

Opportunities in microcaps



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With a small number of large, prominent companies driving big gains in the large-cap indexes in 2020, we turned to a manager who looks instead for the smallest of the small: the microcaps. These are the companies that seek to disrupt their way to outsized gains in future years. We asked the team at Lord Abbett where they are finding tomorrow's growth—today.



We continue to believe that, unlike many other areas of the economy, companies in certain targeted areas of innovation have strong fundamental strengths and the potential for greater relative performance through an economic slowdown, as they continue to displace older businesses and outdated technologies. We believe the pandemic has accelerated the advance of many of the megatrends we are invested in. Thus, we continue to look to areas such as cloud computing, SAAS (software as a service), e-commerce, non-cash payments, video streaming, biotechnology, minimally invasive med tech, and social media. Our active approach continues to focus on identifying high-innovation companies with both operating momentum and price momentum, and although there is no guarantee we'll always be correct, it is through this lens that we continuously assess our portfolios and developments in the broader economy.

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