



Study Background:

Numerous studies show small cap stocks (SC) outperform large cap stocks (LC) over extended periods of time. We argue that LC stocks will outperform SC stocks in highly volatile market periods.

Study Objective:

Determine if LC stocks outperform SC stocks over the highly volatile market period 2017-2022

Research Design:

- Develop LC and SC portfolios across 8 S&P 500 sectors
- Calculate annual and cumulative return from end of 2017 through end of 2022
- Compare returns on a market cap weighted basis
- For this poster presentation the focus is on cumulative returns for 2017-2021 and 2017-2022

Sectors included in the study:

- Consumer discretionary
- Healthcare
- Info Tech
- Industrials
- Consumer Staples
- Real Estate
- Financials
- Communications

Table 1

LC and SC Cumulative Returns by Sector, 2017-2021

Sector	LC	SC	LC Difference
Info Tech	174.4%	24.1%	150%
Health Care	68.8%	19.0%	50%
Consumer Discretionary	126.6%	-11.4%	138%
Industrials	8.8%	23.1%	-14%
Consumer Staples	30.4%	8.8%	22%
Real Estate	94.0%	37.7%	56%
Financials	30.8%	35.7%	-5%
Communications	85.1%	42.1%	43%

Table 2

LC and SC Cumulative Returns by Sector, 2017-2022

Sector	LC	SC	LC Difference
Info Tech	100.7%	-21.1%	122%
Health Care	73.8%	-5.2%	79%
Consumer Discretionary	44.3%	-37.4%	82%
Industrials	2.6%	1.8%	1%
Consumer Staples	25.0%	9.2%	16%
Real Estate	42.7%	-14.8%	58%
Financials	15.6%	-11.6%	27%
Communications	6.1%	-7.3%	13%

Findings

- For the 2017-2021 period, the LC stocks outperformed the SC stocks in 6 of the 8 S&P sectors
- For the 2017-2022 period, the LC stocks outperformed the SC stocks in all sectors with an average LC difference of 49.8% respectively
- Info tech, consumer discretionary, and healthcare LC portfolios significantly outperformed the SC portfolios for both the 2017-2021 & 2017-2022 periods