

Small Cap Market Snapshot

DATA AS OF 6/30/2024

WHAT'S NEW

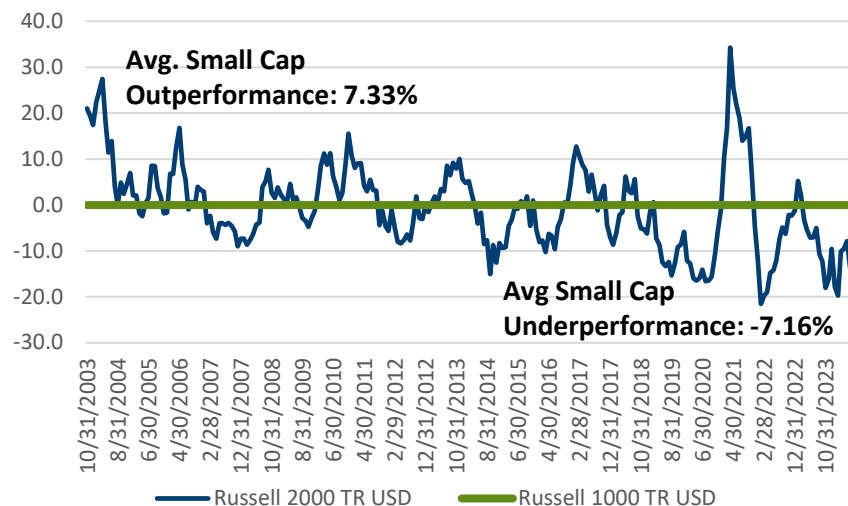
June was sluggish for small-cap stocks. They fell about 1% during the month and lagged large caps by 424 basis points (Russell 2000 less Russell 1000). Year-to-date, small caps are higher by about 2% but large caps are up by a staggering 14%, thanks to remarkable performance by large-cap growth stocks.

Looking back almost 100 years, the first half of this year was the sixth worst relative start for small caps on record. The good news is that history shows bad first halves tend to result in relatively strong second halves, whereby small caps outperform large caps by about 500 basis points. Additionally, during election years like this one, small caps and large caps generally do well, but small caps tend to have the upper hand. Finally, the US Federal Reserve seems increasingly likely to cut interest rates, typically resulting in small-cap outperformance. The stars may finally be aligning for small caps to shine.

Brandon M. Nelson, CFA, Calamos Senior Portfolio Manager

RUSSELL 2000 VS. RUSSELL 1000

ROLLING 1-YEAR EXCESS RETURNS



Past performance is not indicative of future results. This material is provided for internal and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.

MARKET PULSE

MONTH-TO-DATE RETURNS

| | | |
|-------------------------|-------------------------|--------------------------|
| R 2000 VALUE | RUSSELL 2000 | R 2000 GROWTH |
| -1.69 | -0.93 | -0.17 |
| R MICROCAP VALUE | RUSSELL MICROCAP | R MICROCAP GROWTH |
| -2.19 | -2.25 | -2.37 |

YEAR-TO-DATE RETURNS

| | | |
|-------------------------|-------------------------|--------------------------|
| R 2000 VALUE | RUSSELL 2000 | R 2000 GROWTH |
| -0.85 | 1.73 | 4.44 |
| R MICROCAP VALUE | RUSSELL MICROCAP | R MICROCAP GROWTH |
| -1.68 | -0.84 | 0.67 |

WHEN PERFORMANCE HAS BEEN THIS BAD, SMALL CAPS HAVE HISTORICALLY ENJOYED LONG BOUNCE BACKS

OUTPERFORMANCE OF SMALL CAPS OVER LARGE CAPS

| 5-Year Relative Performance | Relative Subsequent Performance | | | Batting Average | | |
|-----------------------------|---------------------------------|--------------|--------------|-----------------|--------------|--------------|
| | Next Year | Next 3 Years | Next 5 Years | Next Year | Next 3 Years | Next 5 Years |
| Q1 (best) | 5.4% | 1.1% | 0.1% | 48.6% | 48.6% | 50.5% |
| Q2 | 2.3 | 0.4 | 1.1 | 48.0 | 48.0 | 48.4 |
| Q3 | 3.0 | 2.7 | 2.0 | 50.2 | 51.6 | 54.0 |
| Q4 | 2.1 | 3.4 | 2.8 | 52.5 | 53.2 | 59.8 |
| Q5 (Worst) | 9.6 | 7.2 | 8.3 | 66.8 | 71.1 | 85.2 |
| Overall | 4.5 | 2.9 | 2.7 | 53.1 | 54.3 | 58.7 |

Past performance is no guarantee of future results. Note: performance is annualized. Batting average is the % of time that small beats large. Source: Center for Research in Security Prices (CRSP®), the University of Chicago Booth School of Business, Jefferies. Large and small are defined by CRSP based on placing market caps into deciles. Deciles 1 and 2 are large and 6 through 8 are small.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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SMALL CAP PERFORMANCES AFTER BEAR MARKET BOTTOMS, AND CONFIRMATIONS OF NEW BULL MARKETS (1980-YTD)

| >20% Return From Bear Market Bottom | # of Days to Reach >20% Return From Bear Market Bottom | +6-month Returns | | Relative Performance RUT - S&P 500 | +12-month Returns | | Relative Performance RUT - S&P 500 |
|-------------------------------------|--------------------------------------------------------|------------------|---------------|------------------------------------|-------------------|---------------|------------------------------------|
| | | S&P 500 | Russell 2000 | | S&P 500 | Russell 2000 | |
| 09/14/1982 | 33 | 25.62% | 46.00% | 20.37% | 40.76% | 66.35% | 25.59% |
| 03/08/1988 | 95 | 0.50% | 3.92% | 3.43% | 13.20% | 12.05% | -1.15% |
| 02/06/1991 | 118 | 10.83% | 13.62% | 2.79% | 19.25% | 37.94% | 18.69% |
| 11/21/2002 | 43 | -0.18% | 4.05% | 4.23% | 12.90% | 34.00% | 21.11% |
| 03/23/2009 | 14 | 30.38% | 42.43% | 12.06% | 45.77% | 61.26% | 15.49% |
| 04/08/2020 | 16 | 26.49% | 37.54% | 11.06% | 51.50% | 90.34% | 38.84% |
| 06/08/2023 | 239 | ? | ? | ? | ? | ? | ? |
| Average | 53 | 15.60% | 24.59% | 8.99% | 30.57% | 50.33% | 19.76% |
| Median | 38 | 18.23% | 25.58% | 7.36% | 30.01% | 49.60% | 19.59% |
| % Outperform | - | - | - | 100% | - | - | 83% |

Source: Piper Sandler Technical Research/Bloomberg. Data as of 6/8/23.

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The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. The **S&P 500** Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring US stock-market performance. The **Russell 1000 Index** measures the performance of the large-cap segment of the US equity universe and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The **Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. You cannot invest directly in an index. The **Russell 2000 Growth** Index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is published and maintained by FTSE Russell. The **Russell 2000 Value** Index measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell Microcap** Index measures the performance of the microcap segment of the US equity market. Microcap stocks make up less than 3% of the US equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next 1,000 smallest eligible securities by market cap. The **Russell Microcap Growth** Index measures the performance of the microcap growth segment of the US equity market. It includes Russell Microcap companies that are considered more growth oriented relative to the overall market as defined by Russell's leading style methodology. The **Russell Microcap Value** Index measures the performance of the microcap value segment of the US equity market. It includes Russell Microcap companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology.

MORNINGSTAR SMALL GROWTH CATEGORY FLOWS

Data as of 6/30/2024, dollars in millions

