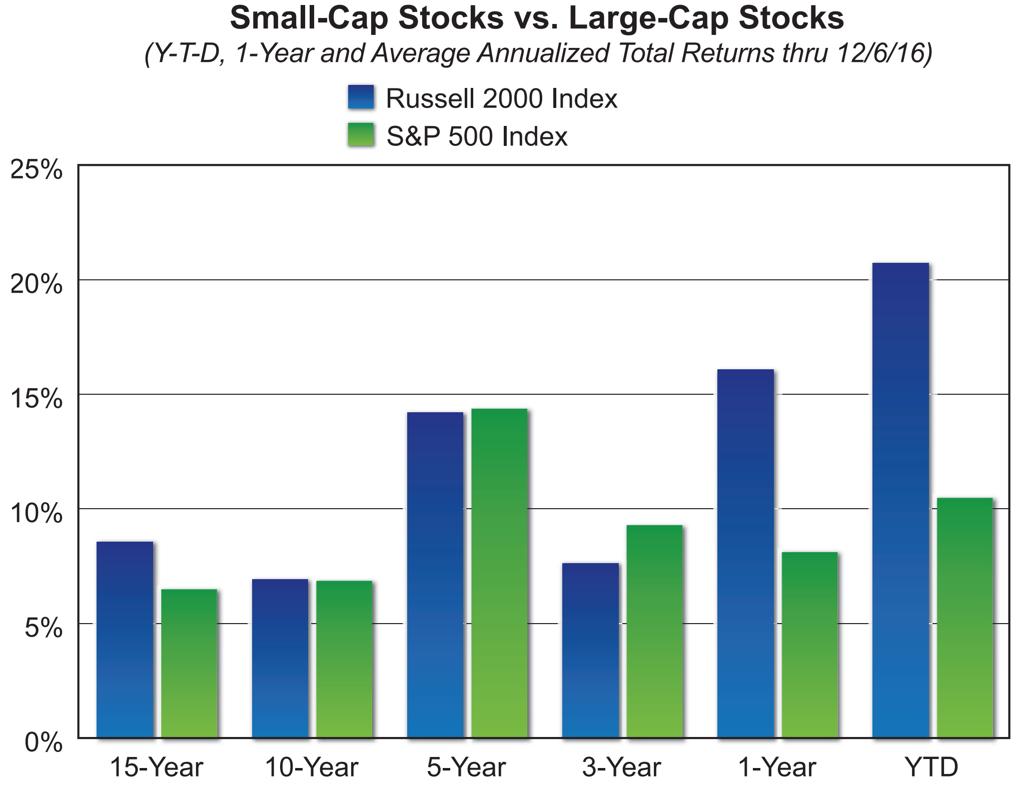
A Snapshot of Small-Cap Stocks vs. Large-Cap Stocks



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

View from the Observation Deck

1. Small-capitalization (cap) stocks are inherently more risky than their large-cap counterparts. Currently, the beta (a measure of volatility relative to the market) on the Russell 2000 Index is 1.198, compared to 1.000 for the S&P 500 Index, or approximately 20% more risk, according to Bloomberg.
2. When investing one's capital, the risk/reward relationship suggests that the greater the amount of risk an investor is willing to take, the greater the potential return. There needs to be additional compensation for taking on more risk.
3. From 1926 through 2015 (90 years), Ibbotson Associates/Morningstar data shows that U.S. Small Stocks posted an average annual total return of 11.98%, compared to 10.02% for the S&P 500 Index, which equates to 19.6% more return, on average.
4. In today's chart, the Russell 2000 Index outperformed the S&P 500 Index in four of the six periods. The year-to-date comparison is notably in favor of small-caps. The only two periods of outperformance for the S&P 500 Index were the 3- and 5-year periods ended 12/6/16.
5. The returns were as follows (Russell 2000 vs. S&P 500): 15-yr. average annualized (8.56% vs. 6.49%); 10-yr. average annualized (6.92% vs. 6.86%); 5-yr. average annualized (14.21% vs. 14.37%); 3-yr. average annualized (7.62% vs. 9.29%); 1-yr. (16.07% vs. 8.11%) and Y-T-D (20.73% vs. 10.48%).
6. Investors have committed much more of their capital to large-cap mutual funds and exchange-traded funds (ETFs) than small-cap funds and ETFs. As of 10/31/16, the amount invested in large-cap funds and ETFs (Large Blend, Large Growth & Large Value) totaled $4.73 trillion, compared to only $599 billion for small-cap funds and ETFs (Small Blend, Small Growth & Small Value), according to Morningstar.

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 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.