

# Small Cap Market Snapshot

DATA AS OF 5/31/2021

## WHAT'S NEW

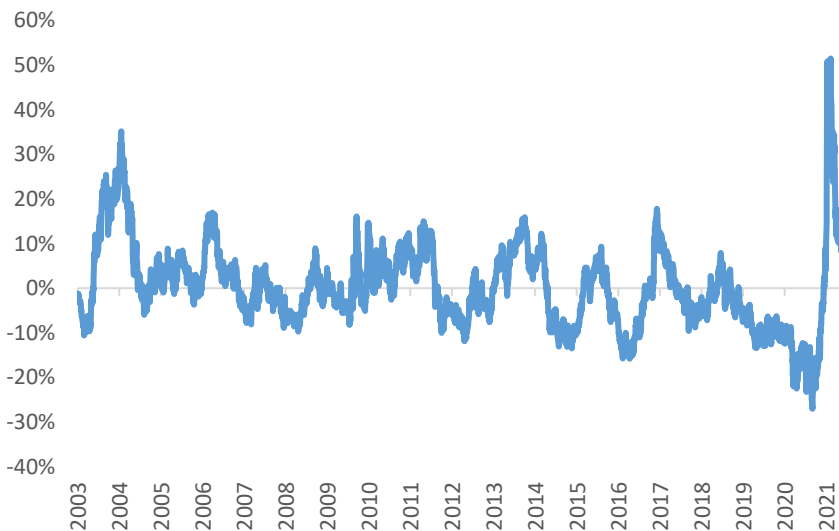
Call it a tie...During May, large caps beat small caps, but by only 26 basis points (Russell 2000 less Russell 1000). I'm making a bold prediction: the relative correction in small caps is over! The pullback over the last few weeks has been substantial but, importantly, is getting much less intense. Also, the intermediate to long term setup for small caps looks too good for this correction to last much longer.

Here is the equation I keep coming back to: fundamental momentum (rising sales and earnings estimates) + intermediate term price momentum + inexpensive relative valuation = high probability of outperformance. Regarding valuation, despite year-to-date outperformance by small caps, the asset class still looks cheap vs. large caps, currently sitting at the inexpensive 22<sup>nd</sup> percentile. Also, don't be surprised if the micro caps perform disproportionately well over the coming months and years—they not only are the smallest of the small, but they are also the cheapest of the cheap.

*Brandon M. Nelson, CFA, Calamos Senior Portfolio Manager*

## 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

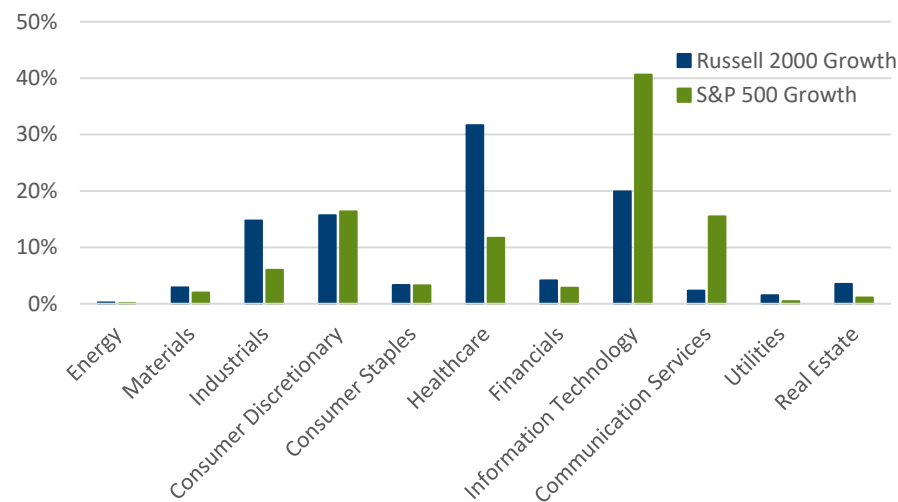
R 2000 VALUE	RUSSELL 2000	R 2000 GROWTH
3.11	0.21	-2.86
R MICROCAP VALUE	RUSSELL MICROCAP	R MICROCAP GROWTH
4.32	1.64	-2.12

### YEAR-TO-DATE RETURNS

R 2000 VALUE	RUSSELL 2000	R 2000 GROWTH
27.47	15.30	4.10
R MICROCAP VALUE	RUSSELL MICROCAP	R MICROCAP GROWTH
36.51	26.25	13.37

## RUSSELL 2000 GROWTH VS. S&P 500 GROWTH

### GICS SECTOR ALLOCATIONS (NET)



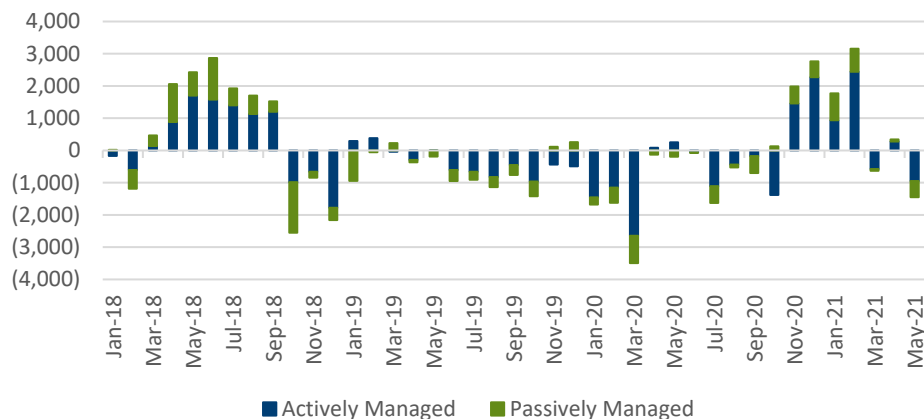
**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

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## MORNINGSTAR SMALL GROWTH CATEGORY FLOWS

Data as of 5/31/2021, dollars in millions



### Past performance is no guarantee of future results.

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 6/1/2001 to 5/31/2021

	Annualized Return	Standard Deviation	Sharpe Ratio	Excess Return
100% LARGE CAP EQUITY S&P 500	8.35%	14.81%	0.53	0.00%
90% LARGE CAP/10% SMALL CAP GROWTH	8.47%	15.12%	0.53	0.12%
80% LARGE CAP/20% SMALL CAP GROWTH	8.59%	15.48%	0.52	0.24%
100% SMALL CAP GROWTH Russell 2000 Index	9.34%	19.87%	0.48	0.99%

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.