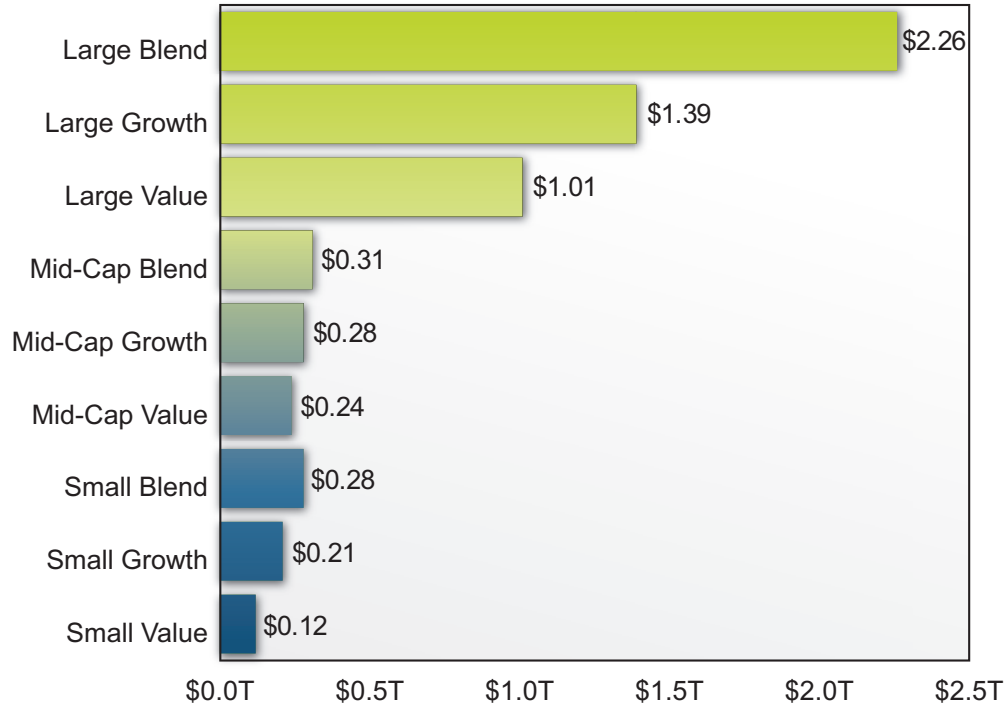


# Many Investors Could Be Underweight Mid- & Small-Cap Stocks

**Total Net Assets In Large-, Mid- & Small-Cap Funds/ETFs**  
Total Net Assets, In Trillions



Source: Morningstar (Fund Categories). As of 10/31/15.

## View from the Observation Deck

1. Today's blog post focuses on equity asset allocation via market capitalization (market cap). In other words, how much capital do investors commit to U.S. large-, mid- and small-cap stocks. We use mutual fund and exchange-traded fund (ETF) asset levels as a barometer.
2. As indicated in the chart, as of 10/31/15, investors had committed a combined \$4.7 trillion to the three large-cap categories, while committing just \$831.0 billion and \$605.0 billion, respectively, to the mid- and small-cap categories.
3. Overall, of the \$6.1 trillion allocated to these nine categories, 77% is in large-cap stock portfolios.
4. In all three of the market caps featured in the chart, investors have favored the blended portfolios, which have exposure to growth and value stocks.
5. While risk tolerance is always an important factor in determining where to allocate investment capital, the fact that mutual fund and ETF investors have just 23% of their capital earmarked for U.S. stocks in mid- and small-caps is a bit surprising, in our opinion.
6. From 12/31/99 through 11/30/15, a period that included two severe bear markets, the S&P 500 Index posted a cumulative total return of 92.09%, compared to 322.82% and 306.56%, respectively, for the S&P SmallCap 600 Index and the S&P MidCap 400 Index, according to Bloomberg. In addition to outperforming their large-cap counterparts in the new millennium, Small- and mid-caps have outperformed in the current decade.
7. From 12/31/09 through 11/30/15, the S&P 500 Index posted a cumulative total return of 111.31%, compared to 128.36% and 119.44%, respectively, for the S&P SmallCap 600 Index and the S&P MidCap 400 Index, according to Bloomberg.
8. Bloomberg's 2016 consensus earnings growth estimates for the S&P 500, S&P MidCap 400 and S&P SmallCap 600 indices were 9.01%, 9.73% and 15.96%, respectively, as of 12/1/15.

*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. There can be no assurance that any of the projections cited will occur. 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 S&P Small Cap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization.*