

Investing in Small Stock Mutual Funds

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Classic Definitions of Cap Sizes

- Large Caps = over \$10 billion capitalization
- Mid Caps = between \$2 billion and \$10 billion capitalization
- Small Caps = between \$300 million and \$2 billion capitalization
- Micro Caps = less than \$300 million in capitalization
- MAGA Caps = something else entirely

Russell 2000 and S&P 600

- Most ETF's and smaller company mutual funds use the Russell 2000 or the S&P 600 to frame their holdings.
- Russell 2000 consists of the smaller 2/3 of the 3000 largest US companies. Except many of the holdings are larger than the classic definition of a small cap stock. For example, its three largest holdings are Caesar's Entertainment (market cap \$17.3 billion), Penn Gaming (\$20.0 billion) and Plug Power (\$32.7 billion). Seems thusly more a mid cap/small cap index.
- S&P 600 is an index of small cap stocks managed by Standard & Poors. It tries to keep a cap range of \$450 million to \$2.10 billion, so it's narrower and probably a better gauge of true small caps.
- Also sometimes seen: CRSP US SmallCap, MSCI USA SmallCap

Investments over the Long Haul

Various investments January 1926 through July 2020:

Small Stocks	Total annualized return	11.6%
Large Stocks		10.2%
U.S. Gov't bonds		5.7%
U.S. Treasury bills		3.3%
Rate of Inflation		2.9%

10 yrs. Russell 2000 (Blue) vs. S&P 500

INTERACTIVE CHART



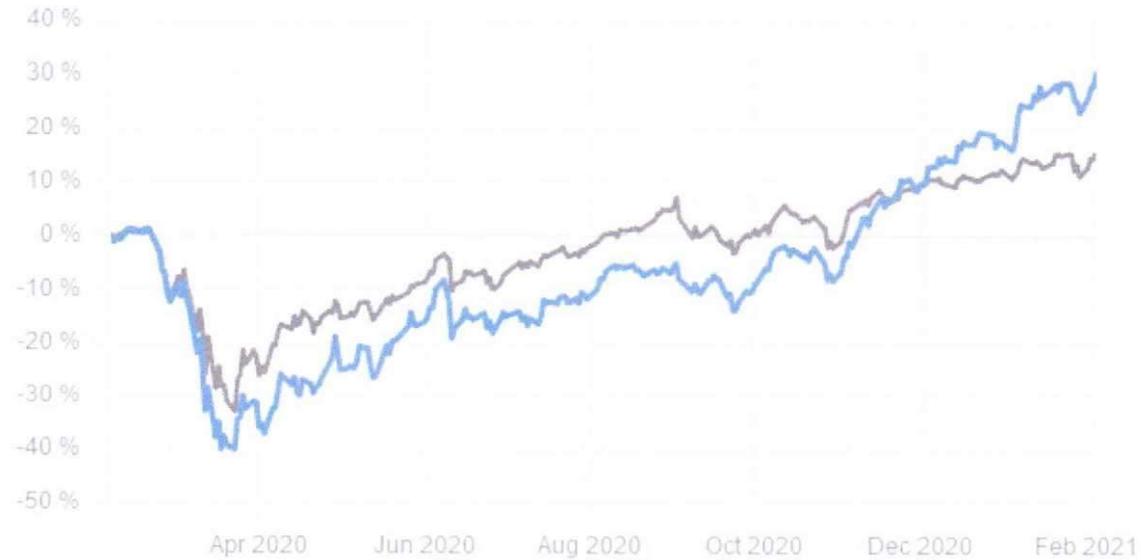
1W 1M 3M 6M YTD 1Y 5Y 10Y MAX

Price Vs S&P500

IWM S&P 500 Index

1 yr. Russell 2000 (Blue) vs. S&P 500

INTERACTIVE CHART



1W 1M 3M 6M YTD **1Y** 5Y 10Y MAX

Price **Vs S&P500**

 IWM  S&P 500 Index

Tracking the Market Cycle

1. Recession
2. Early Recovery
3. Mid-Cycle
4. Late Cycle

Characteristics of the Early Recovery Period

- Economic Indicators: GDP shows modest gains
Leading economic indicators rising
Inflation flat
Manufacturing rising
- Monetary Indicators: Short-term rates flat
Long-term rates flat
Fed stops easing
- Consumer Sentiment: Consumer expectations rising

What Stocks Tend to do Well in the Early Recovery Period?

Small Companies begin to outperform ----

Why? They're more nimble and able to respond more quickly to an improving economy.

They're typically heavy borrowers and feel relief when interest rates are low

They've likely underperformed as the preceding late cycle and recession caused a flight to safety, so they may seem relative bargains

What Stock Groups Tend to Outperform in the Early Recovery Period?

- Consumer Cyclical (the companies that make the goods that consumers postponed buying during the recession)
- Technology (software and computers)
- Industrials

Small Cap Blend/ Growth/ Value

	Performance YTD	1 Yr.	3 Yrs.
Vanguard Small Cap Blend (VB)	10.89%	24.06%	10.97%
Vanguard Small Cap Value (VBR)	10.38%	11.79%	4.51%
Vanguard Small Cap Growth (VBK)	11.47%	38.81%	18.59%

Research Sources for Finding and Evaluating Mutual Funds

- Morningstar.com (Use Public Library online sources to gain access to the Premium version)
- Fidelity.com
- FINVIZ does not cover mutual funds, nor does Value Line
- Vanguard and T Rowe Price sites oriented toward their own funds

Top Small Cap Blend Funds

- BDSAX Blackrock Advantage Small Cap Core (active mgmt.)
- FDSCX Fidelity Stock Selector Small Cap Fund (active mgmt.)
- FSSNX Fidelity Small Cap Index Fund (index)
- SWSSX Schwab Small Cap Index Fund (index)

Small Cap Blend Funds

	1-yr	3-yrs	5 yrs	after 5 yrs	Sharpe	Std. Dev.
BDSAX	27.68	12.96	17.46	22,359	0.43	26.28
FDSCX	25.63	12.75	15.55	20,599	0.49	23.08
FSSNX	30.25	11.21	16.66	21,612	0.38	25.70
SWSSX	30.35	11.21	16.57	21,525	0.38	25.71

Top Small Cap Growth Funds

LAGWX Lord Abbett Developing Growth Fund

BUFSX Buffalo Small Cap Fund

ARTSX Artisan Small Cap Investor Shares

QUASX Alliance Bernstein Small Cap Growth

	1-yr	3-yrs	5 yrs	after 10 yrs	Sharpe	std. dev.
LAGWX	76.06	33.91	29.34	50,362	1.22	26.63
BUFSX	74.19	31.44	28.62	46,003	1.09	27.34
ARTSX*	58	30.01	28.41	54,275	1.18	24.22
QUASX	60.6	26.92	29.11	51,219	1.02	25.01
Russell 2000				30,453		

Small Cap Value Funds

PMJAX PIMCO RAE US Small Fund

FRVLX Franklin Small Cap Value

FCPVX Fidelity Small Cap Value Fund

VISVX Vanguard Small Cap Value Index

Small Cap Value Funds

	1-yr	3-yrs	5 yrs	after 5 yrs	Sharpe	std. dev.
VISVX	18.47	9.78	14.48	19,549	0.25	25.82
PMJAX	21.5	6.63	12.65	18,143	0.18	28.3
FCPVX	18.57	5.12	10.86	16,746	0.15	24.65
FRVLX	11.56	5.2	12.09	17,697	0.15	24.21

So what did I do?

Thank You.