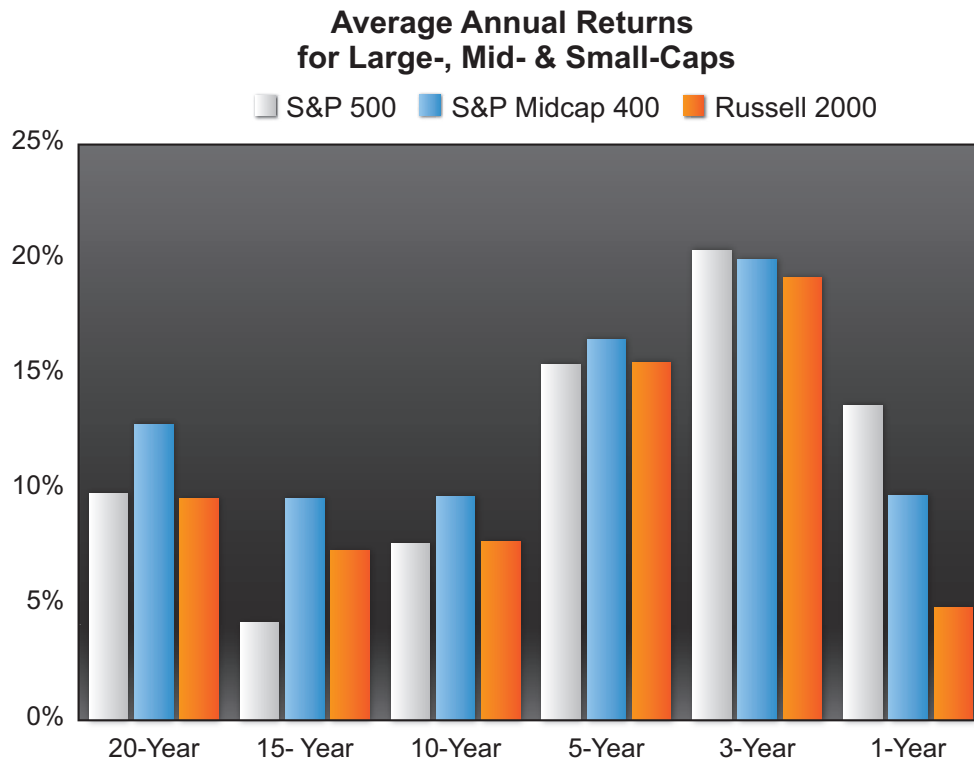


Large-Capitalization Stocks Extend Leadership Role To Three Years



View from the Observation Deck

1. Prior to the past three years (2012-2014), the last time the S&P 500 outperformed both mid- and small-capitalization stocks for an extended period of time was in the latter half of the 1990s. Then came a bear market (3/00-10/02).
2. From 2000-2011, the S&P Midcap 400 Index posted an average annual total return of 9.64%, well above the 7.37% and 4.24% average annual total returns posted by the Russell 2000 Index and the S&P 500.
3. That period (2000-2011) included the 10-year stretch (2000-2009) referred to by some as the "Lost Decade" for large-cap stocks, due to the fact that the S&P 500 posted an average annual total return of -0.95% for the period.
4. In 2014, the S&P 500 posted a total return of 13.69%, well above the 9.77% and 4.89% total returns posted by the S&P Midcap 400 Index and Russell 2000 Index.
5. Does this suggest that large-cap stocks have the edge moving forward? That is where things get a bit interesting, in our opinion. It could depend a great deal on the strength of the economy.
6. The current U.S. economic recovery is 66 months old (6/30/09-12/31/14). From 6/30/09-9/30/14, GDP growth averaged 2.2%, according to the Bureau of Economic Analysis (BEA).
7. The past two quarters (Q2'14 & Q3'14), however, produced annualized GDP growth rates of 4.6% and 5.0%, respectively, according to the BEA.
8. If U.S. GDP growth rates even manage to exceed 3.0% in 2015, we believe it could be enough to reignite interest in mid- and small-cap stocks.
9. We will monitor this story moving forward.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The S&P Midcap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the total market capitalization of the Russell 3000.