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Mid-year Report

2020 and Beyond

SmallCap Informer

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1

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2



3

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3 Key Factors Driving Markets

1. Long-term: Massive 2-decade shift towards indexing (& ETFs) provides support for equities.
2. Mid-term: TINA ("There Is No Alternative" to stocks) effect still in place.
3. Short-term: Expectation that Federal intervention & stimulus will continue to support markets & economy.

4

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Investors' Preference for Large-Caps

- Outperformance of large-caps since 2015 means investors don't have to "trade down" to achieve target return.
 - At start of 2020, average P/E of Apple, Amazon, Microsoft, Google, & Facebook was 39.5.
- Investors prefer large-cap stocks over cash, bonds, other asset & sub-asset classes.
 - Perception exists that large-caps are "safer."

5

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Small vs. Large Performance Trends

- From 2000-2019, Russell 2000 outperformed S&P 500 in 13 of 20 years.
- But rarely since 2015 have large-caps beat small.
- 2020 is likely to see large companies perform better.
 - Large companies better suited to weather 2020's economic recession & pandemic.

6

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20-Year Small vs. Large Performance

Small-cap stocks remain best opportunity for highest total return over long-term.

Index	2000 Value	2020 Value	% Change
S&P SmallCap 600	18.32%	314.71%	~1660%
S&P 500	18.32%	104.80%	~470%

7

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SmallCap Informer Performance (as of 6/29/20)

Metric	SmallCap Informer	S&P SmallCap 600
CAR Year to Date	-25.2%	-34.7%
CAR Lifetime to Date	4.0%	-6.0%
1 Year	28.4%	25.6%
3 Years	9.9%	-14.0%
5 Years	7.6%	-5.8%

8

SCI Stock Ideas - June 2020		
AMN	AMN Healthcare Services	Medical Care
ICLR	Icon plc	Biotechnology
DOC	Physicians Realty Trust	REIT
FSS	Federal Signal	Pollution & Treatment
MED	Medifast	Personal Services
JBT	John Bean Technologies	Specialty Industrial
CVGW	Calavo Growers	Farm Products

9

2020 and Beyond

- **The pandemic hardest hit stocks**
- Hotels, airlines, cruise lines, casual dining, retail real estate, entertainment, energy
- Highest risk, but highest level of potential reward
- Requires patience, and careful monitoring of uncertain circumstances
- Some companies may not survive

10

2020 and Beyond


- **Economically Sensitive stocks**
- Heavy equipment, banks and financials, real estate, basic materials, industrials, technology, consumer cyclical
- High risk doesn't always discount during recession

11

2020 and Beyond

- **Defensive stocks**
- Healthcare, utilities, grocery, drug stores, discount stores, fast food
- May be difficult to find at a reasonable price, moderate return, lower risk


12

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2020 and Beyond

- **Surprise Winners**
 - Housing, RVs, online services, technology communications
 - Moderate return, moderate risk

13

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Questions or Comments?

14

14