

Sector Performance Via Market Cap

Large-, Mid- & Small-Cap Total Returns

■ 12/31/21 – 12/30/22 ■ YTD – 1/17/23

Category	S&P 500		S&P MidCap 400		S&P SmallCap 600	
Index	-18.13%	4.01%	-13.12%	6.02%	-16.15%	6.70%
Comm. Services	-39.89%	7.18%	-20.40%	9.46%	-34.51%	11.51%
Consumer Disc.	-37.03%	8.22%	-21.03%	9.70%	-27.84%	11.21%
Consumer Staples	-0.62%	0.30%	-0.77%	4.07%	-6.50%	4.75%
Energy	65.43%	2.81%	36.63%	3.24%	47.62%	3.44%
Financials	-10.57%	4.82%	-3.48%	4.03%	-14.12%	3.91%
Health Care	-1.95%	-0.78%	-20.05%	2.14%	-26.32%	5.49%
Industrials	-5.51%	3.41%	-11.51%	5.91%	-9.52%	5.49%
Info. Tech.	-28.19%	5.33%	-20.47%	8.62%	-22.37%	8.87%
Materials	-12.28%	6.75%	-2.73%	8.14%	-6.09%	10.32%
Real Estate	-26.21%	7.10%	-26.35%	6.54%	-29.50%	7.93%
Utilities	1.56%	1.03%	-0.15%	1.79%	-1.84%	1.26%

Source: Bloomberg. **Past performance is no guarantee of future results.**

VIEW FROM THE OBSERVATION DECK

- Small-cap and mid-cap stocks outperformed their large-cap counterpart in 2022 and the trend continues in 2023

To put it bluntly, U.S. mid and small-sized companies offer better valuations than their larger counterpart. The price-to-earnings (P/E) ratios of the S&P Mid-Cap 400 and S&P Small-Cap 600 indices were 14.81 and 15.20, respectively, as of 1/18/23, whereas the P/E ratio of the S&P 500 stood at 19.06. Comparing current P/E's to their 10-year averages reveals an even larger disparity across market capitalizations. The 10-year average monthly P/E ratios for the indices in today's table are: 20.31 (S&P 500), 21.74 (S&P MidCap 400) and 26.92 (S&P SmallCap 600). Even with their recent outperformance, mid and small-cap companies continue to offer an incredible value, in our opinion.

- Sector performance can vary significantly by market cap

Technology stocks, which were the third-worst performing sector in 2022, made up more than 26% of the weight of the S&P 500 Index as of 1/18/23. For comparison, information technology comprised just over 12% and 13% of the MidCap and SmallCap indices, respectively. Similarly, the S&P 500 Index Health Care sector performed relatively well in 2022, but its mid-cap and small-cap counterparts suffered significant losses over the period (see the table above).

TAKEAWAY

Valuations for the mid and small-cap indices are incredibly compelling, in our opinion. Mid-cap and small-cap companies outperformed large-cap names in 2022 and continue to do so in 2023 as investors take advantage of P/E ratios that are well-below their historical averages. If you aren't already, it may be time to start thinking smaller!

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 an unmanaged index of 500 companies 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 11 major sector indices are capitalization-weighted and comprised of S&P 500, S&P MidCap 400 and S&P SmallCap 600 constituents representing a specific sector.

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