

Small Cap Market Snapshot

DATA AS OF 8/31/2020

WHAT'S NEW

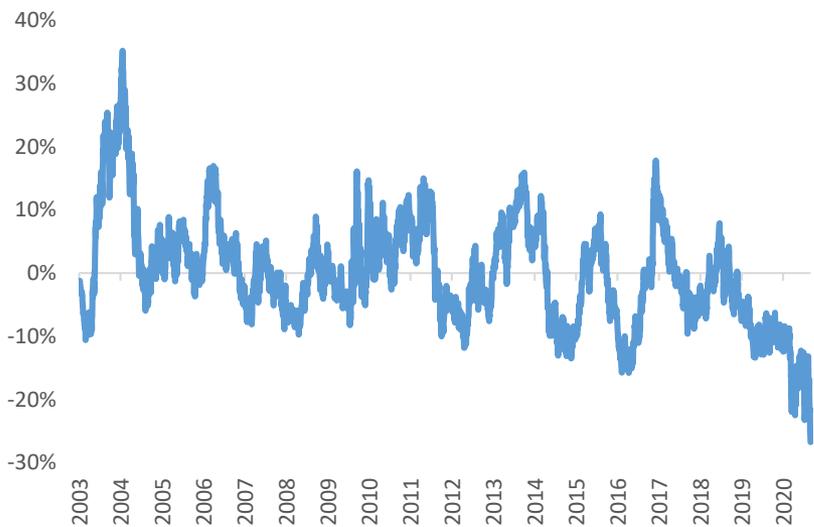
August was another strong month of absolute returns for small cap stocks, driven by excellent earnings results from several companies. One item that caught our attention was the 200 basis points-plus of outperformance by small caps over mid caps during the month. Perhaps we are beginning to see early signs of sustained small cap outperformance—something that typically happens in the early stages of new bull markets.

Another catalyst that could drive small cap stocks higher: Mergers and acquisitions (M&A). Why? (1) Given the spring shut-down, there is likely pent-up demand for M&A activity coming out of COVID and (2) election concerns have people worried that capital gains tax rates may rise, in which case it may make more sense to sell out now at current capital gains tax rates, rather than wait and potentially have to pay higher taxes.

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RUSSELL 2000 GROWTH VS. RUSSELL 1000 GROWTH

300-DAY PERFORMANCE



Past performance is not indicative of future results. This material is provided for internal and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.

MARKET PULSE

MONTH-TO-DATE RETURNS

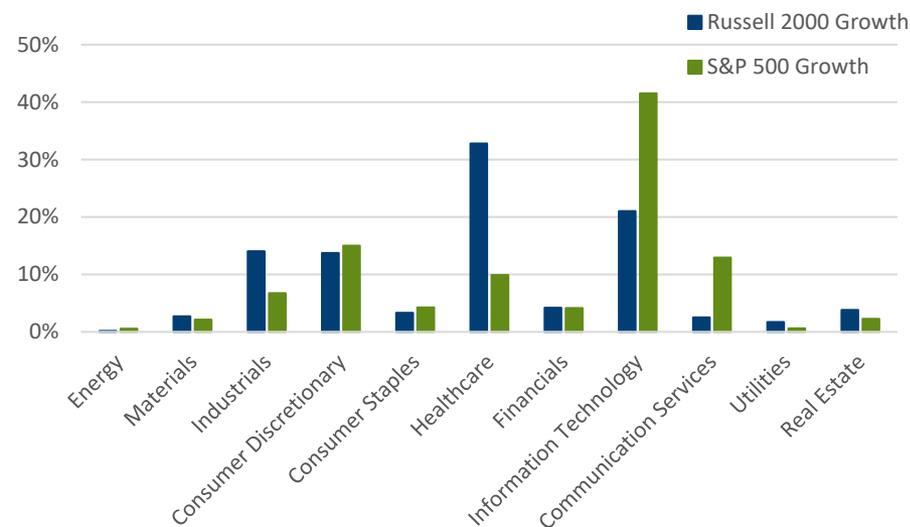
R 2000 VALUE	RUSSELL 2000	R 2000 GROWTH
5.39	5.63	5.87
R MICROCAP VALUE	RUSSELL MICROCAP	R MICROCAP GROWTH
6.33	5.95	5.45

YEAR-TO-DATE RETURNS

R 2000 VALUE	RUSSELL 2000	R 2000 GROWTH
-17.71	-5.53	6.15
R MICROCAP VALUE	RUSSELL MICROCAP	R MICROCAP GROWTH
-16.82	-4.93	10.82

RUSSELL 2000 GROWTH VS. S&P 500 GROWTH

GICS SECTOR ALLOCATIONS (NET)



NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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DATA AS OF 8/31/2020

MORNINGSTAR SMALL GROWTH CATEGORY FLOWS

Data as of 8/31/2020, dollars in millions



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The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. The **S&P 500** Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock-market performance. The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The **Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. You cannot invest directly in an index. The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is published and maintained by FTSE Russell. The **Russell 2000 Value Index** measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell Microcap Index** measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next 1,000 smallest eligible securities by market cap. The **Russell Microcap Growth Index** measures the performance of the microcap growth segment of the U.S. equity market. It includes Russell Microcap companies that are considered more growth oriented relative to the overall market as defined by Russell's leading style methodology. The **Russell Microcap Value Index** measures the performance of the microcap value segment of the U.S. equity market. It includes Russell Microcap companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology.

SMALL CAP GROWTH AS A DIVERSIFIER

The portfolio effect of increasing exposure to small caps

Data from 9/1/2000 to 8/31/2020

	Annualized Return	Standard Deviation	Sharpe Ratio	Excess Return
100% LARGE CAP EQUITY S&P 500	6.34%	15.02%	0.38	0.00%
90% LARGE CAP/10% SMALL CAP GROWTH	6.42%	15.31%	0.38	0.09%
80% LARGE CAP/20% SMALL CAP GROWTH	6.50%	15.64%	0.38	0.17%
100% SMALL CAP GROWTH Russell 2000 Index	6.91%	19.80%	0.36	0.57%

The **S&P 500 Growth Index** measures growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500. **Standard deviation** is a measure of volatility. **Sharpe ratio** is a calculation that reflects the reward per each unit of risk in a portfolio. The higher the ratio, the better the portfolio's risk-adjusted return is.