



Uncovering opportunities in small- and mid-cap equity

From Fiera Capital

Institutional investors seeking high-growth potential with a calculated risk profile should consider the dynamic landscape of small- and mid-cap (SMID) companies in healthcare and technology. These sectors boast a wealth of innovation, often driven by nimble and adaptable players poised for significant disruption.

The Fiera Apex team sees several secular themes that are driving **efficiency and finding novel solutions in the healthcare and technology sectors**, making small- and mid-cap companies attractive investment opportunities.

Healthcare

Driven by prolific innovation, along with demographic tailwinds, resilient demand, and strong fundamentals, we believe SMID cap healthcare holds some of the greatest potential for long-term growth.

Within the SMID biotech subsector, significant opportunities can be found in companies that focus on addressing unmet medical needs with de-risked clinical assets and broad market upside. Prescription drug spending in the United States is over \$400 billion annually and growing. However, current FDA-approved therapies address only a fraction of defined illnesses, reflecting vast, untapped total accessible markets (TAMs) waiting for solutions. With its concentration on R&D and supported by ongoing advances in life science technologies, SMID biotech is poised to deliver numerous near-term breakthroughs across the spectrum of human health, from the leading causes of death, such as heart disease and cancer, to rare orphan indications, like Huntington's and muscular dystrophy.

More broadly, we also look for companies that focus on reining in the costs of healthcare. Annual U.S. health expenditure is currently about \$4.5 trillion or 17% of GDP, about one-quarter of which is considered waste. This includes problems such as improper diagnoses and treatment, administrative complexity, and other failures of care coordination. The companies we favor under this theme are those that work to improve the quality and sustainability of the healthcare system, including improved disease detection, home health services, and healthcare IT solutions.

Technology

We are also targeting the nearly \$5 trillion technology sector with a focus on areas such as cloud computing, artificial intelligence and digital transformation. Within the artificial intelligence space, significant opportunities are found in companies that address the need for controlling, monitoring and processing high volumes of complex data.

As the number and complexity of applications grow with cloud computing and artificial intelligence, opportunities exist in companies that apply artificial intelligence to augment the innovation and productivity of professionals. Companies with leverage in this space are in the initial stages of addressing very large market opportunities.

As cloud computing grows to become the dominant form of computing over the next few years, there is an opportunity to adopt platforms with modern functionality and integration of data. We look for companies that can exploit the opportunity to replace legacy point solutions with these innovative platforms. This opportunity is particularly attractive when considering large industries in the earliest stages of modernization like construction and government.

Identifying high-quality small/mid-cap companies with strong management teams and sustainable competitive advantages is critical. For investors, these sectors — healthcare and technology, can offer a compelling combination of high-growth potential and manageable risk. By carefully assessing individual companies and aligning investments to the overall portfolio strategy, the Fiera Apex team seeks to capitalize on the innovative spirit and disruptive potential driving these sectors forward.

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About Risk:

Securities of small-cap and mid-cap companies may be subject to greater price volatility, significantly lower trading volumes, cyclical, static or moderate growth prospects and greater spreads between their bid and ask prices than securities of larger companies. Growth stocks may be more volatile than other stocks because they are generally more sensitive to investor perceptions and market moves. During periods of growth stock underperformance, a fund’s performance may suffer. Foreign securities can be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political and economic instability, less publicly available information, and changes in tax or currency laws or monetary policy.

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