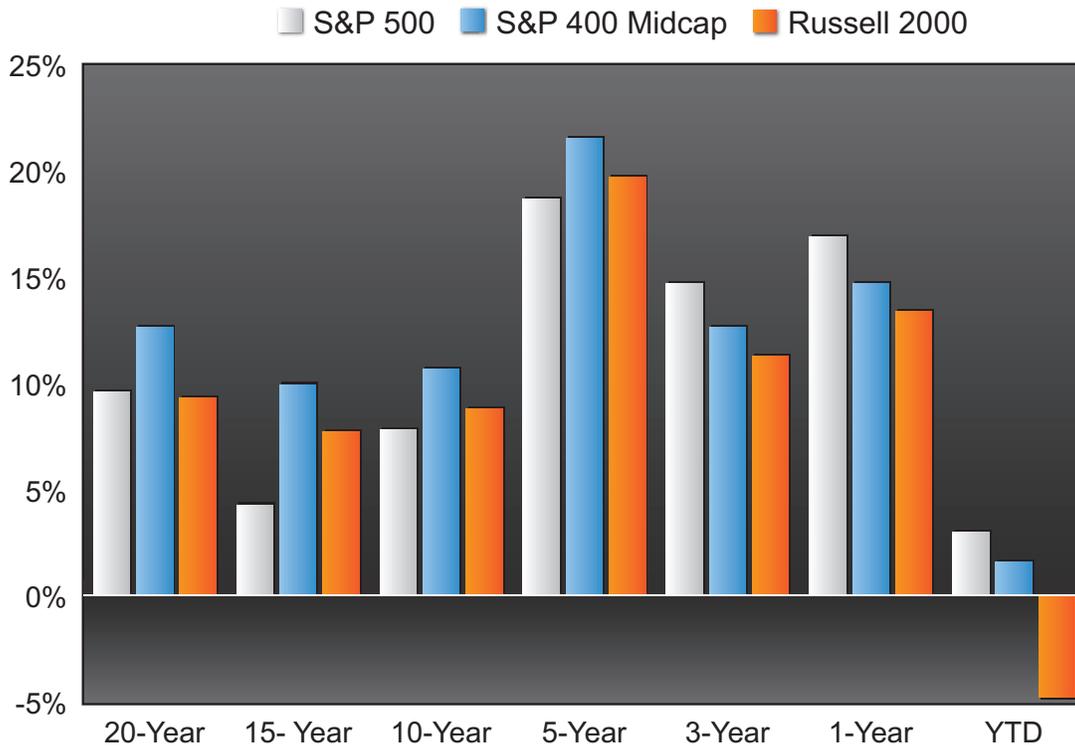


# Large-Capitalization Stocks Slowly Taking Over The Leadership Role In The Market

## YTD & Average Annual Returns for Large-, Mid- & Small-Caps



Source: Bloomberg. All returns through 5/14/14. Past performance is no guarantee of future results.

### View from the Observation Deck

1. Today's blog post is an updated version of one we did on 7/31/12. At that time, we were discussing how large-capitalization stocks (S&P 500) were beginning to outperform their mid- and small-capitalization counterparts.
2. Using data through 6/30/12, we showed that the S&P 500 had outperformed the S&P 400 Midcap Index and Russell 2000 Index on a year-to-date and 1-year basis, but still lagged the other time periods referenced in the chart.
3. Due to the relatively limited time span, we wondered if it truly represented an actual change in leadership. Large-Cap stocks had not held that role since the late 1990s. That role was filled by mid-cap stocks.
4. As indicated in the chart, the S&P 500 has now outperformed the S&P 400 Midcap Index and the Russell 2000 Index year-to-date, and for the 1- and 3-year periods ended 5/14/14.
5. While small- and mid-caps tend to lead the stock market higher coming out of a recession, because they tend to underperform during recessions, the current economic recovery will be turning five years old on 6/30/14.
6. 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 400 Midcap 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.*