

A Snapshot of U.S. 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 | 2018 EPS Growth Est. | 2018 P/E Est. | 2019 EPS Growth Est. | 2019 P/E Est. | 3-Year Avg. P/E |
|------------------------------------|---------------------|----------------------|---------------|----------------------|---------------|-----------------|
| S&P 500 Growth | 13.44% | 19.21% | 20.93 | 11.79% | 18.72 | 23.37 |
| S&P 500 Value | 2.47% | 21.48% | 15.01 | 9.24% | 13.74 | 17.70 |
| S&P MidCap 400 Growth | 8.14% | 23.69% | 20.49 | 11.70% | 18.35 | 25.20 |
| S&P MidCap 400 Value | 5.70% | 28.30% | 16.80 | 11.39% | 15.08 | 20.61 |
| S&P SmallCap 600 Growth | 18.56% | 44.04% | 22.43 | 14.97% | 19.51 | 27.51 |
| S&P SmallCap 600 Value | 10.39% | 36.84% | 18.28 | 15.38% | 15.85 | 24.50 |

Source: Bloomberg. YTD total returns and EPS data as of 8/7/18. P/E data as of 8/8/18. EPS growth and P/Es are consensus estimates. Past performance is no guarantee of future results.

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 8/7/18, small-cap stocks performed the best. The S&P 500, S&P MidCap 400 and the S&P SmallCap 600 Indices posted cumulative total returns of 125.00%, 115.21% and 140.14%, respectively, according to Bloomberg.
5. Growth stocks have the edge year-to-date through 8/7/18 (see table), with the S&P SmallCap 600 Growth Index as the top performer. Growth stocks also outperformed value stocks in each of the three respective market caps in 2017, according to Bloomberg.
6. All six indices have 2018 and 2019 consensus estimated year-end P/E ratios below their respective three-year averages as of 8/8/18.

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 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) 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 SmallCap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. 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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.