



## SMID Cap Q2 2018 Commentary and Q3 2018 Outlook

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For the quarter ended June 30, 2018, the Lisanti SMID Cap Growth Strategy outperformed its benchmark, the Russell 2500 Growth Index, net of fees.

While the June quarter continued the trend towards heightened market volatility, within the SMID cap sector, strong earnings momentum continued and resulted in strong performance from the SMID cap asset class relative to their larger cap counterparts in the Dow and S&P 500. However we continue to monitor risks, including concerns about higher interest rates, inflation, the trade dispute between the United States and China infrastructure spending and deregulation, geopolitical risk, and heightened stock valuations.

The major contributors for the second quarter of 2018 quarter from a sector perspective were the Health Care, Consumer Discretionary and Technology, while our top detractor was the Industrials sector, which was weak given concerns about higher interest rates, a possible trade war with China, and concerns that higher labor and materials cost inflation would hurt operating margins. Energy also underperformed due to lower oil prices during the quarter and production estimates by companies that were below expectations.

We continue to be constructive on SMID cap growth stocks. We believe that the new tax law and strong earnings are very positive for SMID cap growth stocks, and that the effects will be long lasting, not short term in nature. For the first time in a very long time, one can make a multi-year case for outperformance of the asset class. As you know, our process is sector agnostic—we look for improvements in ROIC (return on invested capital) that are long lasting. They can be driven by secular changes, structural changes, or internal drivers. While we expect to see challenges throughout the year, we believe that 2018 will turn out to be another “stockpicker’s market.”

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## SMID Cap Q1 2018 Commentary and Q2 2018 Outlook

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Past performance is not indicative of future results. Investments in small companies carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock. The views expressed reflect those of the portfolio manager as of the date noted. The portfolio manager's views are subject to change at any time based on market and other various conditions.

### **About Lisanti Capital Growth:**

Lisanti Capital Growth, LLC (Lisanti), founded by Mary Lisanti, is a certified woman-owned and managed SEC registered investment advisor specializing in U.S. small- and small/mid-cap (SMID) equity growth investing. In September 2017, Dinosaur Group Holdings, LLC, the parent company of DCM Advisors, LLC (DCM), an affiliated registered investment advisor, acquired a minority interest in Lisanti. Lisanti manages separately managed accounts and is the investment adviser to the Lisanti Small Cap Growth Fund (ASCGX). DCM is an SEC registered investment advisory firm providing asset management and wealth advisory services to institutions, registered investment advisors, family offices and high net worth individuals.