Market Commentary Blog

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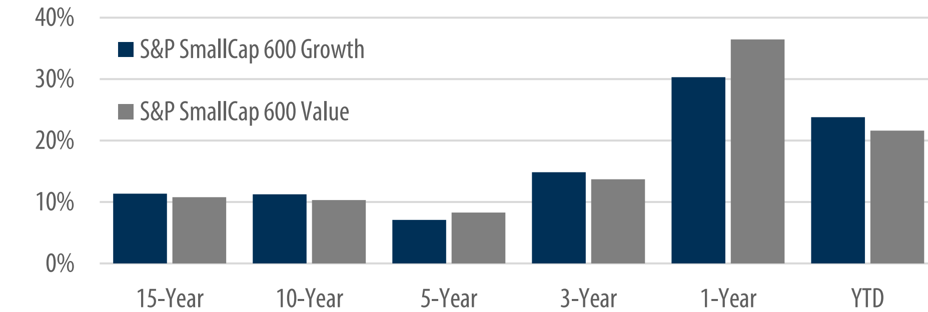
Growth vs. Value Investing (Small-Caps)

Growth vs. Value Investing (YTD, 1-Year and Average Annualized Total Returns thru 7/21/26)



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

View from the Observation Deck

For today's post, we wanted to give investors a view on the performance of the S&P SmallCap 600 Index's two styles (growth and value) over time. To do so, we chart the total returns for the S&P SmallCap 600 Growth ("SmallCap Growth") and S&P SmallCap 600 Value ("SmallCap Value") Indices over several time frames above.

A note on the broader S&P SmallCap 600 Index's recent performance:

The broader S&P SmallCap 600 Index, which serves as the parent to the SmallCap Growth and Value Indices, has outperformed the broader S&P 500 and S&P MidCap 400 Indices recently, with a year-to-date (YTD) total return of 22.7% (through July 21, 2026). For comparison, YTD total returns for the S&P 500 and S&P MidCap 400 Indices were 10.4% and 15.3%, respectively. As we see it, positive revisions to earnings estimates may support price-to-earnings (P/E) ratio expansion within the broader SmallCap 600 Index. On July 21, 2026, the SmallCap 600 Index's earnings were estimated to increase by 19.8% year-over-year (y-o-y) in 2026, up from an estimated increase of 15.5% on December 31, 2025, according to data from FactSet.

The SmallCap Growth and SmallCap Value Indices increased to record highs this year, despite heightened volatility from the Iranian war.

Equity market volatility has been widespread this year, with the broader S&P SmallCap 600 Index's price ranging from 1,467 (March 20, 2026) to a record 1,804 (June 30, 2026). By contrast, the SmallCap Growth Index ranged between 1,142 (March 30, 2026) and a record 1,457 (June 30, 2026), while the SmallCap Value Index ranged between 903 (December 31, 2025) and a record 1,090 (July 16, 2026).

The total returns in today's chart, through July 21, 2026, were as follows (SmallCap Growth vs. SmallCap Value):

- 15-year average annualized (11.3% vs. 10.8%)
- 10-year average annualized (11.3% vs. 10.3%)
- 5-year average annualized (7.1% vs. 8.3%)
- 3-year average annualized (14.8% vs. 13.7%)
- 1-year (30.3% vs. 36.5%)
- YTD (23.8% vs. 21.6%)

Takeaway

As the chart reveals, near-term returns for both the SmallCap Growth and SmallCap Value Indices have been compelling. While upward revisions to earnings growth estimates are a potential catalyst behind these results, other factors, such as the Iranian war's potential impact on U.S. monetary policy, may have introduced additional volatility. Early in the year, investors largely expected to see U.S. interest rates decline amid falling inflation. Since then, surging oil prices prompted a recalibration of those expectations. Notably, the federal funds rate futures market implied a year-end rate of nearly 4.0% on July 21, 2026, up from 3.0% at the start of the year. That said, equity markets are forward-looking and are likely adjusting for the possible decline in oil prices resulting from the war's eventual conclusion. Comparative valuations may provide additional insight into the returns indicated in today's chart, with small-cap stocks offering relative value to their larger peers. The S&P SmallCap 600 Index had a forward 12-month P/E ratio of 15.4 on June 30, 2026, well below the S&P 500 Index's forward 12-month P/E ratio of 20.2 on the same date.