

S&P SmallCap 600[®]

Benchmarking the Performance of Small-Sized Companies



Rounding out its core offering, S&P DJI introduced the S&P SmallCap 600 to the market in 1994. Measuring a segment of the market that is typically known for less liquidity and potentially less financial stability than large caps, the index was constructed to be an efficient benchmark made up of small-cap companies that meet investability and financial viability criteria. Historically speaking, small-cap stocks have tended to outperform their large-cap counterparts, and investing in small caps is considered a solid diversification strategy with a higher risk/reward profile.

S&P Dow Jones Indices

A Division of **S&P Global**

History of the Index

The first capitalization-weighted index of the U.S. equity market (a predecessor of the S&P 500) dates back to 1923, and the familiar 500-stock formulation was introduced in 1957. It was not until the early 1990s that index providers began to offer distinct indices that intentionally excluded the largest stocks and emphasized smaller capitalization names. Since then, extensive research has been done on the small-cap risk premium and how it has changed over time. This has led to the creation of several well-known small-cap benchmarks. A key differentiating factor for the S&P SmallCap 600, compared with many other small-cap benchmarks, is the earnings requirement that the S&P SmallCap 600 implements, which plays an important role in how the index defines quality. This requirement has been found to contribute to relatively strong monthly and annual returns, but also potential downside protection.

What's inside the S&P SmallCap 600?

Introduced in 1994, the S&P 600™ provides investors with a benchmark for small-sized companies in the U.S. equities market. The advent of the small-cap space began in 1981 with research by Rolf Banz, finding that “smaller firms have had higher risk-adjusted returns, on average, than larger firms.”¹ Then, in the early 1990s, Nobel Prize winner Eugene F. Fama and co-author Kenneth R. French introduced the three-factor model of market risk, value, and small-cap factors that now serves as the foundation for much of the current research on the topic.² The S&P SmallCap 600 covers approximately 2.5% of the U.S. equities market, and is part of the S&P U.S. Indices that can be used as building blocks for portfolio construction. S&P Dow Jones Indices identifies important industries within the U.S. equity market, approximates the relative weight of these industries in terms of market capitalization, and then allocates a representative sample of small-sized stocks within each industry to the S&P SmallCap 600.

The index comprises 11 sectors, according to the Global Industry Classification Standard® (GICS®), with the top 5 sectors making up over 75% of the S&P SmallCap 600. The 11 sectors and their respective weights are listed in alphabetical order below:

S&P SmallCap 600 Sectors³

- Communication Services (2.1%)
- Consumer Discretionary (14.0%)
- Consumer Staples (4.1%)
- Energy (3.3%)
- Financials (17.9%)
- Health Care (12.6%)
- Industrials (17.5%)
- Information Technology (14.1%)
- Materials (4.9%)
- Real Estate (7.3%)
- Utilities (2.3%)

S&P SmallCap 600 – Top 10 Constituents³

- American States Water Co.
- Arrowhead Pharmaceuticals
- Cabot Microelectronics Corp.
- Community Bank System
- Glacier Bancorp Inc.
- Lithia Motors Inc. A
- RLI Corp.
- The Medicines Company
- TopBuild Corp.
- Viavi Solutions Inc.

Index Construction

The S&P SmallCap 600 includes 600 companies and represents almost 3% of the U.S. market. The index implements changes on an as-needed basis. Constituent deletions may occur due to bankruptcy, mergers, acquisitions, significant restructuring, or substantial violation of one or more of the eligibility measures. Constituents removed from the index are replaced by an addition at the time of the deletion. To be eligible for inclusion in the index, a company should be a U.S. company, have a market cap between USD 750 million to USD 3.3 billion, maintain a public float of at least 10% of its shares outstanding, and its most recent quarter's earnings and the sum of its trailing four consecutive quarters' earnings must be positive. Complete details of index inclusion criteria are available under the Index Methodology and Policy section of the website at spglobal.com/spdji.

Index Committee

The S&P SmallCap 600 is maintained by the U.S. Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The committee meets monthly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts, or other matters. The Index Committee establishes rules and policies that are objective and distinct from S&P Dow Jones Indices' other business operations and interests. Companies are not removed from or added to S&P Dow Jones Indices because of anticipated future stock price performance. Rather, the Index Committee's informed approach keeps turnover low and allows quick adjustments when a company's financial status or overall market conditions change.

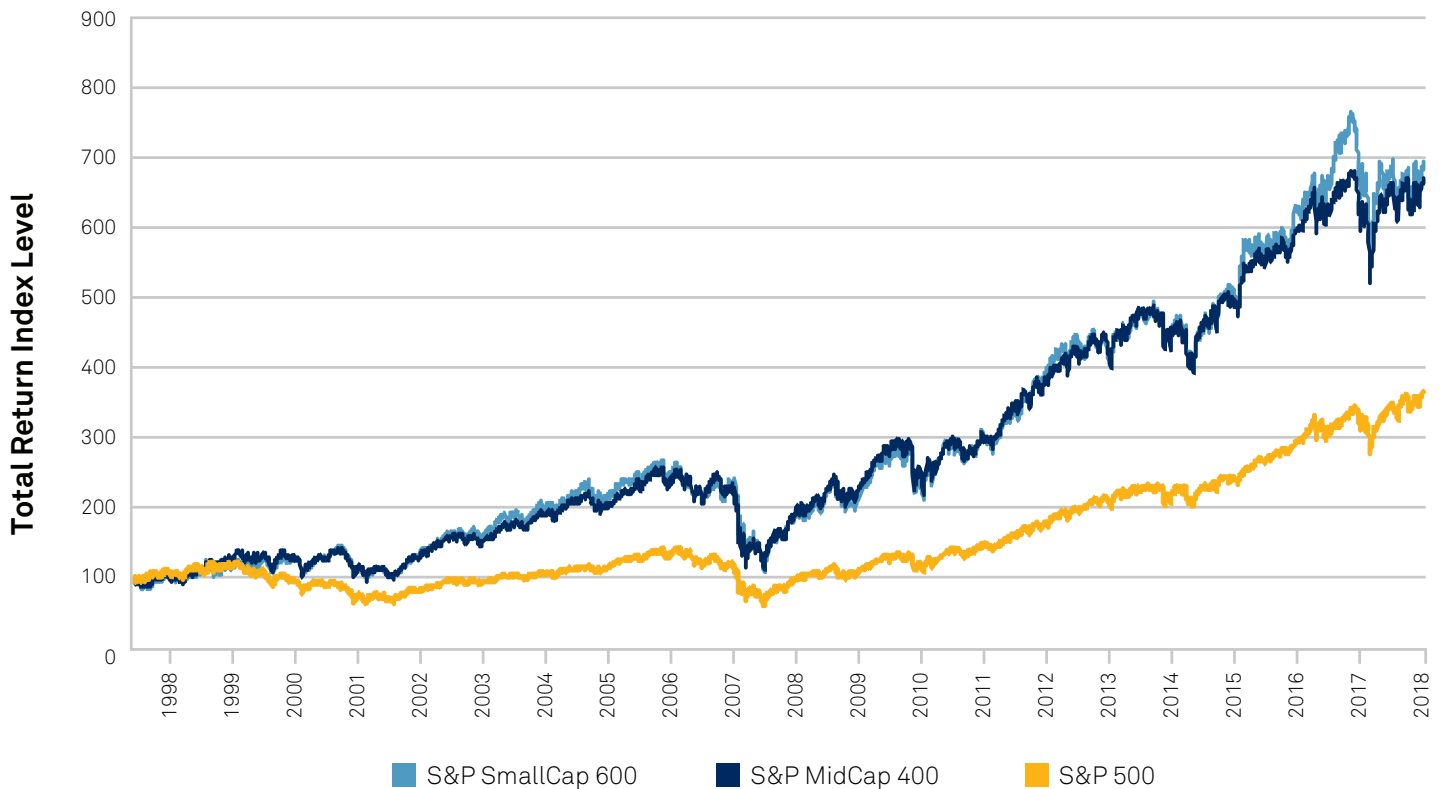
¹ Banz, R., “The Relationship between Market Value and Return of Common Stocks,” *Journal of Financial Economics*, 1981.

² Fama, E., and K. French, “The Cross-Section of Expected Stock Returns,” *Journal of Finance*, 1992.
Fama, E., and K. French, “Common Risk Factors in the Returns on Stocks and Bonds,” *Journal of Financial Economics*, 1993.

³ Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2019. Sectors and constituents are listed alphabetically.

Performance of the S&P 500, S&P MidCap 400, and S&P SmallCap 600

Oct. 31, 2019



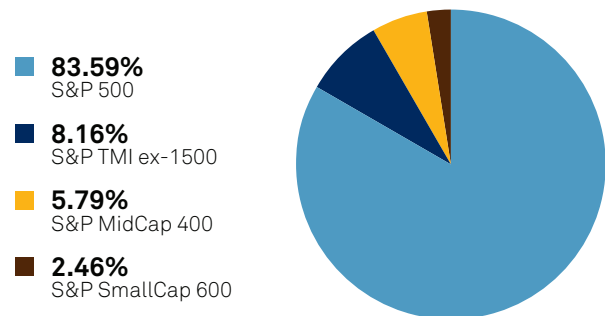
Source: S&P Dow Jones Indices LLC. Daily data from Dec. 31, 1998, through Oct. 31, 2019. Total return levels rebased to 100 on Dec. 31, 1998. Chart is provided for illustrative purposes. Index returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Distribution of the S&P SmallCap 600

Index levels are available through S&P Dow Jones Indices' website, spglobal.com/spdji, as well as through major quote vendors, such as Bloomberg (SML) and Thomson Reuters (.SPCY), numerous investment-oriented websites, and various print and electronic media. S&P Dow Jones Indices' website also provides an archive of recent index announcements and press releases, as well as a monthly release, that provide total returns for S&P DJI's headline indices.

The Global Real-time Index Platform (GRIP) at S&P Dow Jones Indices calculates and disseminates values for the S&P SmallCap 600 directly to the Chicago Mercantile Exchange (CME) and New York Stock Exchange (NYSE). In turn, the exchanges distribute the index's values to numerous quotation vendors. This ensures that the index has the widest possible means of distribution.

Market Capitalization Coverage of S&P U.S. Equities*



*Domestic common stocks traded in the U.S., excluding ADRs, limited partnerships, mutual funds, and warrants.

Source: S&P Dow Jones Indices, LLC. Data as of Oct. 31, 2019. Chart is provided for illustrative purposes.

The S&P SmallCap 600 is float-adjusted market-cap weighted (shares outstanding X stock price X investable weight factor), and each company's influence on index performance is proportional to its float-adjusted market value. The daily index values reported in the media reflect only price action of the underlying component stocks. These values do not account for any dividend income. S&P Dow Jones Indices calculates a separate total return index that recognizes dividend reinvestment; this total return index is generally cited when comparing index performance against the performance of mutual funds or other investments.

About S&P Dow Jones Indices

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies, and governments to make decisions with confidence. For more information, visit spglobal.com/spdji.

CONTACT US

U.S.

+1-877-325-5415

EMEA

+44-20-7176-8888

UAE

+971(0)4-371-7131

Asia-Pacific

+86-10-6569-2770

Japan

+81-3-4550-8564

Australia

+61-2-9255-9802

Latin America

+52-(55)-1037-5290

South Africa

+27-11214-1994

General disclaimer

Copyright © 2021 S&P Dow Jones Indices LLC ("S&P DJI"). All rights reserved. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission. S&P is a registered trademark of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by S&P DJI. S&P DJI, Dow Jones, S&P and their affiliates (together, "S&P Dow Jones Indices") makes no representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and S&P Dow Jones Indices shall have no liability for any errors, omissions, or interruptions of any index or the data included therein. Past performance of an index is not an indication of future results. This document does not constitute an offer of any services. All information provided by S&P Dow Jones Indices is general in nature and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties. It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments offered by third parties that are based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment product or vehicle that seeks to provide an investment return based on the performance of any Index. Some of the information contained within may represent hypothetical historical performance. 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. Back-tested performance is for use with institutions only; not for use with retail investors. Please see the Performance Disclosure at <http://www.spindices.com/regulatory-affairs-disclaimers/> for more information on the inherent limitations of back-tested performance data. S&P Dow Jones Indices LLC is not an investment or tax advisor. S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment product or vehicle. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Credit-related information and other analyses, including ratings, are generally provided by licensors and/or affiliates of S&P DJI, including but not limited to S&P Global's other divisions such as Standard & Poor's Financial Services LLC and S&P Capital IQ LLC. Any credit-related information and other related analyses and statements are opinions as of the date they are expressed and are not statements of fact. S&P Dow Jones Indices LLC is analytically separate and independent from any other analytical department. For more information on any of our indices please visit www.spglobal.com/spdji.