large and mid-cap indices outperforming small caps. An analysis of fund performance when compared to their benchmarks shows rising underperformance over longer periods:

Underperformance Of Funds Over Their Respective Benchmarks

FUND CATEGORY	5-YEAR PERIOD		10-YEAR PERIOD	
	Regular	Direct	Regular	Direct
Flexi cap funds	67%	54%	63%	37%
Large cap funds	72%	56%	83%	52%
Mid cap funds	83%	63%	100%	70%
Small cap funds	81%	48%	31%	23%

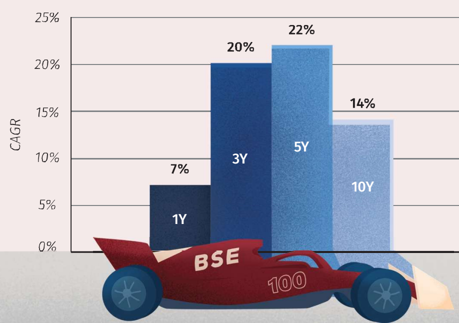
Data as of June 30, 2025

BENCHMARKS USED AND MARKET CONTEXT

Each fund category is benchmarked against SEBI-mandated Total Return Indices (TRI) endorsed by AMFI. For the one-year period ending June 30, 2025, the broader equity market indices delivered modest gains (4% to 7%), with notable variation among segments.

For the one-year period ending June 30, 2025, equity markets delivered positive returns across major indices. The BSE 100 with a return of 7%, followed closely by the Nifty 100 at 6%. Broader indices such as the BSE 500 and Nifty 500 posted returns of 5% and 6%, respectively.

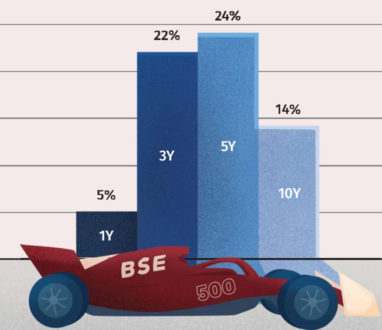
BSE 100



Source: 1 Finance Magazine, AMFI

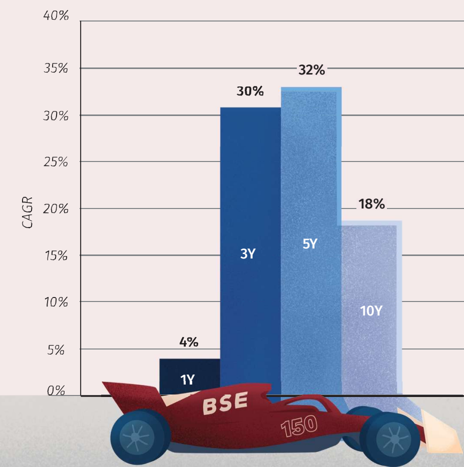
Large Cap

BSE 500



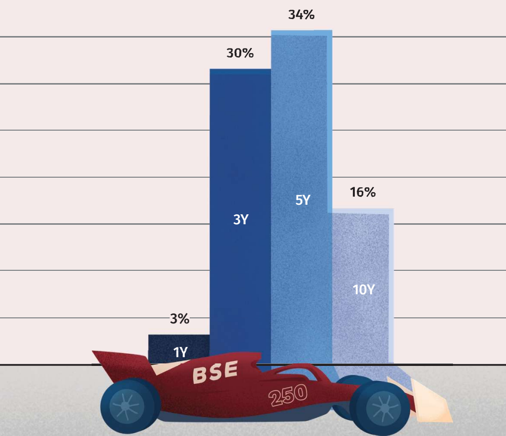
Flexi Cap

BSE Mid Cap 150



Mid Cap

BSE Small Cap 250

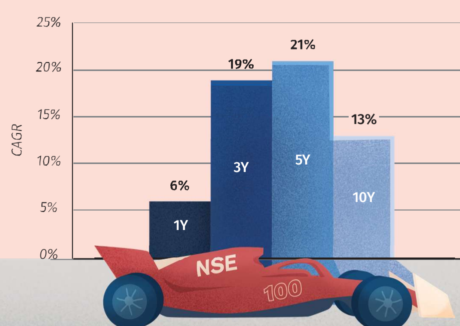


Small Cap

Within the midcap and smallcap space, performance was relatively subdued. The BSE Midcap 150 delivered 4%, while the BSE Smallcap 250 and Nifty Smallcap 250 returned 3% and 5%, respectively.

These numbers offer a benchmark perspective for evaluating fund performance over the same time frame and help in understanding the directional trend of the broader equity market.

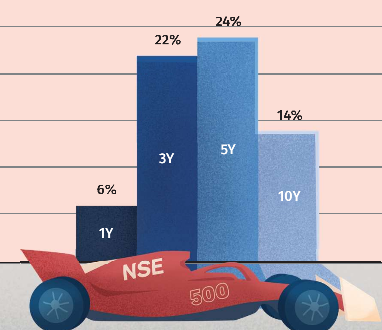
NIFTY 100



Source: 1 Finance Magazine, AMFI

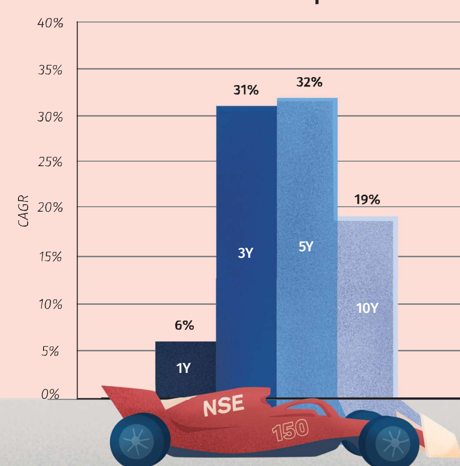
Large Cap

NIFTY 500



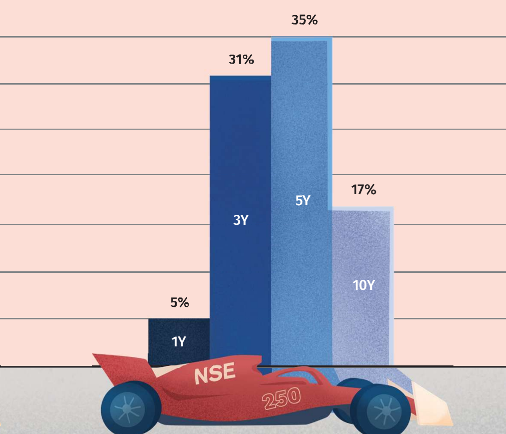
Flexi Cap

NIFTY Mid Cap 150



Mid Cap

NIFTY Small Cap 250



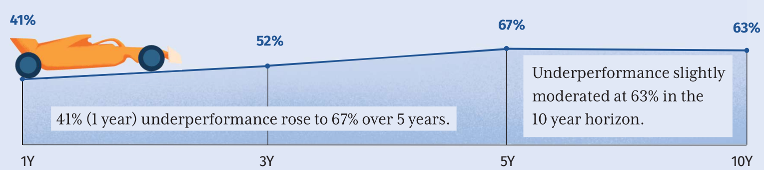
Small Cap

JUNE 2025 HIGHLIGHTS AND KEY INSIGHTS FOR:

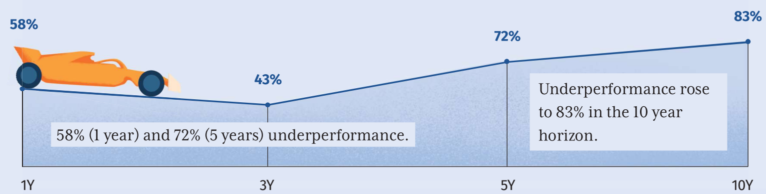
REGULAR PLANS

How well did the active funds (regular) perform when compared to their respective benchmarks: A significant portion of actively managed equity mutual funds in India have underperformed their benchmarks, especially over longer durations. Underperformance across most categories remained high (above 50%) across 3-, 5- and 10-year horizons.

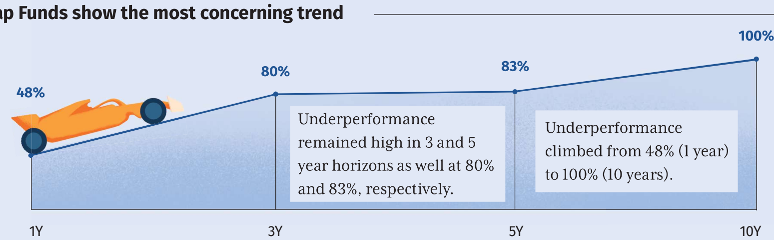
Flexi Cap Funds follow a similar trend



Large Cap Funds faced consistent underperformance



Mid Cap Funds show the most concerning trend



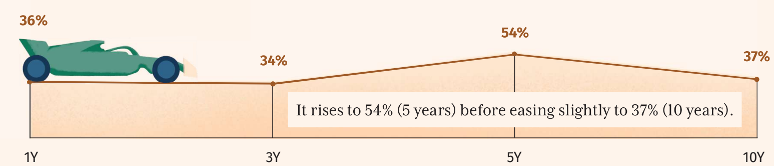
Small Cap Funds present an exception

DIRECT PLANS

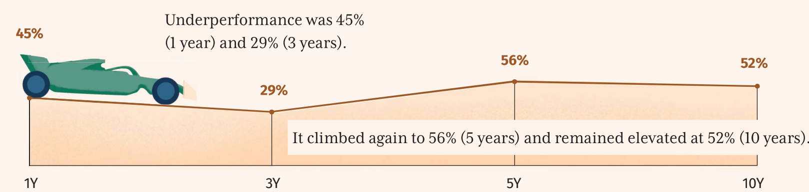
How well did the active funds (direct) perform when compared to their respective benchmarks: A significant portion of actively managed equity mutual funds in India have underperformed their benchmarks, especially over longer durations.

Flexi Cap funds follow a mixed pattern

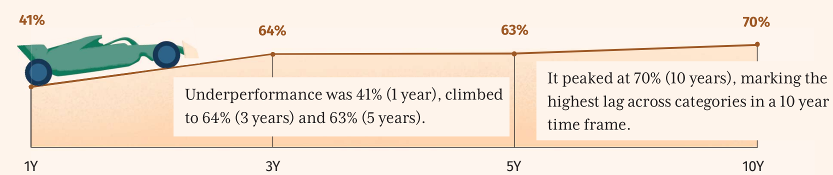
Underperformance is 36% (1 year) and 34% (3 years).



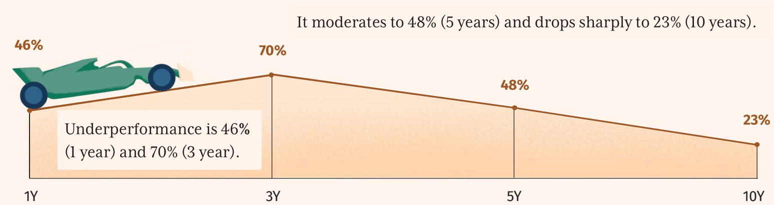
Large Cap funds show consistent weakness



Mid Cap funds face sustained pressure



Small Cap funds present a different outcome



Retail Direct vs Regular in Mutual Fund AUM:

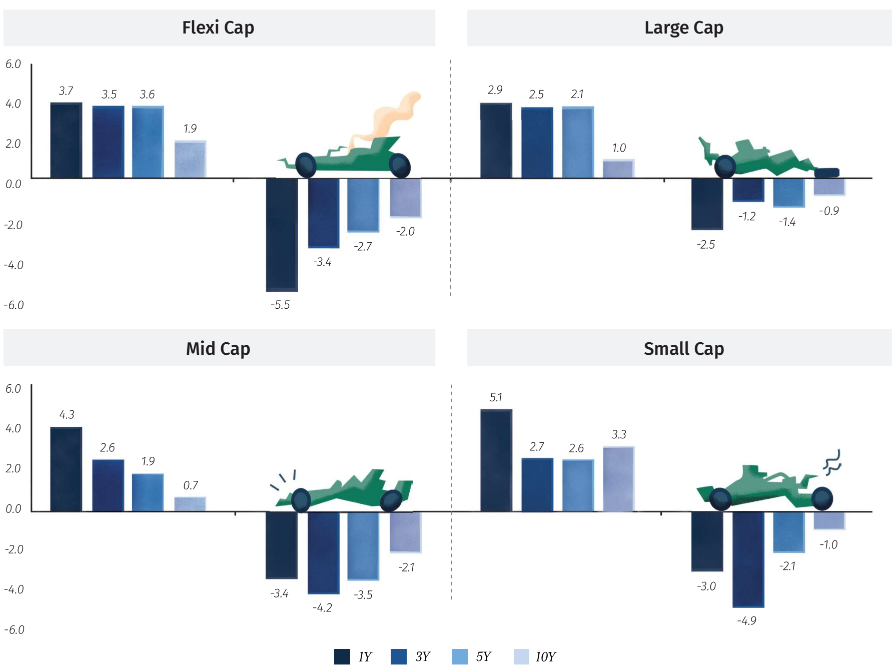
As of March 2024, mutual fund Assets Under Management (AUM) in India show that regular plans dominate the retail segment with ₹8.1 lakh crore, compared to ₹4.8 lakh crore in direct plans. This indicates that despite the growing awareness of cost benefits associated with direct plans, a larger portion of retail investors are still invested through regular plans, likely due to historical reliance on distributors.

Regular Plans Direct Plans

ALPHA (DIRECT PLAN)

Alpha, a key metric in mutual fund evaluation, measures the excess return a scheme generates over its benchmark after adjusting for risk. A positive alpha reflects successful active management, while a negative alpha indicates underperformance relative to the index.

In the data observed, a small set of outperforming funds delivered meaningful positive alpha—especially in categories like small and flexi cap funds. However, a significant number of schemes recorded negative alpha, with some underperforming sharply, raising questions about the value delivered by active management.



Data as of June 30, 2025 | Source: 1 Finance Magazine, AMFI

This contrast reveals a critical insight: **the gap between outperformers and underperformers is not minor, it's decisive.** Choosing the right fund can add substantial long-term value, while a wrong choice may erode returns below what even a passive index could offer.

For investors, this underscores the importance of informed fund selection. If one cannot consistently identify outperformers, passive strategies offer a safer, cost-effective alternative. Because in compounding, it often leads to a fortune over the long-term.

CONCLUSION

The analysis highlights a clear pattern: active equity mutual funds in India struggle to consistently outperform their AMFI-recognised benchmarks, with underperformance intensifying over longer horizons.

The divergence in alpha between outperforming and underperforming schemes underscores the importance of fund selection: the rewards of identifying the right fund are meaningful, but the risks of choosing poorly can significantly erode wealth compared to passive strategies.

For investors unable to consistently identify outperformers, passive investing offers a cost-effective and reliable alternative. Conversely, active management may still hold relevance in less efficient spaces such as small caps, where dispersion creates opportunities for skilled managers to add value over time.