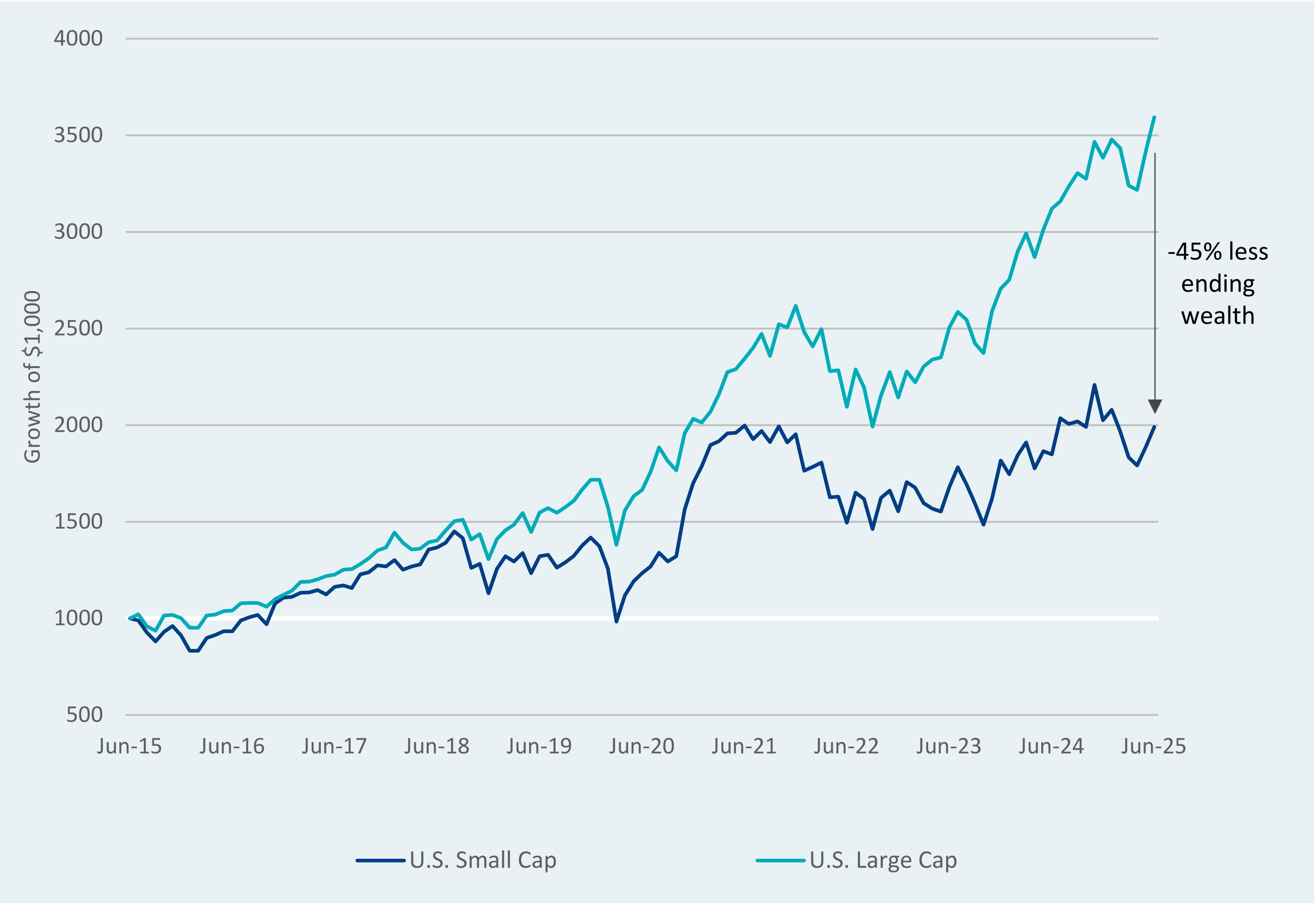
Verus Market Note

Size matters

Domestic small cap stocks have consistently underperformed large cap stocks for an extended period of time. Over the past decade, an investment in small caps would have ended in -45% less wealth than an investment in large caps[1]. During that time, small caps underperformed in 2015, 2017, 2018, 2019, 2021, 2022, 2023, 2024, and 2025 year-to-date as of June 30th. Given weak earnings growth, aging businesses, and a rising portion of index companies that are unprofitable, many investors are questioning the case for a dedicated U.S. small cap allocation. However, we believe skilled active management has and may continue to assist investors in achieving alpha and mitigating some of these benchmark issues.

In this week's Market Note, we outline the cumulative performance of U.S. small caps relative to U.S. large caps over the past decade.



[1] *U.S. Large Cap defined as S&P 500, U.S. Small Cap defined as FTSE Russell 2000. While these indexes are not perfect academic representations of small cap vs. large cap performance, they are the most common indexes that investors use across the two asset classes.*

Source: Verus, Standard & Poor's, FTSE Russell, as of 6/30/25