



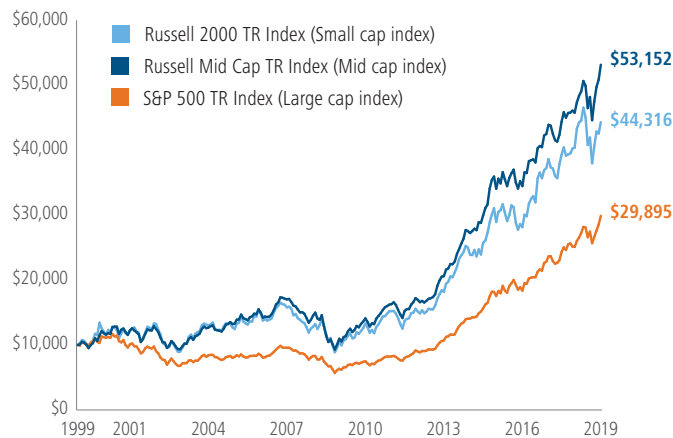
THE CASE FOR THE US MID CAP SPACE

Using history as a guide, investors have a golden opportunity to capture strong risk-adjusted returns with US mid cap stocks.

US mid cap companies have market capitalizations ranging from US\$2 billion to US\$20 billion. These companies have established their competitive positions in the marketplace and validated their products and distribution, which may make them less volatile than their small cap peers. Mid caps tend to exhibit the staying power of larger businesses but may still have substantial growth opportunities ahead.

Key benefits of mid cap investing

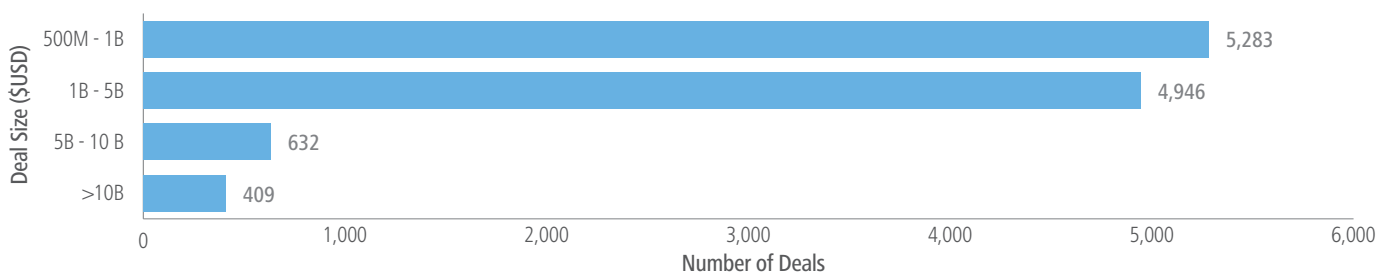
Growth of \$10,000 (CAD) over 20 years



Source: Morningstar, April 30, 2019.

- US mid caps provide the stability of large caps with the growth potential of small caps.
- Historically, US mid caps have provided favourable risk/return characteristics. This can provide a good counterbalance to a conservatively-positioned portfolio without going too far out on the risk curve.
- Fewer Wall Street analysts cover mid caps than large caps. Less coverage is an opportunity for active managers to outperform¹.
- US mid cap stocks have greater takeover potential (see chart below).

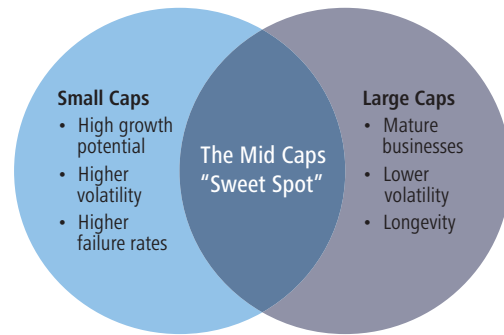
Deal Size Breakdown - Number of Deals over 10 Years (USD)



Source: Bloomberg, October 31, 2018

¹ Source: Bloomberg, March 25, 2017

US mid cap stocks can offer a risk-return “sweet spot” between fast-growing small businesses and large, established companies. In general, large cap companies are stable businesses with strong brands and their stocks tend to have lower volatility. On the other hand, small cap firms can have the potential for high growth. These companies are often innovative, flexible and agile, but their stocks can be volatile.

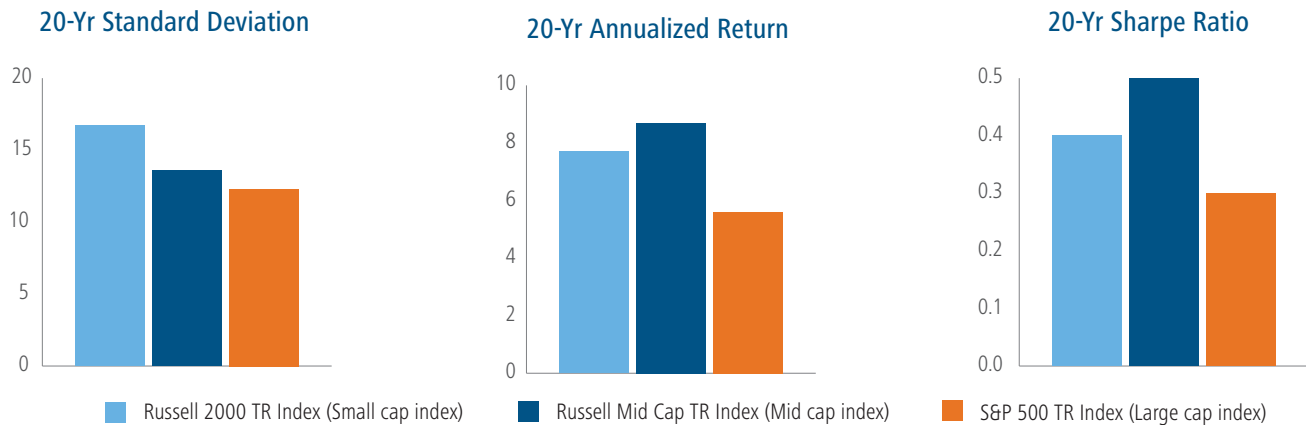


US mid cap stocks share qualities of both large and small cap companies.

Despite the opportunities of US mid cap stocks, many investors tend to be underweight in these companies. One reason could be that they believe they have equivalent exposure through the combination of large cap and small cap holdings. But that might not be the case.

A specific allocation may give investors exposure to the opportunities in US mid cap equities:

- US mid cap stocks have historically had lower risk than small caps, having grown out of the more volatile small cap phase of their development, but are still growing aggressively compared to large cap stocks (see first chart on the left below).
- US mid caps have a history of long-term performance. The Russell Mid Cap Index has outperformed the S&P 500 (large cap index) and the Russell 2000 Index (small cap index), as indicated in the middle chart below.
- US mid caps have a stronger risk-adjusted return profile overall (see last chart below).



Source: Morningstar, as of April 30, 2019.

To learn more about opportunities to invest in the US mid cap space, please contact your financial advisor.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of April 30, 2019 including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

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