

MID-CAP STOCKS

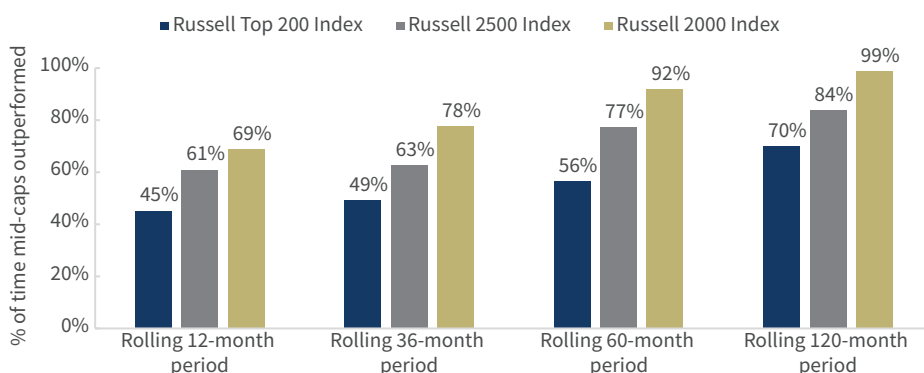
The Missing Piece

Mid-cap stocks, as represented by the Russell Midcap® Index, have outperformed large caps, small/mid (SMID) caps, and small caps by the percentages shown in Figure 1 during four different rolling time periods over the last 30 years.¹

They have provided long-term performance, with higher risk-adjusted returns and exposure to a wide range of market capitalizations that can't be easily replicated with combinations of other caps.

MID CAP PERFORMANCE

Figure 1: Percentage of time mid-cap stocks outperformed large, small/mid (SMID), and small-cap stocks (July 1995–July 2025)

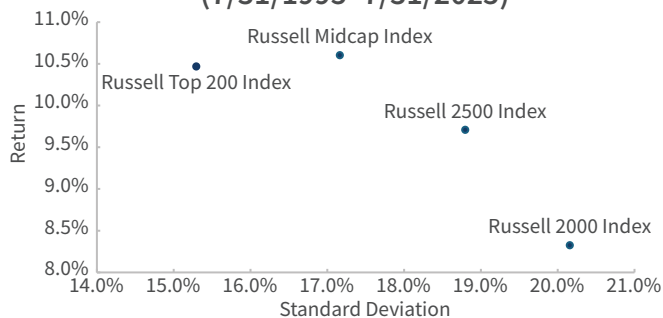


Source: Bloomberg, as of 7/31/25.

- Over all rolling 10-year periods for the past 30 years, mid-cap stocks outperformed small-cap stocks 99% of the time, SMID-cap stocks 84% of the time, and large-cap stocks 70% of the time.
- Mid-cap stocks also outperformed small- and SMID-cap stocks over the majority of all rolling one, three- and five-year periods.

RISK/RETURN ADVANTAGES

Figure 2: Risk-reward analysis (7/31/1995–7/31/2025)



- Investors are often told they need to assume the added risk of investing in small caps to get additional returns, but this is not always the case. Mid-cap stocks have outperformed small- and SMID-cap stocks with lower volatility as measured by standard deviation. Mid-caps offer higher potential returns than large-cap stocks with only slightly higher volatility.
- The risk-adjusted returns of mid-cap stocks can be seen in the Sharpe ratios in Figure 2.

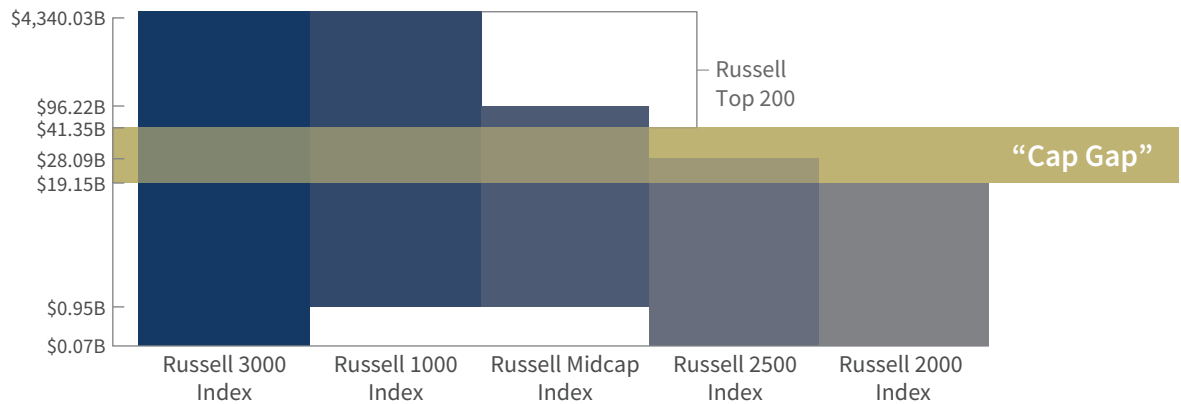
	Russell Top 200 Index	Russell 2500 Index	Russell Midcap Index	Russell 2000 Index
Sharpe ratio	0.68	0.52	0.62	0.41
Standard deviation	15.29%	18.80%	17.16%	20.16%
Annual return	10.47%	9.71%	10.60%	8.32%

Source: Bloomberg, as of 7/31/25.

KEY TAKEAWAYS:

- Despite investors’ affinity for high-flying small-cap stocks and blue-chip large-cap stocks, mid-cap stocks have provided more favorable risk/return characteristics than their larger and smaller equity peers over time.
- Mid-cap companies tend to be more financially stable than their small-cap counterparts since they have generally moved beyond the volatile start-up phase. As they mature, these firms may become as stable as larger-cap companies.
- The growth potential of mid-cap stocks, coupled with increased stability relative to small caps, helps to explain their historic outperformance. Yet there is also evidence that mid-cap firms are less covered by analysts and are under-owned by investors. Investors could be best served by considering whether mid-cap stocks have a place in their portfolio.

Missing Mid Caps*



Mid caps are an under-owned asset class,² despite the benefits. Many investors believe they have the mid-cap space covered by way of an allocation to the larger and small-/mid-cap indices. There is, however, a significant gap where returns may be hiding.

Roughly half of the market capitalization of the Russell Midcap Index may not receive adequate exposure in a client’s portfolio.³ This “missing piece” is the exact market cap previously described as offering attractive risk/reward characteristics over time.

Index	Low end of market cap (in billions \$)	High end of market cap	Weighted average market cap
Russell Top 200	\$41.35	\$4,340.03	\$1,153.22
Russell 1000	\$0.95	\$4,340.03	\$919.84
Russell Midcap	\$0.95	\$96.22	\$24.65
Russell 2500	\$0.07	\$28.09	\$7.12
Russell 2000	\$0.07	\$19.15	\$3.08

Source: Bloomberg, as of 7/31/25.

¹ As represented by the Russell Top 200® Index, the Russell 2500® Index and the Russell 2000® Index.

² Only \$938 billion of the roughly \$10.8 trillion in total assets invested in U.S. open-ended equity mutual funds - roughly 8.7% (as of 6/30/2025) - were in the mid-cap space, according to Morningstar.

³ As of 6/30/2025, according to Russell data as presented by Bloomberg, the market capitalization of the Russell Midcap® Index was \$13.596 trillion. The top 200 largest companies of the Russell Midcap® Index had a market capitalization of \$7.213 trillion, making up 53.05% or over half of the Russell Midcap® Index.

Disclosures

Investing in mid-sized companies is based on the premise that relatively smaller companies will increase their earnings and grow into larger, more valuable companies. Historically, mid-cap stocks have experienced greater volatility than other

equity asset classes, and they may be less liquid than larger cap stocks. Thus, relative to larger, more liquid stocks, investing in mid-cap stocks involves potentially greater volatility and risk. In addition, mid-cap stocks have experienced greater volatility than other classes of securities. Mid-cap stocks can also be less liquid than those of large companies, and illiquidity increases the potential for volatility. As with all equity investing, there is the risk that a company will not achieve its expected earnings results, or that an unexpected change in the market or within the company will occur, both of which may adversely affect investment results. The biggest risk of equity investing is that returns can fluctuate and investors can lose money.

Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, or other expenses, which would reduce performance. Indexes are unmanaged. It is not possible to invest directly in an index. Any investor who attempts to mimic the performance of an index would incur fees and expenses that would reduce return.

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Definitions

Market capitalization, or market cap, refers to the total dollar market value of a company's outstanding shares of stock.

Rolling returns, also known as rolling period returns, represent the annualized average returns for a specified period of time looking backward from a specified date.

Sharpe ratio is a risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The ratio is equal to the excess return divided by the standard deviation of the portfolio. The higher the Sharpe ratio is the better the portfolio's historical risk-adjusted performance.

Standard deviation is a measure of the dispersal or uncertainty in a random variable. For example, if a financial variable is highly volatile, it has a high standard deviation. Standard deviation is frequently used as a measure of the volatility of a random financial variable.

Indices

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 27% of the total market capitalization of the Russell 1000® companies, as of the most recent reconstitution.

The Russell Top 200® Index measures the performance of the largest cap segment of the U.S. equity universe. The Russell Top 200 Index is a subset of the Russell 3000® Index. It includes approximately 200 of the largest securities based on a combination of their market cap and current index membership and represents approximately 68% of the Russell 3000® Index, as of the most recent reconstitution.

The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 Index is a subset of the Russell 3000® Index which is designed to represent approximately 98% of the investable US equity market. It includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index. The Russell 2000 Index includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 2500™ Index measures the performance of the small- to mid-cap segment of the U.S. equity universe, commonly referred to as "SMID" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

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About Raymond James Investment Management

Raymond James Investment Management is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our boutique investment managers – Chartwell Investment Partners, ClariVest Asset Management, Cougar Global Investments, Eagle Asset Management, Reams Asset Management, and Scout Investments – we offer a range of investment strategies and asset classes, each with a focus on risk-adjusted returns and alpha generation. We believe providing a lineup of seasoned, committed portfolio managers – spanning a wide range of disciplines and investing vehicles – is the best way to help investors seek their long-term financial goals.

For more information on Scout Investments' approach to mid-cap equities contact 1.800.521.1195 or visit scoutinv.com

