

What Happened to Growth Stocks in 2016?

An interview with Jason Marino, CFA, CAIA, Investment Director with MassMutual Funds

What happened to growth investment strategies in 2016?

Looking back over 2016, the market favored small cap stocks over large cap stocks and value stocks over growth stocks to a striking degree.

Given the market conditions that defined 2016, growth investors felt slighted comparing their returns to their value counterparts. To make matters worse, the post-election “Trump trade” largely missed the large cap growth asset class.

Jason Marino, an Investment Director on the MassMutual Funds Growth Equity Team points to MassMutual Select Growth Opportunity Fund (“Growth Opps”) as an example of a portfolio that struggled under last year’s bias in the markets. “The fund, co-managed by two high- conviction, deeply experienced growth investment firms – Sands Capital Management and Jackson Square Partners – logged its worst year relative to its peers in a decade as investors favored value stocks and the more cyclical areas of the market.”

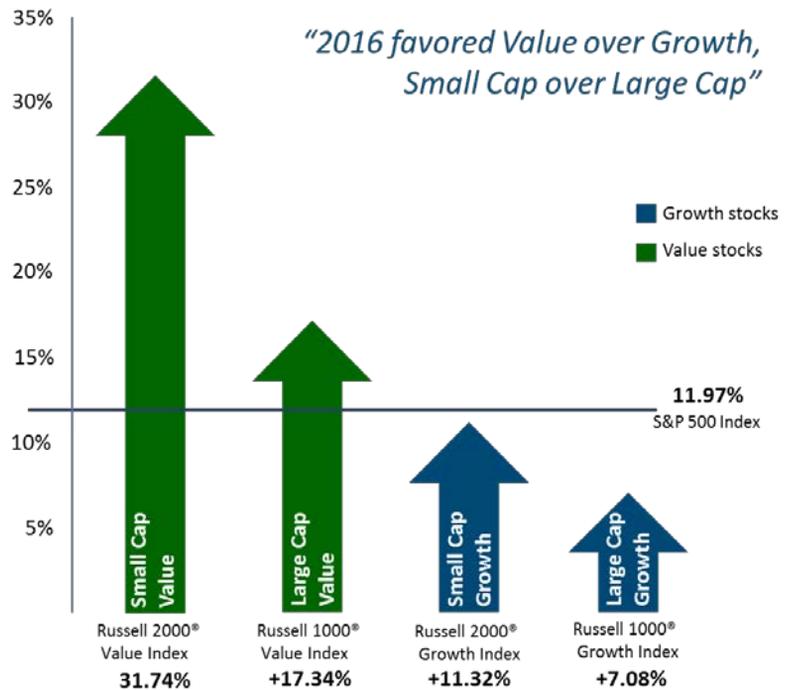
Marino is quick to point out, however, that during that same decade, “The Growth Opps strategy delivered 20% more wealth to long-term investors than its peer group average. In fact, the Fund ranks in the top twenty percent of its Morningstar peer group over the past ten years landing in the top quartile for six of those years.”¹

Marino goes on to explain, “The election rebound favored many cyclical firms that may stand to benefit from increased spending on infrastructure, reduced regulation and tax reform under a Republican administration. The MassMutual Select Growth Opportunities, like many other ‘higher growth’ managers, experienced a stylistic headwind as they tend to steer clear of such cyclical fare in favor of companies that will benefit from longer term secular growth themes.”

Is it time to give up on growth investment strategies?

Marino suggests it may be a poor time to abandon growth investment strategies. “Should inflation pick up – and the latest Consumer Price Index reading for January 2017 was up a surprising 0.6% - portfolios tilted towards dynamic, growing companies with pricing power and low levels of debt could benefit. These kind of companies tend to be the dynamic, growing companies that have the potential to positively impact our daily lives. They are also the kind of companies favored by growth portfolio managers like Jackson Square and Sands Capital.”

For more information on [MassMutual Select Growth Opportunities](#) fund or to [contact MassMutual Funds](#), visit [MassMutualFunds.com](#).



Jason Marino, CFA, CAIA serves as Investment Director for MassMutual Select Growth Opportunities Fund



¹R5 share class as of 12/31/2016 Source: Morningstar

MassMutual Select Growth Opportunities - Morningstar Category: US Fund Large Growth

\$10,000 invested in MassMutual Select Growth Opportunities on December 31, 2006 and left invested was valued at \$22,324 on 12/31/2016. That same investment applied to the Morningstar US Fund Large Growth peer group was valued at \$18,531.70 on 12/31/16, a 20.46 percent difference. Average annual total returns include 1-year performance at -6.42 percent, 5-year at 12.28 percent, and 10-year at 8.36 percent. Gross annual expense ratio for the R5 share class is 0.85 percent. There is no sales charge on the R5 share class.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Morningstar ranking	24	90	4	13	4	10	14	44	48	97
Peer Group	1174	1212	1232	1272	1306	1381	1446	1461	1471	1504

A fund's total-return percentile rank is relative to all funds that have the same Morningstar Category (peers). The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1. The percentile rank by category figures allow for a direct comparison of a fund's performance within its Morningstar Category.

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The Russell 1000® Growth Index is an unmanaged index consisting of those Russell 1000 securities (representing the 1000 largest U.S. companies based on market capitalization) with greater than average growth orientation that tend to exhibit higher price-to-book ratios and higher forecasted growth rates than securities in the value universe.

The Russell 2000® Value Index is a widely recognized, unmanaged index that measures the performance of those Russell 2000 Index companies (representing small-capitalization U.S. common stocks) with lower price-to-book ratios and lower forecasted growth rates than securities in the growth universe.

The Russell 2000® Growth Index is a widely recognized, unmanaged index that measures the performance of those Russell 2000 Index companies (representing small-capitalization U.S. common stocks) with higher price-to-book ratios and higher forecasted growth rates than securities in the value universe.

The S&P 500 Index is a widely recognized, unmanaged index representative of common stocks of larger capitalized U.S. companies.

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- Mutually owned and independent for 165 years
- Fortune 100 company (Fortune Magazine, 2016)
- \$675 billion in assets under management as of 12/31/2016 (Assets under management include assets and certain external investment funds managed by MassMutual's subsidiaries, including OppenheimerFunds and Barings, LLC.)

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