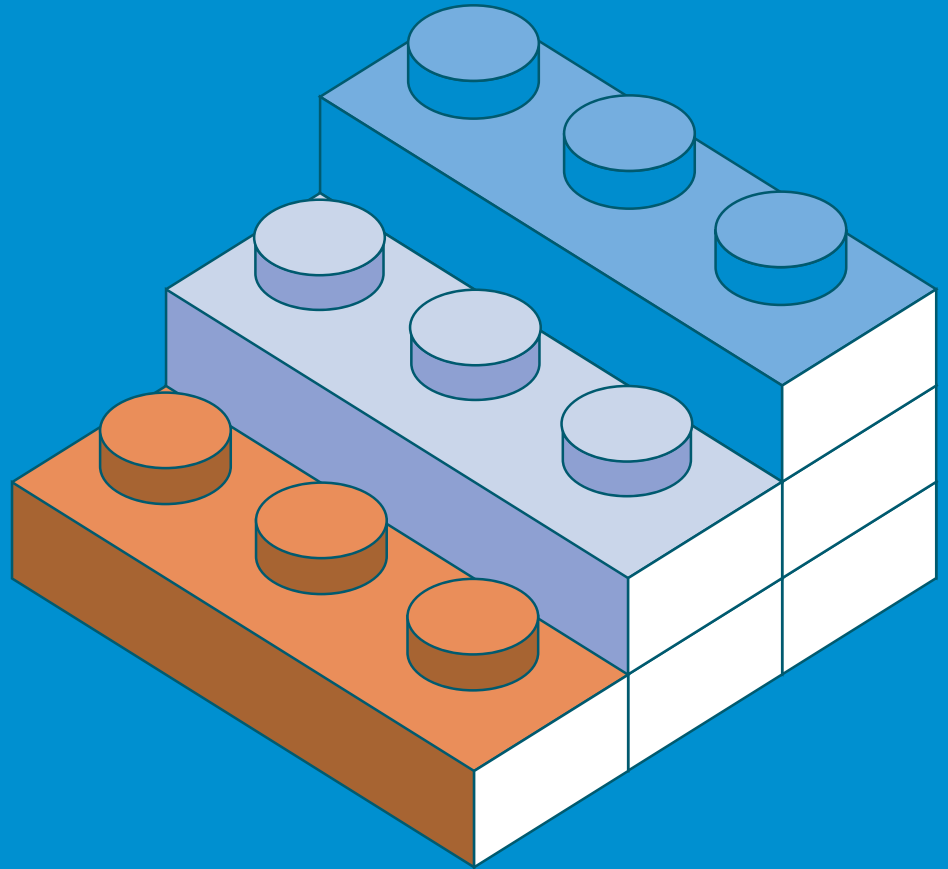


Beyond Big Names

The Case for Small and Mid Cap Stocks

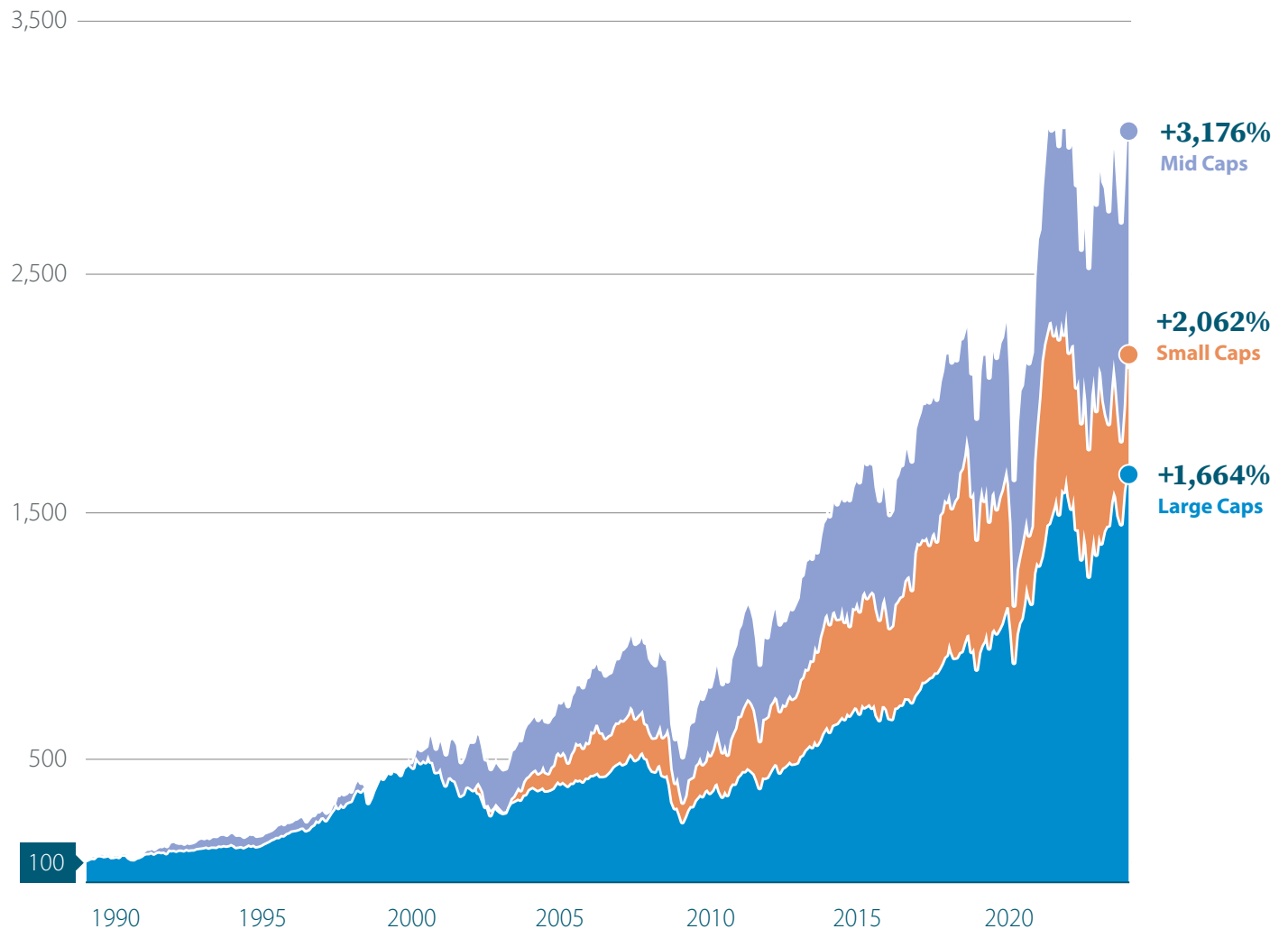


INVESTMENTS

Over the last 35 years, **small** and **mid cap** stocks have outperformed **large caps**, making them an attractive choice for investors.

Historical Returns of Large Caps, Mid Caps & Small Caps

Index Value; February 1989 = 100



Yahoo Finance 03/05/2024. Large caps represented by the S&P 500. Mid caps represented by the S&P 400. Small caps represented by the S&P 600. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

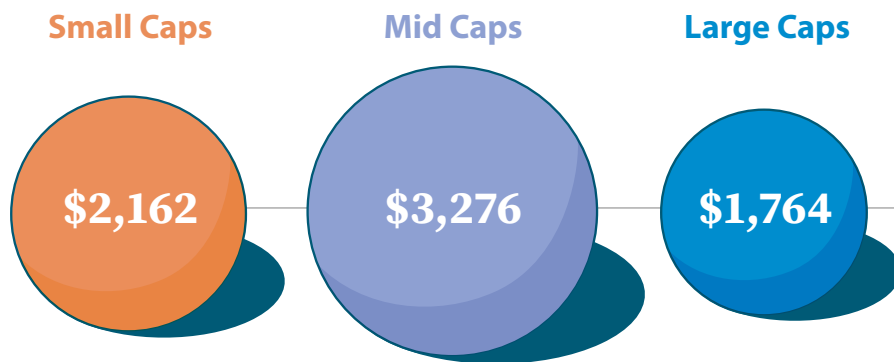
Let's take a closer look at the return potential,
along with the risks to consider.

Higher Returns, Higher Volatility

What would a \$100 investment in small, mid, and large caps made in February 1989 be worth today?

The Trajectory of a \$100 Investment

February 1989 to February 2024



Since February 1989, small caps have returned **23%** more compared to large caps. Mid caps have returned **86%** more.

Yahoo Finance 03/05/2024. Large caps represented by the S&P 500. Mid caps represented by the S&P 400. Small caps represented by the S&P 600. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

Small and mid caps earned a higher return historically, but they also endured greater volatility.

Historical Annualized Volatility of Large Caps, Mid Caps & Small Caps February 1989–2024



Yahoo Finance 03/05/2024. Large caps represented by the S&P 500. Mid caps represented by the S&P 400. Small caps represented by the S&P 600. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece. Volatility, calculated as the annualized standard deviation of monthly returns, measures risk by quantifying the variation in returns.

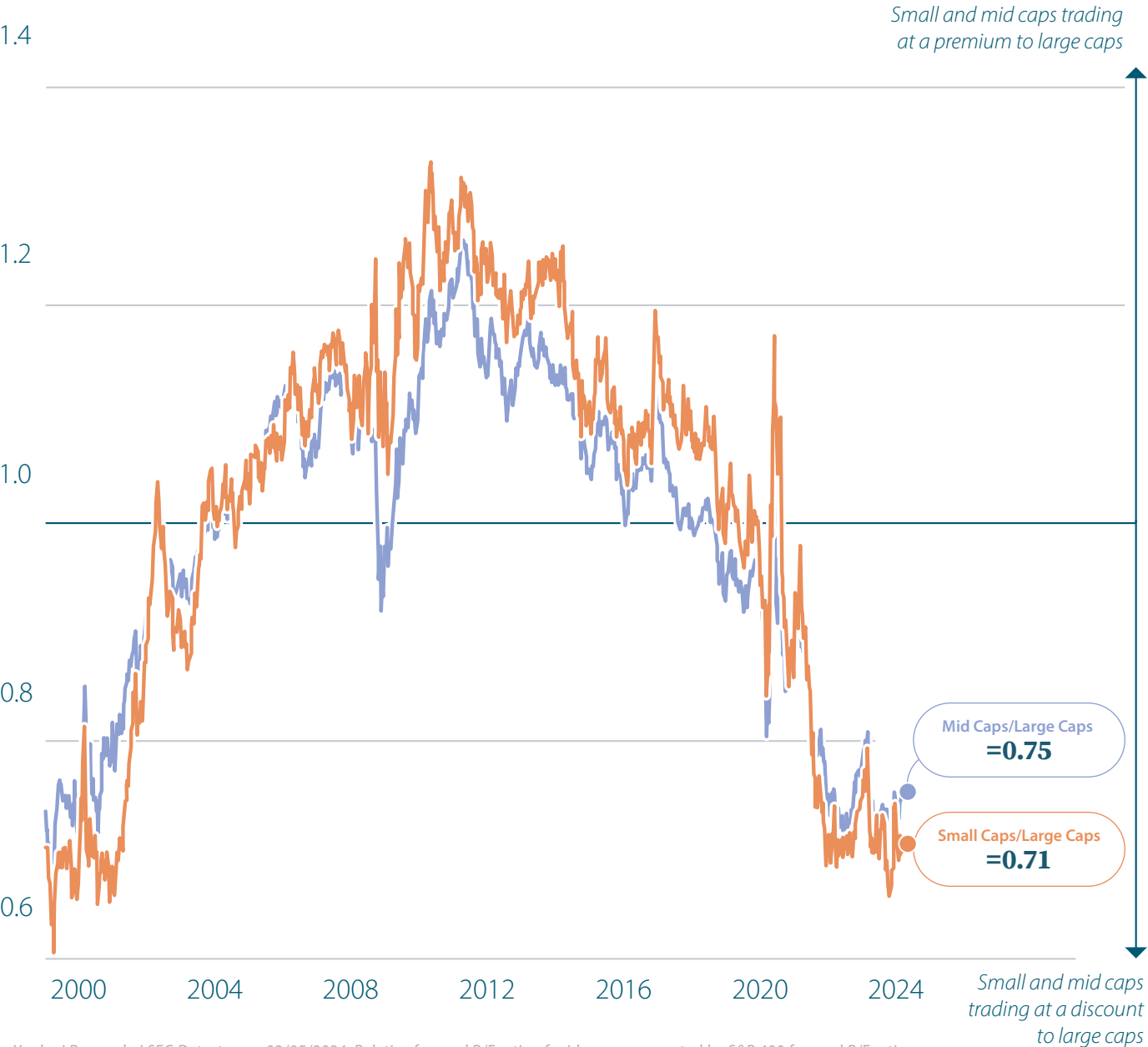
For investors with the risk tolerance to withstand these price swings, current market pricing strengthens the case for stocks of smaller companies.

Attractive Valuations

Small and mid cap stocks are trading at the steepest discount versus large caps since the early 2000s, presenting a compelling entry point.

Relative Forward Price-to-Earnings Ratios

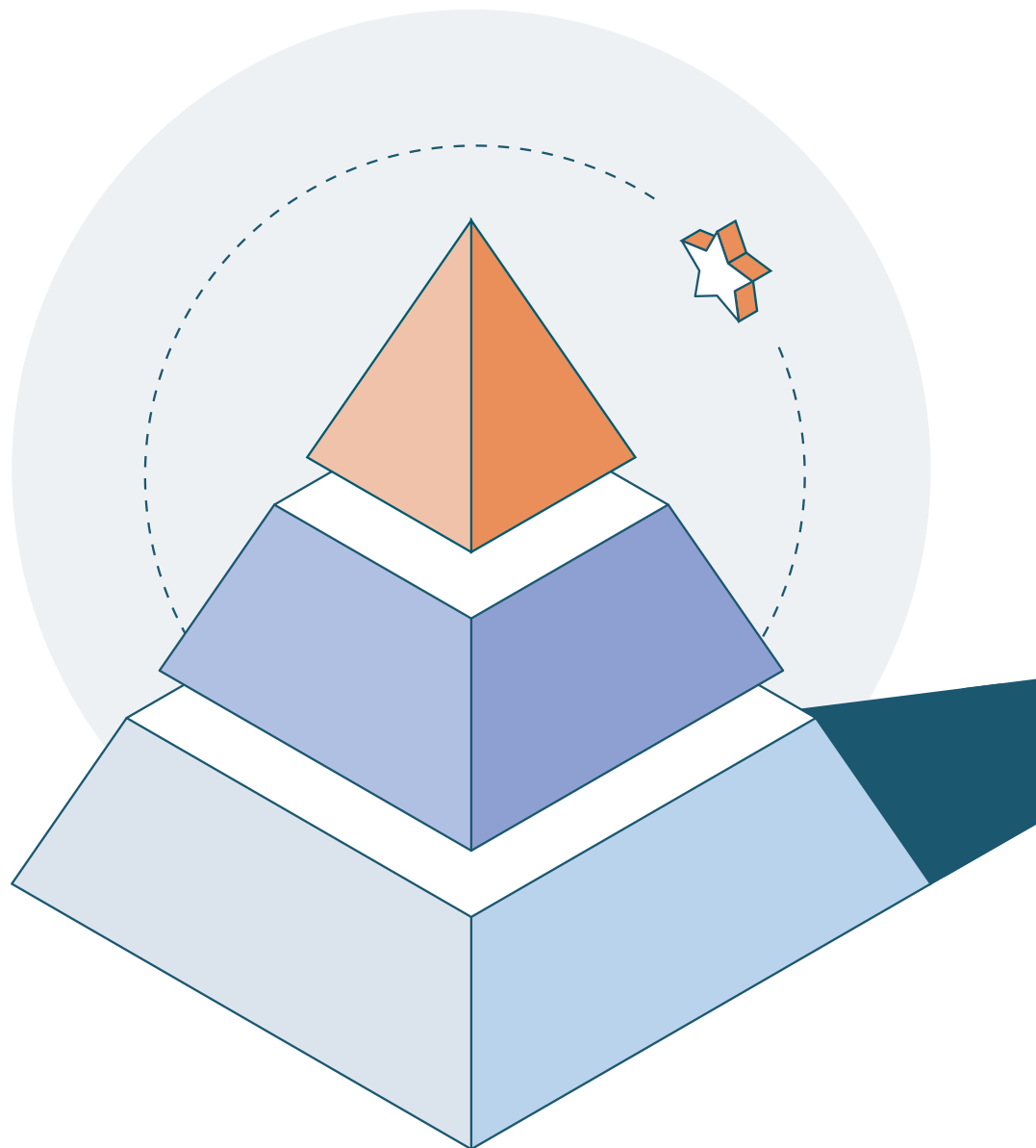
Mid Caps/Large Caps and Small Caps/Large Caps



Yardeni Research, LSEG Datastream. 03/05/2024. Relative forward P/E ratio of mid caps represented by S&P 400 forward P/E ratio divided by S&P 500 forward P/E ratio. Relative forward P/E ratio of small caps represented by S&P 600 forward P/E ratio divided by S&P 500 forward P/E ratio. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece. Past performance is no guarantee of future results.

Discovering Smaller Companies

With small and mid cap stocks, investors capable of withstanding greater volatility can take advantage of higher return potential and attractive valuations.



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The **S&P 500 Index** (also referred to as “the benchmark”) is an unmanaged index that is widely regarded as the standard for measuring large cap U.S. stock market performance. The **S&P 400** is an index that is used to measure mid cap U.S. stock market performance. **The S&P 600** is an index that is used to measure small cap U.S. stock market performance. The forward **P/E ratio** refers to a stock or index’s current share price divided by forecasted earnings per share.

It is not possible to invest directly in an index. Past performance is not indicative of future results. Different time periods may have different results. This material represents an assessment of the market environment as of a specific date; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice.

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