

# Celebrating 30 Years of the S&P SmallCap 600®

## Contributors

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## Introduction

Launched Oct. 28, 1994, the [S&P SmallCap 600®](#) has provided market participants with a way to measure the small-cap U.S. equity segment for nearly 30 years. It is part of the [S&P Composite 1500®](#), with the other components being the large-cap [S&P 500®](#) and the [S&P MidCap 400®](#). The S&P 600® serves as the basis for an ecosystem of financial products and is widely used as a benchmark for small-cap active managers.

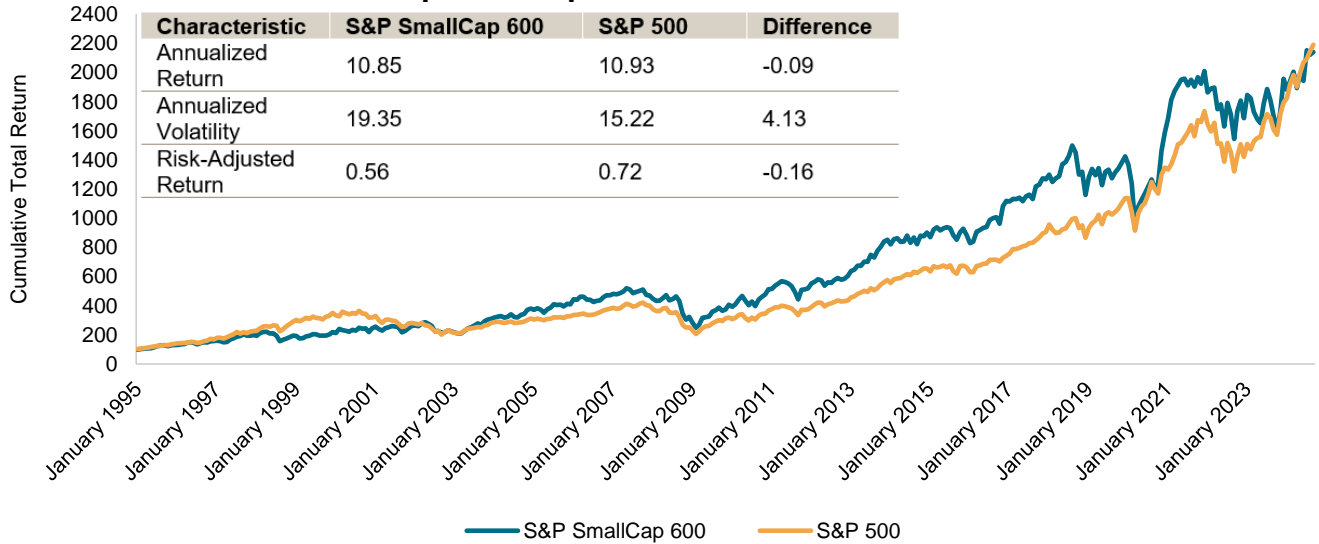
This paper explores the following aspects of the S&P 600:

- Showing the relevance of small-cap U.S. equities to investors around the world;
- Explaining the index's construction and the resulting impact on index characteristics and performance; and
- Showing the potential benefits of an index-based approach to U.S. small-caps.<sup>1</sup>

Exhibit 1 compares the historical performance of the S&P 500 and S&P 600. Despite mega-cap equities leading the way in recent years, the S&P 600 has outperformed the S&P 500 in most periods of time.

<sup>1</sup> For more resources from S&P DJI on the S&P SmallCap 600, please see: Preston, Hamish, "[Index Construction Matters: The S&P SmallCap 600](#)," 2020; and Brzenk, Phillip and Wenli Bill Hao, "[A Tale of Two Small-Cap Benchmarks: 10 Years Later](#)," 2019.

**Exhibit 1: The S&P SmallCap 600 Outperformed the S&P 500 in Most Time Periods**



Source: S&P Dow Jones Indices LLC, FTSE Russell. Data from Dec. 31, 1994, to Sept. 30, 2024. Index levels rebased to 100 on Dec. 31, 1994. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## Why Small Caps?

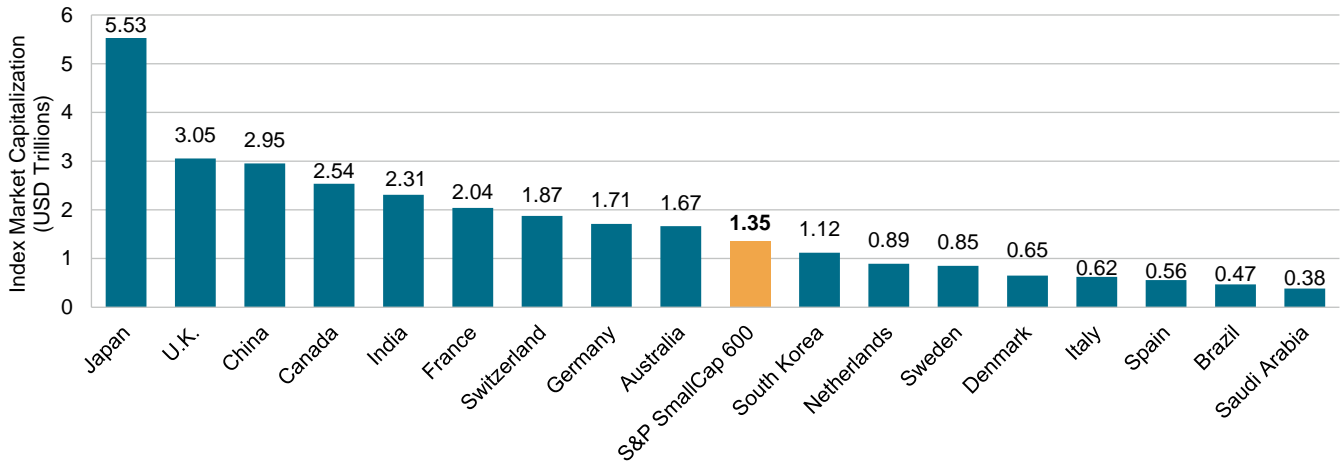
The S&P 600 accounts for 2% of the U.S. equity market and 1% of the global equity market, as represented by the [S&P Global BMI](#).

The S&P 600 is larger than 76 out of 86 markets [covered by S&P DJI](#) outside the U.S., with a market capitalization greater than 71% of the [S&P Developed Ex-U.S. BMI](#), 87% of the [S&P Emerging BMI](#), as well as all of the [S&P Frontier BMI](#) and standalone markets. This underscores the significant opportunity that small-cap U.S. equities represent relative to foreign domestic equity markets.

Exhibit 2 shows that the S&P 600 has a market capitalization of USD 1.4 trillion, which is larger than the entire South Korean equity market and exceeds nearly all European single-country equity markets, with the exception of the U.K., France, Switzerland and Germany.<sup>2</sup>

<sup>2</sup> All figures in this section are as of September 2024.

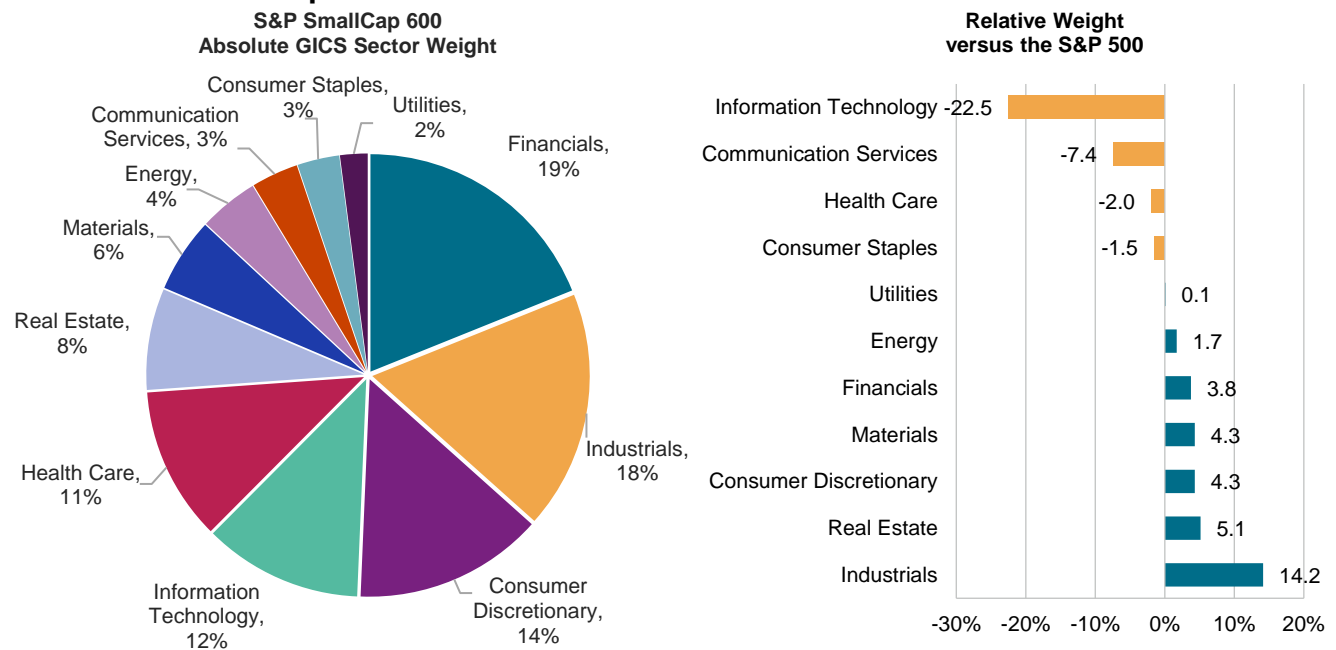
### Exhibit 2: The S&P SmallCap 600 Is Larger than South Korea and Most European Equity Markets



Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. Chart is based on the index market capitalization of the S&P Global BMI and the S&P Composite 1500 component indices and is provided for illustrative purposes. The [S&P United States BMI](#) ranks first but it is excluded from the chart due to scale.

While the sheer size of the index explains why small caps are relevant to investors globally, the index’s differences in sector makeup from large-cap indices provides an interesting case as well. The S&P 600 has a higher weighting to more domestically focused and sensitive sectors such as Industrials, Financials and Real Estate, and a lower weight to segments such as Information Technology.

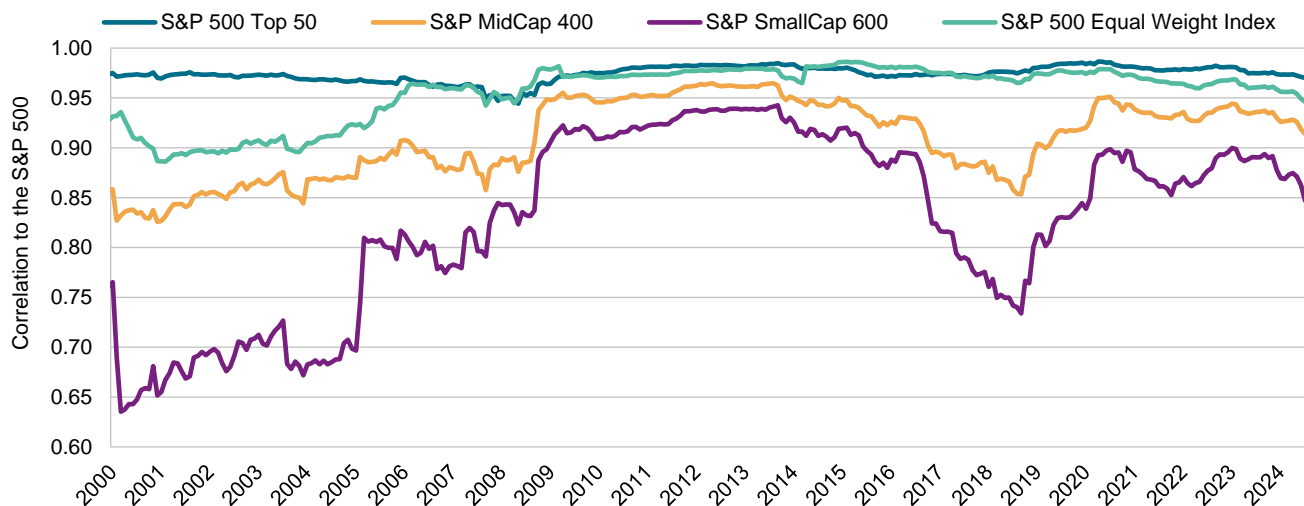
### Exhibit 3: The S&P SmallCap 600 Had Higher Relative Weights in Industrials, Real Estate and Financials Compared to the S&P 500



Source: S&P Dow Jones Indices LLC. Charts based on Global Industry Classification Standard (GICS®) sector weights as of Sept. 30, 2024. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Additionally, while the S&P 500, S&P 400<sup>®</sup> and S&P 600 typically display correlated performance, they are far from identical. Exhibit 4 illustrates that the S&P 600 has the lowest correlation to the S&P 500 among the U.S. equity indices shown. This non-perfect correlation highlights the potential of the S&P 600 to serve as a diversifier within U.S. equities for those seeking a different stream of returns.

**Exhibit 4: Rolling 5-Year Correlation of Monthly Total Returns with the S&P 500**

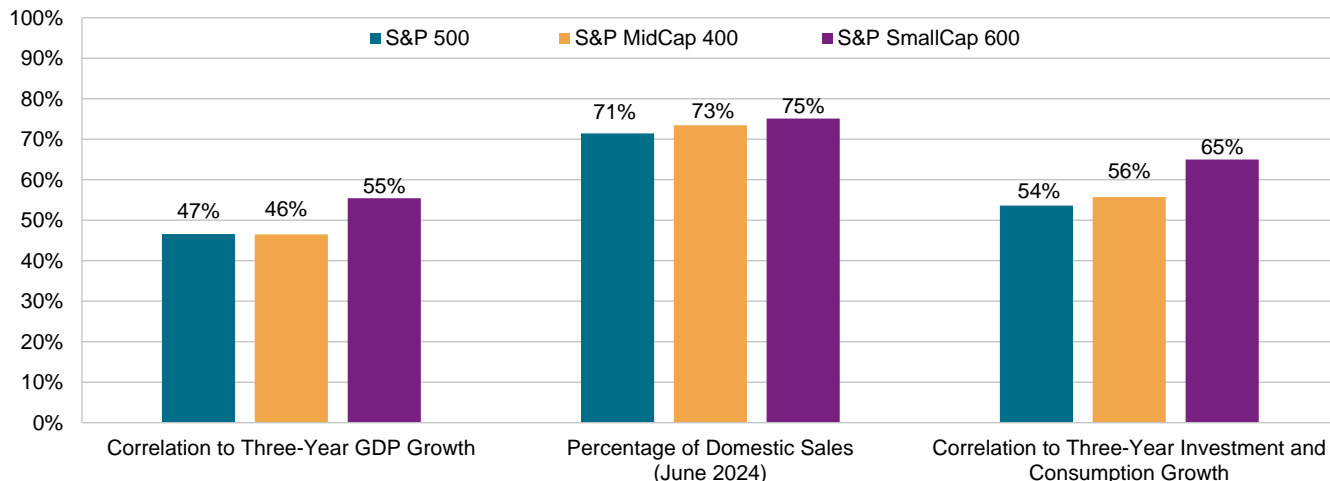


Source: S&P Dow Jones Indices LLC. Data from Dec. 30, 1994, through Sept. 30, 2024. The S&P 500 Top 50 was launched Nov. 30, 2015. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this post for more information regarding the inherent limitations associated with back-tested performance.

Smaller companies face different opportunities and challenges compared to mid- and large-sized firms. They are typically in earlier stages of the business cycle, which may result in higher growth potential—but also could result in increased volatility. This difference in risk/performance characteristics may provide potential diversification benefits when these size segments are combined.

As shown in Exhibit 5, higher weights in domestically focused sectors may help explain the increased sensitivity of small-cap stocks to U.S. GDP growth, as well as components of domestic products such as private investment and consumption. On a sales-weighted basis, we can see that a greater proportion of small-cap companies generate their revenue locally, as shown in Exhibit 5.

### Exhibit 5: The S&P SmallCap 600 Has the Largest Correlation to the U.S. Economy among the Core U.S. Equity Indices



Source: S&P Dow Jones Indices LLC, U.S. Bureau of Economic Analysis, FactSet. Data from December 1994 to June 2024. Compiled on Oct. 18, 2024. Past performance is no guarantee of future results. Percentage of domestic sales calculated via sales-weighted average among constituents. Chart is provided for illustrative purposes. Updated from ["Hidden in Plain Sight: U.S. Equities Beyond the S&P 500"](#) (April 2021).

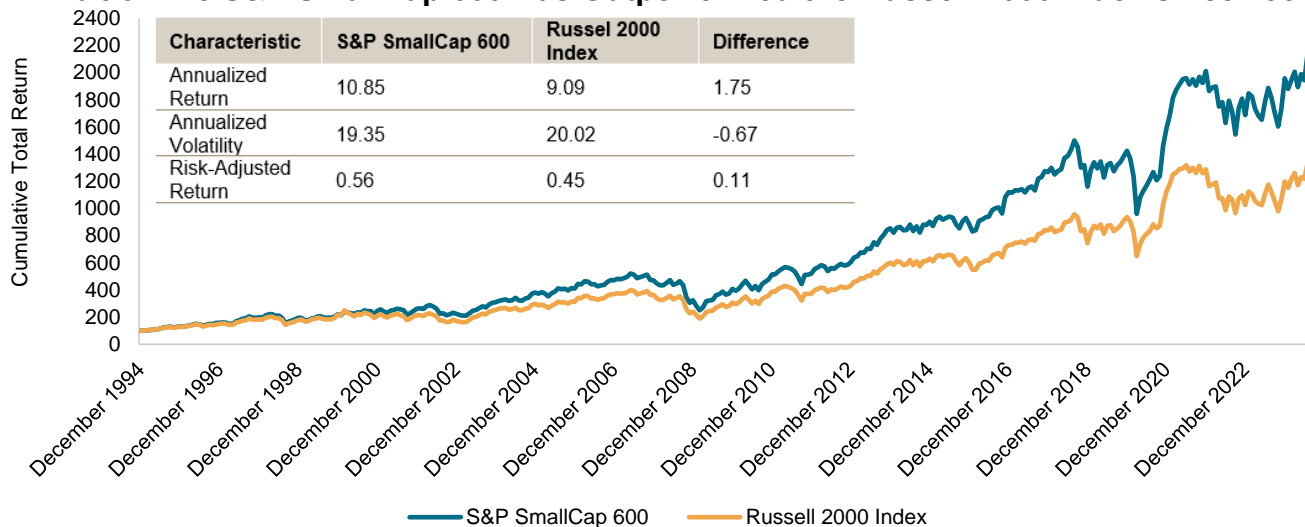
These differences in index characteristics and performance across U.S. size ranges lead to natural rotations and changes in leadership within U.S. equities. Historically, we observe leadership rotations among the size ranges, with varying spreads between the best- and worst-performing size segments. In some years, the large-cap S&P 500 outperforms, as observed in recent years. Conversely, in other years, smaller size segments (such as the S&P 400 or S&P 600) outperform, as seen in the period following the Tech Bubble in 2000.

## Relative Performance Comparison

The S&P SmallCap 600 is not the only index designed to represent the performance of U.S. small-cap equities—indices like the Russell 2000 Index, MSCI USA Small Cap Index and CRSP US Small Cap Index also track this market segment. However, historical performance and volatility differ between these indices.

Exhibit 6 shows the cumulative total returns for the S&P 600 and Russell 2000 Index since 1994. Over this period, the S&P 600 outperformed the Russell 2000 Index by nearly 2% on an annualized basis. The S&P SmallCap 600 has historically had lower annualized volatility, resulting in higher risk-adjusted performance. The S&P 600 also outperformed the Russell 2000 Index in 19 out of the past 29 full calendar years.

### Exhibit 6: The S&P SmallCap 600 Has Outperformed the Russell 2000 Index since 1994



Source: S&P Dow Jones Indices LLC, FTSE Russell. Data from Dec. 31, 1994, to Sept. 30, 2024. Index levels rebased to 100 on Dec. 31, 1994. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 7 illustrates that the S&P 600 consistently outperformed the Russell 2000 Index over different time horizons. Across all rolling time periods analyzed, the S&P 600 outperformed by almost 60% to more than 90% of the time as the duration of the rolling periods increased. The average outperformance grew from 0.4% during rolling three-month periods to over 12% in rolling five-year periods.

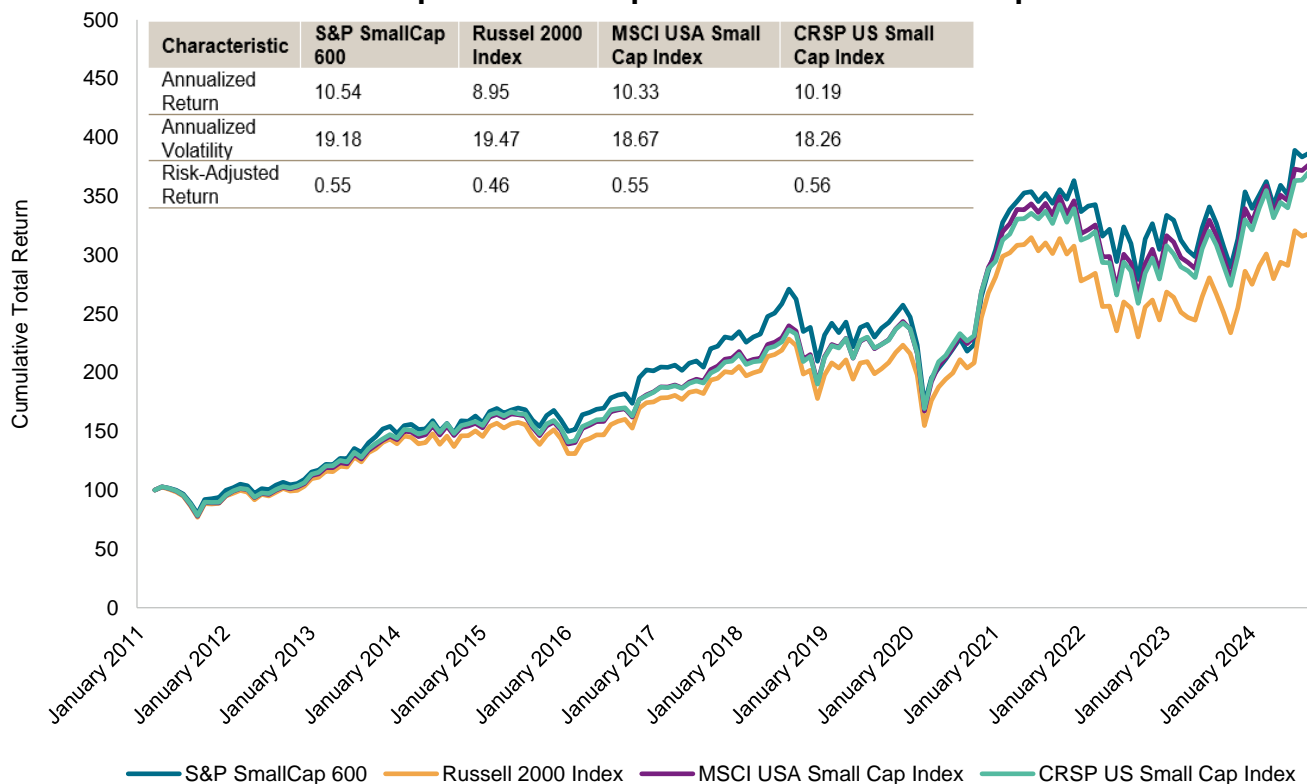
### Exhibit 7: Frequency and Magnitude of the S&P SmallCap 600’s Outperformance Increased with Time

Metric	3-Month	6-Month	1-Year	3-Year	5-Year
Total Number of Periods	354	350	344	320	296
Number of Periods Outperformed	202	217	222	276	278
Number of Periods Underperformed	152	133	122	44	18
Frequency of Outperformance (%)	57.1	62.0	64.5	86.3	93.9
Average Outperformance (%)	0.37	0.79	1.66	6.40	12.25

Source: S&P Dow Jones Indices LLC, FTSE Russell. Data from Dec. 31, 1994, to Sept. 30, 2024. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Moreover, the S&P 600 outperformed other small-cap counterparts, although to a lesser extent. For example, over the 20-year horizon, the S&P 600 outperformed the MSCI USA Small Cap Index by 0.2%. Likewise, the S&P 600 surpassed the CRSP US Small Cap Index by 0.2% since its inception in April 2011. Across various rolling time periods, the S&P 600 generally outperformed more than half of the time relative to these counterparts, with both the frequency and magnitude of the outperformance increasing over longer time horizons.

### Exhibit 8: The S&P SmallCap 600 Has Outperformed Other Counterparts since 2011



Source: S&P Dow Jones Indices LLC, FTSE Russell, MSCI, CRSP, FactSet. Data from March 31, 2011, to Sept. 30, 2024. Index levels rebased to 100 on March 31, 2011. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## Index Construction Matters

Although the S&P 600, Russell 2000 Index, MSCI USA Small Cap Index and CRSP US Small Cap Index all measure the performance of small caps in the U.S. market, market participants may be surprised by how many differences exist in their index construction. Exhibit 9 highlights the methodological distinctions between these indices.



### Exhibit 9: Comparison between Index Methodologies

Inclusion Criteria	S&P SmallCap 600	Russell 2000 Index	MSCI USA Small Cap Index	CRSP US Small Cap Index
Financial Viability	The sum of the most recent four consecutive quarters' as-reported earnings should be positive as should the most recent quarter. <sup>3</sup>	None	None	None
Liquidity	The ratio of annual dollar value traded to float-adjusted market capitalization should be 0.75 or greater, and the stock should trade a minimum of 250,000 shares in each of the six months leading up to the evaluation date.	ADDTV (average daily dollar trading value) must exceed that of the global median, which is determined each reconstitution rank day by ranking all securities in investable countries by ADDTV. As of the reconstitution 2024 rank date, the global median ADDTV was USD 125,000.	A minimum liquidity level of 20% of 3-month annual traded value ratio (ATVR) and 90% of 3-month frequency of trading over the last four consecutive quarters, as well as 20% of 12-month ATVR are required.	The ratio of average daily split-adjusted consolidated trading volume over the last 125 trading days to float shares outstanding should be at least 0.001. If the ratio of a current index security falls below 0.0008 for two consecutive rankings, it is removed from the index.
Market Capitalization	(Effective April 1, 2024, reviewed frequently). For S&P SmallCap 600, the market cap guideline is USD 1.0 billion to 6.7 billion, approximately 93rd-99th percentile of the <a href="#">S&amp;P Total Market Index</a> universe. <sup>4</sup>	Companies must have a total market capitalization of USD 30 million or more. The market cap breakpoint for the Russell 2000 Index is companies #1001-3000, based on descending total market cap.	The MSCI USA Small Cap Index market coverage is derived as the difference between the free float-adjusted market capitalization coverage of the Investable Market Index (99%+1% or -0.5%) and the Standard Index (85%±5%).	New additions must have a total market capitalization of at least USD 15 million. Existing index members must have a total market capitalization of at least USD 10 million. For the CRSP US Small Cap Index, the index range is 85% to 98%.
Public Float	At least 10% of shares publicly floated. <sup>5</sup>	Greater than 5% of shares publicly floated.	Free float-adjusted market capitalization is at least 50% of the Market Size-Segment Cutoff for the MSCI ACWI Investable Market Index.	At least 12.5% of shares publicly floated. At least 10% for current index constituents.
Reconstitution of Stocks	Throughout the year, as corporate actions arise.	Once a year in June, except for Initial Public Offerings (IPOs) (quarterly).	Quarterly and semiannual index reviews and ongoing event-related changes (e.g., significantly large IPOs).	Quarterly (close of first Friday of March, June, September and December).
IPO Seasoning	12 months required.	None	Small new issues require at least three months before implementation of a semiannual index review. <sup>6</sup>	20 days of trading or greater, or five days or greater if satisfying the fast-track IPO rules. <sup>7</sup>
Domicile of Constituents	U.S. companies, based on multiple criteria such as filing 10-K annual reports, fixed assets and revenues, and exchange listing	U.S. companies, based on criteria such as fixed assets, revenues and listing, etc.	U.S. companies, but non-U.S. companies may be included.	U.S. companies, based on criteria such as fixed sets, revenues, and listing.
Sector Classification	GICS	Industry Classification Benchmark (ICB <sup>®</sup> )	GICS	ICB

Source: S&P Dow Jones Indices LLC ([S&P U.S. Indices Methodology](#)), FTSE Russell ([Russell US Equity Indices Ground Rules \(Iseq.com\)](#)), MSCI ([MSCI Global Investable Market Indexes Methodology](#)) and CRSP ([CRSP Market Indexes Methodology Guide](#)). Table is provided for illustrative purposes.

<sup>3</sup> Prior to 2014, S&P DJI Earnings Criterion required four consecutive quarters of positive earnings, instead of the sum of the last four quarters being positive.

<sup>4</sup> Effective Jan. 4, 2023, the market capitalization guidelines are designed to capture the three-month average cumulative total company level market capitalization of the S&P Total Market Index universe at approximately the following cumulative percentiles: 1. S&P 500: 85th percentile; 2. S&P MidCap 400: 85th to 93rd percentile; and 3. S&P SmallCap 600: 93rd to 99th percentile.

<sup>5</sup> A company meeting the unadjusted company market capitalization criteria is also required to have a security level float-adjusted market capitalization that is at least 50% of the respective index's unadjusted company level minimum market capitalization threshold.

<sup>6</sup> Large IPOs and large primary/secondary offerings of non-index-constituents may be included outside of a quarterly or semiannual index review.

<sup>7</sup> Fast-Track IPO: A newly listed company that passes specific company capitalization and investability thresholds (i.e., company's capitalization is greater than or equal to the lower breakpoint of the CRSP US Small Cap Index and minimum float requirement is 10%), added to an index prior to ranking.



A distinguishing feature of the S&P 1500, and by extension the S&P 600, is its deployment of an earnings screen. To be eligible for the inclusion of the S&P 600, companies must have a history of positive earnings (i.e., sum of the most recent four consecutive quarters' earnings should be positive as should the most recent quarter).<sup>8</sup> This quality exposure is especially important in the small-cap space as it helps filter out companies that may not consistently deliver results.

Exhibit 10 demonstrates the four-factor regression model that determines the exposure to market, value, size and quality factors. Among the small-cap indices, only the S&P 600 has had a positive and significant quality tilt, regardless of the time horizons analyzed. Our research also reinforces that, all else equal, U.S. small-cap companies with higher profitability, liquidity and investability tend to earn higher returns.<sup>9</sup> Such significant quality exposure is evident not only in the S&P 600, but also across the market-capitalization spectrum for the S&P U.S. Equity Indices.<sup>10</sup>

### Exhibit 10a: S&P SmallCap 600's Significant Quality Tilt Helped Explain Its Outperformance over the Russell 2000 Index

Index	Coefficient	Standard Error	T-stat	p-value
<b>S&amp;P SmallCap 600</b>				
Intercept	-0.138	0.066	-2.105	0.036
Market	1.034	0.017	60.351	0.000
Size	0.781	0.022	35.988	0.000
Value	0.386	0.018	21.035	0.000
Quality	0.181	0.031	5.893	0.000
<b>Russell 2000 Index</b>				
Intercept	-0.137	0.047	-2.903	0.004
Market	1.003	0.012	81.827	0.000
Size	0.793	0.016	51.053	0.000
Value	0.261	0.013	19.915	0.000
Quality	-0.018	0.022	-0.829	0.408

Source: S&P Dow Jones Indices LLC, FTSE Russell, MSCI, CRSP, FactSet, Ken French, AQR. [Fama-French Three-Factor Model](#) (market, size and value factors) along with [AQR's Quality Minus Junk \(quality factor\)](#) are used. Regression based on monthly data from January 1995 to August 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

<sup>8</sup> Please see [S&P U.S. Indices Methodology](#).

<sup>9</sup> Brzenk, Phillip and Wenli Bill Hao, "[A Tale of Two Small-Cap Benchmarks: 10 Years Later](#)," S&P Dow Jones Indices, 2019.

<sup>10</sup> Brzenk, Phillip, Hamish Preston, and Aye Soe, "[The S&P Composite 1500: An Efficient Measure of the U.S. Equity Market](#)," S&P Dow Jones Indices, 2020.

### Exhibit 10b: S&P SmallCap 600's Significant Quality Tilt Helped Explain Its Outperformance over the MSCI USA Small Cap Index

Index	Coefficient	Standard Error	T-stat	p-value
<b>S&amp;P SmallCap 600</b>				
Intercept	-0.104	0.051	-2.031	0.043
Market	1.021	0.014	73.792	0.000
Size	0.866	0.021	41.855	0.000
Value	0.340	0.015	22.550	0.000
Quality	0.192	0.024	7.903	0.000
<b>MSCI USA Small Cap Index</b>				
Intercept	0.043	0.057	0.761	0.447
Market	1.006	0.015	65.656	0.000
Size	0.709	0.023	30.982	0.000
Value	0.223	0.017	13.360	0.000
Quality	-0.046	0.027	-1.726	0.085

Source: S&P Dow Jones Indices LLC, FTSE Russell, MSCI, CRSP, FactSet, Ken French, AQR. [Fama-French Three-Factor Model](#) (market, size and value factors) along with [AQR's Quality Minus Junk \(quality factor\)](#) are used. Regression based on monthly data from February 2001 to August 2024. The MSCI USA Small Cap Index was launched Jan.1, 2001. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

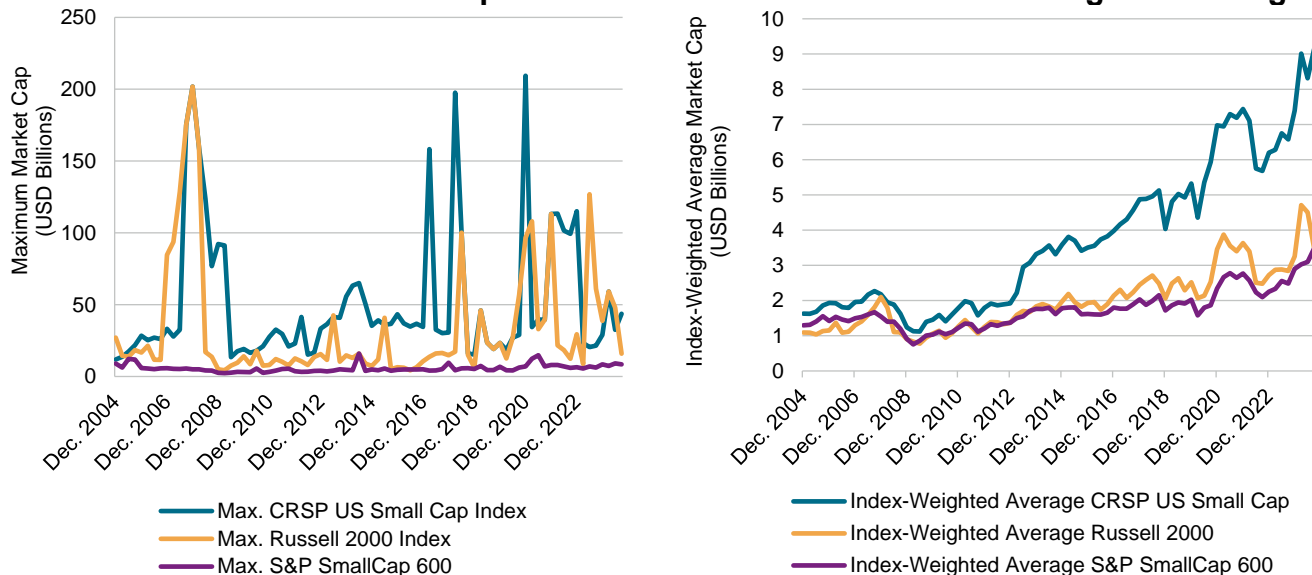
### Exhibit 10c: S&P SmallCap 600's Significant Quality Tilt Helped Explain Its Outperformance over the CRSP US Small Cap

Index	Coefficient	Standard Error	T-stat	p-value
<b>S&amp;P SmallCap 600</b>				
Intercept	-0.057	0.064	-0.895	0.372
Market	1.013	0.016	63.562	0.000
Size	0.882	0.028	31.985	0.000
Value	0.347	0.018	19.323	0.000
Quality	0.171	0.029	5.855	0.000
<b>CRSP US Small Cap Index</b>				
Intercept	-0.067	0.073	-0.928	0.355
Market	1.014	0.018	56.065	0.000
Size	0.549	0.031	17.538	0.000
Value	0.198	0.020	9.704	0.000
Quality	-0.066	0.033	-1.997	0.048

Source: S&P Dow Jones Indices LLC, FTSE Russell, MSCI, CRSP, FactSet, Ken French, AQR. [Fama-French Three-Factor Model](#) (market, size and value factors) along with [AQR's Quality Minus Junk \(quality factor\)](#) are used. Regression based on monthly data from April 2011 to August 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes

Another key element lies in the market capitalization thresholds. Market participants may expect all small-cap indices to offer similar market capitalization levels, but the definitions of “small caps” can vary significantly. Exhibit 11 shows that the Russell 2000 Index and CRSP US Small Cap Index have shown noticeable upward biases for their largest constituents compared to the S&P 600 over time. Despite having similar index-weighted average market capitalizations, differences among small-cap indices have widened in recent years, especially skewed by some of the largest stocks.

**Exhibit 11: Historical Market Capitalization: Maximum versus Index-Weighted Average**



Source: S&P Dow Jones Indices LLC, FTSE Russell, CRSP, FactSet. Data from Dec. 31, 2004, to Sept. 30, 2024. Market capitalizations are based on quarter-end values in USD by FactSet. The CRSP US Small Cap Index was launched April 1, 2011. The [iShares Russell 2000 ETF \(IWM-US\)](#) is used as a proxy for the Russell 2000 Index. The [Vanguard Small Cap Index Fund \(VB-US\)](#) is used as a proxy for the CRSP US Small Cap Index. Indices do not account for management fees/expenses and it’s possible that the ETF does not necessarily include all components of the index as it may sample or optimize. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

While the S&P 600 reconstitutes as-needed throughout the year, other small-cap indices only reconstitute on an annual or quarterly basis, which may create a particularly pronounced drifting phenomenon when the largest constituents move into mid- or even large-cap territory between reconstitutions. This could be significant for market participants who seek “pure” small-cap exposure.

A prime example occurred earlier this year with Super Micro Computer (SMCI). As the hype around artificial intelligence grew, SMCI’s market capitalization skyrocketed from around USD 15 billion to more than USD 60 billion in less than two months. On March 1, 2024, S&P DJI announced that SMCI would move from the S&P MidCap 400 to the S&P 500, effective March 18.<sup>11</sup> However, SMCI remained in the Russell 2000 Index until its June reconstitution.

<sup>11</sup> See [announcement](#) from S&P Global on March 1, 2024.

Exhibit 12 helps explain the underperformance of the S&P SmallCap 600 against the Russell 2000 Index in H1 2024. Most of the underperformance was led by the largest constituents in the Russell 2000 Index that were not included in the S&P SmallCap 600, while SMCI alone contributed about 50% of this underperformance.

**Exhibit 12: Russell 2000 Index Larger-Cap Bias Contributed to Outperformance H1 2024**

Market Cap (MC) Threshold (USD Millions)	S&P SmallCap 600			iShares Russell 2000 ETF			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution To Return	Allocation Effect	Selection Effect	Total Effect
<b>Total</b>	<b>100.00</b>	<b>-0.87</b>	<b>-0.87</b>	<b>100.00</b>	<b>1.72</b>	<b>1.72</b>	<b>0.04</b>	<b>-2.64</b>	<b>-2.59</b>
MC Quintile 1: 2735.2 - 15895.0	52.29	1.30	0.70	55.43	5.19	2.85	-0.11	-1.95	-2.06
Super Micro Computer	-	-	-	1.53	188.24	1	-0.97	-	-0.97
MC Quintile 2: 1403.4 - 2731.8	32.67	-2.01	-0.66	23.91	-0.38	-0.06	-0.19	-0.56	-0.75
MC Quintile 3: 710.9 - 1398.3	13.39	-4.85	-0.69	12.48	-4.99	-0.68	-0.06	0.02	-0.04
MC Quintile 4: 327.6 - 707.2	1.65	-11.61	-0.21	5.86	-2.89	-0.20	0.19	-0.15	0.04
MC Quintile 5: 21.2 - 326.6	--	--	--	2.31	-7.34	-0.19	0.22	--	0.22

Source: S&P Dow Jones LLC, FTSE Russell, FactSet. Data from Dec. 31, 2023, to June 30, 2024. [iShares Russell 2000 ETF \(IWM-US\)](#) is used as a proxy for the Russell 2000 Index. Indices do not account for management fees/expenses and it's possible that the ETF does not necessarily include all components of the index as it may sample or optimize. Quintiles are based on market capitalization at the end of 2023, ignoring the effect of companies where market cap data is not available in FactSet. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

## The Active vs. Passive Debate in the U.S. Small-Cap Segment

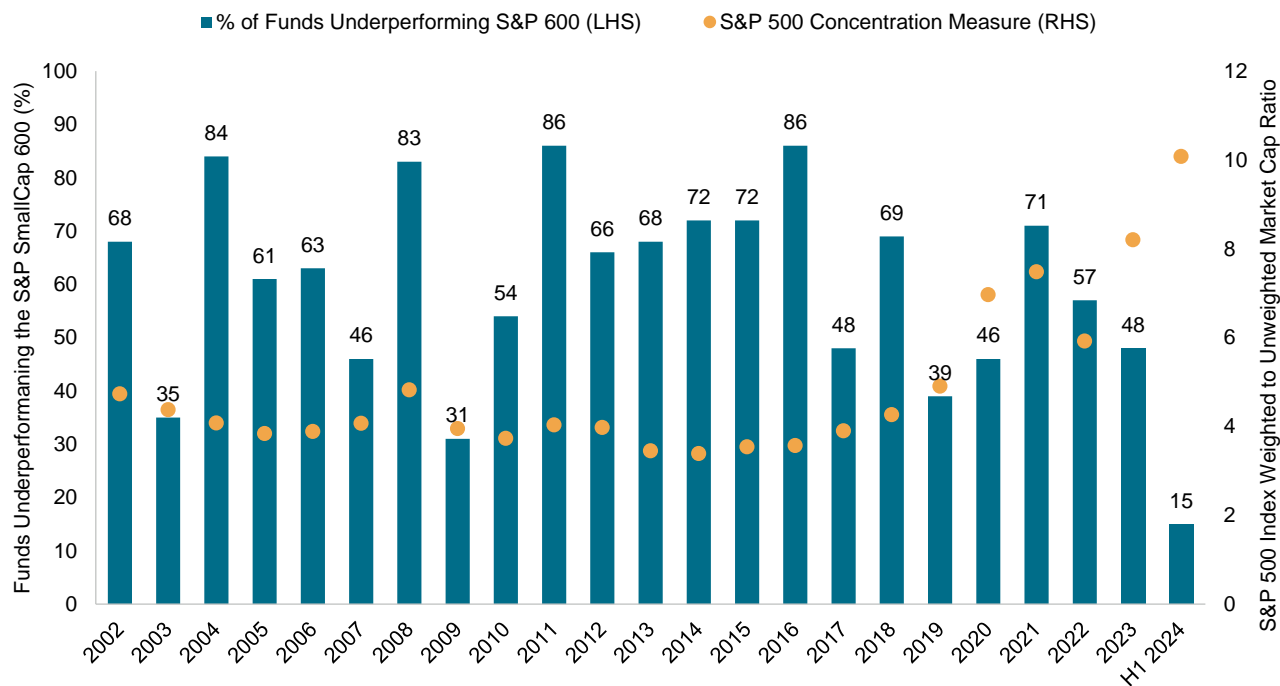
It is a common misconception that active management performs better in small-cap territory, as data from our [SPIVA® Scorecards](#) has disproven this theory. Exhibit 13 shows that active managers underperformed the S&P 600 in 15 out of the past 22 calendar years. On average, approximately 60% of active managers failed to beat the S&P 600.

However, fund managers managed to show stellar performance in H1 2024, with 85% of funds outperforming the S&P SmallCap 600.<sup>12</sup> The concentration measure used in Exhibit 13 is the ratio of the index-weighted average market capitalization to the unweighted average market capitalization; the market concentration increases when the very largest stocks outperform and take up greater capitalization weights. As shown in the Exhibit 13, active funds outperformed

<sup>12</sup> [“SPIVA Global Mid-Year 2024 Scorecard,”](#) S&P Dow Jones Indices, 2024.

the S&P 600 the most in H1 2024, while the S&P 500 concentration reached its highest point since 2002. Small-cap managers may have benefited from tilting their funds toward outperforming large-cap stocks during this period.

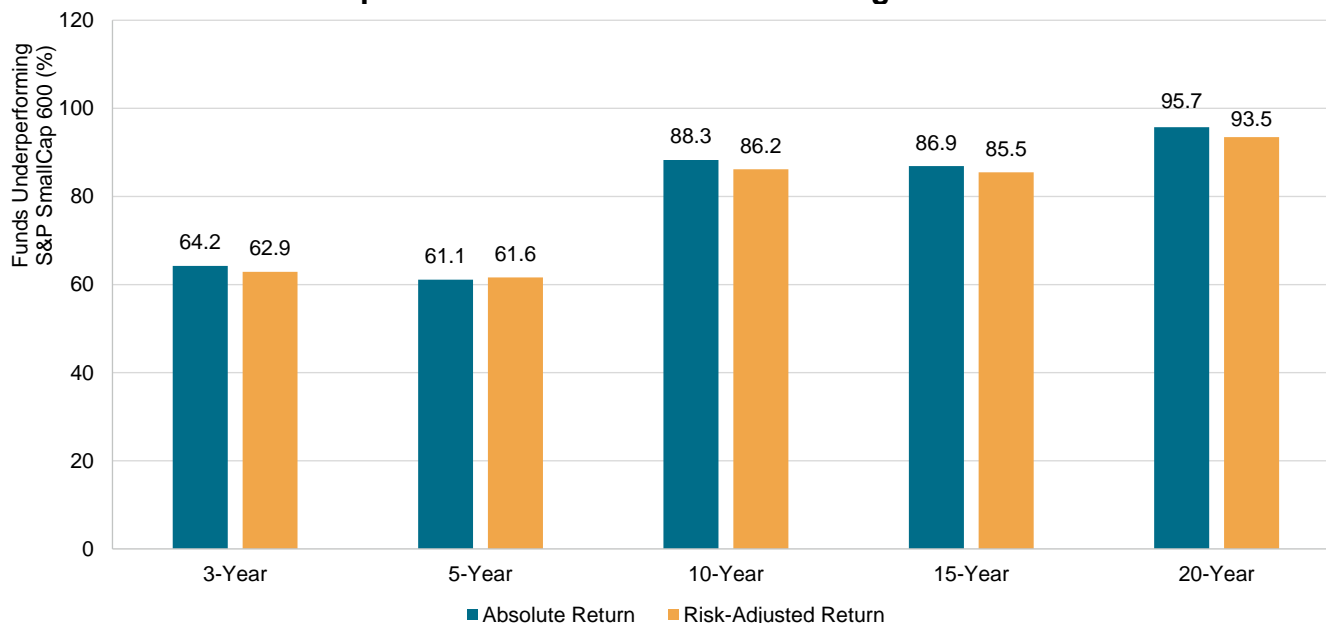
**Exhibit 13: H1 2024 Small-Cap Outperformance Was Stellar Compared to Past Years**



Source: S&P Dow Jones Indices LLC, “[SPIVA Global Mid-Year 2024 Scorecard](#),” CRSP. Data as of June 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Nevertheless, Exhibit 14 reveals that small-cap active managers have underperformed the S&P 600 over multiple time horizons. For instance, around 60% of the active managers underperformed the S&P 600 over a 3-year period, while the underperformance rate increased to more than 90% in a 20-year period.

### Exhibit 14: S&P 600 Outperformed Active Funds over Longer Time Horizons



Source: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Similar underperformance was observed across market capitalization spectrum and over multiple time horizons,<sup>13</sup> showing that our SPIVA Scorecards can inform decisions about whether to use an active manager or invest in an index-based fund such as an ETF.

## Conclusion

While the spotlight has often shone on mega-cap equities in recent years, the S&P SmallCap 600 has established itself as a distinct and significant market segment both domestically and abroad.

Over the past three decades, the S&P SmallCap 600's historical outperformance relative to other small-cap indices underscores the importance of index construction. The earnings screen criteria and its resultant quality tilt highlight why the S&P SmallCap 600 has traditionally been more challenging to surpass as a benchmark.

<sup>13</sup> ["SPIVA U.S. Year-End 2023 Scorecard,"](#) S&P Dow Jones Indices, 2024.

## Performance Disclosure/Back-Tested Data

The S&P 500 Top 50 Index was launched Nov. 30, 2015. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

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