

# Cash Flow and Carey



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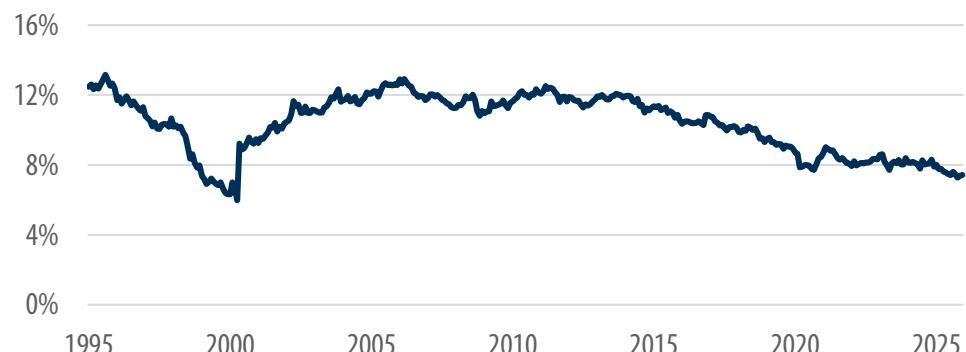


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## Just a SMIDge

### SMID Percent of S&P 1500 Market Cap



Bloomberg. Monthly data Jan 1995 - Dec 2025.

### View from the Observation Deck

Today's chart highlights changes in the share of small and mid-sized ("SMID") companies that comprise the broader S&P 1500 Index, over time. The chart spans nearly 31 years of monthly data from January 1995 through December 2025. For reference, the S&P 1500 Index is an aggregate of the S&P 500, S&P Midcap 400, and S&P Smallcap 600 Indices.

**SMID companies' share of the broader S&P 1500 Index has been slowly eroding, with the trend accelerating over the past decade.**

As we see it, several major catalysts lured investors from SMID cap stocks in recent years. Interest rate policy likely played a role, with higher capital costs weighing more heavily on smaller companies' profitability. We also see geopolitical concerns and fallout from COVID lockdowns contributing to this trend, especially given perceived stability offered by larger, established companies. Finally, no recent market discussion is complete without an examination of AI and its potential to revolutionize personal and corporate efficiency.

**Historically, SMID cap stocks accounted for 10.4% of the S&P 1500 Index, on average.**

In December 2025, SMID cap stocks represented just 7.4% of the S&P 1500 Index, well below the average in today's chart. Notably, SMID's share of the index stood at just 7.3% in October 2025, its lowest level since April 2000 when it was just 6.0%.

**Investors are heavily allocated to the largest stocks within the S&P 500 Index.**

Data from FactSet shows that the ten largest companies in the S&P 500 Index accounted for 38.2% of the index's weight on 1/23/26.惊异的是, just 30% of S&P 500 Index members outperformed the index itself in 2025, up from 28% in 2024 and 27% (the lowest on record) in 2023, according to data from CapitalQ.

**Despite this narrow breadth, the S&P 500 Index has seen incredible growth recently, posting total returns of 26.26%, 25.00%, and 17.86%, respectively, in 2023, 2024, and 2025.**

Comparative total returns for the S&P Midcap 400 and S&P Smallcap 600 Indices are below:

	S&P Midcap 400 Index	S&P Smallcap 600 Index
2023	16.39%	15.94%
2024	13.89%	8.64%
2025	7.48%	5.99%

### Takeaway

As noted above, the percentage of mid and small-sized companies that comprise the broader S&P 1500 Index has declined in recent years. Catalysts for this trend include advancements in AI, geopolitical unrest, and increasing capital costs, which influenced investors to take stakes in larger, more established companies, in our opinion. The resulting market concentration is stunning, with the share of SMID cap stocks falling to a 25-year low in October 2025. Notably, just 30% of S&P 500 Index constituents outperformed the broader index in 2025 (up from a record low of 27% in 2023). That said, while history may not repeat, it does often rhyme. Since the start of the year, investors have funneled assets into SMID cap stocks, sending the S&P Midcap 400 and S&P Smallcap 600 Indices surging by 5.54% and 6.64% (total return), respectively, year-to-date through 1/23. For comparison, the S&P 500 and Bloomberg Magnificent Seven Indices saw total returns of 1.08% and -0.47%, respectively, over the same period. Will this trend persist in the coming months? We will report back as new developments occur.