

Actively-Managed MidCap Mutual Funds

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Large vs. Smaller Stocks in the Business Cycle

- Late Cycle and Recession Period: Larger Companies Outperform
- Recovery Period: Smaller Companies Outperform.

Why? Smaller companies are more nimble and better able to respond to changes in the economy. They also tend to be big borrowers, and feel relief from low interest rates.

John Waggoner, Investing

For MidCap Stocks, Actively-Managed Funds Have Fared Well vs. Passive Funds Recently

- Per Forbes (Apr. 20, 2020), MidCap fund managers in 2019 beat the S&P MidCap 400 index for the third year in a row, with 68% doing so.
- In 2019, SmallCap managers did well too, with 62% beating the S&P Small Cap 600.
- Reason? The less “efficient” the market, the greater the opportunity for active fund managers to find value. (Peter Lynch)

ETF benchmarks

* IWR (iShares Russell Midcap ETF)

MidCap Blend. Expense ratio 0.19% Market cap weighted.

Replicates Russell Midcap Index. 817 holdings.

YTD up 12.54% 3-yr. up avg. 11.09% 5-year up avg. 11.67%

* IJH (iShares Core S&P Midcap ETF)

Midcap Blend. Expense ratio 0.05% Market cap weighted.

Replicates S&P Midcap 400 Index. 400 holdings.

YTD up 8.45% 3-yr. up avg. 7.65% 5-year up avg. 10.20%

Spoiler Alert: Following the market as a whole, Midcap Growth funds have been outperforming Midcap Value funds.

I will focus then on Midcap growth and Midcap Blend mutual funds.

Some Midcap Blend Funds to consider:

- * JSVAX (Janus Henderson Contrarian Fund Cl. T)
Exp. Ratio 0.81% total assets \$3.2 billion
Has been outperforming under new mgmt. Up 23.57% YTD
- * VIMAX (Vanguard Midcap Index Fund)
Exp. Ratio 0.05% total assets \$40.2 billion
YTD up 14.02% Consistent; tracks index well
- PARMX (Parnassus Midcap Fund)
Exp. Ratio 0.99% total assets \$6.6 billion
YTD up 9.34% Low risk fund with above avg. returns

Some Midcap Growth Funds to consider:

- * OTCAX (MFS MidCap Growth Fund Cl. A)
Load waived at Fidelity and likely other investing platforms
Exp. Ratio 1.09% YTD +26.40% 3 yr. +17.56% 5 yr. +15.67%
- * DBMAX (BNY Mellon Small/Midcap Growth Fund Cl. A)
Load waived at Fidelity and likely other investing platforms
Exp. Ratio 0.98% YTD +56.17% 3 yr. +24.23% 5 yr. +20.68%
- * DFDMX (DF Dent Midcap Growth Fund Investor Shares)
No-load. Exp. 0.98% YTD +24.13% 3 yr. +16.60% 5 yr. 15.29%
- * MACGX (Morgan Stanley Institutional Trust Discovery Cl. A)
Load waived at Fidelity and other likely investing platforms
Exp. Ratio 1% YTD +133.27% 3 yr. +46.86% 5 yr. +30.32%