Miller Value Partners Small & Mid Caps Strategy

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The Set-up for Small & Mid Caps - Miller Value Partners

Strategies Approach Team Blog

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Market Commentary The Set-up for Small & Mid Caps By: Liz Goodier April 27, 2026

Key takeaways:

Value leadership is broadening: Value stocks-especially small and mid caps-have significantly outperformed across market caps and continue to lead in down markets. Market valuations remain elevated: Despite volatility, overall market multiples have re-expanded and remain above historical averages. Expectations are high: Consensus forecasts call for above-average revenue and earnings growth, with margins already near historic highs-leaving little room for disappointment. Mega-cap concentration is a risk: Market performance is heavily driven by a small group of large-cap stocks, with valuations and index weightings near historical peaks. AI investment adds uncertainty: Rising capex is compressing free cash flow, with future returns dependent on growth and margin follow-through. Growth remains expensive: High price-to-sales and valuation levels-especially in tech-suggest potential for underperformance. Opportunity in small/mid caps: Valuation spreads are wide, investor positioning is light, and improving earnings create a setup for continued market broadening.

Bottom line: Elevated valuations, concentrated leadership, and high expectations increase risk in large-cap growth, while small- and mid-cap value stocks offer a more attractive, under-owned opportunity.

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