

Economics Weekly

The Curious Case of Quality

Equity Research
Macroeconomics

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Some of the questions we continue to hear from clients are: What’s happened to quality stocks? Why have they had such middling performance over the last few years and, in particular, over the last year? And what might change going forward? **In this *Economics Weekly*, we discuss the curious case of quality stocks, why they have suffered, and why we think now is an attractive time for investors to recast their attention to this part of the market.**

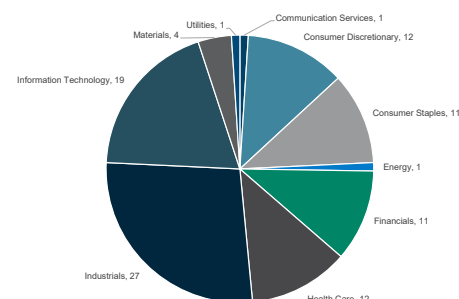
What Is Quality?

In factor investing, quality typically refers to firms that exhibit persistently strong fundamentals across several dimensions—most commonly profitability, growth, and stability. In practice, quality is often proxied using accounting-based measures, such as: return on equity, gross profitability, accruals, leverage, and the stability they can provide with regard to earnings or cash flows. Many investors also supplement these quantitative metrics with qualitative assessments, including capital allocation discipline (including dividends and buybacks) and the strength of the management team.

These firms tend to have low debt, more resilient balance sheets, and more predictable operating performance. As such, they also have lower betas and are often associated with defensive characteristics that are normally sought-after qualities during periods of macroeconomic stress or heightened risk aversion. Quality is also distinct from pure growth or pure value. While the two can overlap, quality is better understood as the persistence and robustness of fundamentals rather than simply the rate of expansion, with the result that quality can straddle both the growth and value spectrums. In fact, as market concentration has increased and leadership declined, former quality growth companies increasingly are finding their way into the value basket.

In terms of sector representation, the S&P 500 Quality Index has a fixed number of 100 companies drawn from the S&P 500. The most represented sector by number of companies in the index is the industrials, followed by information technology (exhibit 1). On a market cap-weighted basis, however, information technology accounts for almost 50% of the index due to the inclusion of Apple, which accounts for 32% of the entire quality index. The next largest shares go to Visa with 4.7% and Costco with 3.4%. Pool Corp. has the smallest share of the index with just 0.05% by market cap.

Exhibit 1
Number of Representative Companies per Sector in S&P 500 Quality Index

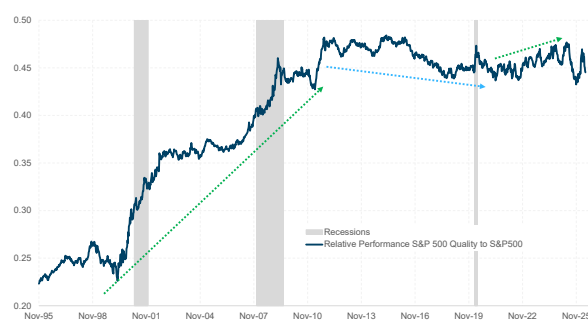


Sources: Bloomberg, William Blair Equity Research

Quality Performance

Despite being overachievers in a semi-efficient market, these companies do not always outperform, as shown in exhibit 2. Quality experienced an exceptionally strong period of outperformance from the end of 1995 to 2011, with a CAGR of 9.1%—more than double the 4.1% return for the S&P 500. Quality then proceeded to modestly underperform the index for the following decade to 2021, rising 13.2% against the market return of 14.3%. Quality again outperformed following the pandemic from 2021 to early 2025, before sharply underperforming through the rest of 2025 and again over the last few months of 2026.

Exhibit 2
Relative Performance of S&P 500 Quality Index to S&P 500



Sources: Bloomberg, William Blair Equity Research

In exhibit 3, we plot the performance of the S&P 500 Quality Index against the S&P 500 across years 1 to 30. As shown, there was strong underperformance over the last year and a slight underperformance over years 3 and 10, though not for years 5, 20, or 30.

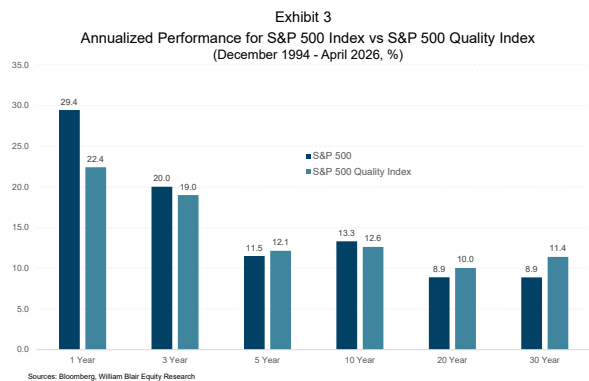
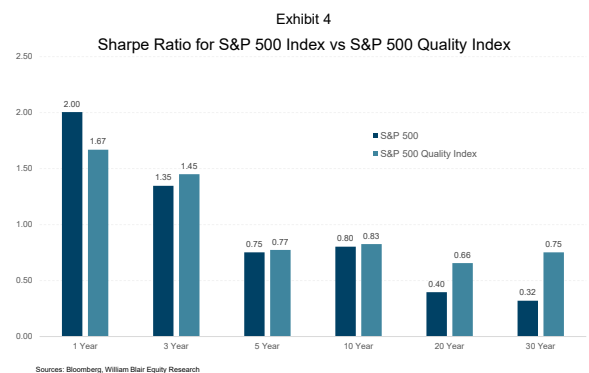


Exhibit 4 shows the same returns on a risk-adjusted basis using a Sharpe ratio to compensate for the volatility of those returns (the sleep-better-at-night ratio!). Here, we see that the quality index has underperformed only over the last 12 months, but has consistently outperformed over all other periods.



This outcome is consistent with the seminal 2018 paper on quality factor investing by Clifford S. Asness, Andrea Frazzini, and Lasse Heje Pedersen, [Quality Minus Junk](#). The paper found that quality stocks command a higher price than junk stocks, but only modestly so and not by large enough of a margin to reflect their superior characteristics—i.e., the market is not perfectly efficient and still leaves money on the table when it comes to assessing these stocks, by systematically undervaluing quality characteristics. The authors also found this was consistently the case across the U.S. and in 24 other countries they studied.

Inflation Regimes & Market Performance

As we discussed several weeks ago ([Economics Weekly: Inflation Regime Shifts and the Return of Quality GARP Investing](#)), we think that quality stocks’ middling performance following the global financial crisis (exhibit 2)—and a more significant deterioration post-2015—was a direct result of a shift in the inflation regime, which encouraged central banks to maintain large balance sheets and keep rates lower for longer. In this regime, both quality and valuation became less important drivers of performance, whereas risk-on and momentum prevailed. This performance was also reinforced by the growth in passive investment, where valuation is effectively irrelevant in stock selection.

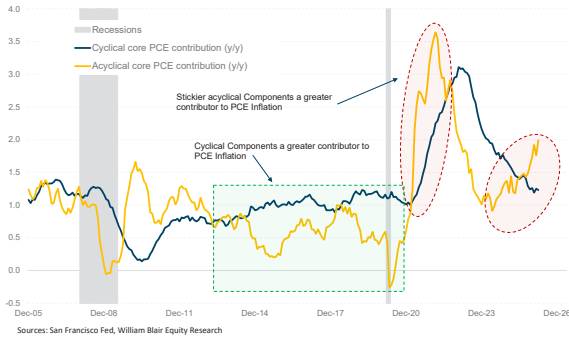
The inflation regime shift precipitating the downgrade of quality as a factor was the combined result of hyper-globalization (which made the availability of capital cheap and ultraefficient) and cheap and abundant labor (due to higher birth rates, immigration, outsourcing, and baby boomers still in the labor market).

We believe that since COVID, the inflation regime shifted. Both of these sources of previously disinflationary pressures are now reintroducing friction into the system, with supply shocks now becoming the norm.

The labor market is now structurally tight, due to a slower birth rate, retiring baby boomers, and stringent immigration restrictions. Meanwhile, trade agreements have been shredded, tariffs have been introduced, wars are choking off supply routes, and increasingly extreme weather events are frequently destroying crops or downing production facilities. As a result, companies are reengineering supply chains for robustness (just-in-case) as opposed to efficiency (just-in-time). This means carrying higher levels of inventory and increased costs.

In exhibit 5, for example, we highlight this inflation shift. As shown, from 2013 to 2020, the largest contributors to inflation were cyclical components (where prices tend to be more sensitive to overall economic conditions), as opposed to acyclic components, which tend to be stickier and less cyclical. This period was consistent with a regime of well-anchored inflation/inflationary expectations and no upside risks to inflation. This allowed central banks to bask in their success of taming inflation, to issue forward guidance, and to preemptively lower rates with a high put strike price for doing so—and to keep them there for longer once lowered.

Exhibit 5
What's Contributing to PCE Inflation - Cyclical or Acyclic Factors?



Since 2023, we have seen a steady reacceleration in the acyclic components' contribution to inflation, while the contribution from the cyclical components has continued to diminish. This type of inflation is harder for the Fed to look through, and it is consistent with rates having to remain higher for longer. This view is increasingly being incorporated by the Fed and is showing up in its rhetoric, such as in Boston Fed President Susan M. Collins's speech this week: *"Given this outlook and the balance of risks, I believe it will likely be important to maintain the current slightly restrictive monetary policy stance for some time. More than five years of above target inflation has reduced my patience for 'looking through' another supply shock."*

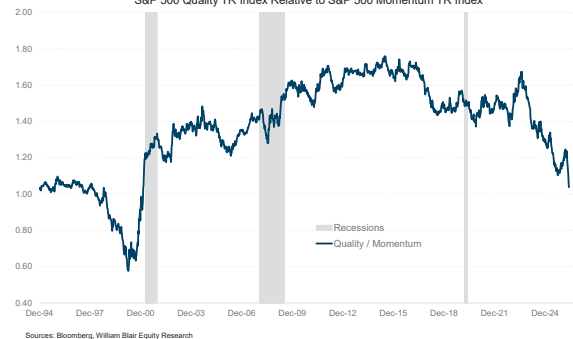
The reality is that in the previous world of friction-less labor and capital, the inflation risks were asymmetrically skewed to the downside. In today's world, where frictions have been reintroduced, inflation risks are now either symmetrically balanced or more likely, in our view, asymmetrically tilted to the upside. This has important implications for asset allocation and investment decisions.

Why Quality Makes a Comeback

The Inflation Regime Has Shifted

The old world of asymmetrically skewed downside inflation risks was defined by a negative stock-to-bond correlation. Bonds, as a result, provided an important portfolio hedge that enabled investors to tilt portfolios toward higher risk/high volatility and more concentrated portfolios. This is reflected in exhibit 6, which shows the trend outperformance of momentum versus quality from approximately 2015 onward, and more definitively since 2024.

Exhibit 6
Relative Performance of Quality vs. Momentum
S&P 500 Quality TR Index Relative to S&P 500 Momentum TR Index

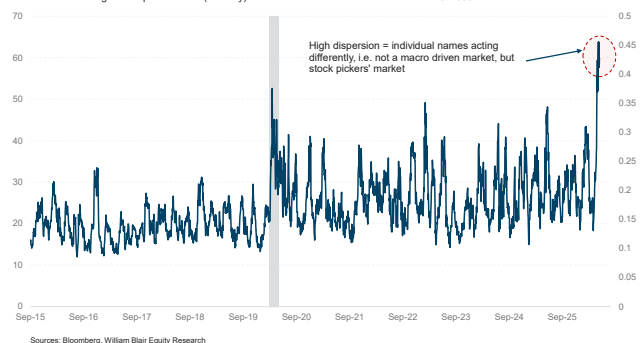


Since COVID, that correlation has disappeared. And when that happened, investors needed to begin looking for greater diversification across other sectors, assets, and market caps—areas they may have previously shied away from in the old inflation regime. This did start to happen through late 2022 and 2023 as the Fed started to tighten policy again. However, quality's outperformance then faded in the face of rate cuts and the emergence of a much narrower set of AI-related stocks began leading the market.

Stock Dispersion Is High

As shown in exhibit 7, the S&P 500 30-Day Realized Dispersion Index has skyrocketed. Dispersion measures the spread of stock returns within the index. High readings, therefore, indicate highly differentiated individual stock returns, and are indicative of a stock-picker's market, or one that is driven by company-specific factors, as opposed to a macro event-driven market (such as a broad risk-off move). Today's extreme reading is indicative of a very highly concentrated market, and one where investors are at risk of throwing the baby out with the bathwater.

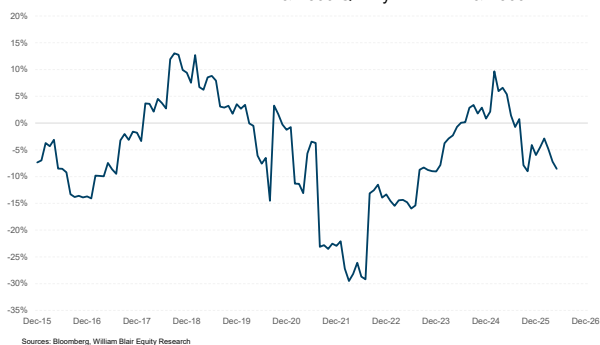
Exhibit 7
S&P 500 Realized 30-Day Dispersion Index
Divergence in performance (volatility) between the individual stocks within the S&P 500 and the overall index



QARP

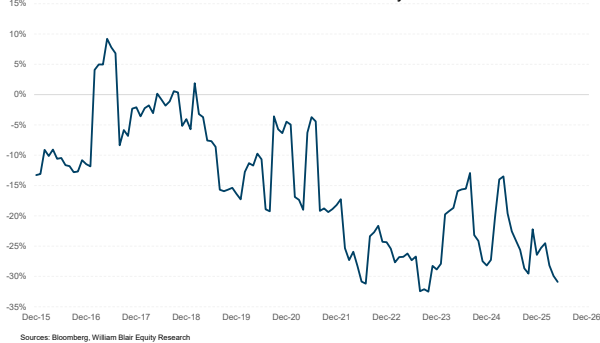
As a result, we believe that this extremely elevated dispersion is creating opportunities for high-quality companies, which are now also offering attractive valuations and points of entry (exhibits 8 and 9).

Exhibit 8
Relative PE Ratio for S&P 500 Quality Index vs S&P 500



Sources: Bloomberg, William Blair Equity Research

Exhibit 9
Relative Price to FCF Ratio for S&P 500 Quality Index vs S&P 500



Sources: Bloomberg, William Blair Equity Research

In the previously cited [Quality Minus Junk](#) paper, the authors found that return expectations from analysts were consistently lower for high-quality stocks than for junk; *“in other words, analyst expectations are inconsistent with the high ex-post realized returns of high-quality stocks.”* This is consistent with the observation that on a risk-adjusted basis, quality outperforms junk. Furthermore, the authors also noted that when quality is especially cheap (as was the case during the internet bubble), subsequent returns to owning quality are particularly high.

Conclusion

Quality stocks’ recent underperformance is less a failure of the factor and more a function of regime. The post-GFC environment—defined by structurally low inflation, abundant liquidity, and lower-for-longer rates—rewarded duration, momentum, and index concentration, while compressing the relative value of balance sheet strength and earnings resilience. Since COVID, those conditions have begun to reverse. Inflation is now more supply-driven, macro volatility is higher, and policy is constrained—eroding the reliability of bonds as a hedge and reintroducing a premium on durability, capital discipline, and pricing power.

At the same time, market structure is creating an unusually supportive backdrop for quality. Elevated dispersion and narrow leadership mean many high-quality firms are being ignored and have been trading at historically attractive relative valuations. This combination—low cost alongside strong and persistent fundamentals—is unusual, and historically has preceded periods of meaningful outperformance.

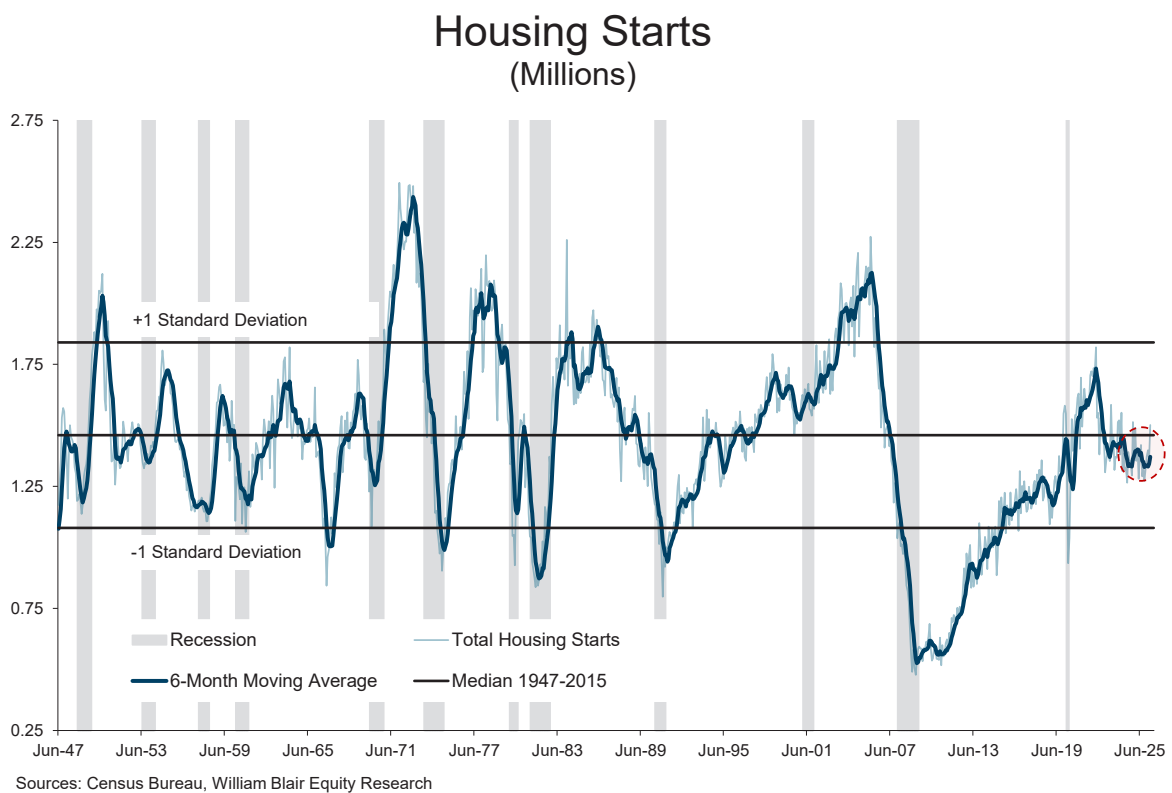
The case for revisiting quality is therefore twofold: cyclical and structural. Cyclically, a higher-for-longer rate and inflation environment favors firms with resilient cash flows and strong balance sheets with low debt. Structurally, the reintroduction of economic friction is increasing the value of consistency over growth-at-any-price. Taken together, this suggests that quality—particularly at a reasonable price—should regain a more central role in portfolios as investors recalibrate to a more volatile and less forgiving macro regime.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
21 May	8:30 a.m.	Housing Starts (April)	10.8%	-4.5%	-3.5%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: Housing Starts



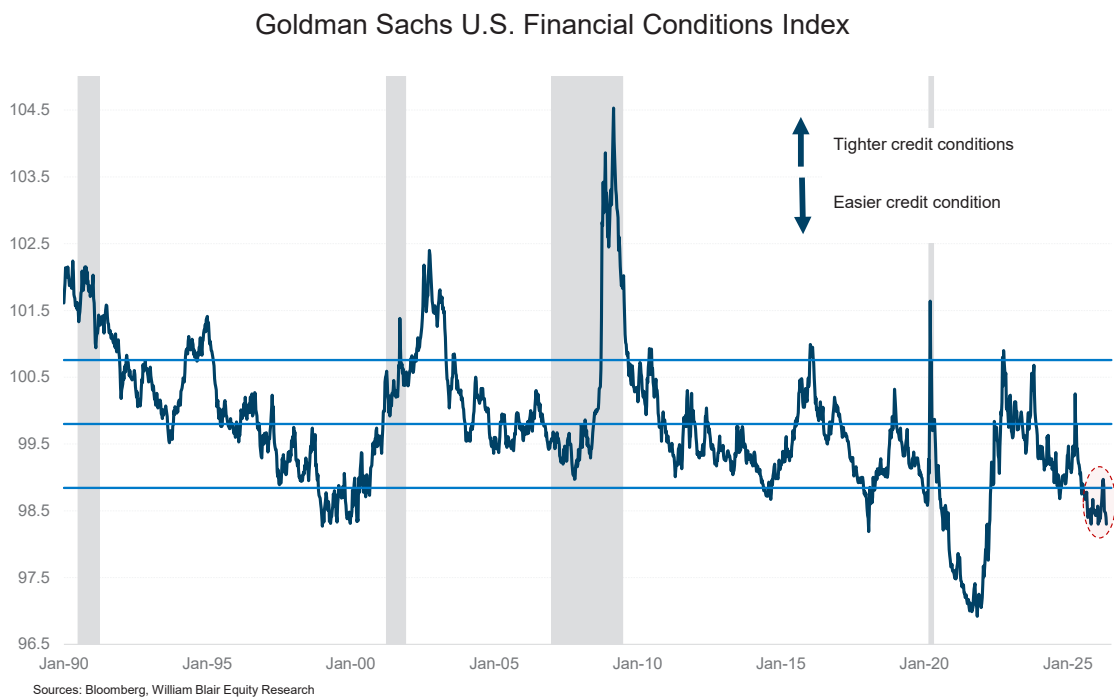
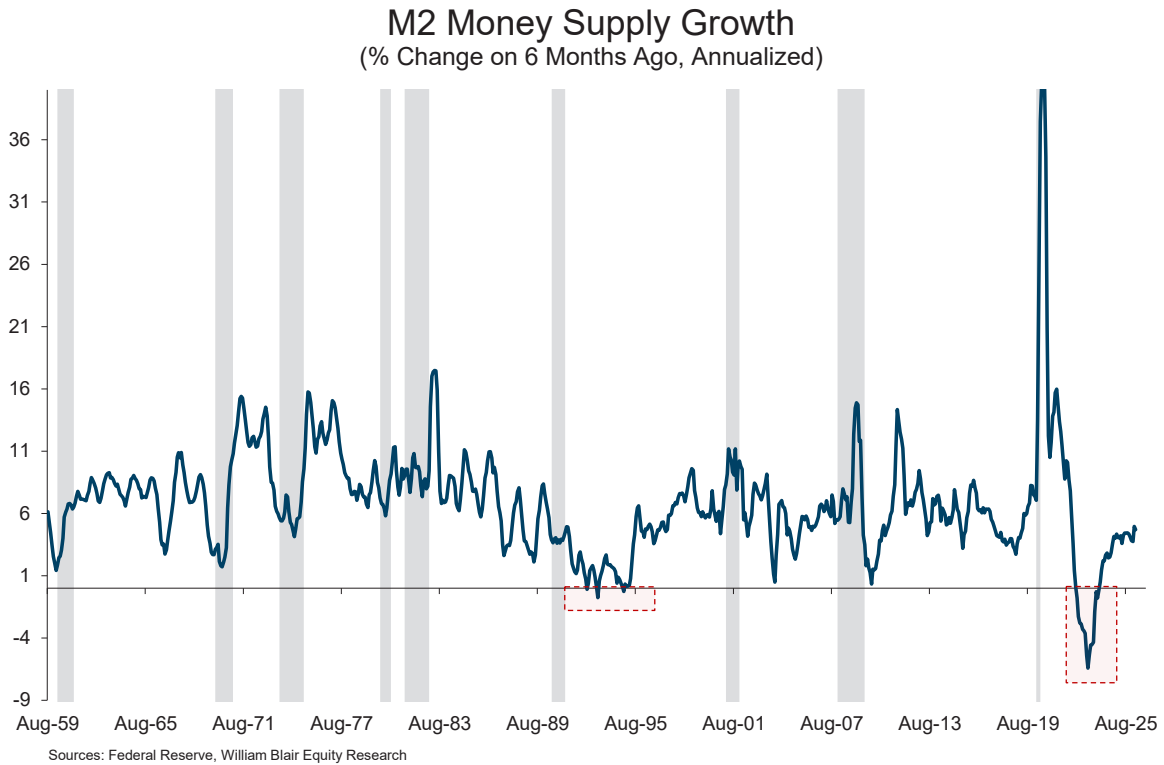
Economic Scorecard

Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

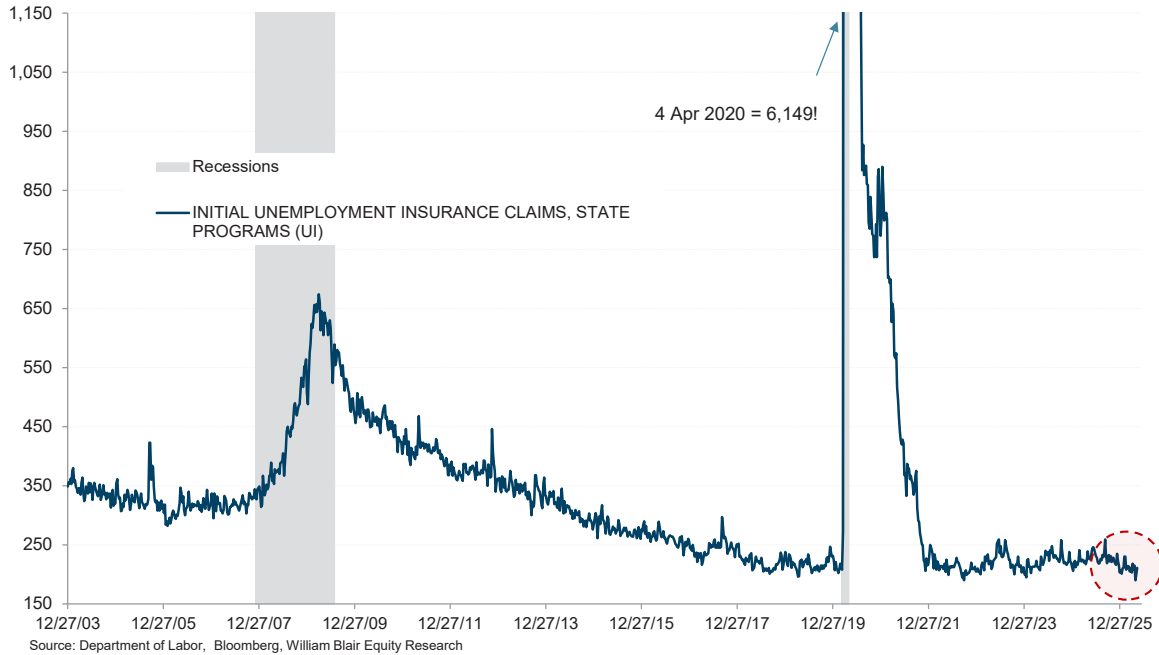
	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Growth																			
US Leading Indicators	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0	-3.5	-3.5	-3.3	-3.3	-3.8	-3.9	-3.7	-3.3	-3.1		
US Coincident Indicators	1.3	1.7	1.5	1.5	1.8	2.0	1.4	1.3	1.6	1.4	1.1	1.1	1.1	0.7	1.1	0.8	0.4		
US Lagging Indicators	0.0	0.1	-0.1	0.1	-0.1	-0.2	0.7	0.4	0.4	0.4	1.1	1.2	0.9	1.2	0.8	0.7	1.2		
Consumer																			
Total Retail Sales	3.9	4.5	4.5	3.8	5.2	5	3.4	4.4	4.1	5	4.1	3.2	3.2	2.4	3.3	4.2	4.2	4.9	
Personal Income	5.3	5.3	5	5	5.2	5.6	4.5	4.3	4.8	5.1	5.1	4.7	4.6	4.5	4.4	3.9	3.7		
Real Disposable Personal Income	2.4	2.2	1.8	1.8	2.3	2.8	1.5	1.2	1.7	1.8	1.8	1.4	1.3	1.1	1.7	1.2	0.4		
Real Personal Consumption	3.2	3.6	3.3	2.7	3.2	3.1	2.5	2.5	2.6	2.8	2.4	2.5	2.2	1.6	2.3	2.7	2.1		
Personal Saving Rate (%)	4.9	4.3	5.1	5.2	5.1	5.5	4.9	4.6	4.5	4.4	4.3	4	4	3.9	4.5	3.9	3.6		
Consumer Confidence (Conference Board)**	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9	94.2	89	91	92.2	92.8	
Employment																			
Employment Growth	0.9	0.9	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.3	0.2	0.1	0.2	0.1	0.2	0.2	
ASA Temporary Staffing Index	-6.6	-21.0	-8.2	-7.5	-8.7	-6.4	-5.8	-5.3	-0.8	-0.9	0.8	1.5	4.5	7.3	2.3	3.2	6.1	5.4	
ISM Employment Index Manufacturing*	48.3	45.4	49.7	47.1	44.4	46.2	46.1	45.1	44.9	44.3	45.4	45.8	44.1	44.8	48.1	48.8	48.7	46.4	
ISM Employment Index Services*	50.8	51	51.4	53.4	46	49.2	50.4	47.7	46.9	46.9	47.6	48.1	48.7	51.7	50.3	51.8	45.2	48	
Unemployment Rate, %	4.2	4.1	4	4.2	4.2	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	
Average Hourly Earnings	4.2	4.1	4	4.1	4.2	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	
Initial Jobless Claims (avg. wkly. chg. '000s)	219	223	219	226	223	226	233	239	222	231	234	226	221	219	213	216	208	208	
Job Openings	-12.0	-14.4	-11.3	-14.2	-15.3	-5.7	-6.1	-2.9	-4.5	-8.0	3.3	-2.8	-9.5	-10.2	-2.6	-4.4	-1.2		
Layoff Announcements	26.8	11.4	-39.5	103.2	204.8	62.7	47	-1.6	139.8	13.3	-25.8	175.3	23.5	-8.3	117.8	-71.9	-78	-20.9	
Housing Market																			
Housing Starts	-14.5	-0.5	-1.7	-4	3.3	0.9	-2.6	4.1	12.3	-7.2	-2.1	-5.9	2.2	-9.3	2.9	-9	10.8		
New Home Sales	10.7	11.7	-2.8	-2.4	-4.6	-1.8	-5.7	-1.3	-10	1.9	0.3	4.7	10.8	1.4	-11.9	-1.1	3.3		
Existing Home Sales	6.2	8.6	1.7	-1.0	-2.7	-1.5	-0.5	0.8	2.3	4.4	2.2	-1.2	1.9	-1.7	-0.5	-0.3			
Median House Price (Existing Homes)	-7.4	1.1	-0.2	-1.4	-5.4	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.9	-1.5	-6.2		
Existing Homes Inventory (Mths' supply)	3.8	3.8	3.9	4	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4	4.2	4.3	4.3		
New Homes Inventory (Mths' supply)	8.7	8.2	9	9.3	9.2	8.5	9.6	9.1	9.3	8.4	8.1	9	7.8	7.8	9.8	9.1	8.5		
NAHB Homebuilder Sentiment*	46	46	47	42	39	40	34	32	33	32	32	37	38	39	37	37	38		
Inflation																			
Consumer Price Index	2.7	2.9	3	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3		2.7	2.7	2.4	2.4	3.3	3.8	
CPI Less-food & energy	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3		2.6	2.6	2.5	2.5	2.6	2.8	
Producer Price Index	2.9	3.5	3.8	3.4	3.2	2.4	2.7	2.4	3.2	2.7	3	2.8	3.1	3.1	3.1	3.4	4.3	6	
PPI Less-food & energy	3.4	3.7	3.9	3.7	3.8	3.1	3.2	2.7	3.5	2.9	3	3	3.2	3.4	3.7	3.9	4	5.2	
PCE Price Index	2.6	2.7	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.8	3.5		
PCE Prices Less-food & energy	3.0	3.0	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.2		
Business Activity - US																			
Industrial Production	-1.6	-0.3	0.9	0.8	0.6	0.9	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.3	1.5	1.2	0.7		
New Cap Gds Orders less-aircraft & parts	-1.1	1.9	3.3	-0.9	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.2	4.1	8	2.9	5.9	10.9		
Business Inventories	2.2	2.7	1.8	2.5	2.2	2.5	2.2	1.7	1.6	1.4	1	1.3	1.3	1.2	1.5	1	1.3	0	
ISM Manufacturing PMI*	48.4	49.2	50.5	50	48.9	48.8	48.6	49	48.4	48.9	48.9	48.8	48	47.9	52.6	52.4	52.7	52.7	
Markit US Manufacturing PMI*	49.7	49.4	51.2	52.7	50.2	50.2	52	52.9	49.8	53	52	52.5	52.2	51.8	52.4	51.6	52.3	54.5	
ISM Services Index*	52.4	53.5	52.6	53.2	50.8	51.6	50.2	50.8	50.5	51.9	50.3	52	52.4	53.8	53.8	56.1	54	53.6	
Markit US Services PMI*	56.1	56.8	52.9	51	54.4	50.8	53.7	52.9	55.7	54.5	54.2	54.8	54.1	52.5	52.7	51.7	49.8	51	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	43	42.5	45	46.5	48.3	48.4	48.3	49	49.1	49.8	49.5	49.6	48.2	47	49.1	50.9	52.2	51.4	
Japan Manufacturing PMI Jibun Bank*	49	49.6	48.7	49	48.4	48.7	49.4	50.1	49	49.7	48.5	48.2	48.7	50	51.5	53	51.6	55.1	
Caixin China Manufacturing PMI*	51.5	50.5	50.1	50.8	51.2	50.4	48.3	50.4	49.5	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.8	52.2	
China Manufacturing PMI*	50.3	50.1	49.1	50.2	50.5	49	49.5	49.7	49.3	49.4	49.8	49	49.2	50.1	49.3	49	50.4	50.3	
UK Manufacturing PMI Markit/CIPS*	48	47	48.3	46.9	44.9	45.4	46.4	47.7	48	47	46.2	49.7	50.2	50.6	51.8	51.7	51	53.7	
France Manufacturing PMI Markit*	43.1	41.9	45	45.8	48.5	48.7	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7	51.2	50.1	50	52.8	
Currencies***																			
Euro (EUR/USD)	-2.9	-6.2	-4.2	-4.0	0.2	6.2	4.6	10.0	5.4	5.8	5.4	6.0	9.7	13.4	14.4	13.9	6.8	3.6	
Renmimbi (USD/CNY)	1.6	2.8	1.1	1.2	0.5	0.4	-0.6	-1.4	-0.4	0.6	1.5	0.0	-2.4	-4.3	-4.0	-5.7	-5.0	-6.1	
Yen (USD/Yen)	1.1	11.5	5.6	0.4	-0.9	-9.3	-8.4	-10.5	0.5	0.6	3.0	1.3	4.3	-0.3	-0.3	3.6	5.8	9.4	
Sterling (GBP/USD)	0.9	-1.7	-2.3	-0.4	2.3	6.7	5.6	8.6	2.7	2.9	0.5	2.0	3.9	7.7	10.4	7.2	2.4	2.1	
Canadian \$ (USD/CAD)	3.3	8.6	8.2	6.5	6.3	0.2	0.8	-0.5	0.3	1.8	2.9	0.5	-0.2	-4.6	-6.4	-5.7	-3.3	-1.6	
Mexican Peso (USD/MXN)	17.2	22.7	20.1	20.5	23.6	14.4	14.3	2.3	1.4	-5.4	-7.0	-7.4	-10.2	-13.5	-15.6	-16.2	-12.4	-11.0	
US Equities																			
S&P 500	32.1	23.3	24.7	16.8	6.8	10.6	12.0	13.6	14.8	14.4	16.1	19.9	13.5	16.4	14.9	15.5	16.3	29.4	
S&P 400 Midcap	31.3	12.2	18.6	7.1	-4.2	-0.3	0.6	5.9	1.7	5.3	4.5	4.8	-1.7	5.9	6.1	15.5	15.7	27.6	
S&P 600 Smallcap	30.9	6.8	14.5	4.5	-5.0	-3.6	-3.4	2.8	-6.3	1.8	1.9	3.8	-4.0	4.2	7.0	15.9	18.5	36.6	
Russell 2000	34.6	10.0	17.5	5.3	-5.3	-0.5	-0.2	6.2	-1.9	6.7	9.3	12.9	2.7	11.3	14.3	21.7	24.1	42.6	

* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar
Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

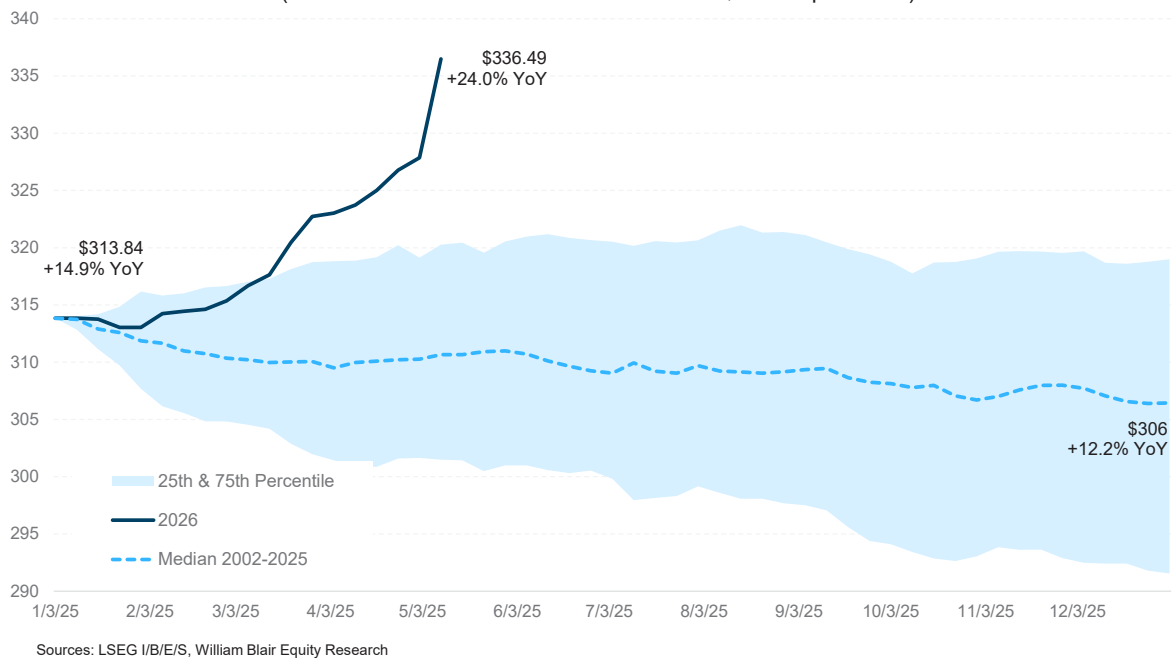
Other Economic Indicators



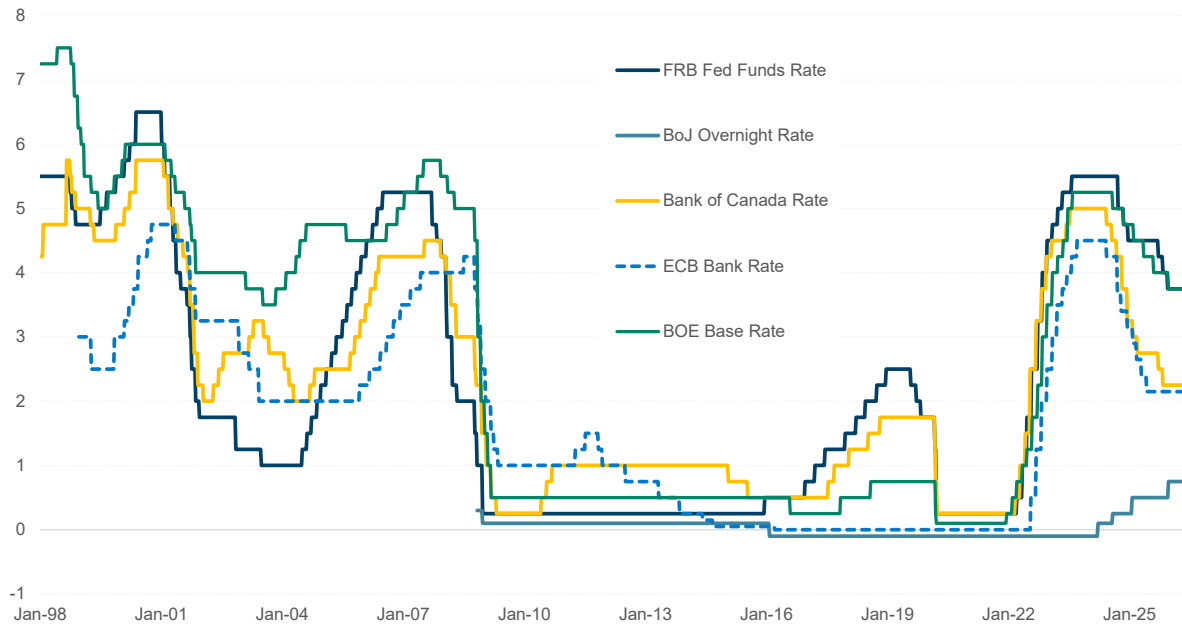
Initial Jobless Claims (‘000s, Seasonally Adjusted)



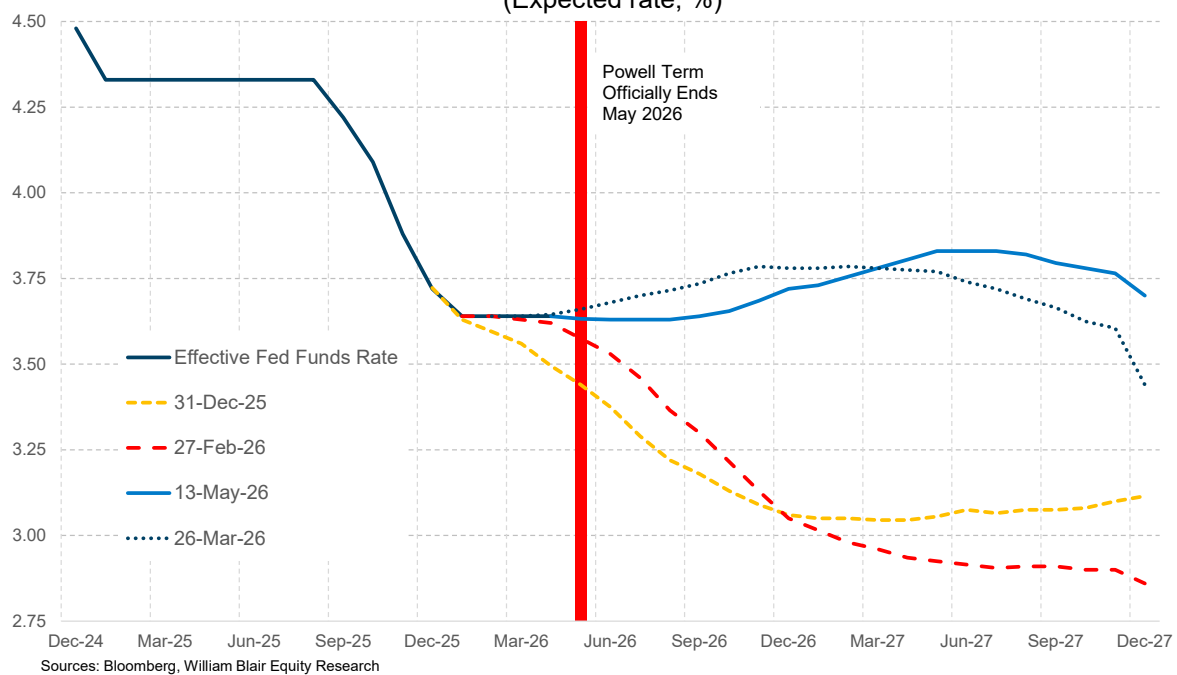
Progression of S&P 500 2026 EPS Estimates, 2026 vs Median 2002-2025 (Rebased to Estimate at End of Q4 2025 of \$313.84 per share)



Central Bank Target Short-Term Interest Rates, %



Fed Funds Rate and Futures Market Expectations (Expected rate, %)



S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 14-May-26	Week Ago 07-May-26	Month Ago 14-Apr-26	Qtr-to-Date 31-Mar-26	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	2.24	7.66	14.90	9.58
S&P 400 MidCap Index		-0.32	2.57	8.70	11.04
S&P 600 SmallCap Index		-1.12	2.74	9.44	12.83
Dow Jones Industrials		0.94	3.15	8.03	4.16
Nasdaq Composite		3.21	12.67	23.36	14.60
Communication Services	10.74	0.14	8.15	20.78	12.20
Advertising	0.04	-8.79	-5.43	-6.46	-25.11
Broadcasting	0.05	2.61	1.38	11.37	-12.33
Cable & Satellite	0.06	2.07	-14.37	-9.95	-5.58
Integrated Telecommunication Services	0.66	-1.75	-2.28	-10.88	3.06
Interactive Home Entertainment	0.14	3.89	7.41	8.87	-3.51
Interactive Media & Services	8.49	0.55	12.40	29.95	17.15
Movies & Entertainment	0.97	-1.53	-10.42	-3.16	-6.33
Publishing & Printing	0.02	-2.80	4.73	5.35	0.78
Wireless Telecommunication Svcs	0.30	-3.09	-0.95	-10.40	-7.31
Consumer Discretionary	10.08	-0.76	3.70	12.81	2.27
Apparel Retail	0.34	-4.73	-7.03	-5.98	1.65
Apparel & Accessories & Luxury Goods	0.08	-3.96	-15.95	-10.32	-15.42
Auto Parts & Equipment	0.02	0.79	-2.56	-4.72	-13.04
Automobile Manufacturers	2.60	7.60	19.88	18.62	-1.13
Automobile Retail	0.26	-7.40	-4.81	1.41	-6.21
Broadline Retail	4.24	-1.32	7.41	28.23	16.02
Casinos & Gaming	0.08	-6.63	-7.07	-4.79	-17.25
Computer & Electronics Retail	0.02	-3.18	-8.67	-11.71	-15.32
Consumer Electronics	0.07	-3.09	-11.36	1.04	15.57
Distributors	0.03	-7.75	-14.13	-9.74	-21.70
Footwear	0.09	-5.85	-6.50	-17.62	-29.83
Home Furnishings	0.01	-3.90	-6.48	0.28	-9.66
Home Improvement Retail	0.62	-4.94	-10.85	-6.86	-10.34
Homebuilding	0.14	-3.90	-7.23	-3.13	-9.81
Hotels, Resorts & Cruise Lines	0.69	-5.69	-8.35	-1.18	-10.23
Leisure Products	0.02	-1.78	3.13	2.19	16.64
Restaurants	0.72	-2.91	-4.65	-1.63	-6.25
Other Specialty Retail	0.05	-4.77	-19.44	-18.90	-28.26
Consumer Staples	5.30	1.63	4.99	4.23	11.55
Agricultural Products	0.09	3.30	12.40	6.99	40.59
Brewers	0.01	-5.38	-6.53	-5.23	-12.57
Consumer Staples Merchandise Retail	2.50	1.56	5.31	4.42	17.04
Distillers & Vintners	0.05	-6.11	-13.84	-5.39	1.50
Food Distributors	0.05	0.23	-1.34	2.41	-0.87
Food Retail	0.11	1.72	7.16	0.87	16.82
Household Products	0.68	-1.57	-0.44	-0.47	1.41
Packaged Foods & Meats	0.31	-1.47	1.05	-0.91	-2.36
Personal Care Products	0.08	-3.85	1.39	4.22	-10.19
Soft Drinks	0.97	0.86	3.33	3.58	9.98
Tobacco	0.61	9.93	17.25	14.14	21.28
Energy	3.14	3.74	3.40	-5.99	29.02
Integrated Oil & Gas	1.54	3.60	1.49	-10.00	25.79
Oil & Gas Equipment & Services	0.26	4.00	7.46	7.04	44.21
Oil & Gas Exploration & Production	0.62	2.95	1.31	-8.56	23.82
Oil & Gas Refining & Marketing & Transportation	0.31	2.74	7.57	-1.65	45.15
Oil & Gas Storage & Transportation	0.41	6.15	8.27	3.67	29.04

Financials	10.64	-0.57	-1.06	3.62	-6.54
Asset Management & Custody Banks	0.93	2.33	3.64	12.88	-2.74
Consumer Finance	0.51	-2.64	-5.48	2.92	-18.56
Diversified Banks	2.65	-3.61	-5.01	1.75	-7.08
Diversified Financial Services	6.30	0.81	1.06	5.49	-6.45
Financial Exchanges & Data	0.84	-0.48	0.77	2.50	-6.91
Insurance Brokers	0.34	-2.19	-8.03	-7.74	-17.70
Investment Banking & Brokerage	1.28	3.07	2.94	11.92	1.81
Life & Health Insurance	0.26	1.91	4.51	8.51	2.02
Multi-Sector Holdings	0.98	1.89	1.36	1.01	-3.70
Property & Casualty Insurance	0.81	0.34	-0.84	0.30	-3.61
Regional Banks	0.24	-4.50	-5.44	1.26	-2.52
Reinsurance	0.02	-1.06	1.98	6.47	2.55
Transaction & Payment Processing	1.66	-1.03	-0.58	2.68	-11.53
Health Care	7.98	1.23	-1.60	-0.18	-5.46
Biotechnology	1.41	2.43	-1.96	-3.30	-1.27
Health Care Distributors	0.28	1.29	-13.66	-12.88	-12.04
Health Care Equipment	1.25	-2.61	-11.41	-10.21	-23.81
Health Care Facilities	0.15	0.76	-12.43	-8.10	-9.31
Health Care Services	0.37	6.19	13.80	18.53	14.94
Health Care Supplies	0.05	-0.77	-8.26	-4.45	-12.21
Life Sciences Tools & Services	0.64	-6.66	-12.20	-6.56	-21.49
Managed Health Care	0.74	8.49	29.89	48.25	20.19
Pharmaceuticals	3.04	2.08	0.12	-0.81	0.95
Industrials	8.04	0.23	0.59	7.80	12.44
Aerospace & Defense	1.89	-1.53	-7.76	-1.52	-0.38
Agricultural & Farm Machinery	0.22	-1.02	-3.59	2.01	23.43
Air Freight & Logistics	0.29	-0.77	-0.66	3.09	11.26
Building Products	0.45	1.08	0.81	11.48	16.06
Cargo Ground Transportation	0.09	1.96	-0.47	7.38	28.20
Construction & Engineering	0.33	3.69	25.48	40.61	86.60
Construction Machinery & Heavy Trucks	0.91	2.59	11.66	24.64	46.72
Data Processing & Outsourced Services	0.02	-6.23	-9.61	-11.76	-35.76
Diversified Support Svcs	0.14	-2.83	-4.51	-1.81	-13.46
Electrical Components & Equipment	0.76	3.10	5.93	20.86	27.04
Environmental & Facilities Services	0.29	-0.43	-3.53	-4.15	-3.92
Heavy Electrical Equipment	0.42	4.29	10.43	24.93	66.86
Human Resource & Employment Services	0.17	-3.47	4.98	0.92	-18.88
Industrial Conglomerates	0.31	0.83	-6.03	-2.42	3.06
Industrial Machinery	0.56	-2.72	-8.62	-2.03	-2.09
Passenger Airlines	0.14	-3.21	-1.45	5.95	-4.55
Passenger Ground Transportation	0.22	-2.66	2.44	3.84	-8.59
Railroads	0.46	2.03	6.97	11.16	17.46
Research & Consulting Svcs	0.10	-8.54	-13.32	-15.45	-26.88
Trading Companies & Distributors	0.25	2.17	11.72	14.35	18.90
Information Technology	35.42	5.66	18.69	31.06	18.93
Application Software	1.78	-4.28	6.03	1.47	-24.79
Communications Equipment	1.29	14.75	21.17	35.80	41.77
Electronic Components	0.60	7.33	5.53	29.79	42.70
Electronic Equipment & Instruments	0.15	2.88	6.57	20.16	47.70
Electronic Manufacturing Services	0.14	-0.50	-3.68	9.72	8.01
Internet Software & Services	0.09	11.86	27.19	20.47	17.61
IT Consulting & Services	0.50	-7.29	-11.87	-13.78	-33.08
Semiconductor Equipment	1.54	6.12	8.92	32.42	70.01
Semiconductors	15.89	10.02	28.12	50.35	42.56
Systems Software	6.00	-0.58	8.85	14.64	-11.79
Technology Distributors	0.02	-7.29	-21.44	-15.58	-24.99
Technology Hardware, Storage & Peripherals	7.42	3.94	18.16	23.63	19.37
Materials	1.77	0.93	-1.16	3.37	12.99
Commodity Chemicals	0.07	3.32	-0.57	-7.77	67.24
Construction Materials	0.21	-4.47	-8.20	0.87	-9.88
Copper	0.14	9.12	-3.12	12.52	30.22

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Fertilizers & Agricultural Chemicals	0.12	4.36	0.56	-2.65	27.16
Gold	0.18	2.51	-2.49	7.47	16.51
Industrial Gases	0.44	3.17	2.11	3.21	20.30
Metal & Glass Containers	0.02	-3.07	-10.85	-4.22	6.89
Paper Packaging	0.13	-3.35	-5.22	-3.27	-5.78
Specialty Chemicals	0.34	-2.50	-4.41	-1.33	2.90
Steel	0.13	1.97	21.63	34.85	41.12
Real Estate	1.73	-0.90	0.94	7.28	9.36
Data Center REITs	0.25	0.38	0.74	8.96	34.42
Health Care REITs	0.32	2.37	4.31	10.23	16.42
Hotel & Resort REITs	0.02	-0.60	3.01	12.42	21.49
Industrial REITs	0.19	0.26	3.10	7.92	11.74
Multi-Family Residential REITs	0.00	-0.76	5.27	9.52	-0.35
Office REITs	0.01	-0.84	7.14	13.61	-12.62
Other Specialized REITs	0.10	-1.04	5.50	13.72	23.76
Real Estate Service	0.08	-9.52	-11.39	-7.92	-30.85
Retail REITs	0.24	0.05	-1.35	4.76	10.46
Self-Storage REITs	0.12	-1.54	0.01	10.51	13.72
Single-Family Residential REITs	0.12	-1.54	0.01	10.51	13.72
Telecom Tower REITs	0.20	-5.32	-2.86	3.53	-1.56
Timber REITs	0.02	-1.48	-5.76	-4.42	-1.43
Utilities	2.06	-0.55	-3.54	-2.33	5.01
Electric Utilities	1.36	-0.70	-3.16	-2.05	5.60
Gas Utilities	0.04	-0.55	-3.88	-2.09	7.89
Independent Power Producers & Energy Traders	0.08	-6.28	-11.18	-4.18	-9.91
Water Utilities	0.04	-0.17	-5.55	-7.43	-3.46
Multi-Utilities	0.53	0.73	-3.06	-2.41	6.64

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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DOW JONES: 49693.20

S&P 500: 7444.25

NASDAQ: 26402.30

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