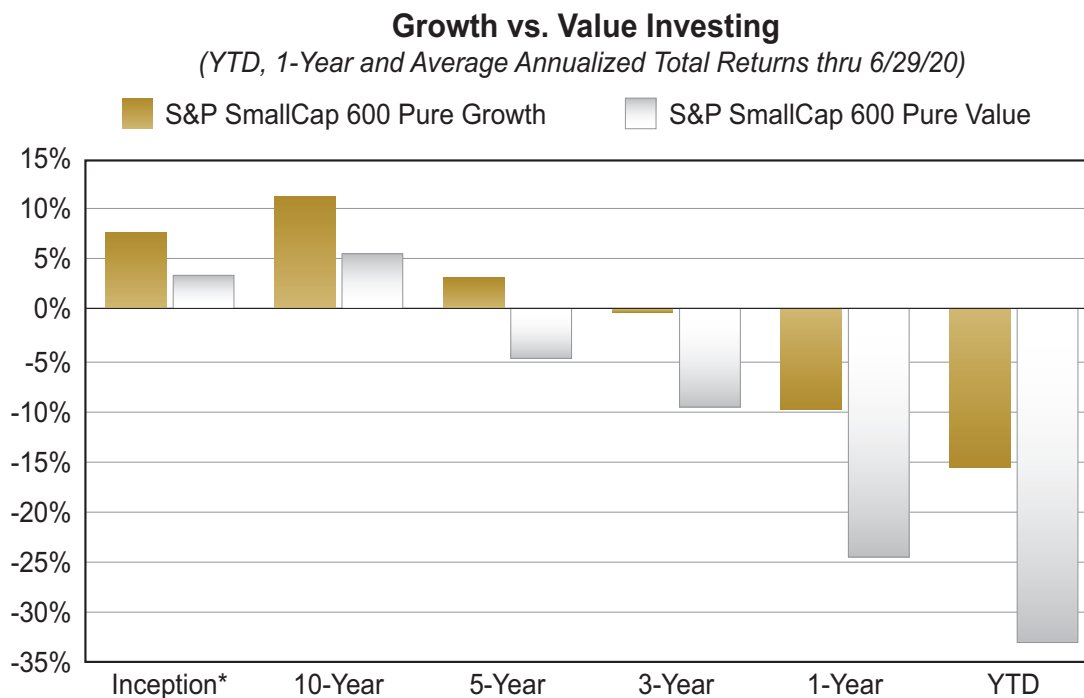


A Snapshot Of Growth vs. Value Investing (Small-Caps)



Source: Bloomberg. **Past performance is no guarantee of future results.** *Inception date for these indices is 12/16/05.

View from the Observation Deck

1. Due to the COVID-19 pandemic, small-capitalization (cap) stocks are off to a really rough start in 2020.
2. We intend to update this post on small-cap stocks moving forward so that investors can see which of the two styles (growth or value) have delivered the best results.
3. The S&P SmallCap 600 Index closed at 820.26 on 6/29/20. It stood 25.32% below its all-time closing high of 1,098.36 on 8/31/18, according to Bloomberg. The 8/31/18 high was set nearly two years ago, another indication that small-cap stocks have been struggling for some time.
4. The S&P SmallCap 600 Pure Growth Index outperformed its value counterpart in all six periods featured in the chart.
5. The returns through 6/29/20 were as follows (Pure Growth vs. Pure Value): Since Inception (12/16/05) average annualized (7.61% vs. 3.31%); 10-year average annualized (11.16% vs. 5.47%); 5-year average annualized (3.05% vs. -5.00%); 3-year average annualized (-0.37% vs. -9.86%); 1-year (-10.09% vs. -24.86%) and year-to-date (-15.87% vs. -33.41%).
6. As of 6/29/20, the largest sector weighting in the S&P Small-Cap 600 Pure Growth Index was Information Technology at 23.8%. The largest sector in the S&P SmallCap 600 Value Index was Consumer Discretionary at 24.7%, according to S&P Dow Jones Indices.
7. Small-cap stocks have struggled more than their larger counterparts year-to-date and over the past year. Small-cap stocks inherently carry a higher degree of market risk than do large-cap stocks. The U.S., for all intents and purposes, is currently in the midst of a recession. Due in part to a large portion of Americans sheltering in place during this pandemic, small businesses are suffering much worse than larger companies that have more resources to endure revenue losses and adjust to the dislocation, according to *Kiplinger*.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P SmallCap 600 Index is an unmanaged index of 600 stocks used to measure small-cap U.S. stock market performance. The S&P SmallCap 600 Pure Growth Index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest growth characteristics based on three factors: sales growth, the ratio of earnings-change to price, and momentum. It includes only those components of the parent index that exhibit strong growth characteristics, and weights them by growth score. Constituents are drawn from the S&P SmallCap 600 Index. The S&P SmallCap 600 Pure Value Index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest value characteristics based on three factors: the ratios of book value, earnings, and sales to price. It includes only those components of the parent index that exhibit strong value characteristics, and weights them by value score.

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, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.