

Shining a light on mid-cap value

May 3, 2022

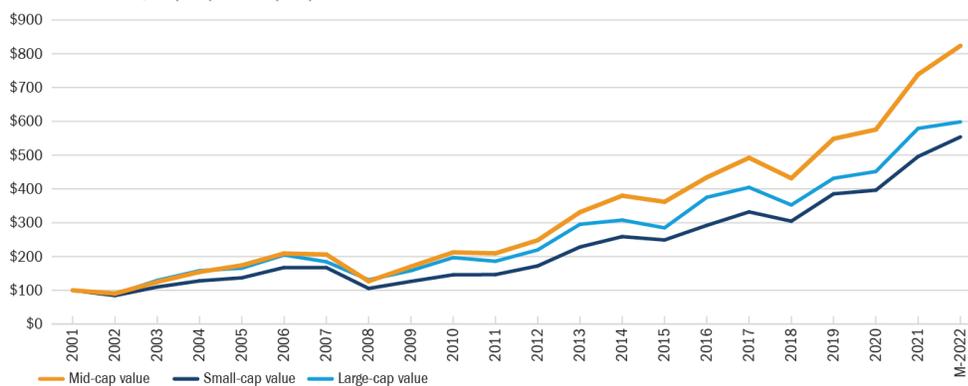
With a track record of outperformance relative to both smaller and larger companies, mid-cap stocks are worth a look for value investors.

There's a part of the equity market that is often overlooked despite long-term compelling performance: mid-cap value.

The equity investment conversation typically focuses on the rotation between large-cap and small-cap stocks or between growth and value. But for value investors, **mid-cap** — which is used to describe companies with a market capitalization of between \$450 million to \$70 billion — has consistently outperformed relative to its large-value and small-value counterparts over time and deserves specific consideration.

► Mid-cap value stocks have cumulatively outperformed their small- and large-cap value counterparts

Growth of \$100, 01/01/02-03/31/22



Source: Morningstar Direct, 03/31/22. Mid-cap value is represented by the Russell Midcap Value Index, an unmanaged index that measures the performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. Small-cap value is represented by the Russell 2000 Value Index, an unmanaged index that measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Large-cap value is represented by the Russell 1000 Value Index, which is an unmanaged index that measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Mid-cap stocks have unique attributes, combining the return potential of smaller companies with the management and operational stability of established businesses. This historically has resulted in consistently higher risk-adjusted performance relative to small- and large-cap value stocks.

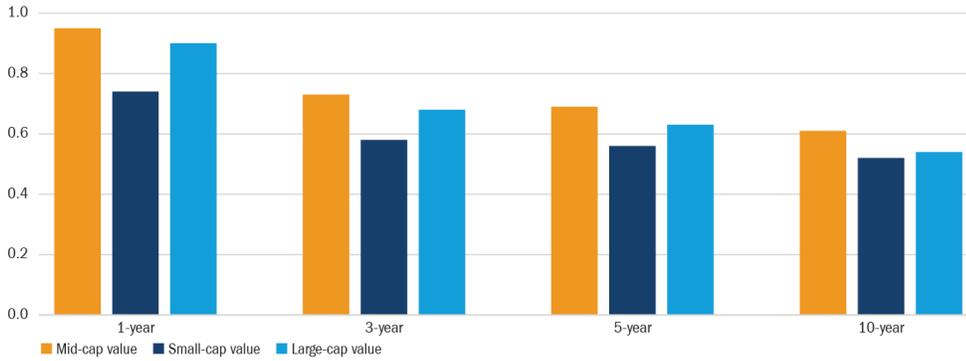


Kari Montanus

Senior Portfolio Manager, Head of Focused Mid Cap Value and Focused Small Cap Value Team

▶ **Relative to small- and large-cap value, mid-cap value stocks have produced better returns at the same level of risk**

Sharpe ratio, 03/31/12-03/31/22



Source: Morningstar Direct, 03/31/22. Sharpe ratio is the average return in excess of the risk-free rate divided by the standard deviation of return; it is a measure of the average excess return earned per unit of standard deviation of return. Mid-cap value is represented by the Russell Midcap Value Index, an unmanaged index that measures the performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. Small-cap value is represented by the Russell 2000 Value Index, an unmanaged index that measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Large-cap value is represented by the Russell 1000 Value Index, which is an unmanaged index that measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

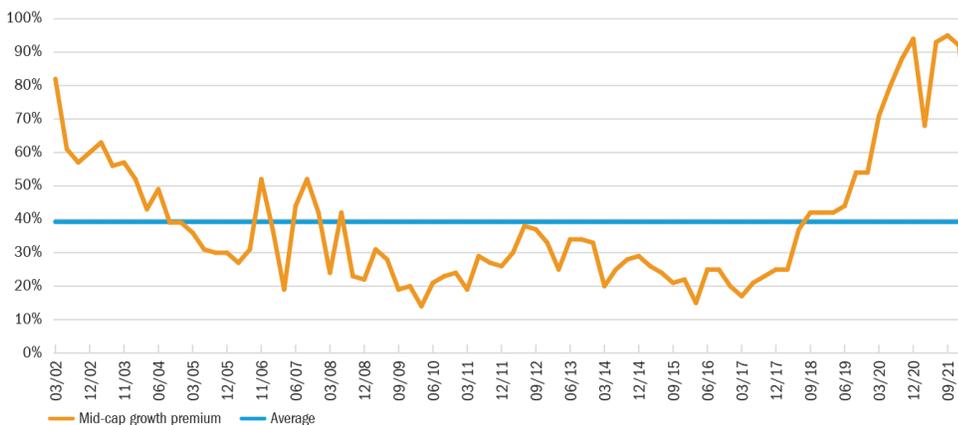
Why mid-cap value in the current environment

While past performance is no guarantee of future results, persistently high inflation and rising interest rates historically have tended to benefit mid-cap value companies. Sectors typically associated with value stocks, such as financials, materials and energy, generally have outperformed relative to growth in rising-rate environments — and particularly so in the current environment since mid-2020.

Mid-cap value also remains cheap relative to growth stocks and compared to history.

▶ **Mid-cap value stocks are historically less expensive than mid-cap growth stocks**

Forward price-to-earnings ratio of mid-cap growth stocks over mid-cap value stocks



Source: FactSet, 03/31/93-03/31/22. Mid-cap value is represented by the Russell Midcap Value Index, an unmanaged index that measures the performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth value. Mid-cap growth is represented by the Russell Midcap Growth Index, an unmanaged index that measures the performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index.

Bottom line

Mid-cap stocks present a compelling opportunity for value investors, based on historically higher risk-adjusted returns relative to small- and large-cap value. We believe mid-cap value remains reasonably valued on a relative basis and is well-positioned for the challenges and opportunities of the current market environment.



To find out more, call [800.426.3750](tel:800.426.3750)
or visit columbiathreadneedle.com



Not Federally Insured	No Financial Institution Guarantee	May Lose Value
-----------------------	------------------------------------	----------------

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.