FIERA CAPITAL

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In the Middle Lies Opportunity: **The Growth Sweet Spot for 2026**

Mid cap stocks have quietly outperformed their larger and smaller peers for decades, yet remain one of the most underallocated segments in advisor portfolios. In this investment insight, we uncover why mid caps are positioned as the "Goldilocks" of equity investing, offering the growth potential of small caps with the potential stability of large caps. You'll discover how mid caps potentially deliver superior risk-adjusted returns, trade at attractive valuations, and demonstrate resilience in volatile markets all while providing diversification benefits and exposure to tomorrow's industry leaders. For allocators seeking differentiated strategies and long-term value creation, mid caps deserve a closer look.

Why Mid Caps Now

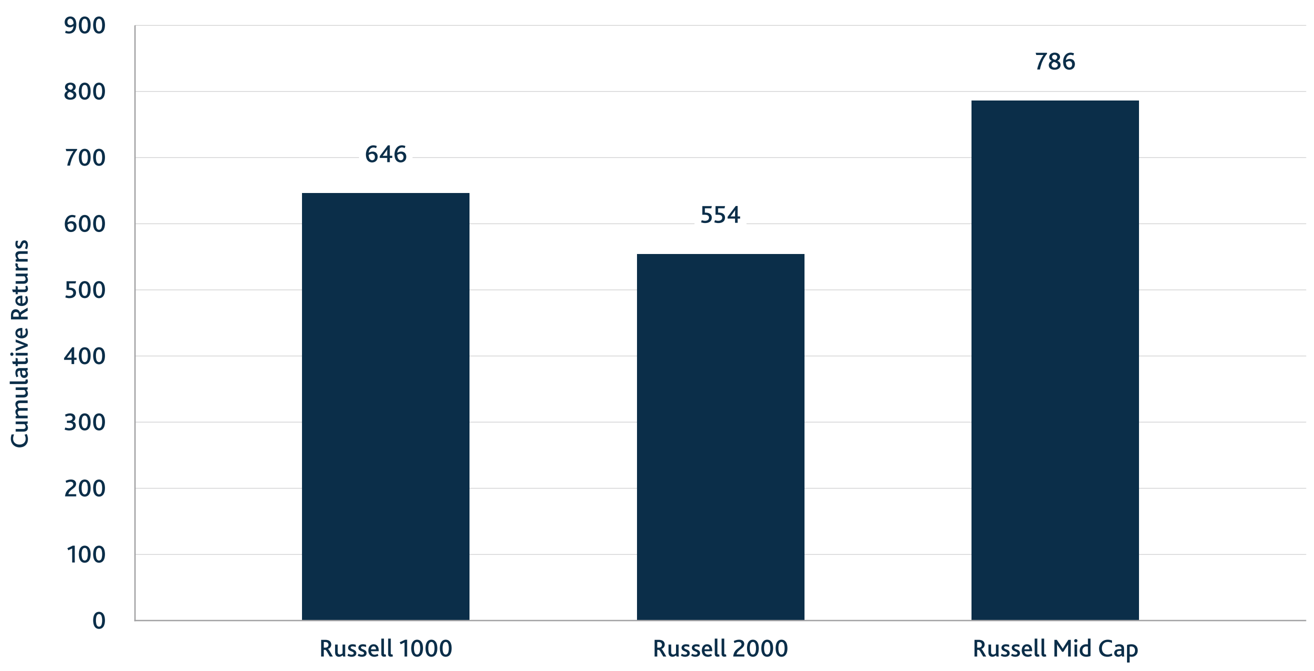
Mid caps represent approximately 20% of U.S. equity market capitalization but only about 9% of invested assets. Historically, they've outperformed large and small caps with superior risk-adjusted returns.[1]

Given the growth and success of the US large caps in recent years, we believe allocations towards mid caps remain underrepresented in portfolios despite strong historical performance. This under-allocation creates an opportunity for advisors to differentiate client outcomes by introducing an asset class that has demonstrated resilience and growth across multiple market cycles.

Additionally, mid caps offer a compelling narrative for clients seeking diversification. We see mid cap companies as ones that combine operational maturity while at the same time having an agility that allows them to be well positioned to capitalize on secular trends such as AI adoption, reshoring, and digital transformation.

Figure 1

Historic 30 Year Returns



Source: eVestment, as of September 30, 2025. Please see the index definitions at the end of this document. It is not possible to invest directly in the index. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. All rights to the trademarks, brands and/or logos listed herein belong to the respective owners. Fiera Capital Corporation and its subsidiaries use of hereof does not imply an affiliation with, or endorsement by, the owners of these trademarks/logos.

The Growth Advantage[2]

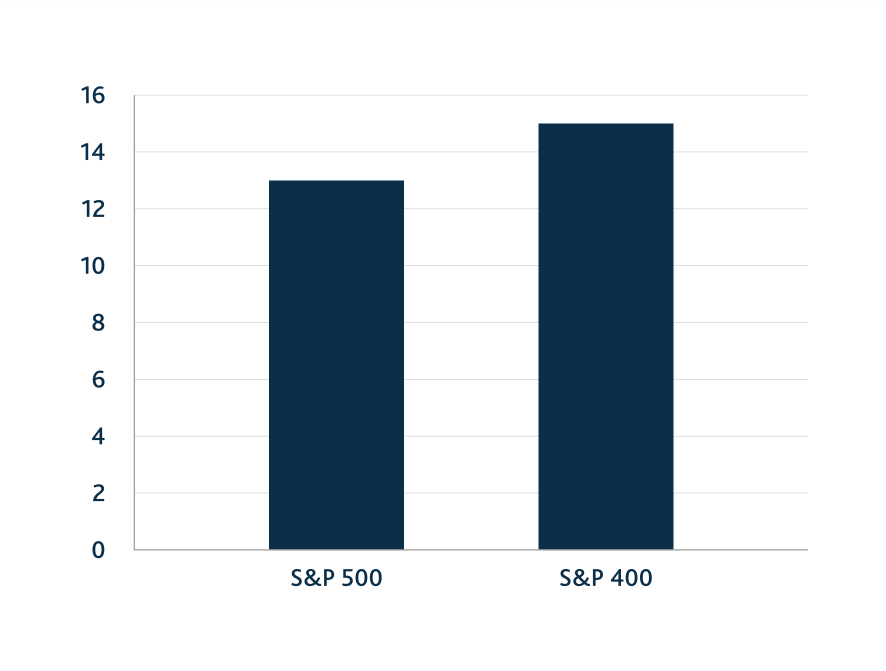
Earnings per share growth for S&P MidCap 400 has been 1,404% over 30 years vs. 613% for S&P 500. Forward EPS growth forecast: 15% for mid caps vs. 13% for large caps.

Beyond historical EPS growth, mid caps often operate in niche markets where innovation drives competitive advantage. Their ability to scale without the bureaucratic constraints of large caps enables faster decision-making and adaptability to emerging technologies.

In turn, this allows for exposure to companies that are not only growing earnings but also reinvesting in research and development and strategic acquisitions, key drivers of sustained shareholder value in a rapidly evolving economy.

Figure 2

2026 Consensus EPS



Source: BoA Global Research. Forecasts are forward-looking, do not represent actual results, there is no guarantee that such estimates will be achieved, and actual results may vary substantially.

Valuation and Diversification[3]

Mid caps trade at a ~27% discount to large caps on a P/E basis. They also reduce concentration risk: top 10 holdings represent ~7% of index weight vs. 36% for large caps.

Current valuations underscore the relative attractiveness of mid caps. Trading at a discount to large caps on a P/E basis, mid caps provide a favorable entry point for investors. This valuation gap reflects market inefficiencies that active managers can exploit.

Diversification benefits are equally compelling. Lower correlation to large caps and reduced concentration risk help mitigate portfolio volatility, offering advisors a tool to enhance risk-adjusted returns for clients.

Figure 3

Forward Price/Earnings

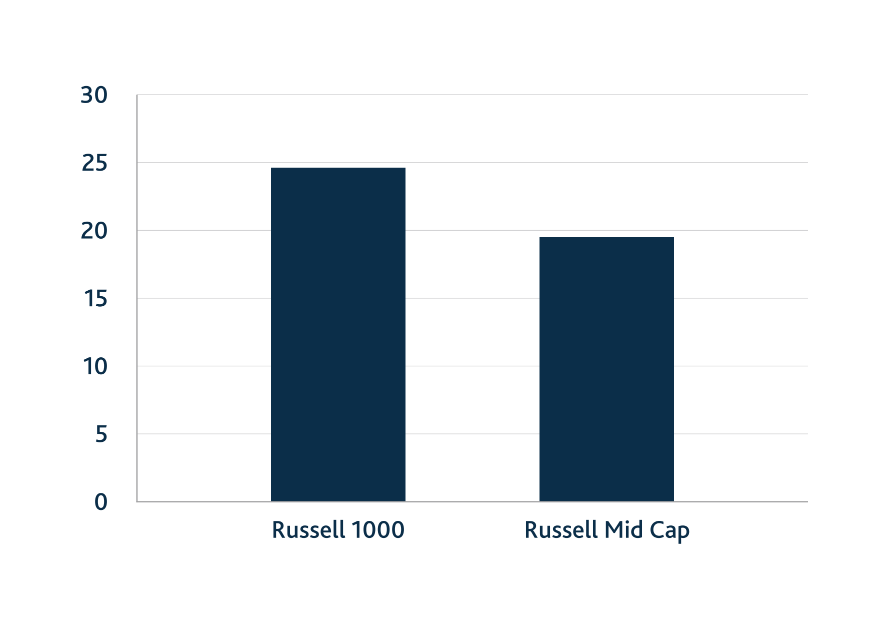
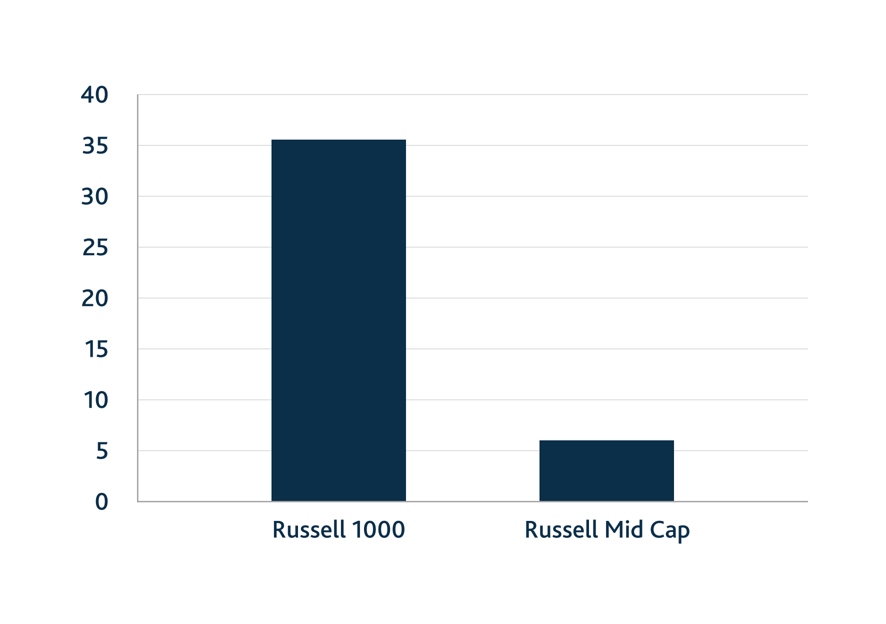


Figure 4

Percentage of Top 10 Holdings



Source: FactSet, as of September 30, 2025.

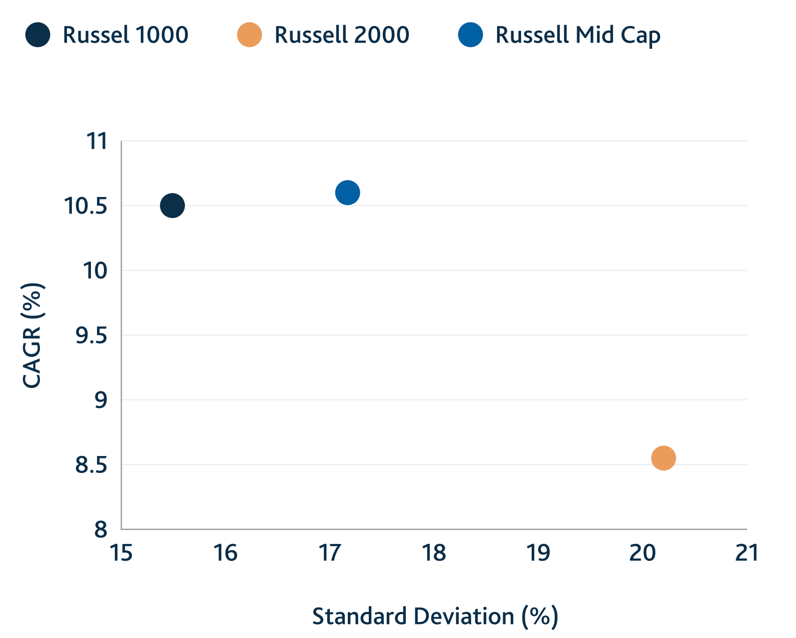
Resilience and Quality Fundamentals

Mid caps have historically shown resilience in downturns, outperforming large caps during bear markets (e.g., 2020 pandemic: -32% vs. -34%).[4] They also maintain stronger balance sheets with lower net debt-to-EBITDA ratios than large caps.

Mid caps have consistently demonstrated resilience during market downturns. Their stronger balance sheets and lower leverage ratios compared to large caps provide a buffer against economic shocks, making them a strategic allocation in uncertain environments. We see quality fundamentals, represented through characteristics such as robust free cash flow and disciplined capital allocation as attributes which are critical when seeking stability without sacrificing upside potential.

Figure 5

Risk-Return Profile



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Our Edge – The Manager's Perspective

Our Mid Cap Growth Strategy combines bottom-up research with top-down secular trend analysis. We focus on high-quality companies with strong fundamentals, allocating across quality growth compounders and emerging growers who tend to be involved in exciting paradigm shifts.

Our investment philosophy centers on identifying companies at the intersection of structural growth trends and strong fundamentals. By leveraging deep sector expertise and rigorous bottom-up research, we aim to uncover opportunities that passive strategies often overlook.

Through disciplined portfolio construction and active risk management, we strive to deliver consistent, long-term value for clients. Our approach is designed to navigate volatility while capturing the growth potential inherent in mid-cap equities.

Endnotes

1 eVestment, as of September 30, 2025.

2 BoA Global Research.

3 FactSet, as of September 30, 2025.

4 Source: Bloomberg, as of September 30, 2025.

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Index Definitions

The **Russell 1000 Growth Index** is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large-cap growth manager's opportunity set.

The **Russell 2000 Growth Index** is constructed to provide a comprehensive and unbiased barometer of the small -cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate small-cap growth manager's opportunity set. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

The **Russell Midcap Growth Index** is a market capitalization weighted index representing the smallest 800 companies in the Russell 1000 Index. The average Russell Midcap Index member has a market cap of $8 billion to $10 billion, with a median value of $4 billion to $5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added.

The **S&P 500** is a stock market index made up of approximately 500 US large cap stocks. It is often used as a common benchmark for US stock funds. The index comprises a collection of stocks of 500 leading companies and captures 80% coverage of available market capitalization. Index results assume the re-investment of all dividends and capital gains.

The **S&P 400**, also known as the S&P MidCap 400, is a stock market index that tracks the performance of 400 mid-sized U.S. companies across various industries. The index is designed to represent companies with midrange market capitalization, making it a crucial indicator for understanding the mid-cap segment of the market.