



## IT SURE DOES LOOK FAMILIAR

There are various multi-year cycles for equity investment categories like growth vs value, small-cap vs large-cap and indexing vs active management. Given how extended some investment cycles have become and the recent triggering of underlying catalysts (e.g., inflation, interest rates, collapsing banks), several cycles appear to be at major multi-year inflection points.

### LARGE-CAP VS. SMALL-CAP IS ONE CATEGORY NOT TO BE IGNORED

When the Dow Jones Industrial Average (DJIA) reached 1,000 with the surging Nifty 50 in 1972, investors had to own large-cap stocks like Kodak, Polaroid and Xerox at any price. Large-caps were considered to be the high-performing leaders of the next century. Ten years later, the DJIA was still at 1,000, concluding a regretful decade for large-cap index investors.

Similarly, large-caps dominated the S&P 500 at its peak in the year 2000. Four of the six largest companies in that index were Cisco Systems, Coca-Cola, GE and Intel. They have lower stock prices today. That horrid 23-year track record hurt loyal large-cap investors.

For the last 10 to 12 years, large-caps generally have been on an impressive run. Large-cap investors have been rewarded owning unprofitable unicorns and/or indexing mega-cap growth stocks with little to no dividend.

### CAN THEY KEEP GOING?

In today's tightening credit environment, investors increasingly focus increases on primary fundamentals. GAAP earnings along with valuation, cash flow and balance sheet strength are regaining respect. Financial market leadership is changing from a free money, more speculative, long-duration asset cycle to a tight money, cash focused, disciplined era.

### THIS PLAYS DIRECTLY INTO CMC'S SMALL-TO-MID CAP (SMID) STRENGTHS

This next cycle should greatly benefit active management of small & mid capitalization stocks, valuation disciplines, dividend growth, improving balance sheets and growing cash cow companies.

Our SMID portfolios follow these principles, sporting a 3% dividend yield and trading at compelling valuation multiples of estimated price-to-earnings (2023 PE near 9).

#### Recent announcements from a few of our SMID firms include:

- Acme United (ACU) generated enough cash in the first quarter to pay down 20% of its debt.
- CNX Resources (CNX) repurchased 3% of its shares in the first quarter.
- Pitney Bowes (PBI) repurchased \$26 million of its bonds during the first quarter.
- Agnico Eagle (AEM) and Mastech Digital (MHH) indicated their likelihood to initiate share buybacks this month.
- John B. Sanfilippo (JBSS) announced a special \$1.50 per share cash dividend.
- Interdigital (IDCC) and Sinclair Broadcasting (SBGI) repurchased shares (approximately 10% and 13% respectively year-to-date).

[Click here to view our current SMID fact sheet and cash return.](#)