

Economics Weekly

The Small-Cap Rotation Continues

Equity Research
Macroeconomics

30 October 2026

Richard de Chazal, CFA
rdechazal@williamblair.com
+44 20 7868 4489

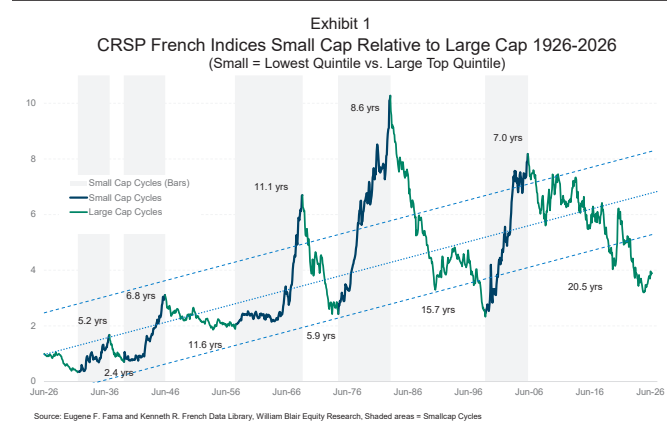
Louis Mukama
lmukama@williamblair.com
+1 312 364 8867



In [July 2025](#), we again made the case for tilting toward small- and midcap stocks, a shift that worked very well from then to July 2026—the S&P 600 outperformed the S&P 500 by a wide 12.2 percentage points (29.9% vs. 17.7%), while the midcaps were flat with the large caps (up 18.0%). From the end of July to mid-October, however, that performance has tailed off, with the small-cap stocks declining by 4% and the midcaps by 2.7%, against the S&P 500 increasing by 3.1%. However, the increase in market volatility over the last few weeks has once again brought out the best in the smaller-cap stocks, showing them to be a source of stability and growth, while the large-cap indices have struggled. **In this *Economics Weekly*, we discuss why we maintain our view that we are in a small-cap stock cycle, and why investors should once again shift their gaze in this direction.**

The Large-Cap Cycle Is Even Longer in the Tooth

Using the longer-term historical stock market data back to 1926 from Professor Kenneth French, we can see that there are clear small- and large-cap stock market cycles or rotations (exhibit 1). Small-cap cycles have lasted an average of 7.7 years (ranges of 5.2-11.1 years), compared to 11.2 years (from 2.4 to the current 20.5 years) for the large caps. The exhibit also illustrates that the trendline is still up and to the right, and that over time smaller caps do outperform—though the latest large-cap cycle puts a lot more weight in “over time” in that sentence.

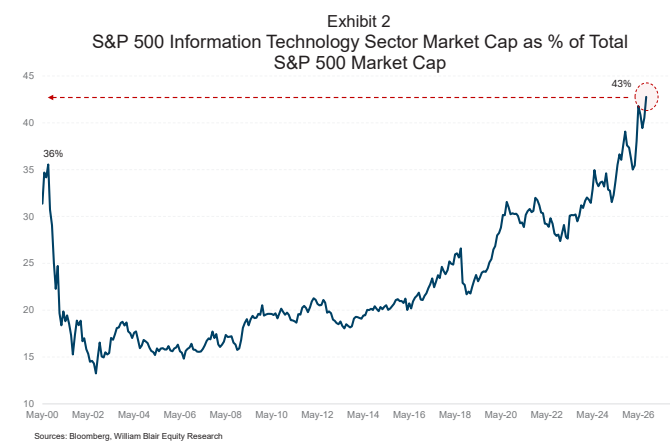


The recent 20-year large-cap cycle beat the previous longest large-cap cycle by 5 years. This has led many to argue that the small-cap cycle is dead, and there is a fair amount trepidation about returning to this part of the market. We think, however, that investors should find the courage to reengage here.

There have been four main, and seemingly structural, factors that up until recently have helped extend the latest large-cap rotation. Almost all of these factors are now changing in favor of smaller-cap stocks: sector composition, globalization, financing and regulatory environment, and fundamentals.

Sector Composition

The large-cap indices have been increasingly driven by the technology sector, including, cloud, semiconductors, and other digital platforms. This shows up in the technology sector’s market cap as a share of the total S&P 500 market cap, which is now 42.6%—even higher than the 36% at the peak of the dot-com boom (exhibit 2).



The smaller-cap indices are more heavily weighted toward banks, industrials, real estate, consumer, and other cyclical-type companies, where the AI impact has been much smaller. The tech sector’s dominance has been further reinforced by momentum and passive investment flows, which necessarily reward growing market share with even greater market share.

We continue to see passive investment and its enormous flows as the largest headwind to a renewed sustained small-cap cycle, due to this area’s lower liquidity, which makes it harder to attract these flows. Nevertheless, the 43% market weighting of the tech sector is starting to give investors pause, with many now looking for diversification and portfolio ballast from other [high-quality](#) areas of the market. Recent episodes of market volatility have shown quality smaller stocks to be one of these areas. Furthermore, as economic growth continues to broaden out across sectors, that performance is likely to be of relative benefit to many smaller- and midcap companies.

Globalization, Economies of Scale, and Market Concentration

Globalization has been an incredibly powerful driver for the larger-cap stocks, especially for companies that have been able to leverage network effects through social media and brand power. As industries have become increasingly oligopolistic, many of these superstar companies have found it easier to buy out, or crush, the competition in a winner-take-all environment. This also helps explain the lack of capex over the last decade, as companies felt it was more profitable to sit back and earn monopoly/oligopoly rent—why build when you can buy or otherwise eliminate your competition?

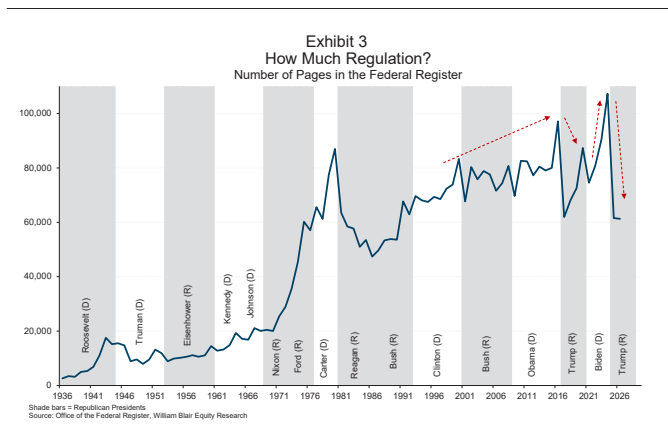
Yet, this is now changing. Globalization is in reverse, a capex boom is underway, and companies are being encouraged to reshore through a combination of fiscal, geopolitical, and national security incentives. The pandemic was a major wake-up call to many producers that their supply chains had been too stretched and brittle. They have since been looking to build out more robust domestic supply chains and production capacity.

Meanwhile, social media trends are changing, and many markets are similarly becoming more localized as concerns about data protection and the control of intellectual property increase.

These shifts are already starting to help smaller, more locally focused companies, which are also more highly leveraged to changes in the growth impulse of the domestic economy.

Financing and Regulatory Environment

Following the 2001 internet bust, and more so following the global financial crisis and during the Biden administration, there was a steady increase in regulation. That regulation was exceptionally helpful in building competitive moats around the largest companies, who had both the size and scale to manage those increased frictional costs of compliance (exhibit 3).

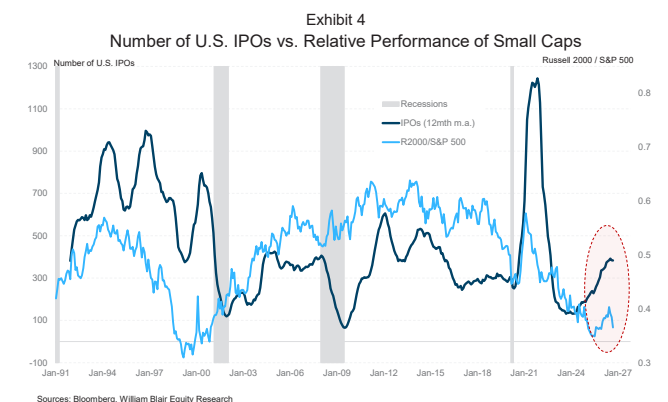


The regulatory increase also dissuaded many companies from going public, and became a major catalyst for growth in private markets as well as driving increased M&A. The result was far fewer smaller companies being listed on exchanges. The downside of this was that it also prevented those exchanges from acting in their previous role as the incubators for growth, which helped further damage relative performance for the smaller-cap stocks.

Once again, the situation here is changing. The Trump administration has very tangibly been reducing regulation or otherwise de-emphasizing many existing regulations that have been harder to remove.

Perhaps the most notable area so far has been in financial services, where the IPO market has been steadily improving. Improvements here should be viewed as further evidence that the multi-decade trend of de-equitization of the market (where the number of listed companies has declined by more than 50% since a peak in 1997) is coming to an end (exhibit 4).

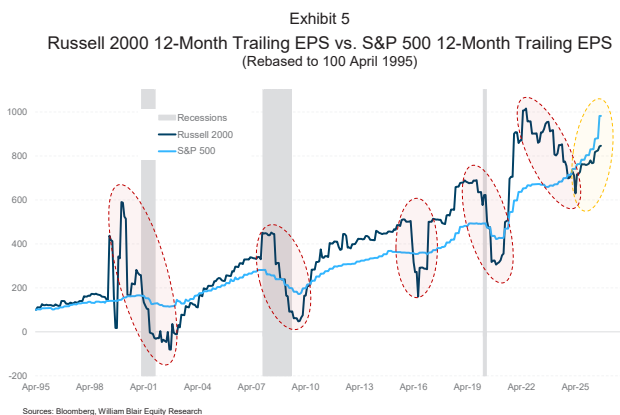
All of these changes should again help improve the competitive landscape for smaller companies.



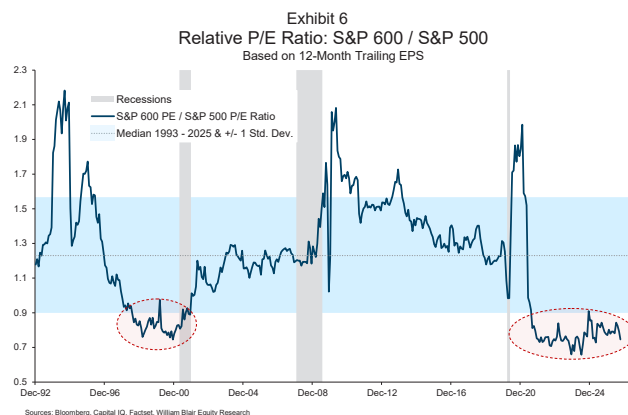
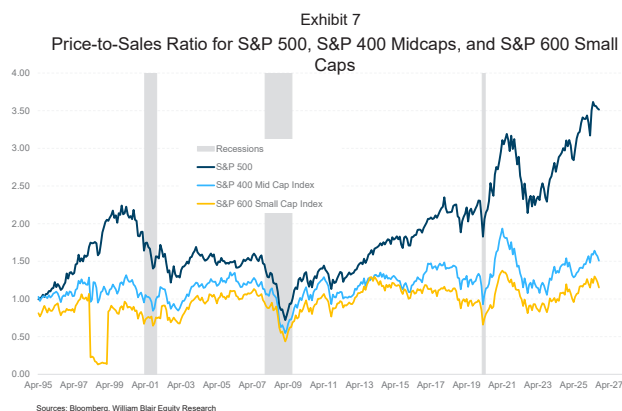
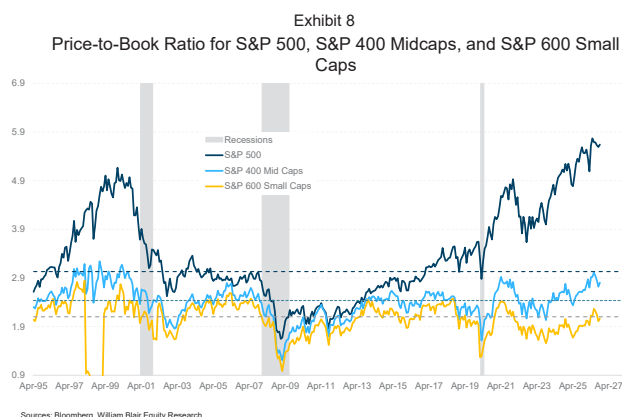
Fundamentals

The combination of the above factors had helped the larger-cap companies deliver faster and more dependable earnings growth, free cash flow, and margins. Balance sheets strengthened, debt was kept low and manageable, and growth in the intangible economy also helped lower costs and enabled greater leverage of service-sector capacity across multiple businesses.

By their nature, smaller-cap companies continue to have less stable and reliable earnings growth. As a result, when they do have earnings recessions, they tend to be much steeper and deeper than for the larger caps. The rebounds are similarly much faster and sharper. We can see today (exhibit 5) that the smaller-cap stocks already experienced a very deep earnings recession during this economy cycle, and they have been trending higher since—even outpacing the recovery in larger-cap earnings over this period.



Meanwhile, relative and absolute valuations are telling us that the smaller caps have already heavily discounted a lot of bad news. While exhibit 6 is not a great market timing tool, it does show that the relative multiple is historically extremely attractive. This is also true with regard to other metrics, such as price-to-sales (exhibit 7) and price-to-book (exhibit 8). We think the latter metric should start to make a bit of a revival going forward as the U.S. economy continues to reindustrialize and move back toward being a more tangible economy, as opposed to asset light.



Diversification Matters More

The volatility that we have seen in financial markets over the last few months has only solidified [our view](#) that diversification matters more now than it has in the past.

With the stock-to-bond correlation now back in positive territory, investors are more at risk by running highly concentrated portfolios that rely solely on bonds as their insurance policy. Rather, a more optimal allocation is to hold a more-diversified portfolio of assets across both the equity sector and market cap spectrum, as well as across various other asset classes. This does not mean that either tech or bonds are bad, only that a less concentrated portfolio would be wise, as the recent bouts of volatility have proved.

Today's environment in many ways reminds us of the late-1990s cycle when, contrary to the normal behavior of smaller stocks over the economy cycle (depicted in exhibit 9), smaller-cap stocks during the 1990s cycle uncharacteristically started to outperform the large caps very late in the economic cycle—in fact, 2-3 years before the internet bubble burst (exhibit 10).

What proved to be different that time around was the combination of 1) extremely low relative valuations, just as they are today, and 2) extreme overweights in the technology sector, with the sector's share of the S&P 500 north of 30%. Portfolio managers were encouraged by their risk managers to diversify, but not wanting to move to cash or bonds, many chose smaller-cap stocks as their diversification vehicle. The result was that the smaller caps continued to outperform straight through the recession and for many years afterward.

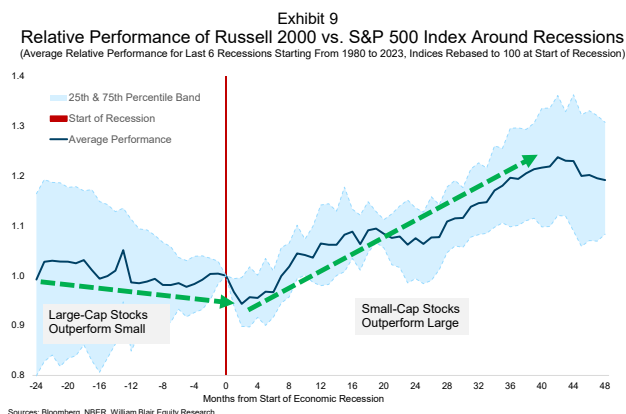


Exhibit 10
Relative Performance of Russell 2000 vs S&P 500
1994-2006



Conclusion

Despite the pullback in the relative performance of small stocks to large from July through to early October, we don't think the rotation toward smaller stocks is over; indeed, we are likely still early in this rotation, which has just started again during recent market volatility. The 20-year rotation toward larger caps was the longest on record at five years longer than the previous one, but the four key factors that drove the extended rotation are now easing or fully reversing to the benefit of smaller-cap stocks: the economy is reindustrializing and increasingly sourcing and producing domestically, the regulatory moat for large caps is being rolled back, the trend toward de-equitization is ending, and valuations are historically attractive. As a result, investors are keen to diversify their portfolios.

This case for diversification is not about abandoning large caps; with tech at 43% of the S&P 500 and the stock-to-bond correlation back in positive territory, bonds alone no longer provide enough ballast. Instead, quality smaller caps on historically cheap relative valuations look to be an increasingly sensible allocation choice. If today's environment also shares some similarities with the late-1990s tech bull market, it is notable that small-cap stocks began to outperform the large caps two to three years before the internet bubble burst—years when the market experienced some of its biggest gains in those internet companies. For an area of the market that has been relatively ignored for years, small increases in investor interest are also likely to result in large improvements in performance.

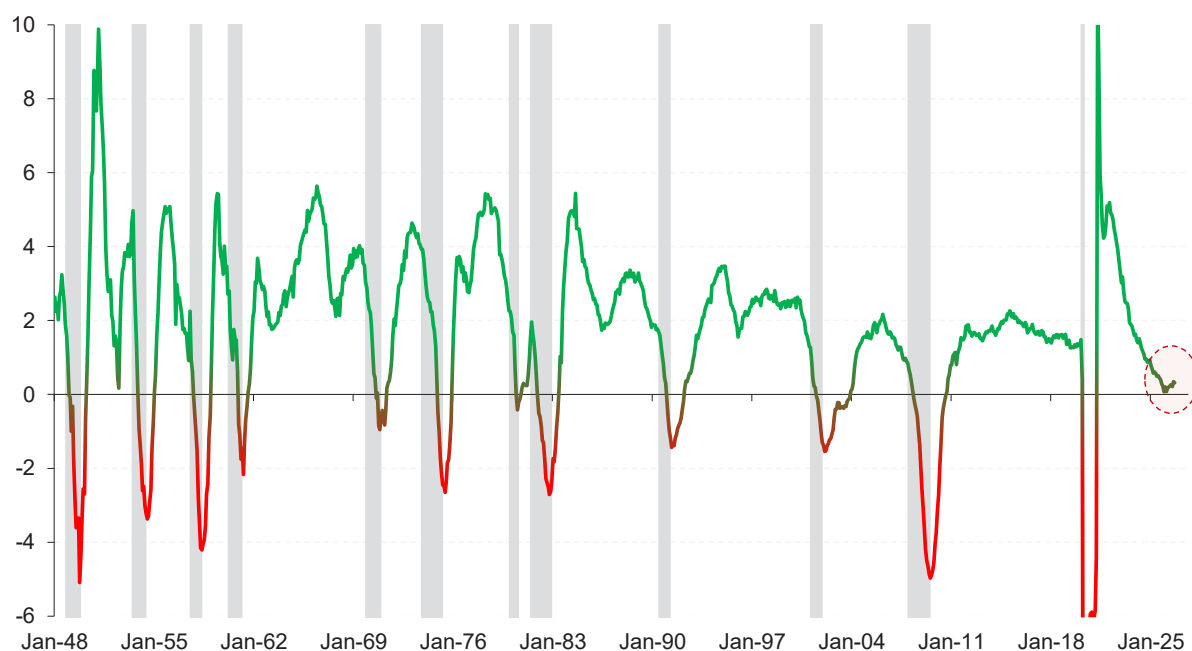
Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
2 Nov	10:00 a.m.	ISM Manufacturing (Oct)	54.5	54.7	54.0	
3 Nov	10:00 a.m.	JOLTS (Sep)	7079K	7134K	NA	
3 Nov	10:00 a.m.	Factory Orders (Sep)	0.1%	1.2%	0.9%	
4 Nov	10:00 a.m.	ISM Service (Oct)	54.9	54.8	54.3	
5 Nov	8:30 a.m.	Nonfarm Productivity (Q3)	1.4%	3.0%	2.9%	
6 Nov	8:30 a.m.	Nonfarm Payrolls (Oct)	29K	65K	75K	
		Average Hourly Earnings	0.1%	0.3%	0.3%	
		Unemployment Rate	4.2%	4.2%	4.2%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: Employment Situation

Nonfarm Payroll Growth
(% Chg. YoY)



Source: BLS, William Blair Equity Research

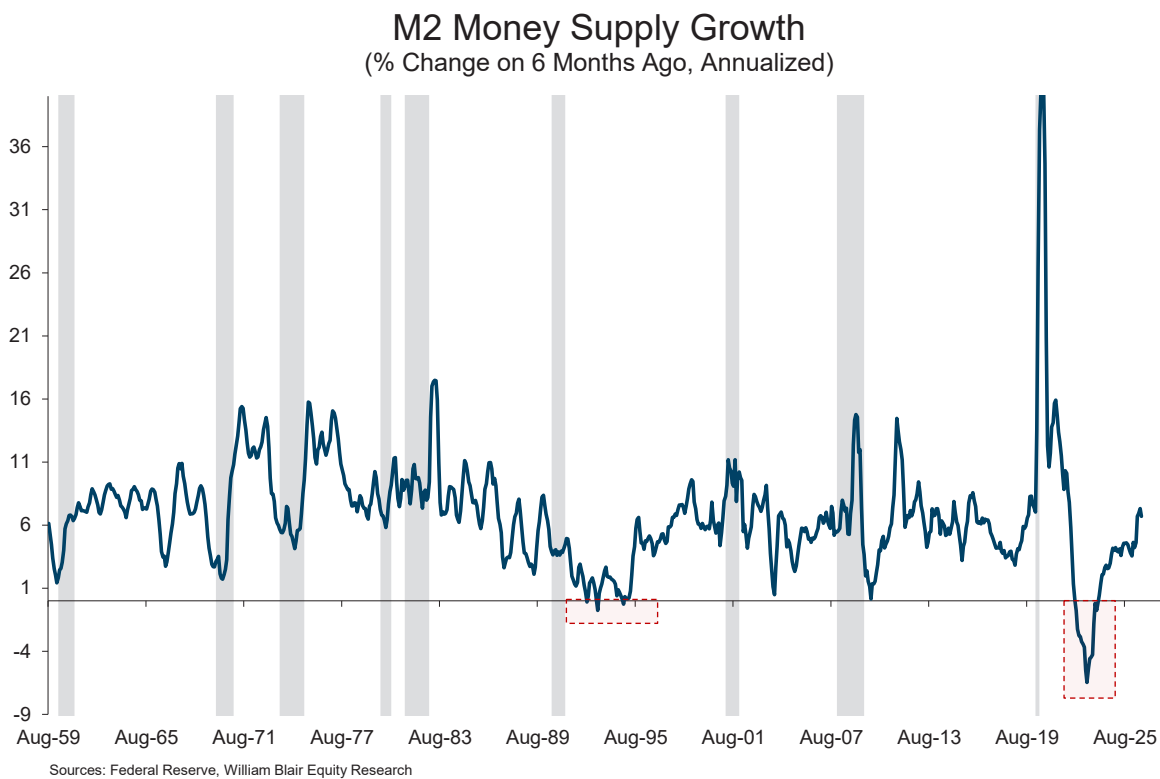
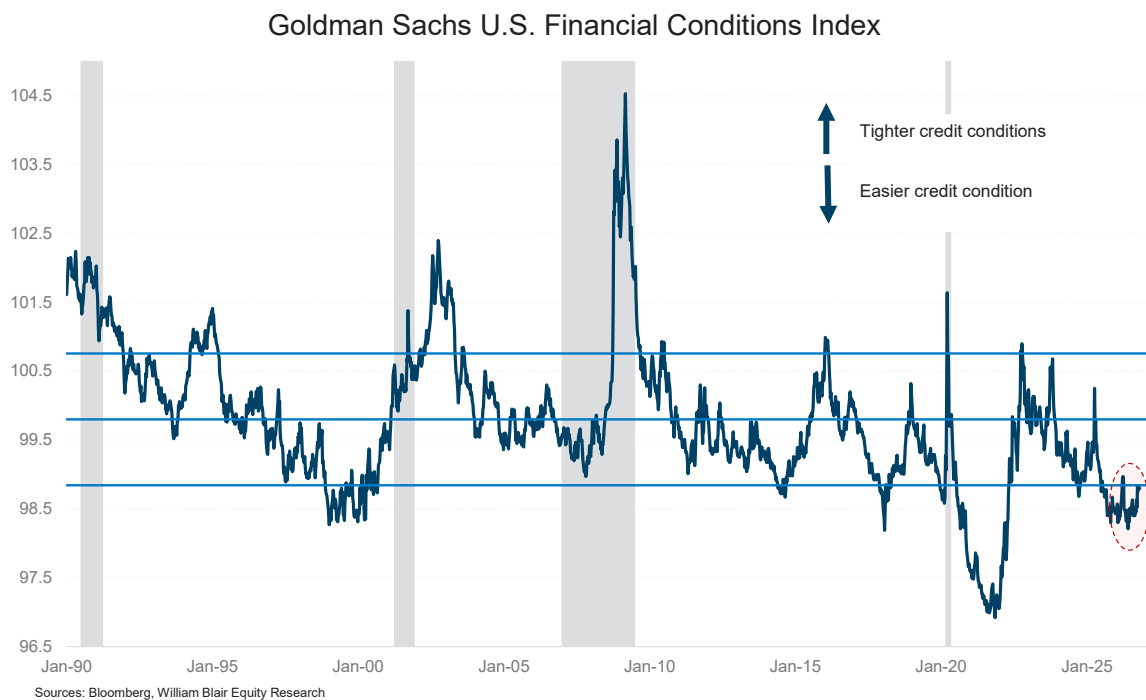
Economic Scorecard

	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	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
Growth																			
US Leading Indicators	-4.1	-3.7	-3.8	-3.4	-3.5	-3.2	-3.1	-3.7	-3.7	-3.6	-3.1	-3.0	-1.6	-1.4	-1.1	-0.9	-0.6		
US Coincident Indicators	1.8	1.1	1.1	1.4	1.2	1.2	1.0	0.8	0.6	0.9	0.8	0.3	0.3	0.7	0.8	0.6	0.8		
US Lagging Indicators	-0.8	-0.1	-0.3	-0.5	-0.4	0.2	0.3	0.3	0.7	0.9	0.6	1.1	1.3	0.7	0.7	1.1	1.2		
Consumer																			
Total Retail Sales	4.6	2.7	3.9	3.7	4.4	3.7	2.8	2.9	2.1	2.2	3.5	3.6	4.1	6.7	5.9	4.5	5.6	6.3	
Personal Income	5.8	4.9	4.8	5.1	5.3	5.4	4.9	4.8	4.8	4.8	4.5	4.4	3.7	4.8	4.7	4.5	4.4	4.1	
Real Disposable Personal Income	2.5	1.4	1.2	1.6	1.7	1.8	1.4	1.4	1.4	2	1.8	1.3	0.2	1.2	1.5	1.5	1.3	1	
Real Personal Consumption	3.1	2.4	2.5	2.7	2.9	2.4	2.5	2.3	1.5	2	2.3	1.9	2.2	2.7	2.7	2.4	2.7	2.5	
Personal Saving Rate (%)	6.2	5.7	5.5	5.3	5.2	5.1	4.9	4.9	5	5.6	5.3	5.1	4.4	4.4	4.4	4.5	4	3.8	
Consumer Confidence (Conference Board)**	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9	94.2	89	91	92.2	93.8	90.6	92.2	90.2	88.6	84.2	
Employment																			
Employment Growth	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	0.2	0.3	0.2	0.3	0.3	
ASA Temporary Staffing Index	-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	5.1	6.5	2.5	6.3	5.3	
ISM Employment Index Manufacturing*	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	48.6	49.7	52.8	51.2	52.7	
ISM Employment Index Services*	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	47.9	51.2	47.4	47.8	50.1	
Unemployment Rate, %	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1	4.1	4.2	
Average Hourly Earnings	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.3	3.4	3.2	3.1	3	
Initial Jobless Claims (avg. wkly. chg. '000s)	226	233	239	222	231	234	226	221	219	213	216	208	208	215	223	199	208	201	
Jop Openings	-5.7	-6.1	-2.9	-4.5	-8.0	3.3	-2.8	-9.5	-10.2	-2.6	-4.4	-0.9	6.9	3.1	-0.3	3.5	2.3		
Layoff Announcements	62.7	47	-1.6	139.8	13.3	-25.8	175.3	23.5	-8.3	117.8	-71.9	-78	-20.9	3.4	-4.5	-46.1	-38.5	-19.9	
Housing Market																			
Housing Starts	1.5	-3	4.6	12.8	-7.4	-2.8	-7.1	1.5	-7.8	2.4	-9.7	13.1	1	-8.3	4.4	-4.4	-0.2		
New Home Sales	-0.7	-7.2	-2.6	-11.5	1.6	-0.1	3.2	13.2	3	-13.4	-1.7	0.5	-8.6	2.3	2.3	-0.2	-2.6		
Existing Home Sales	-1.5	-0.5	0.5	0.8	2.3	4.4	2.2	-1.2	1.9	-1.7	-0.5	-0.3	0.5	3.7	3.8	0.7	-2.5		
Median House Price (Existing Homes)	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.1	-0.7	-3.4	0.5	-2.5	0.2	-0.8	-7.8		
Existing Homes Inventory (Mths' supply)	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4	4.2	4.3	4.3	4.3	4.2	4.3	4.3	4.5		
New Homes Inventory (Mths' supply)	8.6	9.7	9	9.2	8.5	8.2	9	7.7	7.9	9.9	9.3	8.7	9	9.2	8.5	8.9	8.5		
NAHB Homebuilder Sentiment*	40	34	32	33	32	32	37	38	39	37	37	38	34	37	36	34	35		
Inflation																			
Consumer Price Index	2.3	2.4	2.7	2.7	2.9	3		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	3.4	3.4	3.7	
CPI Less-food & energy	2.8	2.8	2.9	3.1	3.1	3		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	2.5	2.4	2.6	
Producer Price Index	2.4	2.7	2.4	3.2	2.7	3	2.8	3.1	3.1	3.1	3.4	4.3	5.7	5.9	5.6	4.9	5.6	6.3	
PPI Less-food & energy	3.1	3.2	2.7	3.5	2.9	3	3	3.2	3.4	3.7	3.8	3.9	4.9	4.5	4.8	4.4	4.8	5	
PCE Price Index	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.7	2.8	2.7	2.8	3.4	3.6	3.8	3.5	3.4	3.4	3.6	
PCE Prices Less-food & energy	2.7	2.8	2.8	2.8	2.9	2.8	2.7	2.7	2.9	2.9	3.0	3.1	3.1	3.2	3.0	3.0	3.0	3.1	
Business Activity - US																			
Industrial Production	0.9	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.7	1.4	1.7	1.5	1.3	1.6	2.3	
New Cap Gds Orders less-aircraft & parts	0.5	2.2	4.5	4.4	2.5	5.3	6.2	4.1	8	2.9	5.9	10.8	11.1	10	14.9	13.4	14.8	13.7	
Business Inventories	2.2	1.9	1.4	1.4	1.2	0.8	1.1	1.2	1.1	1.4	1	1.3	2.3	2.9	3.3	3.2	4	4.6	
ISM Manufacturing PMI*	48.8	48.6	49	48.4	48.9	48.9	48.8	48	47.9	52.6	52.4	52.7	52.7	54	53.3	55.6	54.6	54.5	
Markit US Manufacturing PMI*	50.2	52	52.9	49.8	53	52	52.5	52.2	51.8	52.4	51.6	52.3	54.5	55.1	53.9	53.9	53.9	55.9	
ISM Services Index*	51.6	50.2	50.8	50.5	51.9	50.3	52	52.4	53.8	53.8	56.1	54	53.6	54.5	54	54.1	55.4	54.9	
Markit US Services PMI*	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	50.7	51.2	54.6	56.5	58.8	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	48.4	48.3	49	49.1	49.8	49.5	49.6	48.2	47	49.1	50.9	52.2	51.4	50.1	50.3	52.2	54.3	53.9	54.2
Japan Manufacturing PMI Jibun Bank*	48.7	49.4	50.1	49	49.7	48.5	48.2	48.7	50	51.5	53	51.6	55.1	54.5	54.8	54.5	54.9	54.1	53.3
Caixin China Manufacturing PMI*	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	51.8	51.7	50.9	51.5	52.1	
China Manufacturing PMI*	49	49.5	49.7	49.3	49.4	49.8	49	49.2	50.1	49.3	49	50.4	50.3	50	50.3	49.2	49.8	50.1	
UK Manufacturing PMI Markit/CIPS*	45.4	46.4	47.7	48	47	46.2	49.7	50.2	50.6	51.8	51.7	51	53.7	53.9	52.5	51.9	51.7	51.9	52.8
France Manufacturing PMI Markit*	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	49.7	51.2	49.8	51.1	50.6	49.3
Currencies***																			
Euro (EUR/USD)	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	2.7	-3.1	1.0	-0.6	-3.4	
Renminbi (USD/CNY)	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	-6.0	-5.3	-6.2	-5.8	-5.8	
Yen (USD/Yen)	-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	10.6	12.9	4.4	8.6	6.4	
Sterling (GBP/USD)	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	0.0	-3.4	2.1	0.3	-1.3	
Canadian \$ (USD/CAD)	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	0.4	4.3	1.2	0.8	2.2	
Mexican Peso (USD/MXN)	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	-10.7	-6.7	-8.1	-8.9	-1.3	
US Equities																			
S&P 500	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	28.2	20.9	18.1	19.0	14.4	
S&P 400 Midcap	-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	24.1	24.2	19.3	15.6	10.2	
S&P 600 Smallcap	-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	31.2	35.3	31.5	22.1	14.2	
Russell 2000	-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	41.3	39.0	32.5	24.9	14.8	

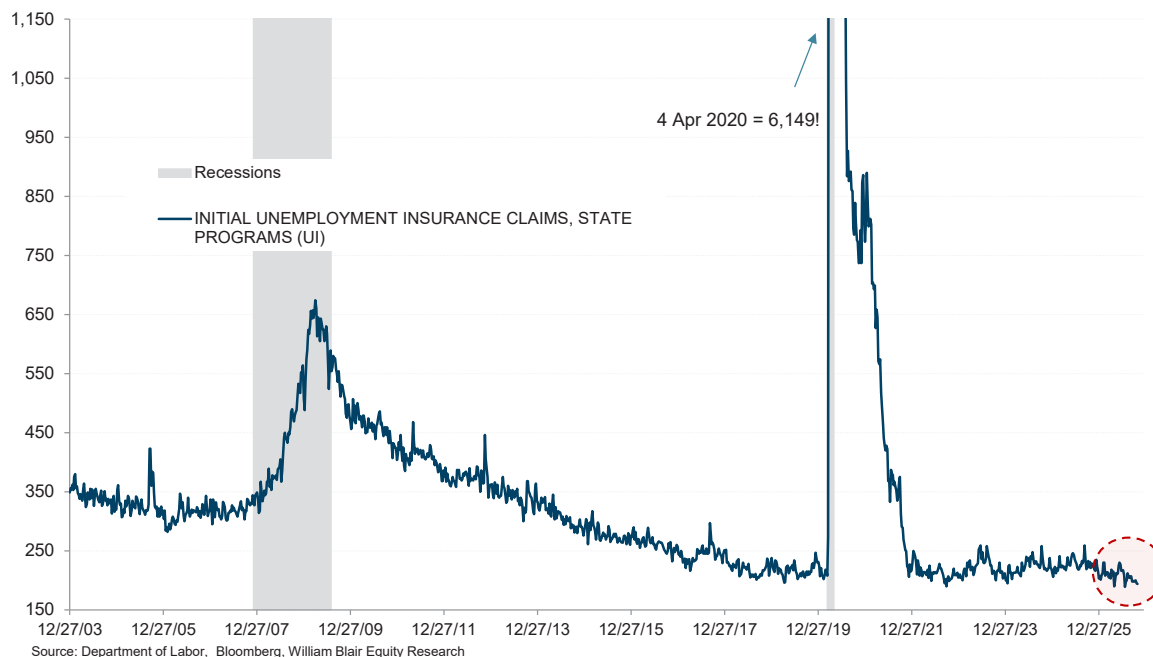
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

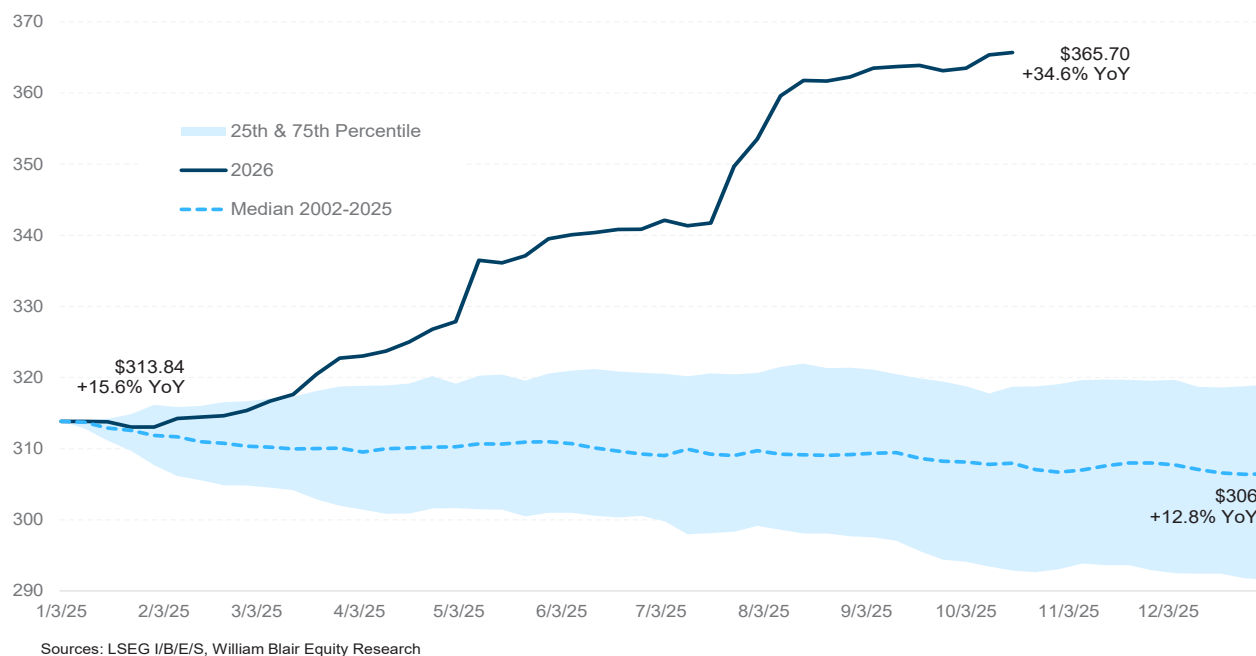
Other Economic Indicators



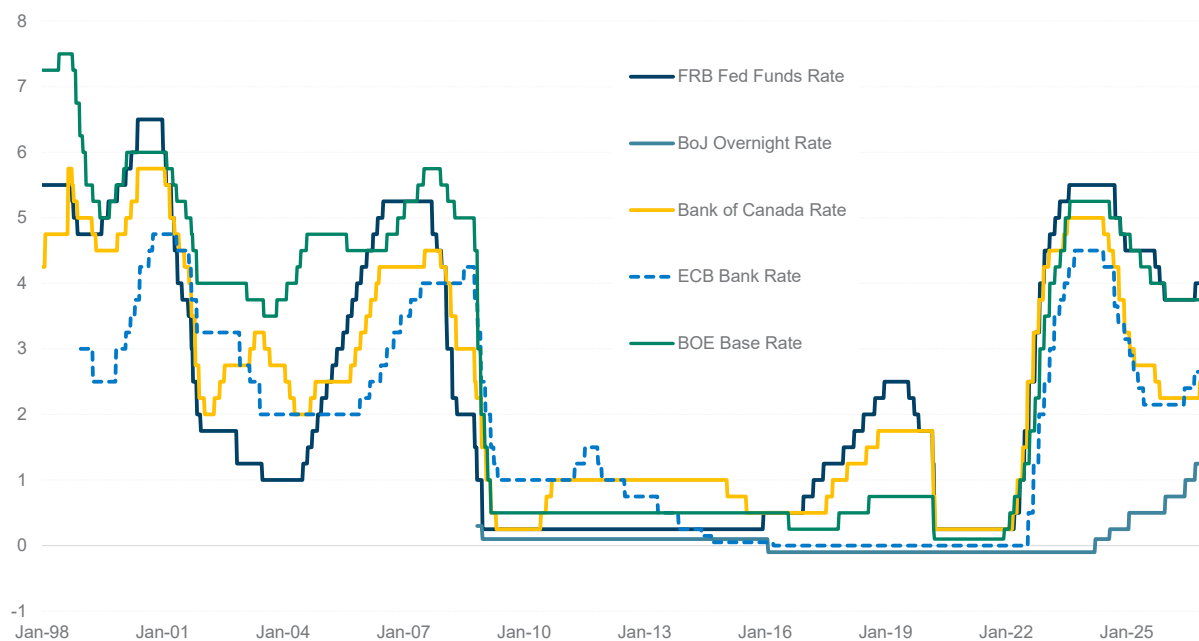
Initial Jobless Claims (‘000s, Seasonally Adjusted)



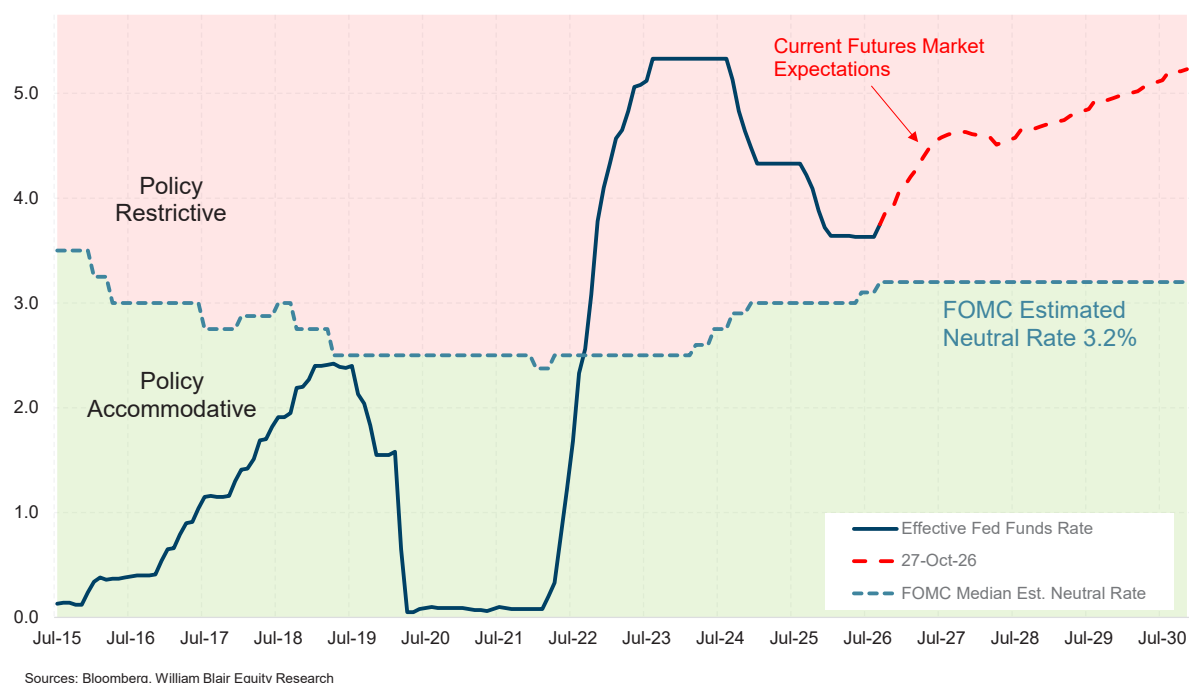
Progression of S&P 500 2026 EPS Estimates, 2026 vs Median 2002-2025 (Rebased to Estimate at End of Q4 2025 of \$313.84 per share)



Central Bank Target Short-Term Interest Rates, %



Fed Funds Rate, Futures Market Expectations & FOMC's Estimated Neutral Rate, %



S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 29-Oct-26	Week Ago 22-Oct-26	Month Ago 29-Sep-26	Qtr-to-Date 30-Sep-26	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	0.74	0.65	0.90	12.78
S&P 400 MidCap Index		1.93	2.45	3.10	12.17
S&P 600 SmallCap Index		2.42	3.67	4.37	17.68
Dow Jones Industrials		-0.99	1.93	2.82	8.90
Nasdaq Composite		0.68	-2.29	-2.52	12.66
Communication Services	8.37	-8.77	-14.28	-14.24	-10.86
Advertising	0.14	-3.15	-11.51	-7.69	-45.09
Broadcasting	0.09	-7.93	3.48	2.34	-12.95
Cable & Satellite	0.04	5.47	3.58	3.75	-33.36
Integrated Telecommunication Services	0.56	-4.92	-7.28	-7.18	-8.28
Interactive Home Entertainment	0.05	-6.94	-4.63	-6.80	-20.87
Interactive Media & Services	6.55	-9.76	-16.19	-16.26	-8.40
Movies & Entertainment	0.70	-4.69	-4.21	-3.59	-18.65
Publishing & Printing	0.02	-5.24	2.97	2.43	11.62
Wireless Telecommunication Svcs	0.22	-7.24	-9.63	-9.68	-27.46
Consumer Discretionary	9.39	0.44	4.95	4.81	-1.78
Apparel Retail	0.32	-3.36	3.46	4.38	1.46
Apparel & Accessories & Luxury Goods	0.07	4.34	8.16	7.97	-17.31
Auto Parts & Equipment	0.01	1.42	2.44	3.27	-32.88
Automobile Manufacturers	2.40	7.69	13.20	13.05	-9.30
Automobile Retail	0.24	0.91	5.70	7.06	-9.43
Broadline Retail	3.76	-2.59	-0.89	-1.87	6.16
Casinos & Gaming	0.05	-0.26	-5.18	-4.61	-37.63
Computer & Electronics Retail	0.03	0.56	13.12	13.77	49.99
Consumer Electronics	0.08	-5.24	-3.55	-2.41	38.00
Distributors	0.02	-4.36	-3.59	-2.66	-0.95
Footwear	0.08	-0.39	7.07	8.01	-36.46
Home Furnishings	0.01	1.00	4.12	4.23	18.93
Home Improvement Retail	0.62	0.65	13.27	14.79	-7.13
Homebuilding	0.14	0.64	3.17	5.09	-5.07
Hotels, Resorts & Cruise Lines	0.74	-0.75	6.63	6.71	0.53
Leisure Products	0.02	1.99	35.47	36.37	45.81
Restaurants	0.69	1.88	7.05	8.41	-6.38
Other Specialty Retail	0.06	0.02	13.59	14.13	-12.71
Consumer Staples	5.21	-1.62	7.99	9.84	14.36
Agricultural Products	0.15	-1.80	-2.64	-2.29	29.54
Brewers	0.01	-5.90	8.89	7.51	-16.00
Consumer Staples Merchandise Retail	2.28	-1.39	9.72	11.83	12.71
Distillers & Vintners	0.04	-6.39	13.66	13.52	-3.15
Food Distributors	0.06	-1.73	5.13	5.85	11.98
Food Retail	0.09	-3.74	10.22	12.03	3.67
Household Products	0.73	-3.06	8.56	10.58	12.63
Packaged Foods & Meats	0.28	-4.68	3.29	6.07	-3.04
Personal Care Products	0.09	-0.53	11.67	13.39	9.25
Soft Drinks	1.01	-2.65	6.93	8.11	17.29
Tobacco	0.63	2.64	8.67	10.56	30.87
Energy	3.57	1.59	11.81	11.82	53.68
Integrated Oil & Gas	1.79	2.50	13.51	12.93	52.15
Oil & Gas Equipment & Services	0.23	6.13	5.19	6.90	30.37
Oil & Gas Exploration & Production	0.67	2.55	14.92	15.68	41.06
Oil & Gas Refining & Marketing & Transportation	0.47	-6.55	5.89	5.19	137.41
Oil & Gas Storage & Transportation	0.41	4.31	11.10	12.45	33.89

Financials	11.31	0.47	5.30	6.57	3.87
Asset Management & Custody Banks	0.93	2.72	4.10	5.63	1.57
Consumer Finance	0.52	0.97	6.20	7.26	-12.70
Diversified Banks	2.80	1.80	0.77	1.74	2.53
Diversified Financial Services	6.68	0.18	6.24	7.68	3.43
Financial Exchanges & Data	0.84	-0.83	10.77	10.57	-0.96
Insurance Brokers	0.40	-0.57	15.61	15.38	-0.99
Investment Banking & Brokerage	1.21	1.40	-4.51	-2.60	0.36
Life & Health Insurance	0.28	-0.92	4.28	5.68	16.14
Multi-Sector Holdings	1.07	-0.92	7.89	8.84	7.82
Property & Casualty Insurance	0.89	-0.86	9.45	11.39	10.83
Regional Banks	0.25	1.45	4.96	5.11	3.28
Reinsurance	0.02	-1.71	8.61	9.70	18.05
Transaction & Payment Processing	2.02	-0.65	11.43	13.55	11.11
Health Care	9.72	1.55	7.76	9.27	18.83
Biotechnology	1.87	2.76	8.69	9.74	35.24
Health Care Distributors	0.34	-2.48	11.09	12.68	13.53
Health Care Equipment	1.35	0.76	7.23	8.72	-13.98
Health Care Facilities	0.15	1.26	9.48	10.69	-0.60
Health Care Services	0.37	-2.09	7.47	8.67	18.99
Health Care Supplies	0.05	-2.68	1.58	1.89	-9.85
Life Sciences Tools & Services	1.02	4.20	5.75	6.77	22.46
Managed Health Care	0.76	-3.44	9.12	11.03	28.34
Pharmaceuticals	3.74	2.62	7.43	9.40	27.74
Industrials	7.75	1.97	0.53	1.85	9.61
Aerospace & Defense	1.92	3.68	4.11	5.34	-0.34
Agricultural & Farm Machinery	0.25	2.54	-3.01	-1.72	41.76
Air Freight & Logistics	0.27	2.03	7.54	8.50	16.13
Building Products	0.40	1.80	1.90	2.77	11.98
Cargo Ground Transportation	0.10	-6.17	-2.79	-0.63	10.24
Construction & Engineering	0.24	9.78	-9.26	-8.24	39.92
Construction Machinery & Heavy Trucks	0.66	-5.72	-15.87	-14.39	10.32
Data Processing & Outsourced Services	0.03	-4.29	10.68	10.58	-20.18
Diversified Support Svcs	0.16	-1.64	9.93	10.91	1.82
Electrical Components & Equipment	0.68	9.30	-1.61	-0.37	17.41
Environmental & Facilities Services	0.29	-2.63	11.03	12.72	1.58
Heavy Electrical Equipment	0.42	6.12	-11.75	-9.80	32.17
Human Resource & Employment Services	0.21	-7.30	9.48	10.90	8.43
Industrial Conglomerates	0.25	1.62	5.73	6.98	14.25
Industrial Machinery	0.57	2.61	2.87	4.62	3.48
Passenger Airlines	0.15	3.24	-3.30	-1.84	6.90
Passenger Ground Transportation	0.19	-4.83	-5.22	-4.05	-19.55
Railroads	0.49	1.21	10.28	11.28	31.04
Research & Consulting Svcs	0.11	-1.22	17.12	17.92	-12.16
Trading Companies & Distributors	0.34	3.57	10.55	11.42	35.61
Information Technology	36.16	2.95	-2.10	-2.69	24.41
Application Software	1.83	-0.99	8.25	6.75	-10.17
Communications Equipment	1.23	6.29	-1.30	-1.63	39.99
Electronic Components	0.50	9.98	-10.23	-9.09	24.30
Electronic Equipment & Instruments	0.15	5.44	-1.74	-2.20	50.57
Electronic Manufacturing Services	0.18	10.57	-5.82	-2.10	-6.30
Internet Software & Services	0.13	-1.78	-5.54	-5.65	-1.79
IT Consulting & Services	0.61	-1.55	23.79	22.38	-13.01
Semiconductor Equipment	1.32	10.99	-18.48	-18.69	51.17
Semiconductors	14.55	4.35	-6.32	-6.62	31.41
Systems Software	7.27	1.28	2.22	1.29	12.28
Technology Distributors	0.03	0.35	27.35	28.91	21.29
Technology Hardware, Storage & Peripherals	8.35	1.10	2.34	1.29	38.44
Materials	1.62	0.97	5.59	6.47	14.50
Commodity Chemicals	0.06	3.28	17.73	18.51	46.70
Construction Materials	0.19	4.29	10.51	11.34	-18.20
Copper	0.13	2.40	-6.57	-5.52	30.22

William Blair

Fertilizers & Agricultural Chemicals	0.03	1.00	3.54	4.18	23.88
Gold	0.16	-2.02	-4.52	-3.07	11.97
Industrial Gases	0.42	-0.84	7.48	7.34	19.80
Metal & Glass Containers	0.02	-1.99	13.86	15.12	21.77
Paper Packaging	0.14	2.04	5.70	6.68	7.60
Specialty Chemicals	0.31	-0.25	4.20	6.03	8.44
Steel	0.14	6.32	15.71	16.56	61.45
Real Estate	1.67	1.43	3.48	4.82	7.69
Data Center REITs	0.24	8.11	2.68	3.13	28.52
Health Care REITs	0.33	-2.30	-1.50	-0.15	19.94
Hotel & Resort REITs	0.02	3.34	14.53	14.78	49.26
Industrial REITs	0.17	1.07	-3.46	-1.40	0.28
Multi-Family Residential REITs	0.00	-3.19	0.40	1.57	-5.07
Office REITs	0.01	2.49	2.13	3.12	-6.61
Other Specialized REITs	0.09	4.80	5.96	6.72	12.08
Real Estate Service	0.07	-7.19	-0.34	0.69	-34.41
Retail REITs	0.23	1.36	4.89	6.47	10.52
Self-Storage REITs	0.13	3.34	11.49	12.79	19.31
Single-Family Residential REITs	0.13	3.34	11.49	12.79	19.31
Telecom Tower REITs	0.20	5.07	16.35	18.42	2.70
Timber REITs	0.02	-0.35	1.02	3.66	-16.63
Utilities	1.92	0.68	8.61	9.41	1.04
Electric Utilities	1.26	0.77	8.47	9.26	-0.05
Gas Utilities	0.04	-1.63	8.54	9.35	2.05
Independent Power Producers & Energy Traders	0.08	0.18	0.32	1.71	-9.70
Water Utilities	0.04	-0.71	9.56	9.84	8.98
Multi-Utilities	0.50	0.84	10.31	11.05	5.13

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

IMPORTANT DISCLOSURES

This report is available in electronic form to registered users via R*Docs™ at <https://williamblairlibrary.bluematrix.com> or www.williamblair.com.

Please contact us at +1 312 236 1600 or consult <https://www.williamblair.com/equity-research/coverage> for all disclosures.

Richard de Chazal attests that 1) all of the views expressed in this research report accurately reflect his/her personal views about any and all of the securities and companies covered by this report, and 2) no part of his/her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed by him/her in this report. We seek to update our research as appropriate. Other than certain periodical industry reports, the majority of reports are published at irregular intervals as deemed appropriate by the research analyst.

DOW JONES: 52475.10

S&P 500: 7743.98

NASDAQ: 26549.80

Additional information is available upon request.

Current Rating Distribution (as of October 29, 2026):

Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	71	Outperform (Buy)	15
Market Perform (Hold)	28	Market Perform (Hold)	4
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

The compensation of the research analyst is based on a variety of factors, including performance of his or her stock recommendations; contributions to all of the firm's departments, including asset management, corporate finance, institutional sales, and retail brokerage; firm profitability; and competitive factors.

OTHER IMPORTANT DISCLOSURES

Stock ratings and valuation methodologies: William Blair & Company, L.L.C. uses a three-point system to rate stocks. Individual ratings reflect the expected performance of the stock relative to the broader market (generally the S&P 500, unless otherwise indicated) over the next 12 months. The assessment of expected performance is a function of near-, intermediate-, and long-term company fundamentals, industry outlook, confidence in earnings estimates, valuation (and our valuation methodology), and other factors. Outperform (O) - stock expected to outperform the broader market over the next 12 months; Market Perform (M) - stock expected to perform approximately in line with the broader market over the next 12 months; Underperform (U) - stock expected to underperform the broader market over the next 12 months; not rated (NR) - the stock is not currently rated. The valuation methodologies include (but are not limited to) price-to-earnings multiple (P/E), relative P/E (compared with the relevant market), P/E-to-growth-rate (PEG) ratio, market capitalization/revenue multiple, enterprise value/EBITDA ratio, discounted cash flow, and others. Stock ratings and valuation methodologies should not be used or relied upon as investment advice. Past performance is not necessarily a guide to future performance.

The ratings and valuation methodologies reflect the opinion of the individual analyst and are subject to change at any time.

Our salespeople, traders, and other professionals may provide oral or written market commentary, short-term trade ideas, or trading strategies to our clients, prospective clients, and our trading desks that are contrary to opinions expressed in this research report. Certain outstanding research reports may contain discussions or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Investing in securities involves risks. This report does not contain all the material information necessary for an investment decision. Always refer to the most recent report on a company or issuer. Our asset management and trading desks may make investment decisions that are inconsistent with recommendations or views expressed in this report. We will from time to time have long or short positions in, act as principal in, and buy or sell the securities referred to in this report. Our research is disseminated primarily electronically, and in some instances in printed form. Research is simultaneously available to all clients. This research report is for our clients only. No part of this material may be copied or duplicated in any form by any means or redistributed without the prior written consent of William Blair & Company, L.L.C.

This is not in any sense an offer or solicitation for the purchase or sale of a security or financial instrument.

The factual statements herein have been taken from sources we believe to be reliable, but such statements are made without any representation as to accuracy or completeness or otherwise, except with respect to any disclosures relative to William Blair or its research analysts. Opinions expressed are our own unless otherwise stated and are subject to change without notice. Prices shown are approximate.

This report or any portion hereof may not be copied, reprinted, sold, or redistributed or disclosed by the recipient to any third party, by content scraping or extraction, automated processing, or any other form or means, without the prior written consent of William Blair. Any unauthorized use is prohibited.

If the recipient received this research report pursuant to terms of service for, or a contract with William Blair for, the provision of research services for a separate fee, and in connection with the delivery of such research services we may be deemed to be acting as an investment adviser, then such investment adviser status relates, if at all, only to the recipient with whom we have contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing). If such recipient uses these research services in connection with the sale or purchase of a security referred to herein, William Blair may act as principal for our own account or as riskless principal or agent for another party. William Blair is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

For important disclosures, please visit our website at williamblair.com.

This material is distributed in the United Kingdom and the European Economic Area (EEA) by William Blair International, Ltd., authorised and regulated by the Financial Conduct Authority (FCA). William Blair International, Limited is a limited liability company registered in England and Wales with company number 03619027. This material is only directed and issued to persons regarded as Professional investors or equivalent in their home jurisdiction, or persons falling within articles 19 (5), 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not "relevant persons."

This report is being furnished in Brazil on a confidential basis and is addressed to the addressee personally, and for its sole benefit. This does not constitute an offer or solicitation for the purchase or sale of a security by any means that would constitute a public offering in Brazil under the regulations of the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*) or an unauthorized distribution under Brazilian laws and regulations. The securities are authorized for trading on non-Brazilian securities markets, and this report and all the information herein is intended solely for professional investors (as defined by the applicable Brazilian regulation) who may only acquire these securities through a non-Brazilian account, with settlement outside Brazil in a non-Brazilian currency.

"William Blair" and "R*Docs" are registered trademarks of William Blair & Company, L.L.C. Copyright 2026, William Blair & Company, L.L.C. All rights reserved.

William Blair & Company, L.L.C. licenses and applies the SASB Materiality Map® and SICSTM in our work.