

Cash Flow and Carey



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Just a SMIDge

SMID Percent of S&P 1500 Market Cap



Bloomberg. Monthly data Jan 1995 - May 2026.

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 the more than 31 years of monthly data between January 1995 through May 2026. 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. This installment serves as an update to our previous discussion on this topic in January 2026.

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, capital requirements of AI hyperscalers likely coaxed significant investment away from small and mid-sized companies over the past several years.

SMID cap stocks accounted for 10.3% of the S&P 1500 Index, on average, over the period captured in today's chart.

In May 2026, SMID cap stocks represented just 7.4% of the S&P 1500 Index, well below average, down from 7.9% in February 2026.

Investors remain 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 39.3% of the index's weight on May 29, 2026. Stunningly, just 36% of S&P 500 Index members outperformed the index itself year-to-date (YTD) through May 2026. While this metric has improved, it remains well below its 31-year average of 47%. For comparison, the share of S&P 500 Index constituents outperforming the broader index itself was just 31% in 2025, 28% in 2024, and 27% in 2023 (the lowest on record), according to data from CapitalIQ.

Despite this narrow breadth, the S&P 500 Index has seen incredible growth recently, generating total returns of 26.3%, 25.0%, and 17.9%, respectively, in 2023, 2024, and 2025.

This year's total returns have been compelling as well, with the Index increasing 8.0% YTD through June 26, 2026.

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	16.4%	15.9%
2024	13.9%	8.6%
2025	7.5%	6.0%
2026 (YTD)	16.2%	23.4%

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 wallowing near their 25-year low of 7.3% which was set in October 2025. Notably, just 36% of S&P 500 Index constituents outperformed the broader index YTD through May 2026 (up from a record low of 27% in 2023). That said, the comparative YTD performance of the MidCap and SmallCap Indices could be a signal that we're in the nascent stages of a rotation. 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 16.2% and 23.4% (total return), respectively, year-to-date through June 26, 2026. For comparison, the S&P 500 and Bloomberg Magnificent Seven Indices saw total returns of 8.0% and -5.4%, respectively, over the same period. Will this trend persist in the coming months? We will report back as new developments occur.