Resilience Amid Volatility and a Focus on Fundamentals

Matthew Navins, CFA
Client Portfolio Manager, Fiera Capital
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Overview

In a market environment dominated by indiscriminate selling and macro uncertainty, Fiera Capital's SMID Growth Fund (NYLI Fiera SMID Growth Fund) has remained steady, edging out the Russell 2500 Growth index through mid-April. The portfolio's construction and positioning remain firmly aligned with Fiera's core investment philosophy: a disciplined focus on quality, stability, and long-term secular growth.

Navigating Through Volatile Waters

The recent market drawdown, triggered in part by policy uncertainty and geopolitical developments, has seen little differentiation in performance across asset classes or styles. Broad-based selling has impacted nearly every corner of the equity market, regardless of company fundamentals. Large-cap, mid-cap, and small-cap equities—all moved down in tandem, with declines between 10–15% across the board[1]. In such an environment, even fundamentally sound companies have not been spared. This macro-driven volatility has largely muted investors' focus on company fundamentals. Despite this, the team remains confident in the portfolio's construction and its fundamental resilience over longer time horizons.

Portfolio Positioning: Quality at the Core

NYLI Fiera SMID Growth Fund has long tilted toward quality—prioritizing companies with strong profitability profiles, lower leverage, and stable earnings. These businesses generally operate with strong balance sheets, often requiring little to no access to capital markets. This inherent financial flexibility is particularly valuable in today's uncertain rate and macro environment. Moreover, many portfolio holdings are net cash generators, offering some level of insulation against the volatility tied to refinancing risks or credit markets. From a valuation perspective, the team believes the current portfolio offers opportunity.

Staying the Course Amid Policy Uncertainty

Much of the current market stress has stemmed from rising geopolitical tensions and policy uncertainty, particularly surrounding tariffs. The recent 90-day moratorium on reciprocal tariffs may offer temporary relief but does little to dispel the broader cloud of unpredictability introduced by the new administration's approach to trade. In Fiera's view, inflation, slowing demand, and the risk of future policy surprises all remain top concerns. While a full-blown recession may not be imminent, the investment landscape has clearly shifted from the optimism that closed out 2024.

Consequently, the team anticipates continued market choppiness. Rather than making sweeping changes, Fiera has chosen to remain opportunistic and trust their time-tested process. The team has looked to take advantage of the volatility with the goal of enhancing the quality and secular growth profile of the portfolio. On the margin, they have looked to add to cash-flow generating companies with high incremental margins and above average growth characteristics. These additions reflect the team's strategy of capitalizing on market dislocations to seek high-quality businesses at attractive valuations that have the potential to aid the portfolio's long-term prospects as uncertainty fades and over the cycle.

Tariffs and the Margin Threat

While the portfolio maintains a strong overall margin profile and limited exposure to some potential high-risk sectors like autos, materials, and energy, the team acknowledges the inherent challenge in gauging second- and third-order impacts of trade policy. A decades-long expansion in profit margins, built up largely from the positive effects of globalization, now faces potential headwinds. Even companies with pricing power and solid fundamentals may feel meaningful pressure depending on the evolution of trade policy.

A Diversified, Disciplined Approach

With over 80 holdings and exposure to nine of the eleven GICS sectors, the NYLI Fiera Capital SMID Growth Fund remains diversified both across and within sectors – a stance they consider prudent in a fluid, uncertain macro environment. Ultimately, Fiera continues to place its confidence in time-tested processes. By anchoring portfolio construction around durable, secular growth trends and companies with defensible business models, the firm believes it is well-positioned.

Final Thoughts: Staying Grounded in Fundamentals

Despite headline volatility and mounting uncertainty, Fiera remains unwavering in its long-term approach. The recent environment has challenged all active managers, yet the firm's focus on financial quality, strategic growth, and thoughtful risk management has helped it navigate through with composure. With a portfolio of fundamentally strong businesses, Fiera Capital remains confident in its ability to deliver for clients—even in markets where quality temporarily goes unrecognized.

For more information, visit the NYLI Fiera SMID Growth Fund product webpage.

To access the most up-to-date information about a specific fund, simply click on the fund's name. This will take you to a detailed page that includes the prospectus, the fund's investment objectives, its performance history, key risk factors, Morningstar ratings, and other essential details.

Please note that the returns shown are based on past performance. Past performance is not indicative of future results. The current performance of the fund may be higher or lower than the performance data shown. The return on investment and the principal value of the fund will vary, and when shares are sold, they may be worth more or less than their original cost. For the most recent month-end performance data, please visit www.NewYorkLifeInvestments.com

[1] "Year to date returns for S&P 500, Russell Mid Cap, and Russell Small Cap indices as of 4/17/2025."

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. Diversification cannot assure a profit or protect against loss in a declining market.

The **Russell 2500 Growth Index** offers investors access to the small to mid-cap growth segment of the U.S. equity universe. The Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate small to mid-cap growth manager's opportunity set. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. It is not possible to invest directly in an index.

The **GICS (Global Industry Classification Standard)** has 11 sectors: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. These sectors are further divided into industry groups, industries, and sub-industries.

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