

FIVE REASONS TO TAKE STOCK OF SMALL CAPS



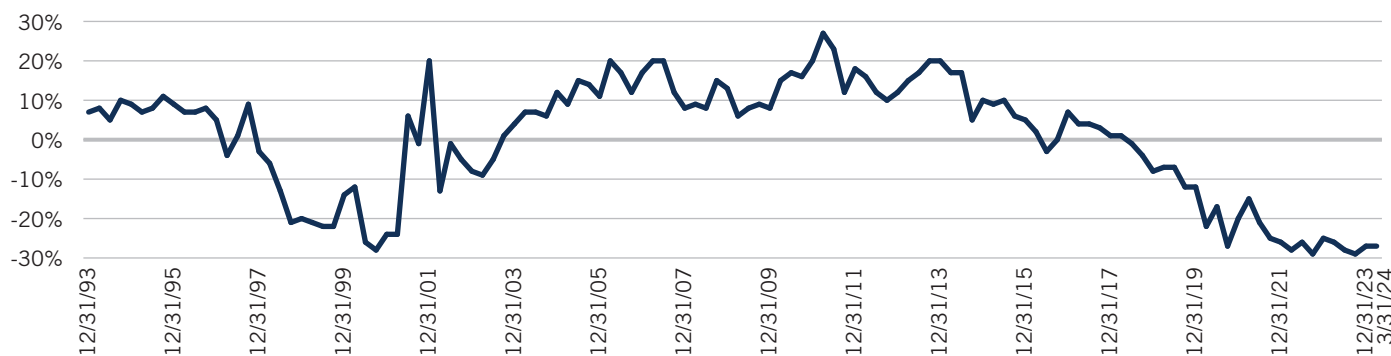
After broadly lagging large caps over the past few years, small-cap stocks appear to offer a compelling potential buying opportunity for savvy long-term investors. Below are five reasons to give small-cap stocks a closer look.

1. Current valuations of small-cap stocks are very cheap...

On a historical basis, small-cap stocks are trading at steep discounts to large-cap stocks. The small-cap-focused Russell 2000® Index is trading at about 16.0 times forward earnings, well below its 10-year average of 16.7. What's more, the valuation spread between the Russell 2000 and the large-cap-focused Russell 1000® Index is the widest it's been since the tech bubble burst in the early 2000s.

SMALL CAPS ARE TRADING NEAR A 30% DISCOUNT TO LARGE CAPS

Relative Forward P/E Ratio, Russell 2000/Russell 1000, 30 Years



Past performance is no guarantee of future results. Source: KAR Performance, Analytics, and Risk, as of 3/31/24.

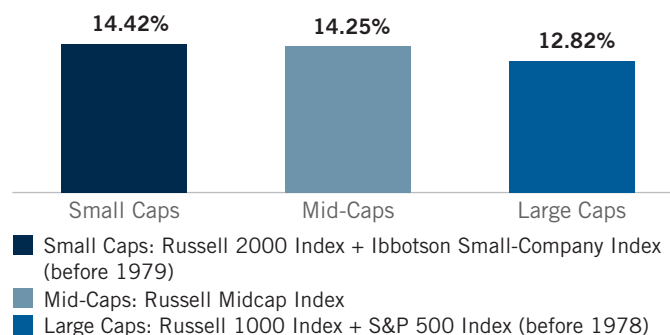
2. ...which historically has preceded periods of outperformance.

Mean reversion suggests that relative valuations eventually return to their long-term average. Over the last 30 years, small caps have rarely been discounted as deeply as they are now, but when they were, they bounced back strongly. For example, after the tech bubble burst in the early 2000s, the Russell 2000 outperformed the Russell 1000 four straight years, by an average of 10% per year. Similarly, after the 2008-09 global financial crisis, the Russell 2000 returned more than 97% in the 12 months from the March 2009 market bottom, surpassing the Russell 1000 by over 23%. With small caps currently trading at comparably low levels, an attractive entry point may exist for investors with a long time horizon.

3. Small caps have tended to outperform when inflation was high and falling.

Small caps have historically performed well during periods of high, but declining, inflation. There have been 20 years since 1950 when inflation, as measured by the Consumer Price Index (CPI), started above 3% and ended the year lower. The average small-cap return in those years was 14%, whereas the average large-cap return was 13% and the average mid-cap return was 14%.

AVERAGE ANNUAL RETURNS IN YEARS WHEN INFLATION WAS HIGH AND FALLING, 1950-2023

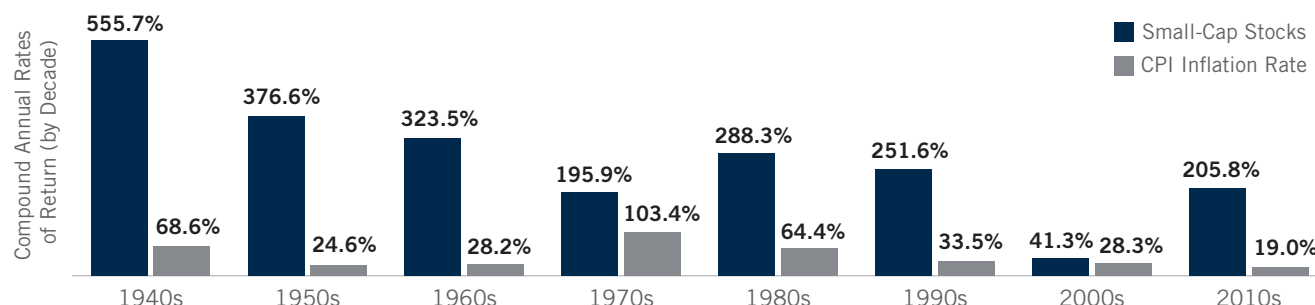


Past performance is no guarantee of future results. Source: Ned Davis Research, as of 12/31/23. Mean annual returns of calendar years in which starting inflation began above 3% and ended the year lower.

4. They also have handily beaten inflation over longer time periods.

Unlike large-cap stocks and U.S. government bonds, small caps have outperformed inflation across every decade since the Great Depression. This consistency has historically provided investors with an effective hedge against inflation over the long run.

SMALL CAPS UNFAZED BY INFLATION Small-Cap Stocks vs. CPI Inflation Rate



Past performance is no guarantee of future results. Ned Davis Research. Small-Cap Stock performance is represented by two indexes: Ibbotson Small-Company Index (1940-1978) and Russell 2000 (1979-Present).

5. Small caps have a strong history of delivering attractive long-term returns and diversification benefits for equity investors.

Historically, small caps have offered investors a way to expand portfolio potential through exposure to a significant segment of the U.S. economy. The segment has a strong history of attractive upside investment potential and also has tended to be less efficient than the large-cap market, providing meaningful opportunities to add value through active management.



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The **Russell 2000® Index** is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The **Russell 1000® Index** is a market capitalization-weighted index of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The **S&P 500® Index** is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The **Russell Midcap® Index** measures the performance of the mid-cap segment of the US equity universe. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

Forward price-to-earnings ratio divides the current share price of a company by the estimated future earnings per share of that company.

Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Diversification does not assure a profit or protect against losses.

All investments carry a certain degree of risk, including possible loss of principal.

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