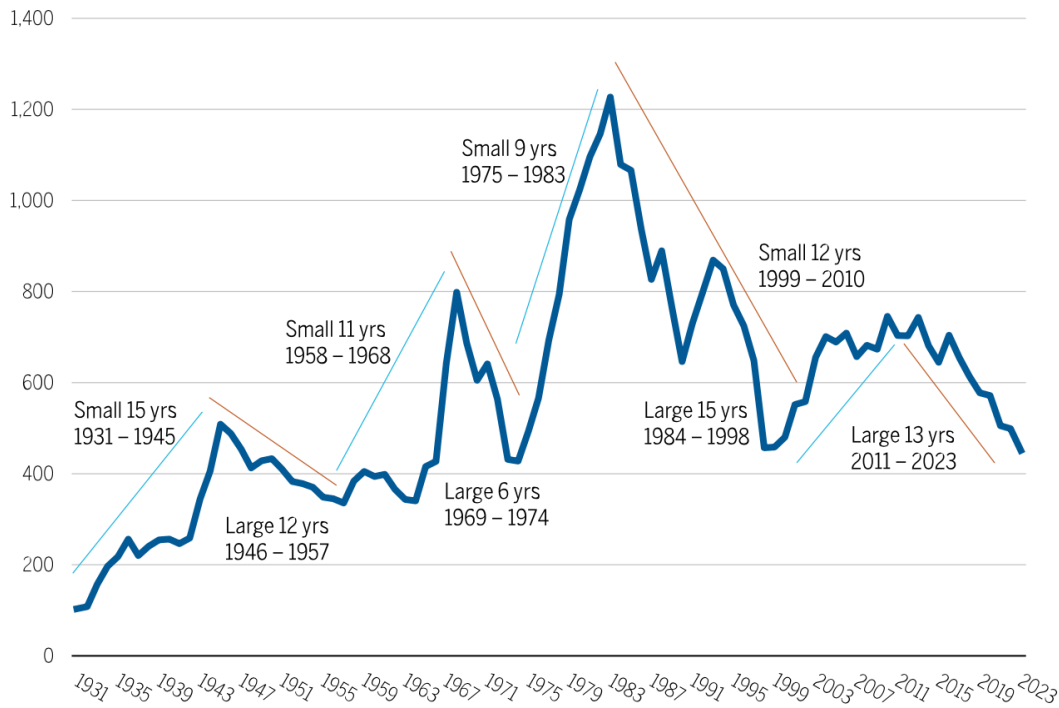


The large cap outperformance cycle lasted longer than average

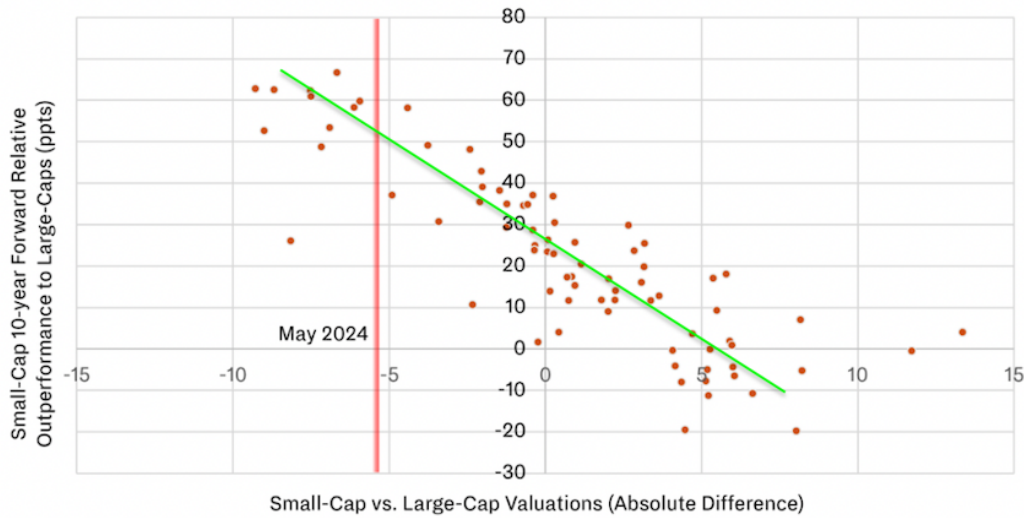


Source: Wellington Management | Relative strength line indexed at 100 at the start of 1931. For illustrative purposes only. Small-cap stocks (Russell 2000 Index) vs large-cap stocks (Russell 1000 Index) for years 1979 to 2023. The dark blue line shows the cumulative average annual outperformance (or underperformance) of small-cap stocks over large-cap stocks in basis points. The light blue and light orange lines indicate periods where one was dominant over the other.

But July 11th marks the end of a 14 year period of Small Cap under performance vs Large Caps. Since then Small Caps are ahead of the Nasdaq with 13.5%



History teaches us that given the current P/E discount, next 10y outperformance of small caps over large caps could be around 50%



Relative performance calculated using Kenneth French's Small Minus Big (SMB) performance data of US equities. Data available at https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Relative Valuations calculated by S&P 600 12-Month Forward P/E premium/discount relative to S&P 500. Data from March 1995 to March 2014.

A long period of underperformance was historically followed by strong outperformance, see red arrow

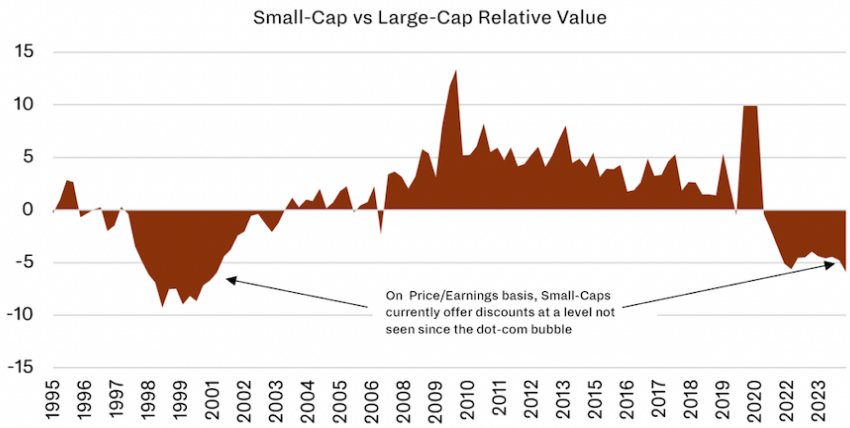
Period	Length (In Years)	Small Caps		Large Caps		Relative Performance		1Yr Subs Relative Perf		3Yr Subs Relative Perf		5Yr Subs Relative Perf	
		Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Jan. 1926 to May 1932	6.3	-81.8	-23.6	-52.6	-11.1	-61.6	-14.0	82.2	82.2	65.5	18.3	144.7	19.6
Feb. 1937 to June 1939	2.3	-48.1	-24.5	-27.7	-13.0	-28.2	-13.2	8.8	8.8	26.2	8.1	81.2	12.6
May 1946 to June 1949	3.1	-35.4	-13.2	-12.6	-4.3	-26.1	-9.3	2.7	2.7	1.6	0.5	-4.6	-0.9
Dec. 1968 to Dec. 1973	5.0	-41.5	-10.2	11.8	2.3	-47.7	-12.2	2.2	2.2	51.1	14.8	112.2	16.2
July 1983 to Oct. 1990	7.3	35.9	4.3	149.3	13.4	-45.5	-8.0	22.2	22.2	40.6	12.0	27.0	4.9
Feb. 1994 to Mar. 1999	5.1	79.1	12.1	219.0	25.6	-43.9	-10.7	23.9	23.9	63.9	17.9	98.3	14.7
Feb. 2014 to Jan. 2016	1.9	-14.4	-7.8	7.3	3.7	-20.2	-11.1	13.3	13.3	5.2	1.7	7.8	1.5
Dec. 2016 to Sept. 23*	6.7	49.8	6.2	119.8	12.4	-31.9	-5.5	?	?	?	?	?	?
Average (Excludes Current)	4.4	-15.2	-9.0	42.1	2.4	-39.0	-11.2	22.2	22.2	36.3	10.5	66.7	9.8

Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies



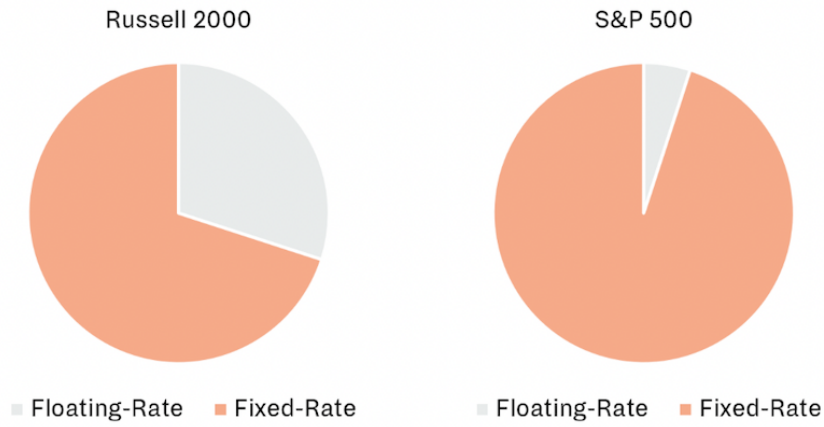
It has been 20 years since an entry moment was this attractive..

Timing is hard, but longer term odds seem in your favour.



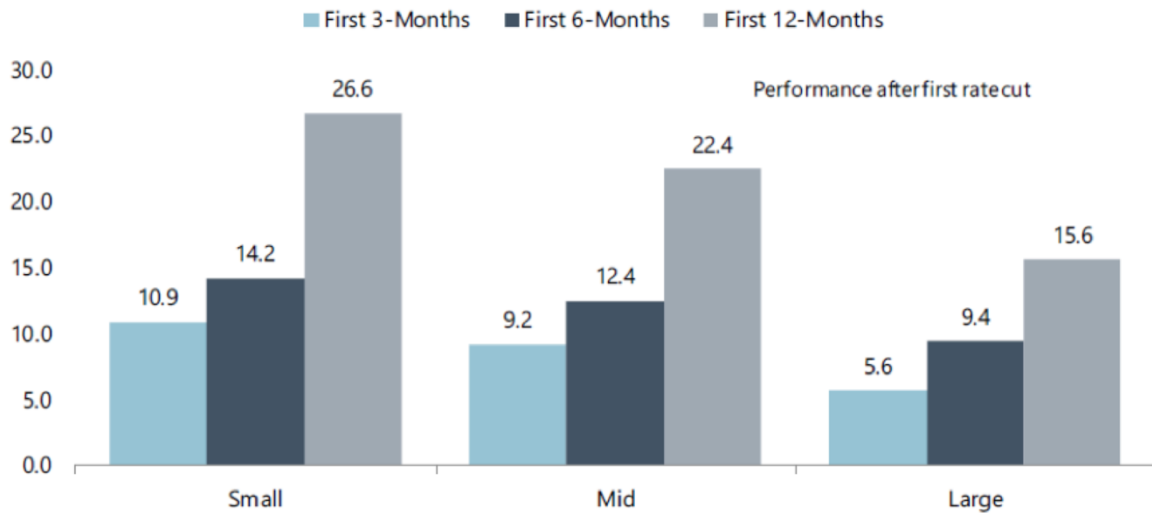
S&P 600 12-Month Forward P/E premium/discount relative to S&P 500

Rate cuts will have a much larger impact on US Small Caps



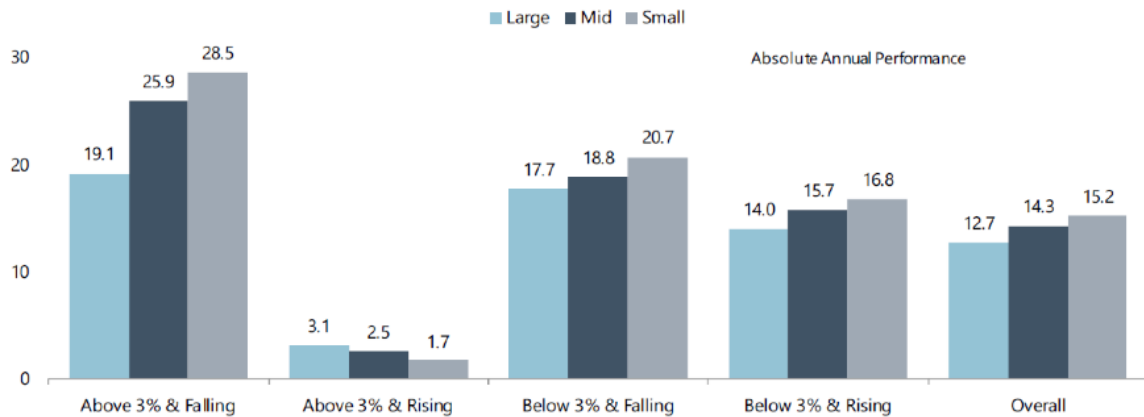
Goldman Sachs Asset Management

In the 12 months after the 1st FED cut US Small Caps outperformed Large Caps with 11%



Note: Used Fed Funds from 1954 until 1963, then used the Discount rate from 1963 until 1994 and Fed Funds rate after that.
 Source: Federal Reserve Board; Haver Analytics; Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferi

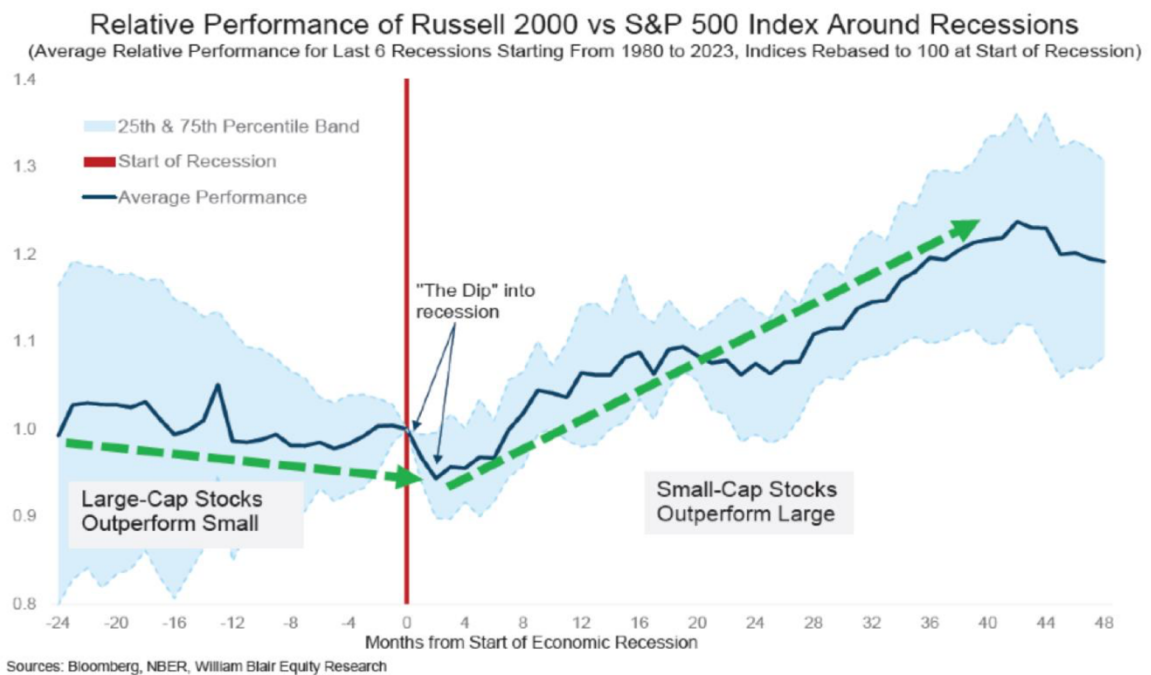
Performance across CPI environments



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies
 *Small represented by Russell 2000, Mid by Russell Midcap, Large by Russell 1000

Small Caps historically start outperforming as soon as a recession starts

Performance Around Recessions (last 6 recessions since 1980)



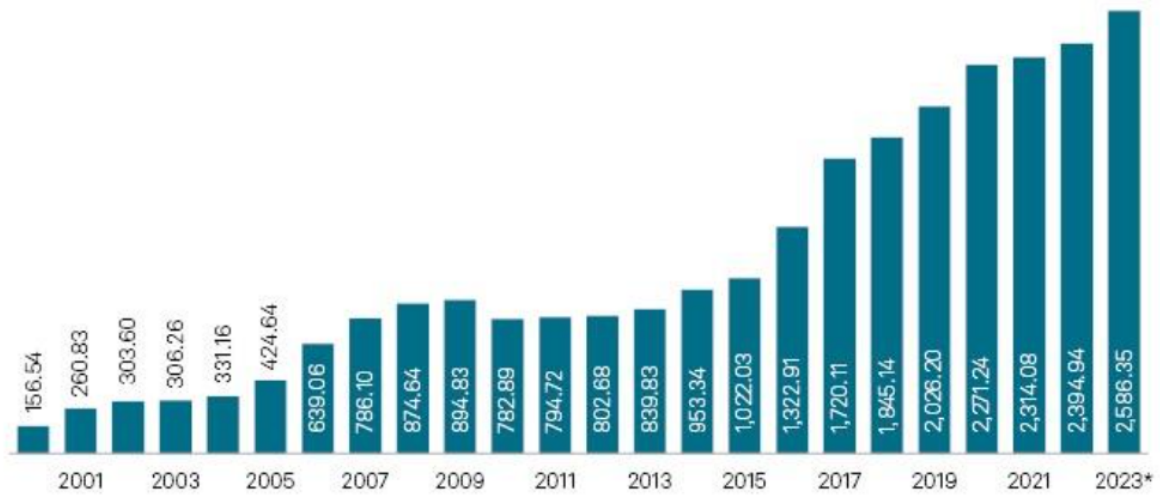
Past performance is not an indicator of future performance.

*Small represented by Russell 2000, Large by S&P 500

If the public markets don't re-rate Small Cap Stocks, the Private markets surely will!

Dry powder in Private Equity is about almost the size of the entire US Small cap market

Global private equity dry powder trend, 2000-2023 (\$B)



Data compiled Dec. 1, 2023.

* Year to date through Dec. 1, 2023.

Analysis includes aggregate dry powder of global private equity funds with vintage year between 2000 and 2023.

Dry powder data is supplemented by Preqin.

Source: S&P Global Market Intelligence.

© 2023 S&P Global.