INSTITUTIONAL RESEARCH

Choose the Index. Win the Long Race.

A Fixed-Cohort Study of Active Equity Funds vs Category Indices
2016 – 2025

THE RESEARCH QUESTION

If an investor holds the fixed set of active equity funds that already existed in 2016, and tracks that same group for a full decade, how often does the category index itself rank among the stronger performers?

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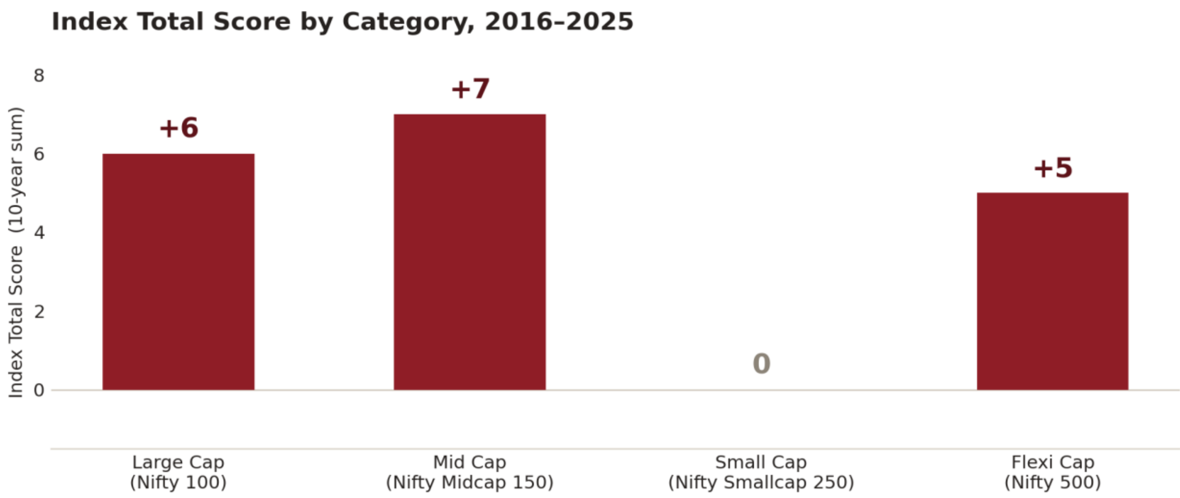
1. Executive Summary

Over ten years, the category index itself outperformed most active funds in three of the four major equity categories.

This study asks a specific question. If an investor holds only the active equity funds that already existed in 2016, and tracks that exact list, unchanged, for a full decade, how often does the category index rank among the stronger performers in that same group?

The result is clear. In Large Cap, Mid Cap and Flexi Cap, the index posted a positive total quartile score, meaning it spent more calendar years in the top half of the peer group than in the bottom half. Only Small Cap finished neutral, and even there the index produced several strong years.



A positive score for the index does not mean no active fund succeeded. A small number of funds beat the index in seven, eight or even nine years out of ten. These funds are the exception rather than the rule; most funds beat the index in only three to six of the ten years.

Key takeaways

- **Consistency is rare.** Only a small number of funds beat their index in seven or more of the ten years.
- **The index is a demanding peer.** In Large Cap and Mid Cap especially, it regularly finished in the stronger quartiles.
- **A few funds did stay ahead for most of the decade,** but identifying them in advance remains the central challenge.
- **For most investors,** assuming the average active fund will beat its index over a full decade is not supported by this evidence.
- **Chasing last year's winner is fragile.** Investors typically scan a category's performance table, pick whichever fund sits at the top, and assume the run will continue. This fixed-cohort evidence points to three reasons that assumption doesn't hold.
    - **Performance reverses.** The top performer in one year can just as easily become the bottom performer in the next; strong and weak years rotate through a peer group rather than persisting with any single name.
    - **Style drifts.** A fund's tilt toward large cap, quality, value or growth can shift over time, so the very characteristics that produced an earlier run of outperformance may no longer be present by the time an investor buys in.

- **Managers change.** The person who generated a fund's past returns may not be the person managing the portfolio going forward, which weakens the link between a track record and future results.

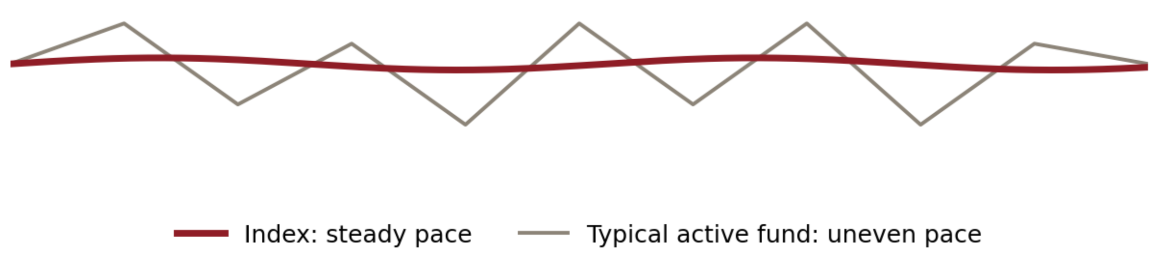
— **For an average investor, an index is the smarter, smoother choice.** It carries none of this uncertainty — it does not chase last year's winner, drift in style, or change managers.

2. Introduction: The Steady Runner vs the Sprinters

Beating a broad market index consistently, for a full decade, is harder than most investors realise.

Over a ten-year horizon, the category index behaves like a runner holding a steady, even pace: it neither surges dramatically nor slows for long. Most active funds behave more like sprinters: they pull ahead for a year or two, fade, and then surge again. Individual seasons can be brilliant. Very few funds hold the lead for the entire race.

A decade is a long race: consistency vs. bursts of outperformance



This is the central idea behind the paper. It is not a statement about manager skill. It is a statement about the difficulty of sustaining outperformance, year after year, once the comparison is made fair and the horizon is long.

Why most comparisons overstate active performance

Most active-versus-index comparisons carry a quiet flaw: they include funds that launched after the study period began, and they quietly drop funds that closed or merged along the way. The surviving list looks stronger than what an investor who actually selected a fund in 2016 and held it would have experienced.

This effect is known as ***survivorship bias***: weaker funds disappear from the sample over time, so the remaining group looks stronger than the category really was.

This study is designed specifically to remove that distortion. Every actively managed Direct Plan that already existed in 2016, across the four main equity categories, was included and the list was then frozen, and no later launches were added. The relevant Total Return Index (TRI), which captures both price change and dividends, was then ranked against those same funds every calendar year from 2016 through 2025.

3. How We Measured It

A frozen 2016 peer group, ranked against a transparent benchmark, every year for ten years.

Fixed cohort design

Only funds that already existed as Direct Plans in 2016 were included, and no new launches were added later. This keeps the peer group identical every year and removes survivorship bias from funds that closed or merged along the way.

The four categories studied

- **Large Cap:** 24 funds ranked against the Nifty 100 TRI
- **Mid Cap:** 20 funds ranked against the Nifty Midcap 150 TRI
- **Small Cap:** 13 funds ranked against the Nifty Smallcap 250 TRI
- **Flexi Cap:** 19 funds ranked against the Nifty 500 TRI

Quartile scoring

Each year, the index was ranked against the fixed group of active funds by calendar-year return. That rank was then converted into a score:

Index rank that year	Quartile score
Top 25%	**+2**
Next 25% (50th–75th percentile)	**+1**
Next 25% (25th–50th percentile)	**0**
Bottom 25%	**−1**

A quartile is one of four equal-sized groups after ranking every fund and the index together. The ten yearly scores were summed to produce the Index Total Score for each category. A positive total means the index spent more years in the stronger half of the peer group than in the weaker half.

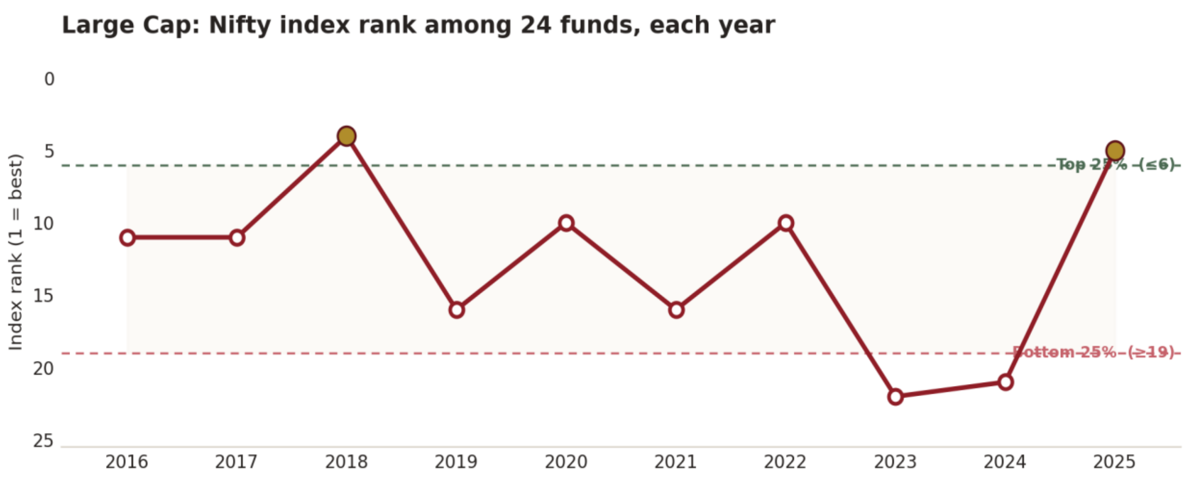
For every individual fund, we also counted how many of the ten calendar years it delivered a higher return than the category index. This figure is referred to throughout as ***Years Beaten***.

4. The Scoreboard: Index Rank by Year

In Large Cap, Mid Cap and Flexi Cap the index finished with a clear positive score. Small Cap was roughly even.

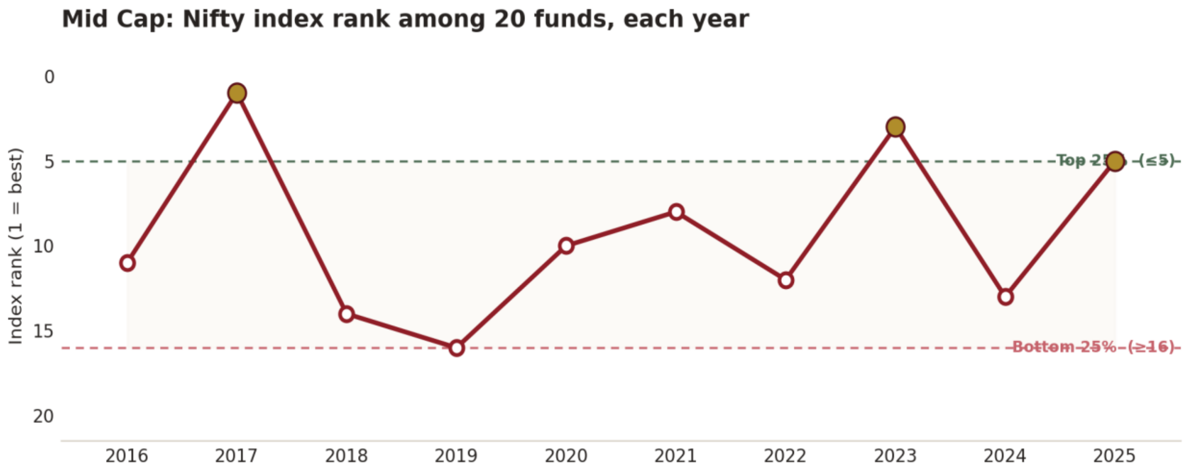
The charts below show the index's rank each year among its fixed peer group. Rank 1 means the index was the best performer that year; a higher number means more active funds outperformed it. The shaded band marks the top and bottom quartiles.

Large Cap (24 funds vs Nifty 100 TRI)



The index recorded excellent years (rank 4 in 2018, rank 5 in 2025) alongside weak ones (near the bottom in 2023 and 2024). The net score across the decade is +6; the strong years more than offset the weak ones.

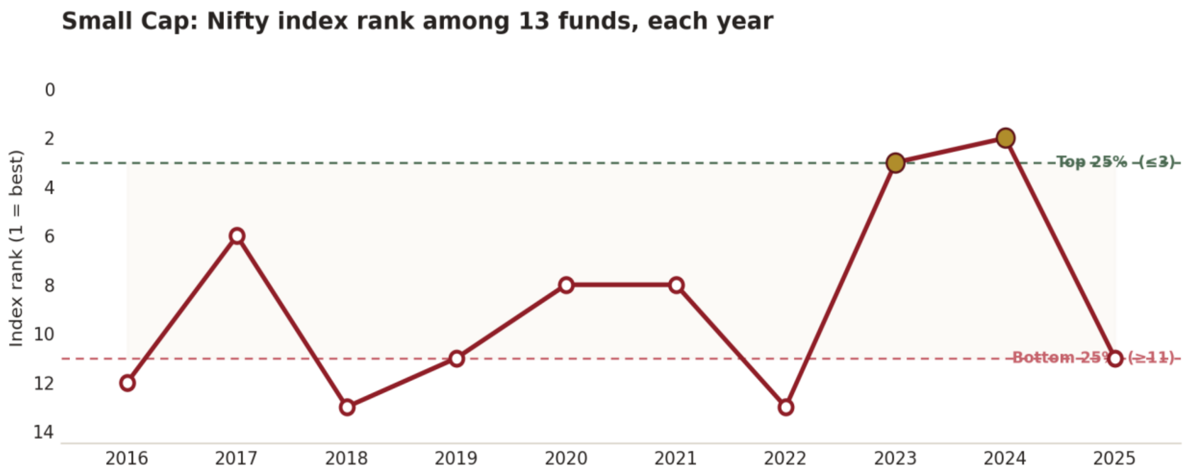
Mid Cap (20 funds vs Nifty Midcap 150 TRI)



This was the index's strongest showing of the four categories. It ranked first overall in 2017 and third in 2023, producing a total score of +7. Mid-cap active funds, as a group, found it especially difficult to stay ahead of the TRI.

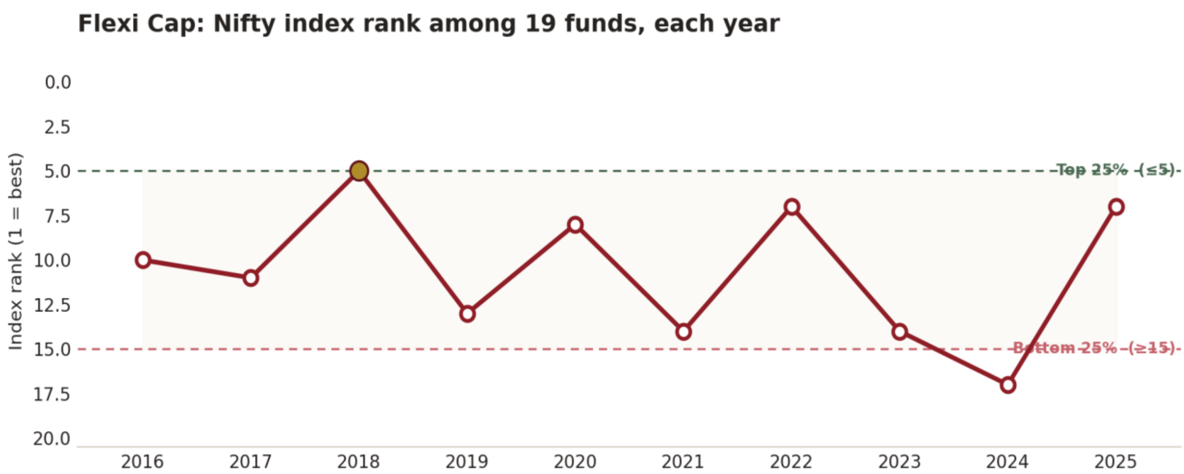
SECTION 4 CONTINUED · THE SCOREBOARD: INDEX RANK BY YEAR

Small Cap (13 funds vs Nifty Smallcap 250 TRI)



Small Cap is the only category where the index finished with a neutral score of 0. It produced two outstanding years (ranks 3 and 2 in 2023 and 2024) alongside weaker ones earlier in the decade. A handful of active funds still managed to beat it in most years.

Flexi Cap (19 funds vs Nifty 500 TRI)

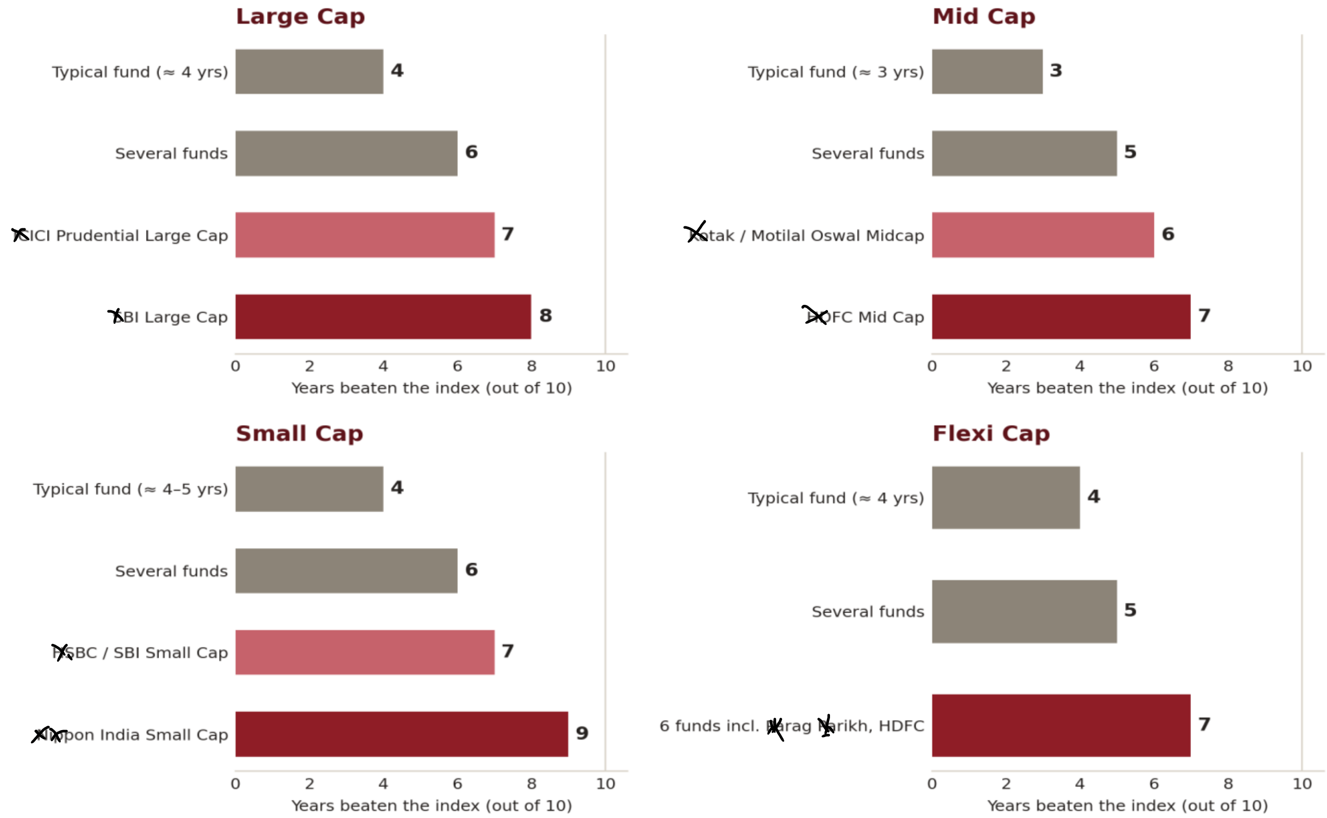


Flexi Cap shows a familiar pattern. The index was competitive in most years and finished with a solid total score of +5; it rarely dominated the ranking, but it also rarely sat at the bottom.

5. Who Actually Beat the Index

A minority of funds beat the index in seven or more years. Most managed only three to six.

A positive index score does not mean zero active funds succeeded; it means the typical, or median, active fund did not stay ahead. A smaller group of funds did deliver higher returns than the index in most of the ten years.



The consistent outperformers

Large Cap: *BI Large Cap Fund beat the index in 8 of 10 years. ICICI Prudential Large Cap did so in 7 years. Several others reached 6.

Mid Cap: **FC Mid Cap Fund led with 7 years. Kotak Midcap and Motilal Oswal Midcap each recorded 6.

Small Cap: ***pon India Small Cap Fund stood out with 9 years. **BC Small Cap and *BI Small Cap each managed 7.

Flexi Cap: **rag **rikh Flexi Cap, **FC Flexi Cap, **nara **beco Flexi Cap, *SP Flexi Cap, *M Flexicap and Qua** Flexi Cap each beat the index in 7 years.

Even the strongest results fall short of perfection. Nine years out of ten is exceptional; six out of ten is already above average. The practical challenge for any investor selecting funds in 2016, or today, is identifying in advance which names will land in this group, since past outperformance has not reliably predicted future consistency.

6. Year-by-Year Stories

A single decade-long score can mask sharp year-to-year reversals. Four periods stand out.

2017: the index wins Mid Cap outright

The Nifty Midcap 150 TRI ranked first among the 20 fixed mid-cap funds. That single year contributed a full +2 to the index's total score and set a bar that many active managers never cleared again.

2018 and 2019: divergence

In Large Cap, the index sat in the top quartile in 2018 (rank 4) but slipped to the third quartile in 2019. Mid Cap and Small Cap both saw the index fall into weaker bands. These two years illustrate how even a strong long-term score is built from uneven individual seasons.

2023 and 2024: the Small Cap index surges

The Nifty Smallcap 250 TRI ranked 3rd and then 2nd among the 13 fixed small-cap funds. After several earlier years in the bottom half, the index delivered two consecutive top-quartile performances; active funds that had led for years suddenly found the benchmark hard to catch.

2025: Large Cap rebounds

After two weak years (ranks 22 and 21 out of 24), the Nifty 100 TRI jumped to rank 5, back in the top quartile. A single strong year can materially change a decade-long score; investors who abandoned large-cap index exposure after 2023 and 2024 would have missed that rebound.

The takeaway: ranking against a fixed peer group is noisy from year to year. Only the full-decade total score reveals whether the index was systematically difficult to beat.

7. What This Means for Investors

Beating the index consistently for a decade is possible, but uncommon. It should be treated as a possibility, not a probability.

The data do not suggest that active management is without value. They point to something more precise and more useful.

First, the bar is higher than most people assume. When the comparison group is held constant and the period runs a full decade, the category index itself frequently ranks in the better half of active funds. Beating it consistently is an achievement, not the default outcome.

Second, consistency is scarce. A fund that beats the index six years out of ten is already an above-average result. Funds that do so seven, eight or nine times are rare, and selecting them in advance, then staying with them through their weaker years, is harder than the marketing narrative suggests.

Third, category matters. The index's relative strength was greatest in Mid Cap, solid in Large Cap and Flexi Cap, and neutral in Small Cap. Investors concentrated in mid-cap active funds face a particularly demanding benchmark.

Fourth, a few funds did earn their fees in hindsight. The consistent outperformers identified in this study delivered genuine excess returns over the decade. The open question for any investor is whether those names can be identified before the decade begins, not after it ends.

A practical framing

For an investor whose goal is simply to capture the equity risk premium with high reliability, a low-cost index allocation, or a rules-based multi-asset portfolio that rebalances systematically, removes the need to identify the scarce consistent outperformer in advance.

For an investor who is prepared to search for those outperformers, and can tolerate multi-year stretches of underperformance along the way, active funds remain a legitimate choice, provided the selection process is rigorous and expectations are realistic.

This fixed-cohort evidence simply makes the second path look steeper than the popular narrative suggests.

8. Limitations

This is one clean ten-year snapshot. It is not a forecast.

— **Past performance is not a guarantee.** The 2016–2025 decade included a pandemic crash, a strong recovery and shifting liquidity conditions. Future decades will differ.

— **Returns are pre-tax and ignore investor behaviour.** Actual investor outcomes depend on the timing of contributions and withdrawals, and on the tax treatment of gains.

— **Expense ratios and exit loads are not modelled.** Higher-cost funds face a larger real-world hurdle than this study reflects; the analysis ranks gross return, not fee-adjusted alpha.

— **Category definitions can shift.** SEBI classification rules and fund mandate changes mean a few schemes may have drifted in style over the ten years.

— **The Small Cap sample is limited.** Only 13 funds met the 2016 existence criterion, so quartile boundaries are coarser than in Large Cap.

Despite these limits, the core design, a frozen peer group ranked every year against a transparent, rules-based TRI, remains one of the cleanest available ways to test the practical difficulty of beating the index.

9. Conclusion

The index proved a tougher peer than many investors assume. Consistent outperformance by active funds was the exception, not the rule.

Over the ten calendar years from 2016 to 2025, using only the active equity funds that already existed at the start of the period, the category indices proved harder to beat than the popular narrative suggests.

In Large Cap, Mid Cap and Flexi Cap, the index itself accumulated a clearly positive quartile score. In Small Cap the score was neutral. Across all four categories, only a minority of funds managed to beat the index in seven or more years.

The finding is not that active management cannot add value. It is that consistent outperformance against a transparent, rules-based index is uncommon once survivorship bias is removed and the clock is allowed to run for a full decade.

For most long-term investors, the practical implication is straightforward: treat the ability of any single active fund to stay ahead of its index as a possibility, not a probability. A low-cost index exposure, or a diversified rules-based multi-asset approach that rebalances systematically, removes the need to win that difficult selection contest every year.

CLOSING THOUGHT

The index does not have to be the most exciting runner in the race. It only has to keep showing up, year after year, at a pace that most sprinters find hard to match for a full decade. On the evidence of this fixed-cohort study, that is exactly what it did.

10. Appendix: Complete Cohort Lists

Every fund in the study is listed below. All are Direct Plans; ranks are by calendar-year total return against the stated TRI.

Large Cap Cohort (24 funds) vs Nifty 100 TRI

— Adit** Bir** S** Li** Large Cap Fund
— Ax** Large Cap Fund
— Band*** Large Cap Fund
— Baro** BN* Pari*** Large Cap Fund
— Can*** Rob*** Large Cap Fund
— DS* Large Cap Fund
— Edelwe*** Large Cap Fund
— Frank*** India Large Cap Fund
— Gro** Large Cap Fund
— HD** Large Cap Fund
— HS** Large Cap Fund
— ICI** Prudential Large Cap Fund
— Inves** Ind** Largecap Fund
— J* Large Cap Fund
— Kot** Large Cap Fund
— L** M* Large Cap Fund
— Mir** Ass** Large Cap Fund
— Nip*** Ind** Large Cap Fund
— PG** Ind** Large Cap Fund
— SB* Large Cap Fund
— Sunda*** Large Cap Fund
— Ta** Large Cap Fund
— Tau*** Large Cap Fund
— UT* Large Cap Fund

Index ranks by year (2016–2025): **11, 11, 4, 16, 10, 16, 10, 22, 21, 5** Total Score: **+6**

Mid Cap Cohort (20 funds) vs Nifty Midcap 150 TRI

— Adi*** Bir** Su* Li** Mid Cap Fund
— Ax** Midcap Fund
— Baro** B** Parib** Midcap Fund
— DS* Midcap Fund
— Edelwe*** Mid Cap Fund
— Frank*** Ind** Mid Cap Fund
— HD** Mid Cap Fund
— HS** Midcap Fund

— ICI** Pruden**** Midcap Fund
— Inve*** Ind** Mid Cap Fund
— Kot** Midcap Fund
— Moti*** Os*** Midcap Fund
— Nip*** Ind** Growth Mid Cap Fund
— PG** Ind** Midcap Fund
— Qu*** Mid Cap Fund
— SB* Midcap Fund
— Sunda*** Mid Cap Fund
— Ta** Mid Cap Fund
— Taur** Mid Cap Fund
— UT* Mid Cap Fund

Index ranks by year (2016–2025): **11, 1, 14, 16, 10, 8, 12, 3, 13, 5** Total Score: **+7**

Small Cap Cohort (13 funds) vs Nifty Smallcap 250 TRI

— Adi*** Bir** S** Lif* Small Cap Fund
— Ax** Small Cap Fund
— DS* Small Cap Fund
— Frank*** India Small Cap Fund
— HD** Small Cap Fund
— HS** Small Cap Fund
— ICI** Prudential Smallcap Fund
— Kot** Small Cap Fund
— Nipp** India Small Cap Fund
— Qua** Small Cap Fund
— SB* Small Cap Fund
— Sundar** Small Cap Fund
— Uni** Small Cap Fund

Index ranks by year (2016–2025): **12, 6, 13, 11, 8, 8, 13, 3, 2, 11** Total Score: **0**

Flexi Cap Cohort (19 funds) vs Nifty 500 TRI

— Adit** Bir** Su* Lif* Flexi Cap Fund
— Bandh** Flexi Cap Fund
— Cana** Robe** Flexi Cap Fund
— DS* Flexi Cap Fund

— Edelwe*** Flexi Cap Fund
— Frank*** India Flexi Cap Fund
— HD** Flexi Cap Fund
— HS** Flexi Cap Fund
— J* Flexicap Fund
— Kot** Flexicap Fund
— LI* M* Flexi Cap Fund
— Motil** Oswal Flexi Cap Fund
— Par** Pari** Flexi Cap Fund
— PG** Ind** Flexi Cap Fund
— Qua** Fle** Cap Fund
— SB* Flexicap Fund
— Taur** Flexi Cap Fund
— Uni** Flexi Cap Fund
— UT* Flexi Cap Fund

Index ranks by year (2016–2025): **10, 11, 5, 13, 8, 14, 7, 14, 17, 7** Total Score: **+5**

11. Data Sources and Notes

Primary data sources

— **Fund returns and scheme lists:** Value Research Online (data extracted 17 July 2026), Direct Plans only.

— **Index returns:** NSE Indices Total Return Index (TRI) series for Nifty 100, Nifty Midcap 150, Nifty Smallcap 250 and Nifty 500.

— **Category classification:** follows SEBI equity scheme categorisation norms applicable during the study period.

Methodology notes

All rankings use calendar-year total returns. The peer group is frozen at the set of actively managed schemes that existed in 2016; no later launches are admitted. Quartile boundaries are calculated on the fixed cohort size each year.

Important note

This paper is prepared for educational and research purposes. It does not constitute investment advice, a recommendation to buy or sell any mutual fund scheme, or an offer of portfolio management services. Past performance is not indicative of future results. Mutual fund investments are subject to market risks. Readers should consult their own financial adviser and read all scheme-related documents carefully before investing.

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