

# Snapshot of U.S. Equity Styles/Market Caps

## Y-T-D Total Returns, Earnings Growth Rates & Price-to-Earnings (P/E) Ratios For U.S. Styles/Market Caps

| Index                              | Y-T-D Total Returns | 2016 EPS Growth Est. | 2016 P/E Est. | 2017 EPS Growth Est. | 2017 P/E Est. | 3-Year Avg. P/E |
|------------------------------------|---------------------|----------------------|---------------|----------------------|---------------|-----------------|
| <b>S&amp;P 500 Growth</b>          | 5.96%               | 15.76%               | 20.10         | 12.16%               | 17.92         | 21.05           |
| <b>S&amp;P 500 Value</b>           | 9.77%               | 5.68%                | 17.16         | 14.07%               | 15.04         | 15.73           |
| <b>S&amp;P MidCap 400 Growth</b>   | 11.10%              | 15.63%               | 21.57         | 10.71%               | 19.48         | 24.26           |
| <b>S&amp;P MidCap 400 Value</b>    | 15.22%              | 7.42%                | 19.59         | 13.12%               | 17.32         | 19.82           |
| <b>S&amp;P SmallCap 600 Growth</b> | 10.88%              | 20.28%               | 21.88         | 14.65%               | 19.09         | 25.54           |
| <b>S&amp;P SmallCap 600 Value</b>  | 15.66%              | 20.10%               | 20.44         | 18.01%               | 17.32         | 24.15           |

Source: Bloomberg. Data thru 8/31/16. EPS growth and P/Es are consensus estimates.

### View from the Observation Deck

1. Today's blog post is intended to expose potential opportunities within the growth and value styles of investing, as well as by market capitalization (market cap).
2. At any given time, the equities markets are likely being led up or down by one of the three market cap classifications (large-cap, mid-cap or small-cap). Often this leadership role can be held for a multi-year period.
3. From 1995-1999, large-cap stocks outperformed their mid- and small-cap counterparts by a sizable margin. From 2000-2012, mid- and small-caps outperformed large-caps by an even bigger margin.
4. From 12/31/12 through 8/31/16, the three indices have posted similar gains. The S&P 500, S&P MidCap 400 and the S&P SmallCap 600 indices posted cumulative total returns of 64.52%, 62.16% and 65.76%, respectively.
5. Value stocks have the edge year-to-date through 8/31/16, with the S&P SmallCap 600 Value Index as the top performer. Growth stocks outperformed value stocks in each of the three respective market caps in 2015.
6. With the exception of small-caps, growth stocks have a significant edge in 2016 with respect to earnings growth rate estimates, but the prospects for value stocks relative to their growth counterparts look better in 2017 (see chart).
7. Five of the six indices have 2016 estimated year-end P/E ratios below their respective three-year averages as of 8/31/16. The only one that does not is the S&P 500 Value Index. All six indices have 2017 estimated year-end P/Es below their respective three-year averages.

*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. There can be no assurance that any of the projections cited will occur. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 indices are capitalization-weighted indices designed to measure large-capitalization, mid-capitalization and small-capitalization U.S. stock market performance. The Growth and Value sub-indices of the S&P 500, S&P MidCap 400 and S&P SmallCap 600 indices are designed to measure the performance of growth stocks and value stocks, respectively, within the S&P 500, S&P MidCap 400 and S&P SmallCap 600 indices.*