

Thailand's Small/Mid-Cap Fund Winners: Post-Award Returns ผลตอบแทนกองทุนหุ้นขนาดเล็กและขนาดกลางในประเทศไทยหลังได้รับรางวัล

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ABSTRACT

This study aimed to evaluate the performance of Thailand's Morningstar Award-winning small- and mid-cap equity mutual funds, covering the period from the first award in 2018 through 2025. Fund performance was assessed using their Net Asset Value (NAV) to calculate Compound Annual Growth Rates (CAGRs), which were then compared against the SET Total Return Index (SET TRI) as a benchmark for Thai equity funds. Findings show that, although some awarded funds demonstrated short-term outperformance, their ability to sustain higher returns over longer horizons was generally limited. The results show that 43% of the funds outperformed the benchmark after one year, but this proportion declined to 40% after three years. After six- and seven-year periods, none of the funds achieved returns beat the benchmark. These results provide valuable insights into the subsequent returns of award-winning funds and their benchmark performance, offering practical guidance for investors when making mutual fund investment decisions.

Keywords: Equity Fund, Investment Return, Morningstar Award, Mutual Fund Performance

บทคัดย่อ

การศึกษานี้มีวัตถุประสงค์เพื่อประเมินผลการดำเนินงานของกองทุนรวมตราสารทุนขนาดกลางและขนาดเล็กของประเทศไทยที่ได้รับรางวัล Morningstar Award ในช่วงเวลาตั้งแต่ปี 2018 ถึงปี 2025 นำมูลค่าทรัพย์สินสุทธินำมาคำนวณอัตราผลตอบแทนทบต้นต่อปี และเปรียบเทียบกับดัชนีผลตอบแทนรวมตลาดหุ้นไทย ซึ่งใช้เป็นเกณฑ์มาตรฐาน ผลการศึกษาค้นพบว่า แม้ว่ากองทุนที่ได้รับรางวัลบางกองจะแสดงผลการดำเนินงานที่ดีกว่าเกณฑ์มาตรฐานในระยะสั้น โดยพบว่า 43% ของกองทุนสามารถให้ผลตอบแทนสูงกว่าเกณฑ์มาตรฐานในช่วงหนึ่งปี อย่างไรก็ตาม สัดส่วนดังกล่าวลดลงเหลือ 40% ภายหลังจากสามปีที่ได้รับรางวัล และภายหลังจาก 6 ปีและ 7 ปี ไม่มีกองทุนใดที่ชนะเกณฑ์มาตรฐานได้ ผลการวิจัยนี้ช่วยให้เข้าใจพฤติกรรมผลตอบแทนในระยะถัดไปของกองทุนที่ได้รับรางวัลเทียบกับเกณฑ์มาตรฐาน ซึ่งเป็นข้อมูลที่เป็นประโยชน์เชิงปฏิบัติสำหรับนักลงทุนในการตัดสินใจลงทุนในกองทุนรวม

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คำสำคัญ: กองทุนหุ้น ผลตอบแทนการลงทุน รางวัลมอร์นิ่งสตาร์ ผลการดำเนินงานกองทุนรวม

Introduction

Mutual funds provide an accessible investment avenue for individuals who may lack the expertise or time to actively manage their portfolios, playing an important role in the expansion of Thailand's capital market. Recently, the Association of Investment Management Companies of Thailand (2025) reported an aggregate net asset value exceeding THB 1.69 trillion for asset management companies, with a particular concentration in equity-focused funds. The Morningstar Thailand Awards are presented annually to identify top-performing mutual funds, guiding investor decisions by highlighting funds that demonstrate strong returns and prudent risk management. These awards acknowledge both individual funds and asset management companies that consistently deliver value across different asset classes. The evaluation primarily employs a quantitative framework, requiring a minimum five-year track record. Fund performance is measured over one-year, three-year, and five-year horizons, complemented by qualitative considerations. The award assessment emphasizes two dimensions: returns and risk. Returns carry an 80% weight, distributed as 30% for one-year performance, 20% for three-year performance, and 30% for five-year performance. Risk contributes the remaining 20%, assessed via Morningstar's proprietary risk criteria, with an 8% weighting for three-year risk and 12% for five-year risk. Each fund's returns and associated risk levels are ranked relative to peers and converted into weighted percentile scores to identify candidates for the award. Beyond quantitative metrics, qualitative factors such as consistency of investment style, accessibility for general investors, and tenure of fund management are integrated into the final decision, ensuring that selected funds exemplify both performance excellence and sound management practices.

Evaluating mutual funds according to their performance provides investors with a practical framework to select funds that match their desired return objectives and risk tolerance. Nonetheless, identifying consistently high-performing funds remains a debated topic in academic literature. Some researchers argue that market efficiency limits the ability of fund managers to consistently beat benchmark indices, as asset prices already incorporate all available information. Others contend that skilled fund management can generate value under certain market conditions. For instance, Malhotra (2024) examined the rise of passive investment strategies, assessing their effects on fund performance and advantages relative to active management. Conversely, Gopane et al. (2024) reported that actively managed funds tended to outperform passive strategies during bear and neutral markets, whereas passive strategies performed better during bullish periods. This study adopts a more targeted approach, focusing specifically on whether investing in top-awarded funds—predominantly actively managed—results in sustained outperformance. The analysis calculates both short- and long-term returns of these award-winning funds and compares them against their respective benchmark indices, aiming to provide evidence-based guidance for investors in making informed decisions.

Literature Review

Historically, research on mutual fund performance has largely concentrated on the United States. Pioneering studies, including those by Hendricks et al. (1993) and Goetzmann and Ibbotson (1994), investigated short-term performance persistence, often described as the "hot hands" phenomenon, using data from equity funds between 1974–1988 and 1976–1998, respectively. Subsequent analyses by Brown and Goetzmann (1995), Malkiel (1996), and Carhart (1997) reinforced the evidence of short-term persistence over periods up to two years. In contrast, Grinblatt and Titman (1992) explored long-term performance persistence. While earlier studies suggest that equity fund persistence was more pronounced in the 1970s and early 1980s, later research—including Brown et al. (1992), Brown and Goetzmann (1995), and Malkiel (1996)—indicates that persistence weakened in the late 1980s and early 1990s, likely reflecting improvements in market efficiency. Additionally, Petajisto (2013) reported that actively managed funds often underperformed their benchmarks, lagging by approximately 0.41%. In Thailand, empirical studies have examined mutual fund performance persistence as well. Sukcharoensin and Sukcharoensin (2013) assessed equity mutual funds using return-based metrics such as the Sharpe ratio, finding that Thai equity funds tended to perform better during bear markets than bull markets; however, only one-third exceeded their benchmark returns. Nimanussornkul et al. (2017) employed the Sharpe and Treynor ratios to evaluate long-term equity funds with the largest net assets as of December 2016, showing that five of nine funds outperformed the market index. Research by Wissawapaisal and Parkatt (2017) indicated that actively managed long-term equity funds in Thailand struggled to maintain high rankings over time, with initially outperforming funds often failing to sustain their advantage beyond two years. Further, Wissawapaisal (2024, 2025) found that large-cap equity funds did not surpass their benchmarks within the first three years after receiving a Morningstar Thailand Award. Jenwittayaroje (2017) similarly reported that active equity funds, on average, did not generate returns significantly higher than the Thai stock market index and displayed limited persistence.

Overall, the literature demonstrates that while some U.S. studies observed short-term persistence, performance persistence generally declined over time, particularly due to increased market efficiency. Actively managed funds frequently underperformed their benchmarks. Evidence from Thailand presents mixed outcomes, with certain funds outperforming under specific market conditions, but long-term performance persistence remains limited, especially among actively managed funds. Past research has primarily considered equity mutual funds in a general context, yet the growing number of available funds presents challenges for investors in identifying suitable options. Consequently, investors often select funds with outstanding historical returns, reputable management, or awards that signal superior performance. This observation motivates the central question of this study: whether mutual funds that have received prestigious

Morningstar awards for prior performance continue to achieve above-average returns over both short- and long-term horizons. This inquiry forms the foundation for the present research.

Objectives and Scopes

The primary aim of this study is to investigate whether mutual funds that have received the Morningstar Thailand Awards are able to consistently outperform the market over both short- and long-term horizons. This research addresses the question of whether allocating investments exclusively to award-winning funds can provide reliable returns for general investors. As shown in Table 1, the analysis concentrates on small- and mid-cap equity mutual funds investing in companies listed on the Stock Exchange of Thailand (SET), covering the period from 2018, when the award was first introduced, through 2025. Performance is measured relative to the SET Total Return Index (SET TRI), which incorporates both price changes and dividends of all listed stocks. Because small- and mid-cap stocks generally exhibit lower liquidity, these funds frequently maintain a significant allocation to large-cap stocks, making SET TRI an appropriate benchmark for evaluating their overall performance.

Table 1. Morningstar Awarded Small/Mid-Cap Equity Funds (from 2018 to 2025)

Year	Abbreviation	Fund Name	Asset Management Company
2018	KFDYNAMIC	Krungsri Dynamic Fund	Krungsri Asset Management
2019	BSIRIRMF	Bualuang Siriphol Corporate	Bualuang Asset Management
2020	TISCOMS	TISCO Mid/Small Cap Equity Fund	TISCO Asset Management
2021	TISCOMS	TISCO Mid/Small Cap Equity Fund	TISCO Asset Management
2022	KKP SM CAP	KKP Small and Mid Cap Equity	Kiatnakin Phatra Asset
2023	M-	MFC Mid-Small Cap Fund	MFC Asset Management
2024	ASP-SME-A	Asset Plus Small and Mid Cap Equity	Asset Plus Fund Management
2025	KFDNRMF	Krungsri Dynamic RMF Fund	Krungsri Asset Management

Methodology

This study begins by selecting one small/mid-cap equity mutual fund that received the Morningstar Thailand Award each year from 2018, the first year the award was organized, to 2025. This approach allows for an assessment of performance trends over a maximum period of seven years, resulting in a total of seven funds, excluding KFDNRMF, due to incomplete data for 2025. The dataset includes the Net Asset Value (NAV) of each fund and any dividends distributed during the investment period, providing a comprehensive measure of total returns. Performance evaluation is conducted by analyzing percentage changes in NAV and annual returns, followed by the calculation of Compound Annual Growth Rates (CAGRs) for each selected fund as the

independent variable. These figures are then compared to the SET Total Return Index (SET TRI) to assess whether the award-winning funds consistently outperform the market and maintain competitive returns over time, which serves as the dependent variable. The CAGR's can be explained as follows:

$$\text{CAGR}(\%) = (\text{Ending Value} / \text{Beginning Value})^{(1/t)} - 1 \quad (1)$$

where Ending Value: The value of the investment (Fund NAV) at the end of the period.

Beginning Value: The value of the investment (Fund NAV) at the beginning of the period.

Number of Years (t): The total number of years or periods the investment has grown over.

Results and Discussions

The main findings of this study are summarized in Table 2. The left column presents the abbreviations of the selected funds along with the years they received their respective awards, which are typically announced by Morningstar Thailand in March each year. For example, the KFDYNAMIC fund was granted the Excellent Fund Award in March 2018. The central part of the table reports the Compound Annual Growth Rates (CAGRs) for each fund, providing a detailed overview of performance over periods ranging from 1 to 7 years. The right column shows the corresponding CAGRs of the SET TRI for comparison. It is worth noting that Morningstar's evaluation relies on historical data covering the five years preceding the award. In KFDYNAMIC's case, its returns and risk metrics from 2012 to 2017 were analyzed according to established criteria before it received recognition in 2018.

Table 2. Funds Returns versus their Benchmark

Year	Fund Name	Fund CAGR (%)							Benchmark CAGR (%)						
		1 y	2 y	3 y	4 y	5 y	6 y	7 y	1 y	2 y	3 y	4 y	5 y	6 y	7 y
2018	KFDYNAMIC	-17.3	-12.3	-11.9	-2.4	-0.4	-2.6	-2.0	-8.1	-2.1	-3.2	1.7	2.0	-0.6	-0.2
2019	BSIRIRMF	2.5	-3.5	2.7	2.4	0.1	-0.4		4.3	-0.6	5.2	4.7	1.0	1.2	
2020	TISCOMS-A	14.1	24.5	11.8	5.8	1.0			-5.2	5.6	4.9	0.2	0.6		
2021	TISCOMS-A	36.0	10.7	3.2	-2.1				17.7	10.4	2.1	2.1			
2022	KKP SM CAP	-7.0	-12.0	-10.4					3.5	-4.9	-2.6				
2023	M-MIDSMALL-D	-12.6	-7.2						-12.7	-5.5					
2024	ASP-SME-A	11.1						-	2.3						

Table 2 also shows how the funds performed after receiving their awards. While certain funds managed to beat the benchmark at specific points, this superior performance was generally short-lived and seldom sustained over either short or long horizons. A clear illustration is the KFDYNAMIC fund, which earned its award in 2018 largely because of its exceptional return in 2017: it delivered 40.6%, far above the benchmark's 17.3%. However, when evaluating its 1- to 7-

year compound annual growth rates, the fund failed to surpass the benchmark in any period. Looking specifically at the years immediately following the award, only about 43% of the funds (3 out of 7) outperformed the benchmark after one year. After three years, the proportion fell to 40% (2 out of 5). Over six- and seven-year assessment windows, none of the funds delivered returns higher than the benchmark. An exception exists in the case of TISCOMS-A, which received awards in 2020 and 2021 and mostly exceeded the benchmark during most evaluation periods. The reason some active equity funds can outperform the stock market is that skilled fund managers actively select stocks, adjust portfolio weights, and time investments to exploit market inefficiencies, identify undervalued securities, and respond more quickly to changing economic and firm-specific conditions. However, it is difficult to determine in advance which fund will outperform the market. The case of TISCOMS-A is beyond the scope of this study and is left for future investigation. It is also important to emphasize that the return figures shown in the table exclude both front-end and back-end fees. As a result, the actual returns realized by investors would be lower once these charges are accounted for. Investors who frequently enter and exit these funds, attempting to time the market, would face additional costs that further erode net performance.

Conclusions and Further Research

This study finds that, overall, Morningstar-recognized small- and mid-cap equity mutual funds did not consistently deliver returns superior to the benchmark in either short-term or long-term horizons. Although Morningstar's award methodology incorporates both performance and risk, its heavy emphasis on returns (80% of the weighting) aligns with investors' expectations that award-winning funds should reliably outperform the market. In practice, however, a substantial body of literature shows that fund performance is inherently unstable, influenced by randomness, mean reversion, market dynamics, management turnover, and various fees. Even when a fund exhibits stable returns for a period, historical performance remains a weak predictor of what investors will experience going forward.

The results of this research are in line with Hensawang (2022), who analyzed 274 Thai equity mutual funds with at least five years of history as of 2020. That study concluded that performance persistence was short-lived; funds frequently shifted between outperforming and underperforming, with many former winners eventually falling behind. Moreover, the majority of funds produced returns below the market benchmark. Comparable findings have been documented in earlier studies by Sukcharoensin and Sukcharoensin (2013), Wissawapaisal and Parkatt (2017), Jenwittayaroje (2017), and Wissawapaisal (2024, 2025), all of which underscore the need for investors to assess each fund's structure, conditions for return generation, and risk exposures before investing.

The central implication of this study is that neither exceptional historical performance nor industry accolades should be interpreted as a promise of future outperformance. Investing in a

fund that was previously awarded for strong performance does not guarantee higher returns in the future, as past performance may not persist under changing market conditions. Although persistence in fund returns has been widely explored in prior research, the underlying drivers remain ambiguous and difficult to quantify. While investigating these causes is beyond the scope of the present paper, it is plausible that many award-winning (and predominantly active) funds find it challenging to outperform their benchmarks because of high costs, market efficiency, and behavioral tendencies that contribute to suboptimal decision-making. Future research could examine these mechanisms in greater depth to help investors make more informed mutual fund selections. Hence, the net return of a mutual fund is the actual rate of return investors receive after all fund-related costs are deducted, including management fees, operating expenses, transaction costs, and sometimes taxes; this means that even if a mutual fund generates strong gross performance, higher expenses can reduce the net return and directly affect how much investors ultimately earn from their investment. For general investors who believe they do not have the ability to select in advance a fund that will outperform the market, and who do not want their long-term investment returns to underperform the market, investing in index funds that invest in all stocks in the market may be a viable alternative.

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