

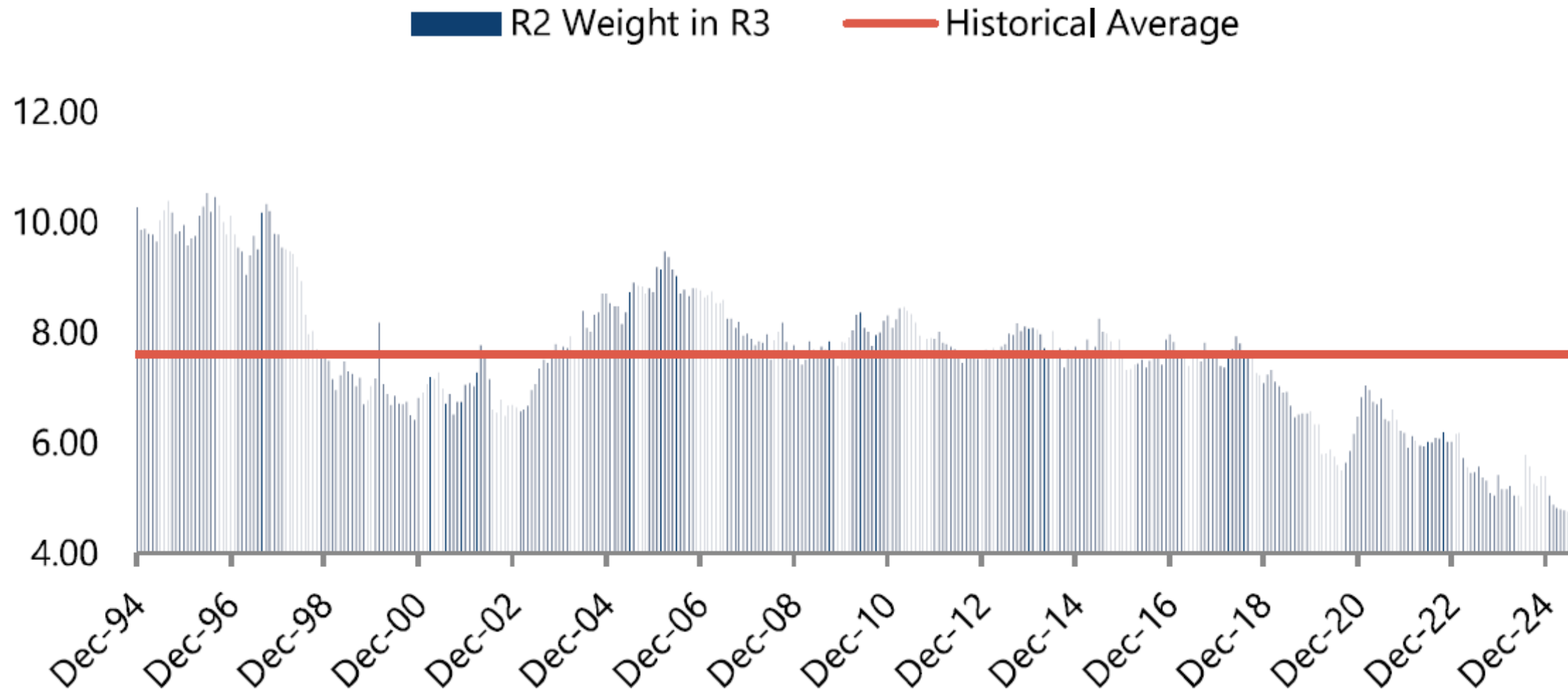
Small Cap Equities – When Will They Comeback

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Russell Size Indices

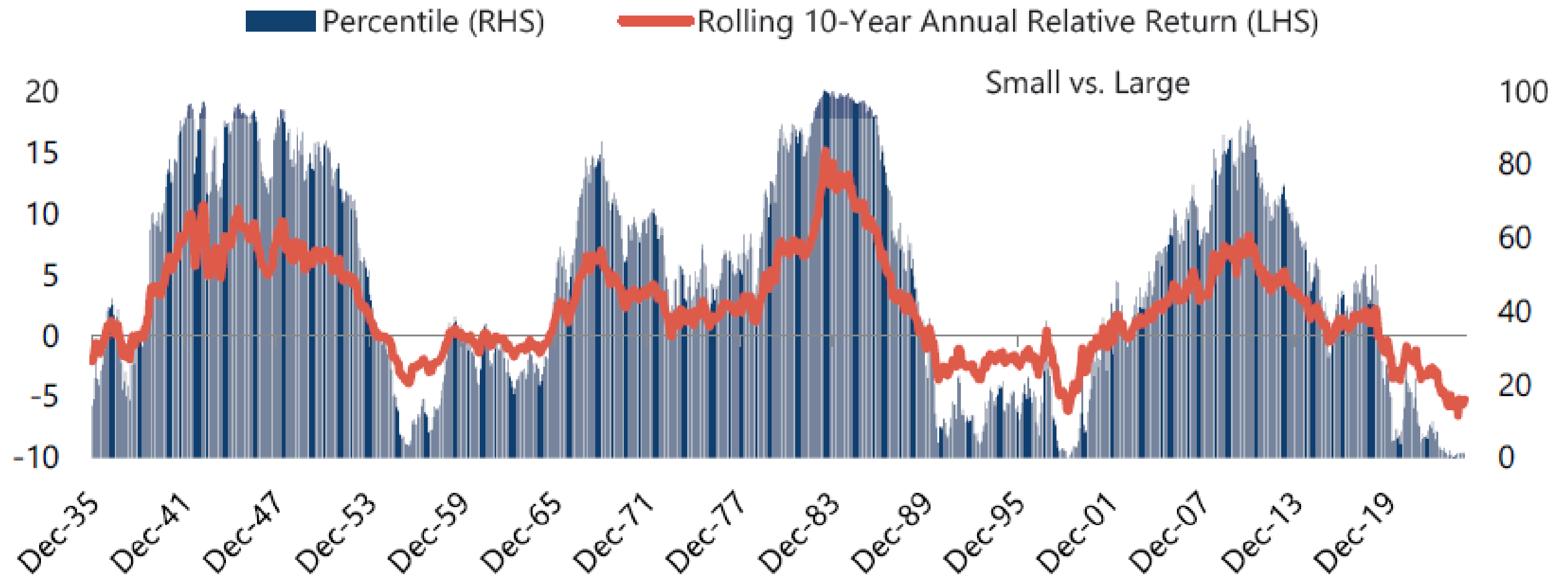
- Russell 3000 represents ~98% of the US equity market, according to FTSE Russell.
- Russell 2000 captures the small cap segment of the US equity universe. The 2000 is a subset of the Russell 3000 and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
- Rank Date: April 30, 2025
- Final Reconstitution: June 27, 2025

Russell 2000 %Weight of the Russell 3000 Is at a New Low of 4.5%



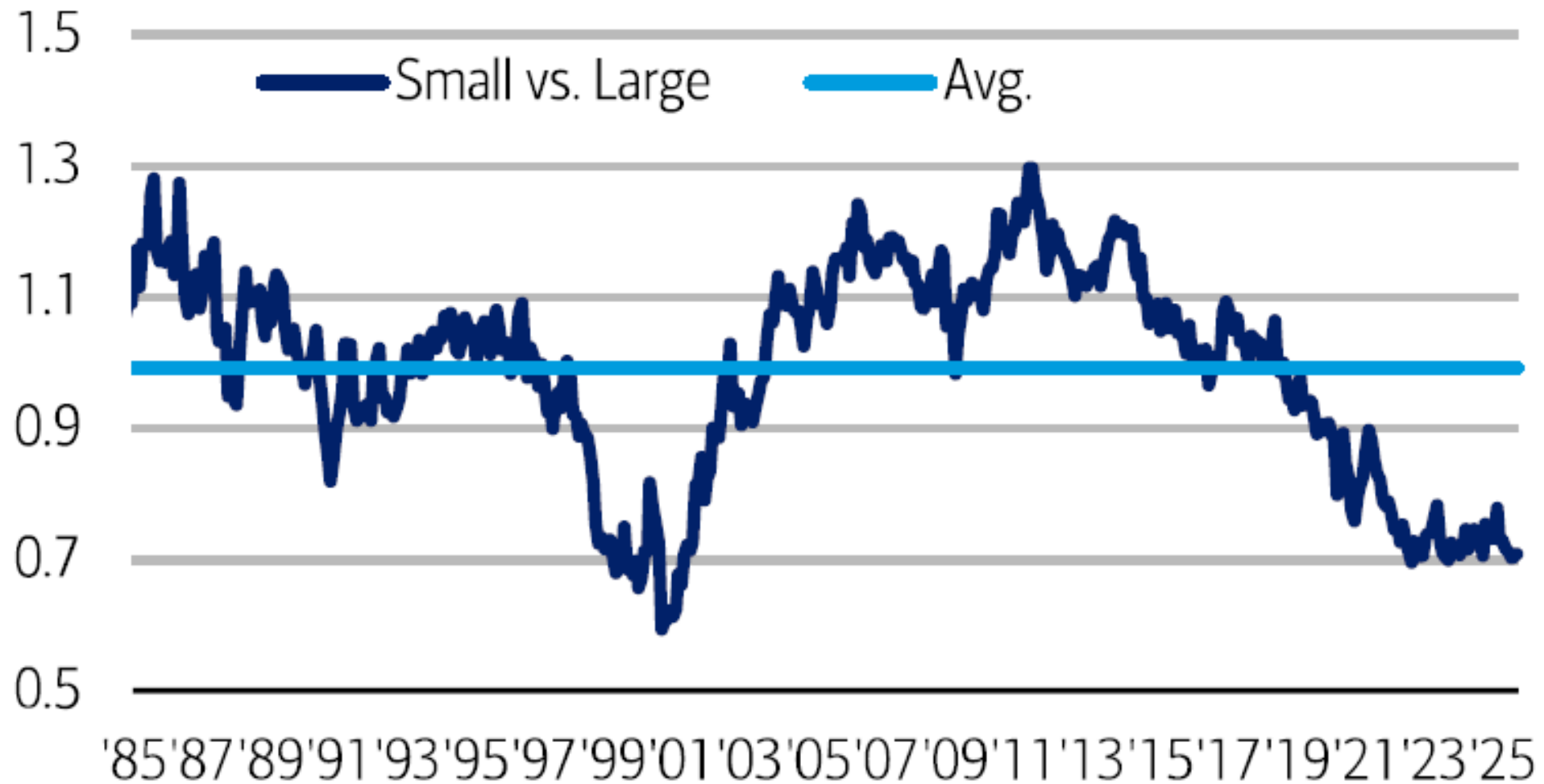
Source: FactSet; FTSE Russell; Jefferies, through 6/30/25

Small vs. Large New Low for Rolling 10YR Annual Excess Return Back to 1935



Source: Center for Research in Security Prices, U of Chicago Booth School of Business; Jefferies

Small Cap Is Historically Cheap vs. Large on Relative Forward P/E



Source: BofA US Equity & Quant Strategy; FactSet; 1985 – 6/30/25

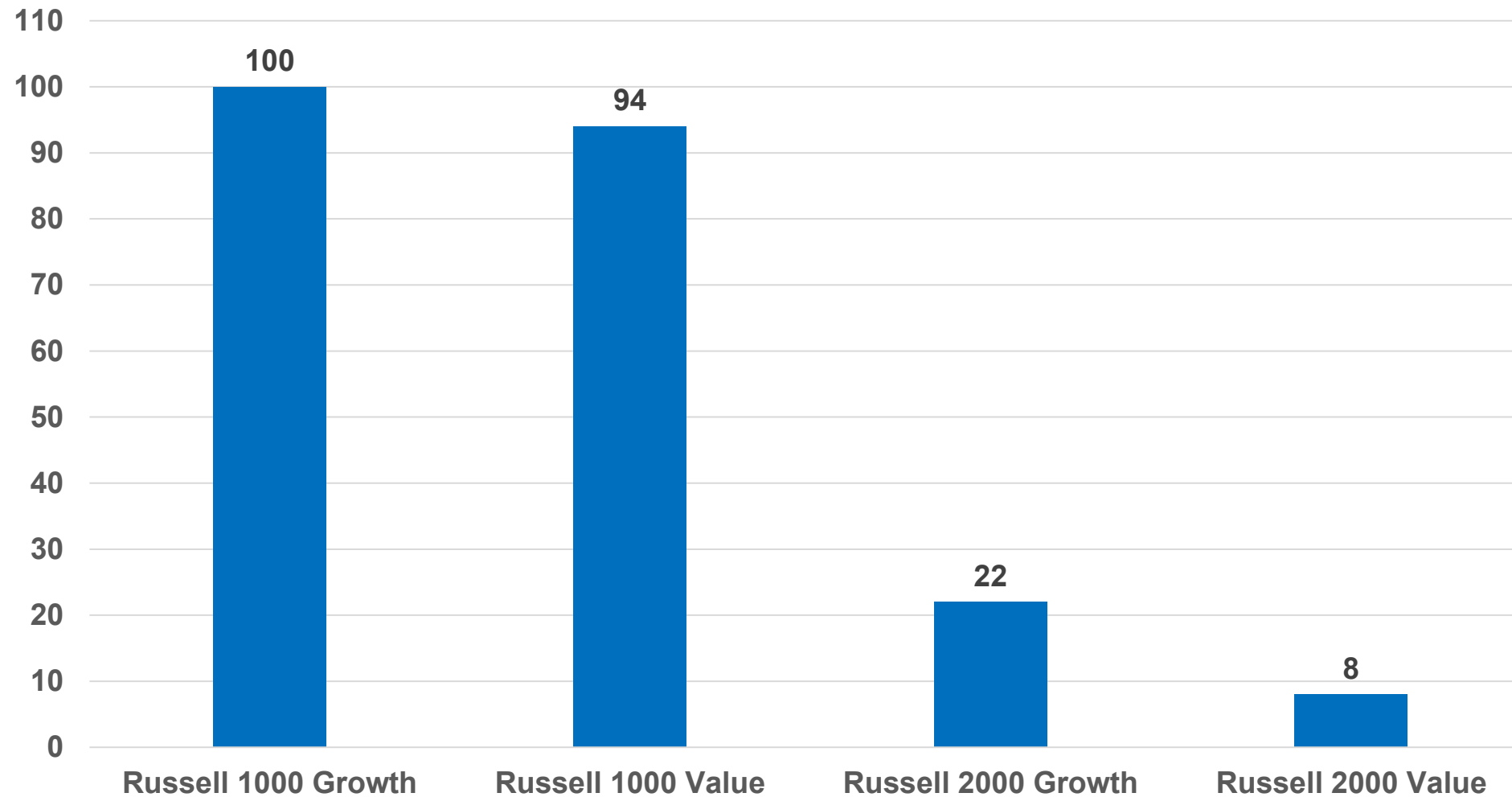
Relative Valuations for the Russell 2000 Trade at a Historical Discount to the Russell 1000

Valuation Metric	Relative Valuation				% Difference From		
	As of Jun-25	Max	Min	Long- Term Average	Max	Min	Long- Term Average
Trailing P/E	0.69	1.27	0.54	0.98	-46%	27%	-30%
Forward P/E	0.71	1.30	0.59	0.99	-45%	19%	-29%
Price/Book	0.41	1.11	0.41	0.74	-63%	0%	-45%
Price/Sales	0.45	1.02	0.43	0.73	-56%	4%	-39%
P/E To Growth	0.61	1.07	0.49	0.77	-43%	25%	-21%
Enterprise Value to FCF	0.55	1.22	0.55	0.83	-55%	0%	-34%

Source: BofA US Equity & Quant Source: BofA US Equity & Quant Strategy; FactSet; 1985 – 6/30/25

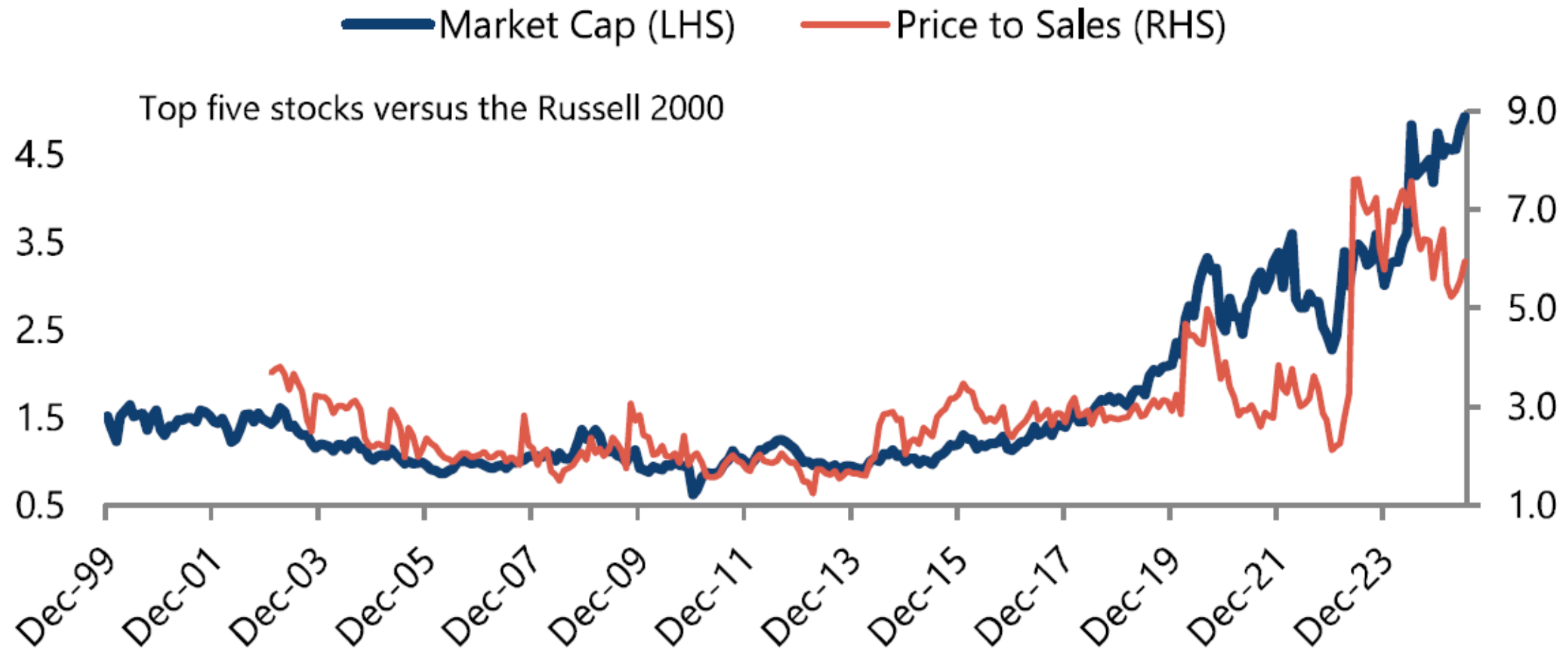
Note: P/E measures exclude negative earnings. EV/FCF excludes negative FCF.; FactSet; 1985 – 6/30/25

Cape Ratio, Valuation Percentile Relative to Last 20 Years



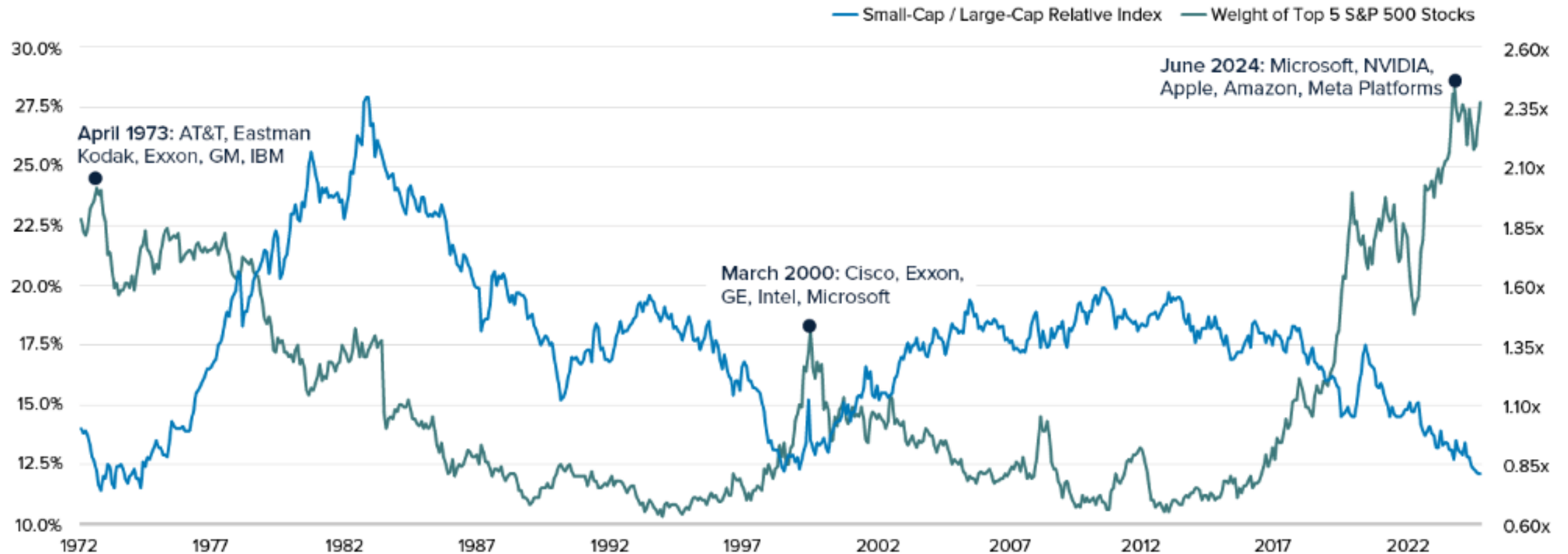
Source: Bloomberg, 6/30/25; Cape Ratio – Valuation metric comparing stock prices to inflation-adjusted earnings.

New Record of Top 5 Large Cap Market Cap Stocks vs. The Entire Russell 2000



Source: FactSet; FTSE Russell; Jefferies, through 6/30/25

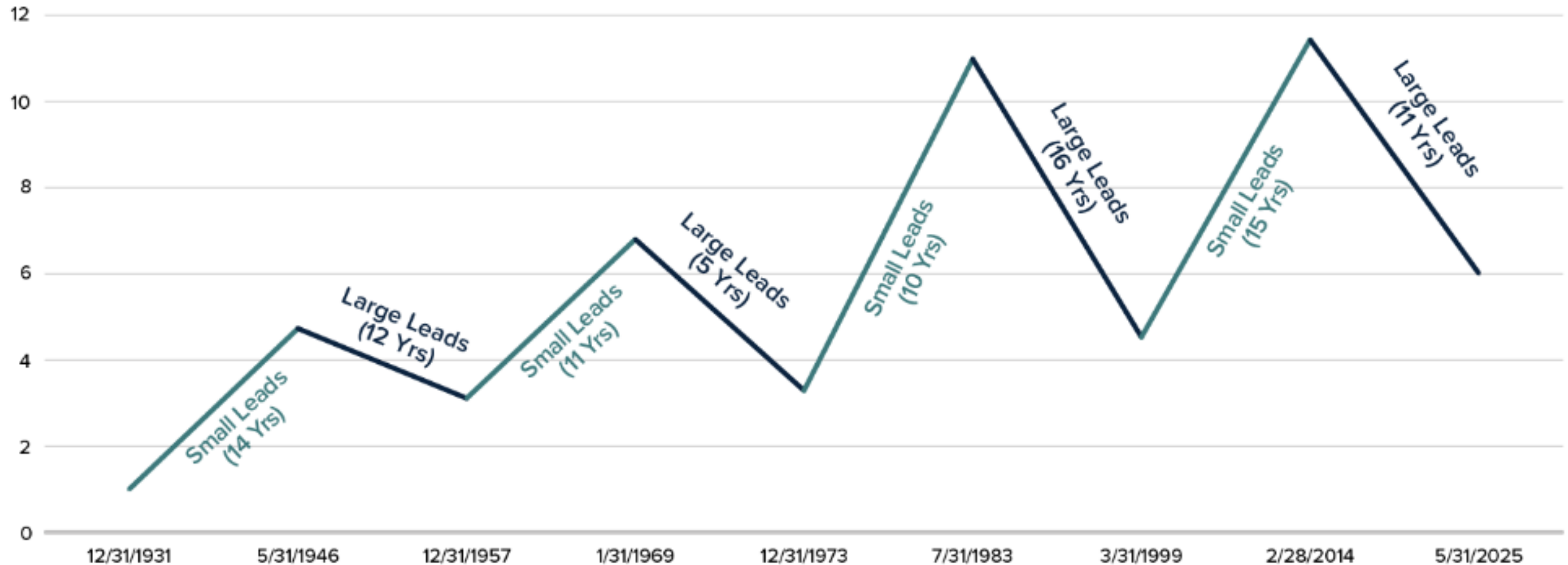
Small Cap Leadership After Large Cap Concentration Peaks of 1973 and 2000



Small Cap inflection points have come at peak Large Cap Top 5 Concentration

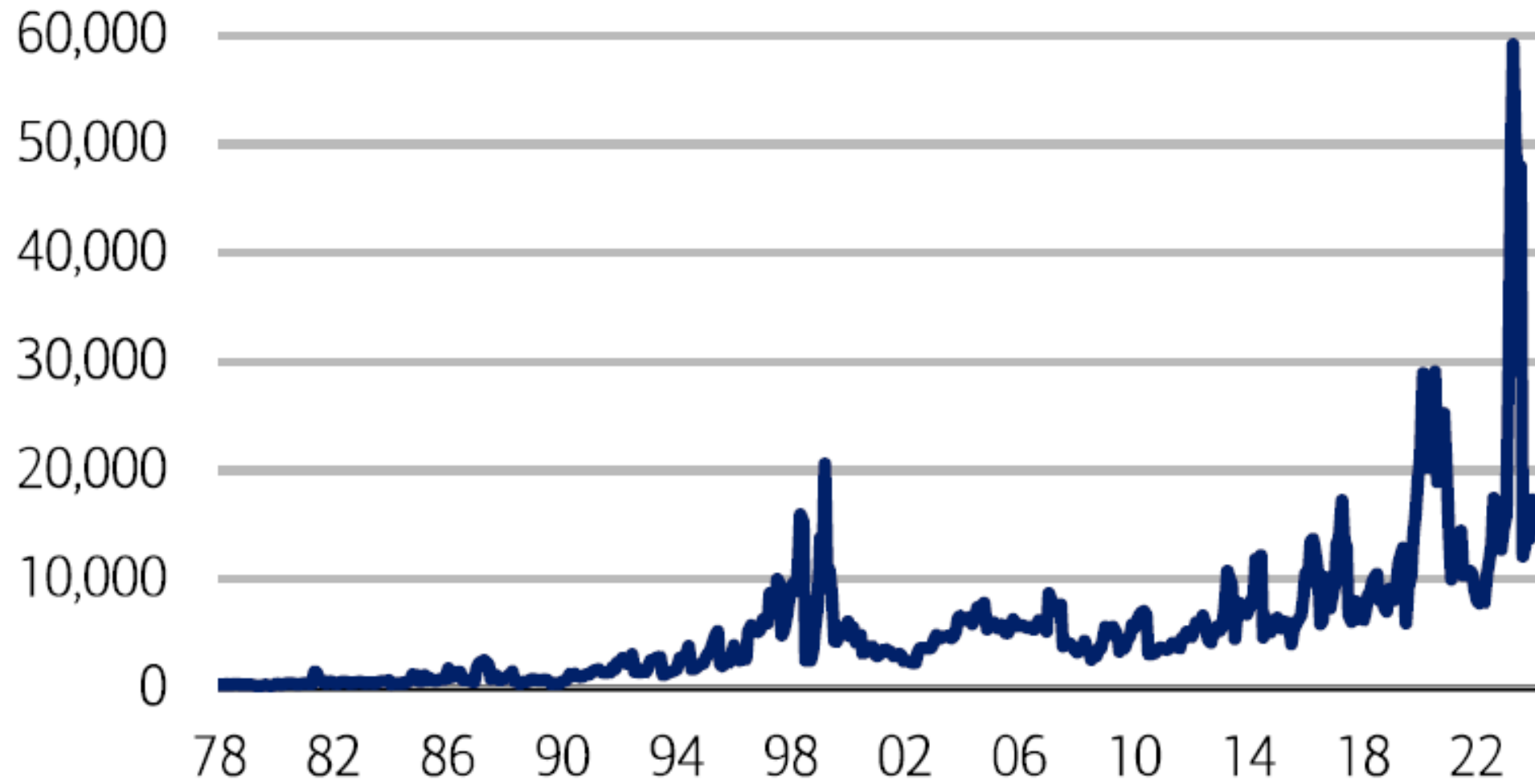
Source: Fury Research Partners; 9/30/72 – 6/30/25

Average Length of Small Cap Leadership Is 12.5 Years



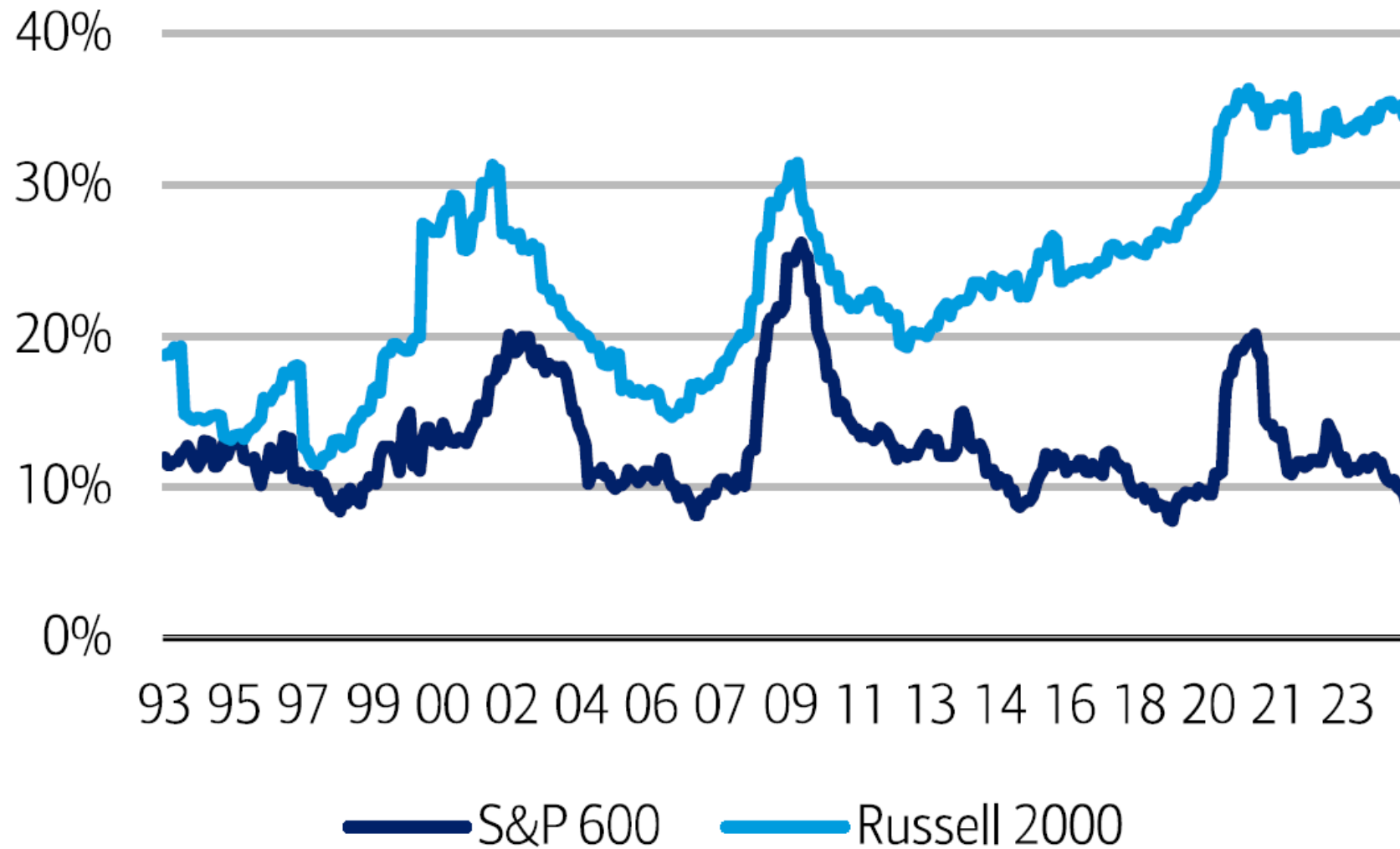
Source: Franklin Templeton; Center for Research in Security Prices, U of Chicago Booth School of Business.
Deciles 1-5 represent the largest NYSE listed stocks and deciles 6-10 represent the smallest.

Highest Market Caps for Russell 2000



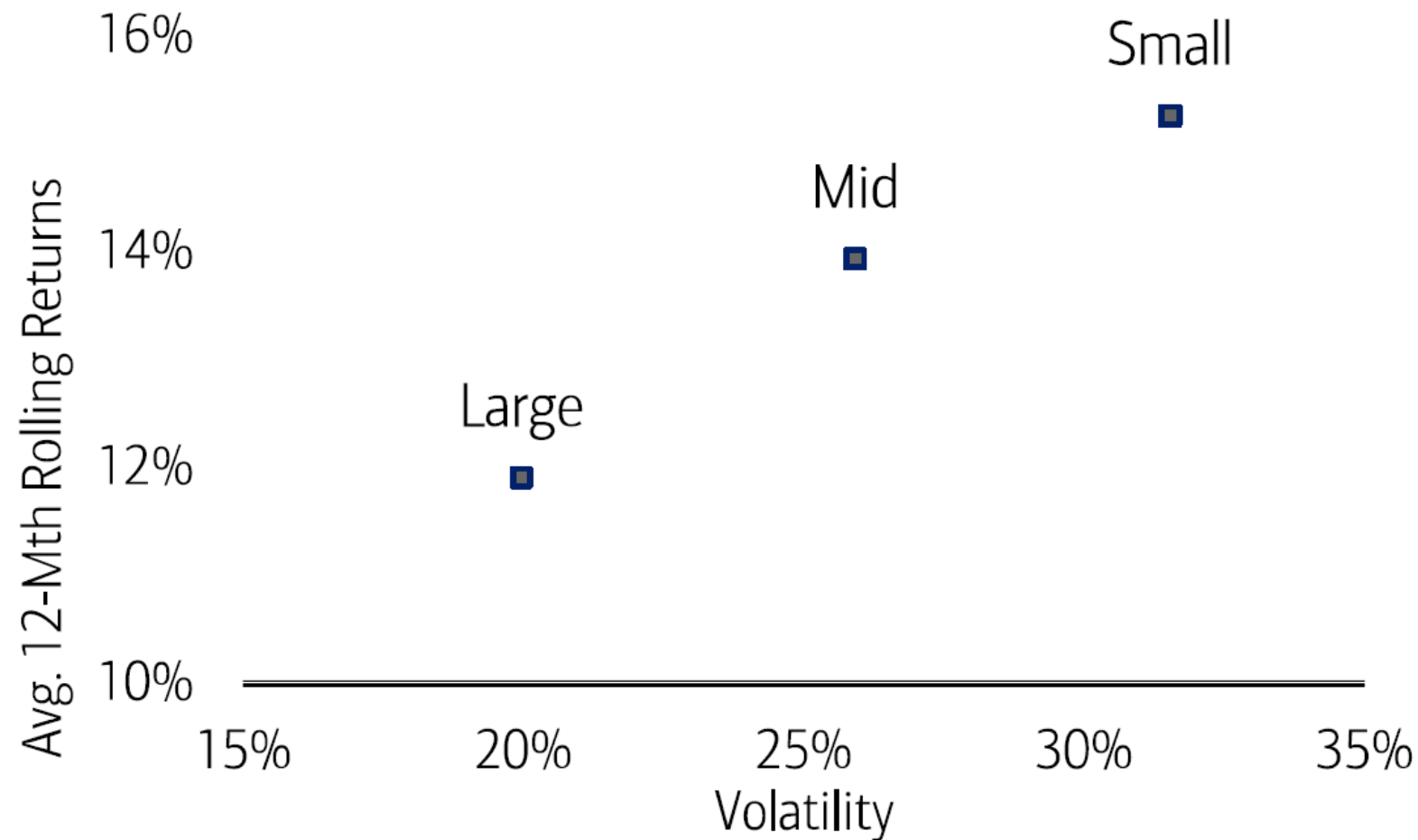
Source: FactSet, BofA US Equity & Quant Strategy, July 1978 – March 2025

Russell 2000 and S&P 600 Non-Earners



Source: FactSet, BofA US Equity & US Quant Strategy

Average Annual Returns vs. Volatility



Source: BofA US Equity & US Quant Strategy and CRSP®, Center for Research in Security Prices. Rolling 12m 12/31/25 – 2/28/25