First Quarter 2020

QUARTER IN REVIEW

The first quarter of 2020 will go down in history as among the more chaotic periods of investable market activity. Though markets may be recovering, they likely will remain volatile as new data clarify the macroeconomic effects of the coronavirus outbreak and the supply tensions/demand drop-off in energy markets. That likely means recession or worse for perhaps part of Q1, most or all of Q2 and potentially beyond. This latest episode of market tumult is another stark example of the market's ability to amp anxiety, even as we can recognize the events of the first quarter as echoes of similarly turbulent periods in history. We otherwise will seek to remain focused on stabilizing investment paths that route to longer-term financial outcomes.

Few Things Left Unsold

The stock drawdown that was part of the worst quarterly showing since December 2008 is so far the fifth worst since the end of World War II. We say so far, as equities remain well below the peak reached in mid-February. But stocks weren't the only asset class to suffer. Bonds, investment grade bonds strikingly so, were chucked out windows, too, in a mad dash for cash. As investors seemed to want nothing other than cash, a bias that strengthened the dollar to such an extent that even gold strongly, and to many strangely, sold off.

Responses, Delayed, Still Work

Among the greater challenges the coronavirus outbreak has presented comes in the form of our collective response to deter its broader spread. While China, South Korea and Taiwan showed remarkable ability to suppress viral spread through tracking, testing and quarantine, Italy demonstrated the unfortunate consequence of delayed acknowledgement and response to initial imprints of the virus' appearance. That experience led other countries, including the U.S. to reassess their initial rather laissez-faire approaches. For weeks now, much of the planet has mostly been holed up indoors in an attempt to limit the virus' opportunity to jump from host to host. The objective quickly became cliché – flatten the curve – but there are glimmers that the formula has proved mostly effective.

Fed, Congress Jump In

And those glimmers helped support a quarter-end surge in risk assets off a much deeper bottom that was borne of investor hopes that massive amounts of monetary support and fiscal stimulus will float the global economy through what may end up being months of near complete stall. Per the norm, markets have responded to incremental change – as the pace of the outbreak has slowed, even before the rate of increase in the number of deaths has peaked, investors seem to have turned more optimistic that the world will return to normal more quickly than had been thought. Time will tell, of course, with the potential for any slip-ups in monitoring and controlling the outbreak leading to a resurgence in transmission and a shift back to the new inside economy, or lack thereof.

Figure 1: Quarter Summary

Overall Take		
↓	↓	Equity: Global stocks turned in the worst quarter since Q4 2008
	↓	Fixed Income: While Treasuries proved mostly a safe haven, credit exposures sank on fears of growing potential for a solvency crises borne of a viral outbreak and distress in the energy sector

Equity			
↓	Domestic The plunge erased gains back to the end of 2017	↓	International Flight to the U.S. dollar, easing later in the quarter, pressured otherwise similar int'l stock returns

Directions and colors of arrows reflect a subjective interpretation of the quarter's market events and performance; upward (downward) and angled-upward (-downward) arrows indicate relatively favorable (unfavorable) reviews in the aggregate. They are not indicative of any specific underlying data. SOURCE: SRCM

Equity Market Review

The first quarter will rank as the fifth-worst performance for the S&P 500 Index since the end of World War II. Now, many might read that statistic and suggest that cannot possibly be true, the quarter must have ranked worse considering how abrupt and steep the plunge was. And they have a point…only until one offers the reminder that the bottom in U.S. stocks (at least the bottom plumbed so far) arrived on March 23, well before quarter end. From that point through the end of March, the S&P 500 regained 10 percentage points of the 34% peak-to-trough loss. Meantime, daily moves in the index reflected volatility not seen since 2011 during the peak of the European sovereign debt crisis following the global Financial Crisis of 2007-08.

Figure 2: Trailing Broad Equity-Market Performance

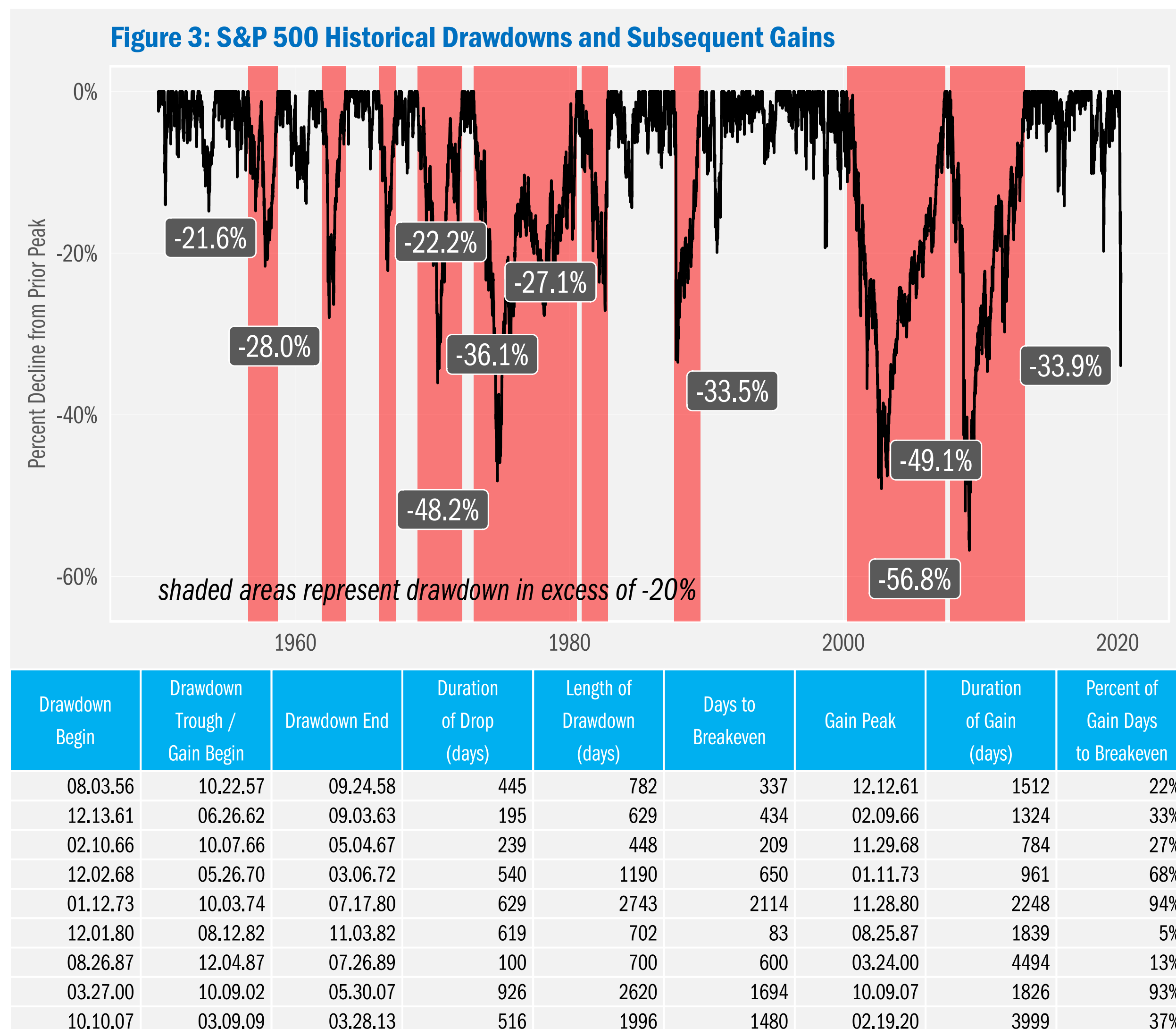
Best-performing index for each period is shaded in blue; worst-performing in grey. See index details at the end of this report

	3 Month	1 Year	3 Year	5 Year	10 Year
Global	-22.44	-12.73	0.76	2.45	5.80
World ex. U.S.	-24.11	-16.32	-2.34	-0.66	2.14
World ex. U.S. Large-Cap	-22.46	-14.74	-1.56	-0.55	1.97
World ex. U.S. Mid-Cap	-27.12	-19.14	-3.71	-1.08	2.41
World ex. U.S. Small-Cap	-29.01	-21.18	-4.89	-0.81	2.79
U.S.	-21.03	-9.29	3.94	5.79	10.08
U.S. Large-Cap	-18.71	-5.56	5.84	7.22	10.61
U.S. Mid-Cap	-26.88	-18.21	-0.07	2.43	9.14
U.S. Small-Cap	-31.09	-24.74	-4.83	-0.09	7.41
Developed Markets	-23.51	-14.92	-1.97	-0.42	2.97
Emerging Markets	-24.40	-18.91	-2.53	-0.90	0.47

From 03.31.10 to 03.31.20. Total return data are annualized for periods greater than 1 year. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

On a drawdown basis, the quarter's peak-to-trough decline ranks fifth-worst since the end of 1949, assuming we do not hit a lower bottom before we make it back to the February peak. Looking at Figure 3, which details market drawdowns in excess of 20% over the past 70 years, we see that early on, drawdowns were seemingly more frequent, with the 1990s run and the decade from the Financial Crisis until now having served as wide respites from stormier weather. Of course, we can view the thirteen years that connected the Technology Bubble with the Financial Crisis as having compressed a good bit more volatility into a narrow time frame.

Figure 3: S&P 500 Historical Drawdowns and Subsequent Gains



Drawdown Begin	Drawdown Trough / Gain Begin	Drawdown End	Duration of Drop (days)	Length of Drawdown (days)	Days to Breakeven	Gain Peak	Duration of Gain (days)	Percent of Gain Days to Breakeven
08.03.56	10.22.57	09.24.58	445	782	337	12.12.61	1512	22%
12.13.61	06.26.62	09.03.63	195	629	434	02.09.66	1324	33%
02.10.66	10.07.66	05.04.67	239	448	209	11.29.68	784	27%
12.02.68	05.26.70	03.06.72	540	1190	650	01.11.73	961	68%
01.12.73	10.03.74	07.17.80	629	2743	2114	11.28.80	2248	94%
12.01.80	08.12.82	11.03.82	619	702	83	08.25.87	1839	5%
08.26.87	12.04.87	07.26.89	100	700	600	03.24.00	4494	13%
03.27.00	10.09.02	05.30.07	926	2620	1694	10.09.07	1826	93%
10.10.07	03.09.09	03.28.13	516	1996	1480	02.19.20	3999	37%

Daily price data (excludes the effects of dividends) from 01.04.50 to 03.31.20. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Drawdown may be measured as the maximum loss from a prior peak value and/or the length of time the portfolio requires to return to breakeven after a prior peak. One cannot directly invest in an index.
SOURCE: SRCM using data from Bloomberg

Figure 4: Trailing Equity-Market Performance

The tables below display the relative performance of different indexes representing U.S. and international stock markets. Broad market performance is shown in the upper left of each group (3-month and 1-year periods). The remainder of the table displays the performance of various indexes, including large-, mid- and small-cap stocks, Value and Growth stocks, and combinations of each. Indexes that outperform (underperform) the broader market are shaded in blue (grey) in depth according to their respective relative performance.

U.S. Stocks

3-Month Period ended 03.31.20		Value	Growth
All Stocks	-21.0%	-27.3%	-14.9%
Large	-18.7%	-24.8%	-12.7%
Mid	-26.9%	-34.3%	-19.6%
Small	-31.1%	-36.6%	-25.6%

1-Year Period ended 03.31.20		Value	Growth
All Stocks	-9.3%	-18.2%	-0.2%
Large	-5.6%	-14.9%	4.0%
Mid	-18.2%	-26.8%	-9.7%
Small	-24.7%	-31.4%	-18.0%

International Stocks

3-Month Period ended 03.31.20		Value	Growth
All Stocks	-24.1%	-29.0%	-19.3%
Large	-22.5%	-28.0%	-16.6%
Mid	-27.1%	-31.4%	-24.1%
Small	-29.0%	-32.1%	-26.0%

1-Year Period ended 03.31.20		Value	Growth
All Stocks	-16.3%	-23.8%	-8.7%
Large	-14.7%	-23.1%	-5.4%
Mid	-19.1%	-26.6%	-14.0%
Small	-21.2%	-25.1%	-17.3%

From 03.31.19 to 03.31.20. Data are total returns for the period shown. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

Equity Factor Review

From a factor-tilt perspective, the first quarter of 2020 furthered and strongly exacerbated the underperformance of several of our preferred portfolio exposures. As we show in Figure 4, the only segment of the U.S. market with a gain over the trailing year is large-cap growth. Otherwise, the remaining segments have experienced some manner of decline, with small-cap value having sunk by a third.

Using data through February of this year (values for March performance are not yet available, but we wanted to publish within reasonable proximity to quarter end), Value now has underperformed Growth since September 1984, while small-cap stocks have underperformed large-cap stocks since August 1968. Those periods are extraordinary from a historical standpoint, but represent a furthering of trends we have seen for some time now. For example, in Figure 5 we show the future relative performance of Value stocks, versus Growth stocks, from each point in time in the past.

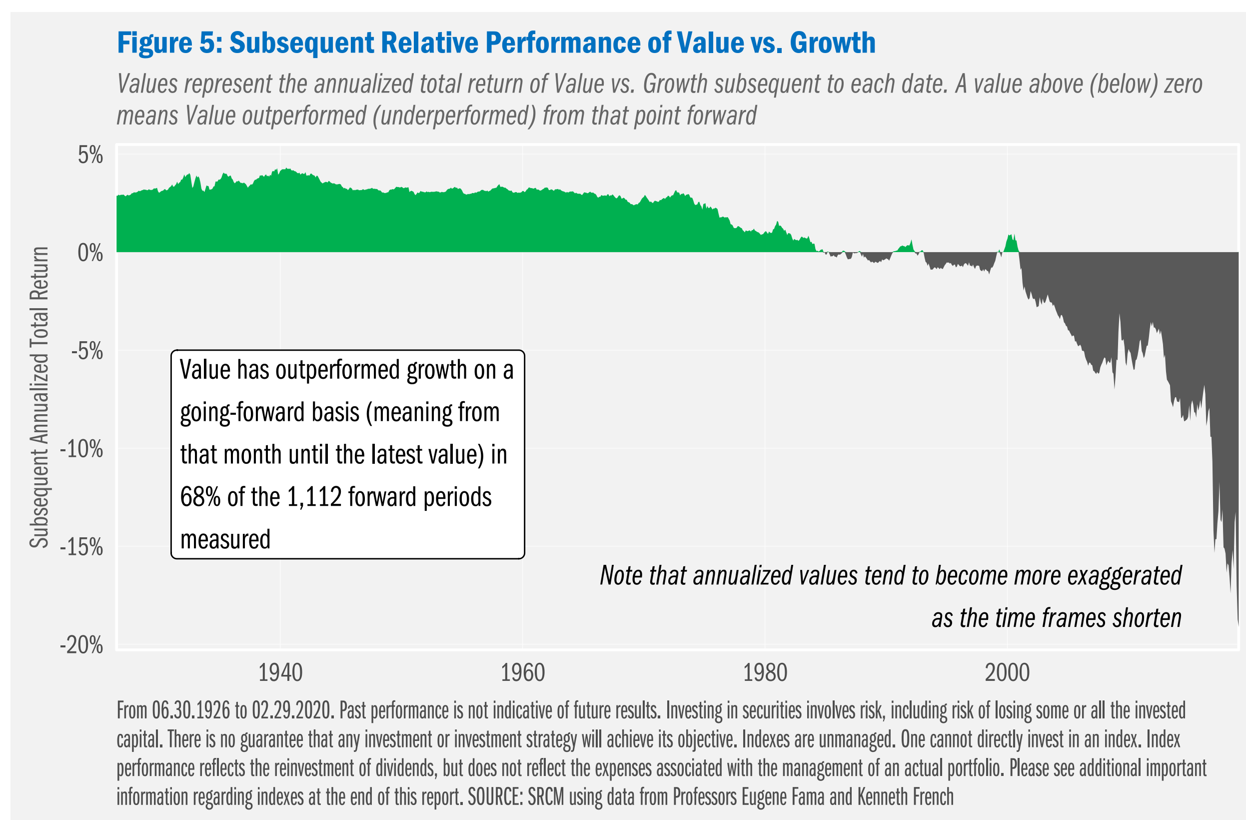


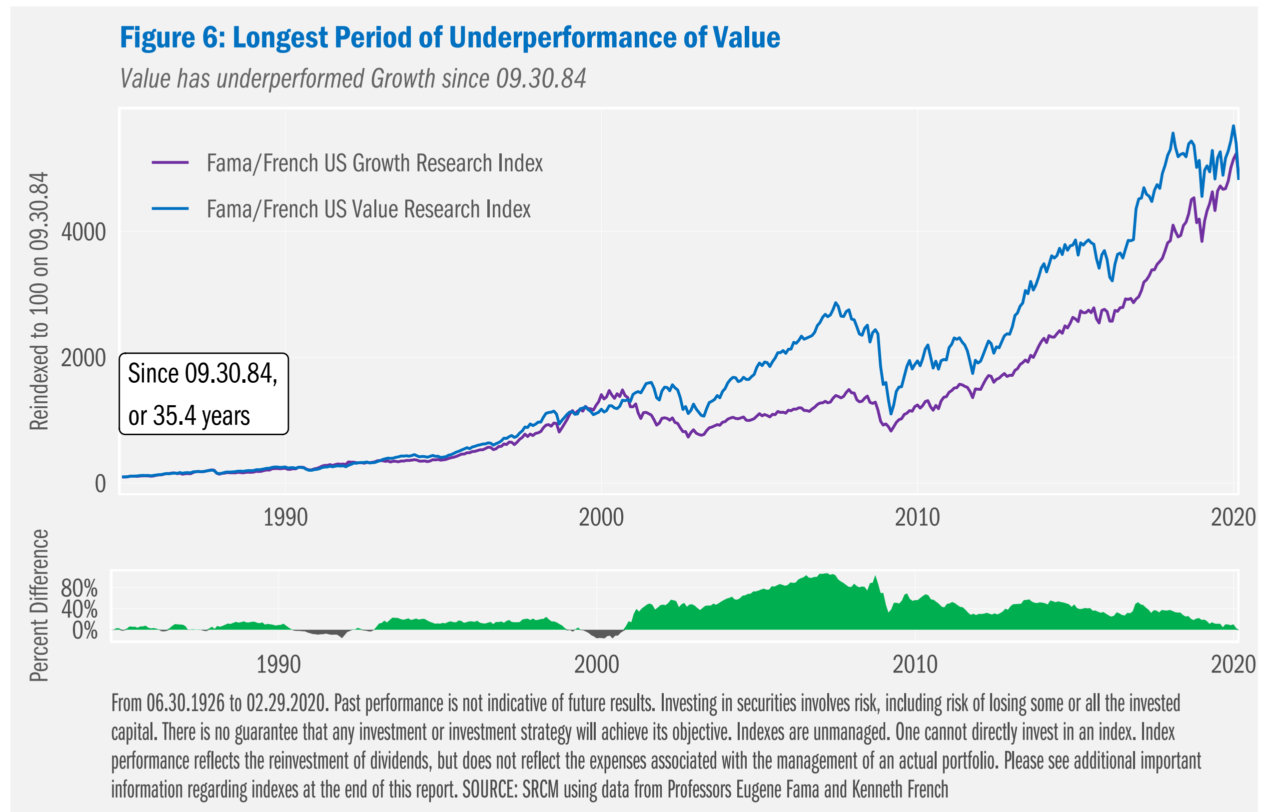
Figure 5: Subsequent Relative Performance of Value vs. Growth

Values represent the annualized total return of Value vs. Growth subsequent to each date. A value above (below) zero means Value outperformed (underperformed) from that point forward

From 06.30.1926 to 02.29.2020. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Professors Eugene Fama and Kenneth French

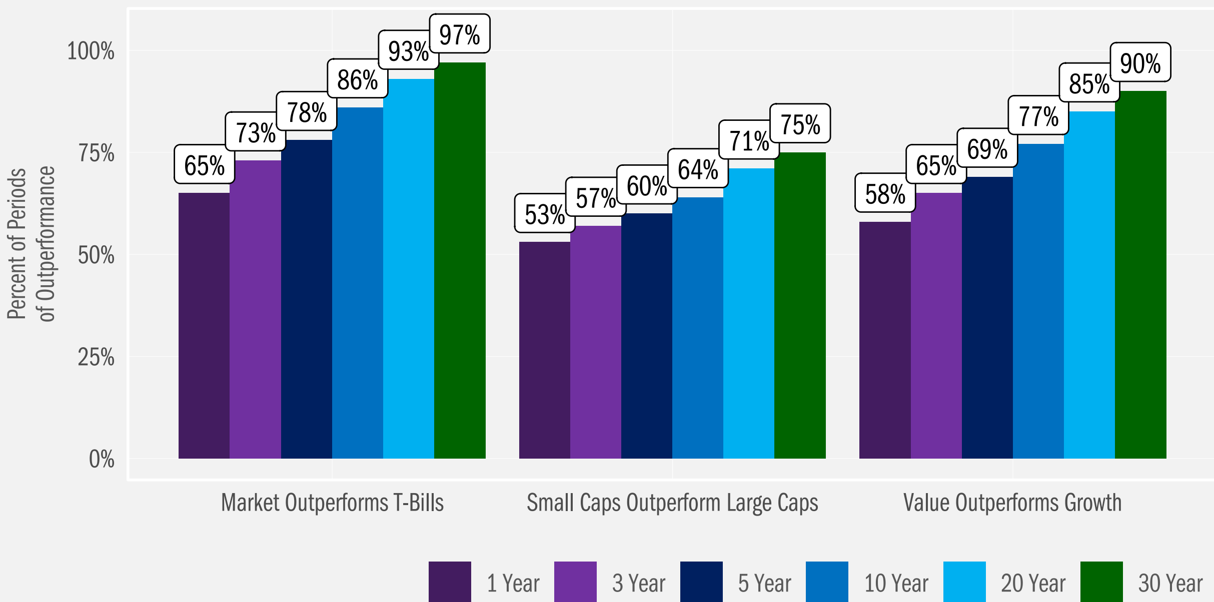
Note that while the longest period of underperformance for Value presently stretches back to 1984, there have been subsequent periods when Value has outperformed. And this chart will evolve over time, given that it looks to the most recent data available in order to calculate relative performance from earlier periods. As the long-term performance for Value and Growth change relative to each other, so will the relative performance from earlier times. For example, were we to limit the time frame reviewed to the end of 2018, Value would only have underperformed since July 1993, and even then but just a small amount (more to this discussion in upcoming commentaries).

Importantly, the values in Figure 5 represent outperformance by the non-favored factor by any amount. The data do not necessarily suggest one might have lost money over that time frame. In Figure 6, we see that Value has just underperformed Growth over the 35-year period shown at the end of the series in Figure 5, but that the long-term gains for both Growth and Value stocks were still substantial. Of course, since Value has outperformed Growth over the long term (Figure 8), Value has outperformed Growth starting at any period prior to September 1984 until now (Figure 5). And you can see again in Figure 6 that Value has seen shorter periods of substantial outperformance versus Growth during the last 3.5 decades.

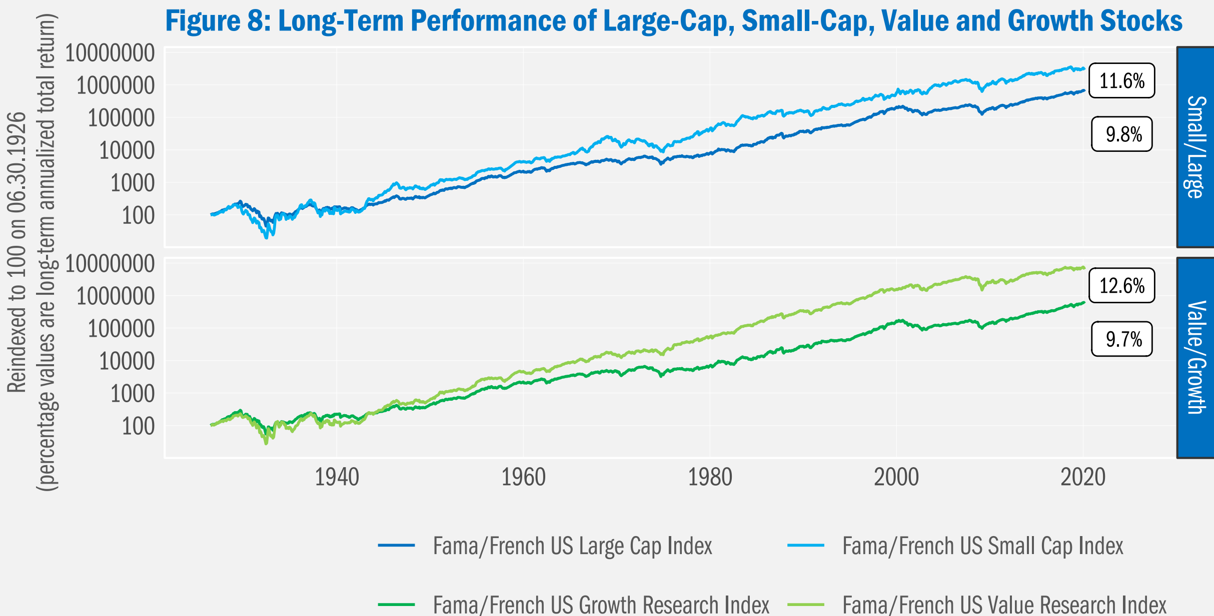


From 06.30.1926 to 02.29.2020. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Professors Eugene Fama and Kenneth French

Still, the length of the long-term underperformance coupled with the depth of recent underperformance has left many wondering whether it's time to throw in the tile on Value stocks and small-cap stocks. Well, the "periods of substantial outperformance in the interim" bit above was a hint of what's to follow. We will leave the topic for now with another view of the history of relative performance of our favored factors. In Figure 7 we show the results of a common statistical method of determining probabilities of outperformance for equity risk factors using random samples of historical actual index-based performance data of the factors. For each time period (e.g., 1-year), we take 100,000 sets monthly actual factor performance data matching the period length (e.g., 12 months for the 1-year review) and calculate the relative performance. The results show that the probability of outperformance using this method remains higher for our favored factors over all time frames, and becomes increasingly so as the time period grows. The view continues to leave us with the impression that patience is likely to be rewarded over time to the extent that we remain on our chosen path.



From 06.30.1926 to 02.29.2020. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Professors Eugene Fama and Kenneth French



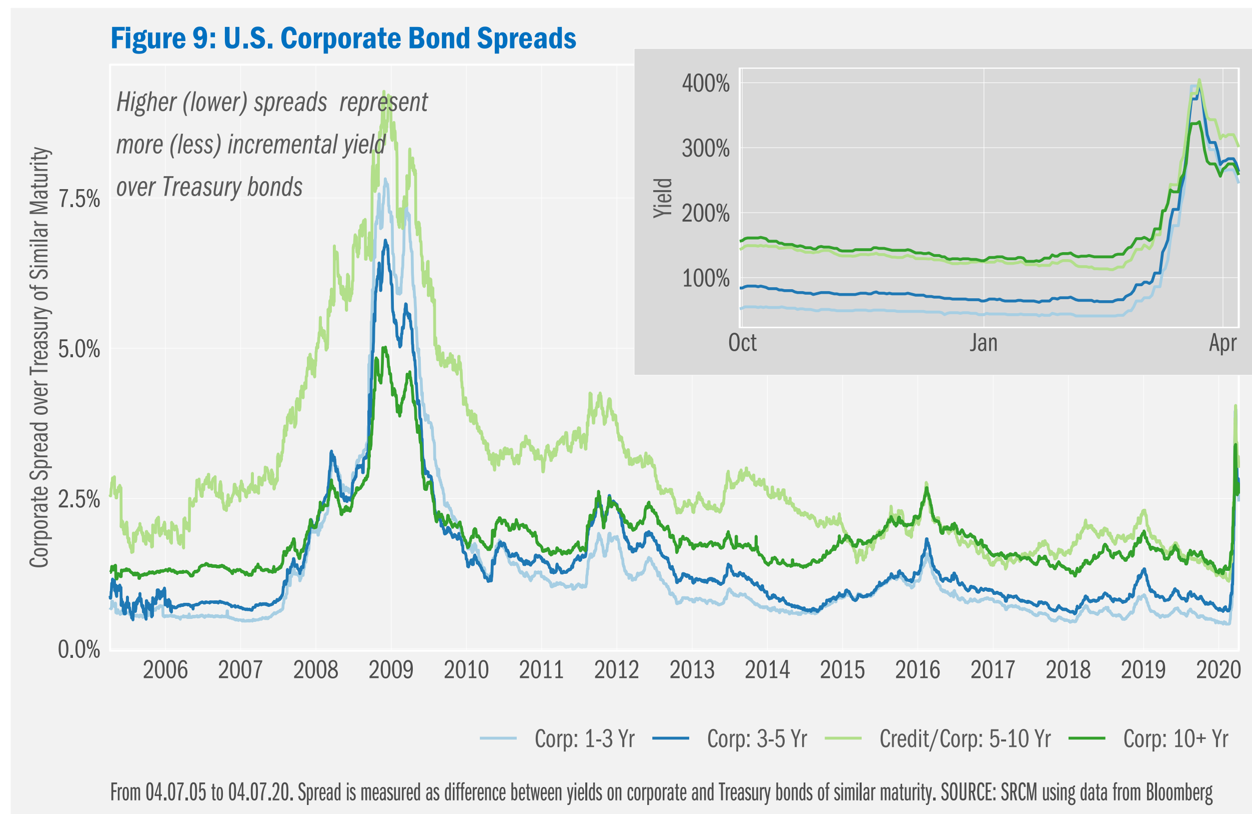
From 06.30.1926 to 02.29.2020. Logarithmic scale. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from the Data Library of the Web site of Professor Kenneth R. French

Fixed Income Market Review

That equity markets would have been volatile in Q1 might have been expected given the compounding effects of the tumult in the oil sector and the emergent coronavirus outbreak. Noteworthy nonetheless for the rapidity and severity of the plunge. But fixed income markets were volatile, too, in Q1, and perhaps much more surprisingly so.

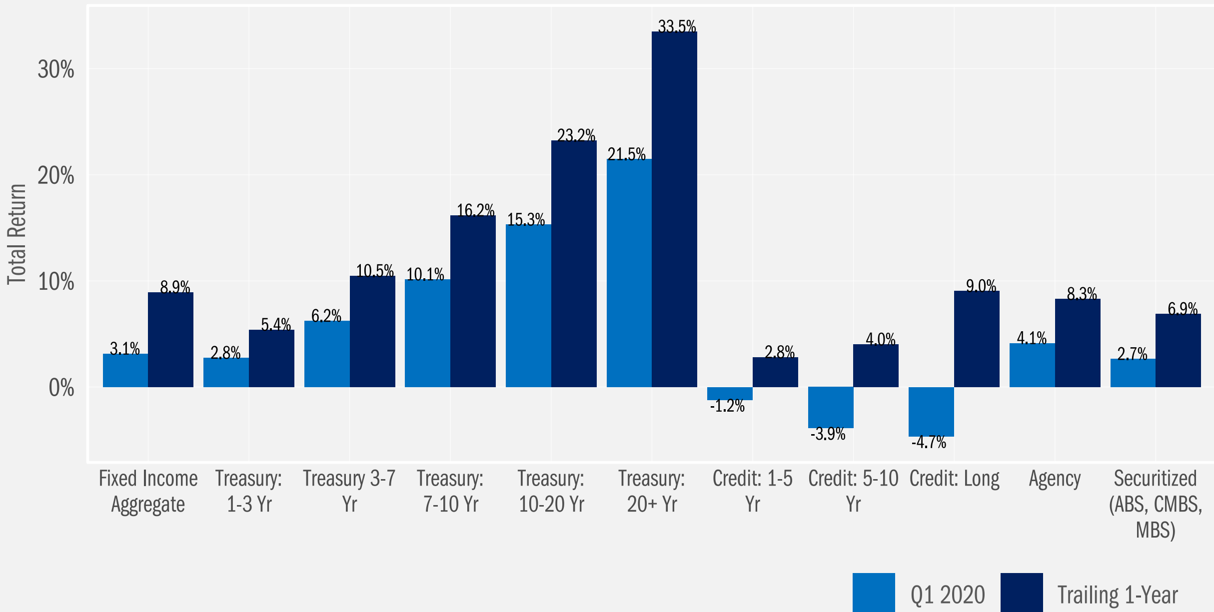
A mad dash for liquidity saw investors dumping bonds along with stocks, with trading reflecting particular fervor in the selling of shorter-duration investment-grade corporate bonds. The severity of the mismatch between sellers and buyers, coupled with a flight to safety for U.S. Treasury bonds (which for the most part seemed to have retained a large pool of buyers), saw spreads surge to levels not seen since the Financial Crisis of 2008-09 (see Figure 9). As a reminder, spreads in this case are the incremental yield demanded by investors to hold corporate bonds over the risk-free yields offered by U.S. Treasuries, reflecting the chance the issuing corporations could default on that debt. As fears of a generations-worst recession were rising, expectations for a dramatic increase in corporate defaults surged accordingly. Even more, spreads at the front end of the curve reflected much less differentiation from those at the longer-end as investors may have figured the crisis would have a greater negative impact on those firms with debt coming due in the nearer term. These trends heavily weighted the first-quarter total returns for corporate bonds (Figure 10) across the duration spectrum, versus those for Treasuries, which saw robust gains as interest rates fell (Figure 11).

Figure 9: U.S. Corporate Bond Spreads



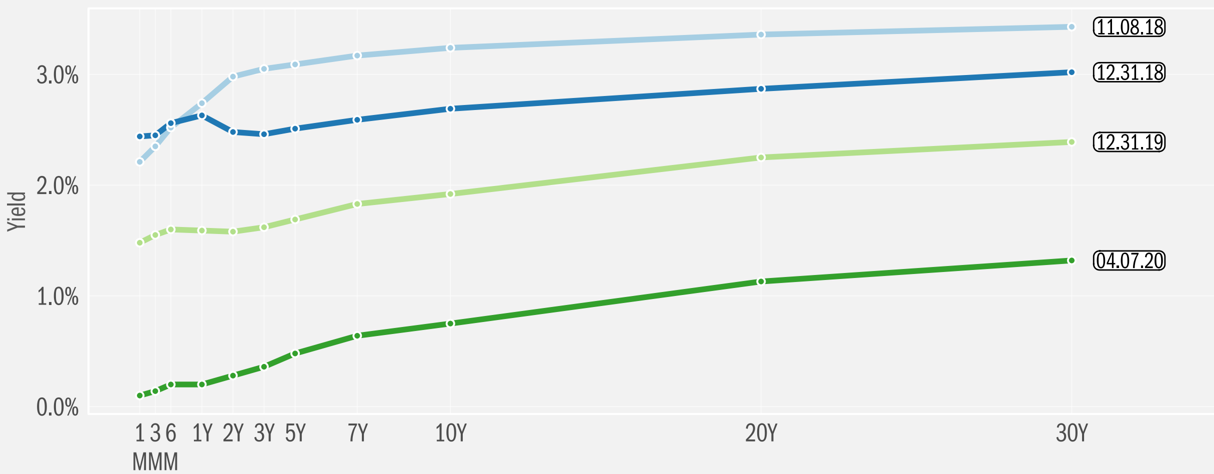
From 04.07.05 to 04.07.20. Spread is measured as difference between yields on corporate and Treasury bonds of similar maturity. SOURCE: SRCM using data from Bloomberg

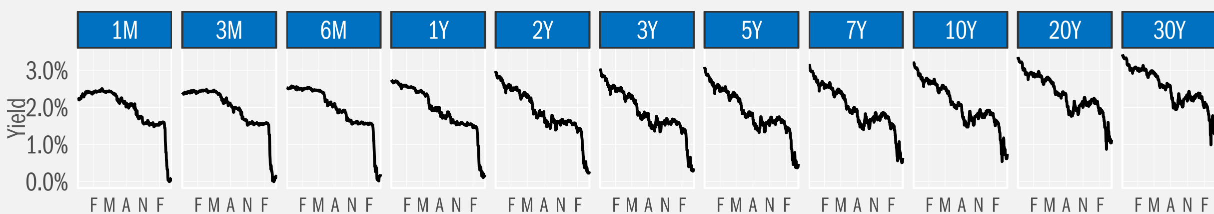
Figure 10: Bloomberg Barclays U.S. Aggregate Bond Index and Sub-Index Performance



From 03.31.19 to 03.31.20. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Components of the index include Treasury, Corporate, Agency and Securitized bonds. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

Figure 11: U.S. Treasury Yield Curve Shift





From 11.08.18 through 04.07.20. SOURCE: SRCM using data from Bloomberg

Statera Model Context

Our models are tilted in opposition to the factors that tended to work through the drawdown in the first quarter, with both the heavier value and size exposures weighting relative performance in particular. The extent of this underperformance is more material as one moves up the risk spectrum, given our heavier tilts in models that maintain larger exposure to equity. On the fixed income side, credit exposures, shorter-duration in particular, have seen dramatic underperformance as the demand for liquidity trumped most other concerns, while anxiety with regard to corporate solvency grew substantially as the nation shut down.

Of course, the longer-term view and the corollary positioning of the models remain grounded in the idea that one should accept that equity risk premia may not realize better-than-benchmark performance over shorter-term time horizons, but that over the longer-term we may expect benchmark-incremental performance from those premia.

Historical performance details relevant to each model may be found on our Composite Fact Sheets. Past performance is not indicative of future results. Individual client portfolios may maintain exposures different from, sometimes materially so, the models for which performance is discussed above. Actual portfolio performance thus may differ from that shown on the Fact Sheets.

So Many Kitchen Sinks

Seems never before has so much monetary support been thrown at a macroeconomic challenge, in particular one that's driven by related fundamental challenges driven by global concern for human health. Uncharted waters, for sure, though they may at least be somewhat familiar, given our temporal proximity to the Financial Crisis of 2008-09. Indeed, seems we are far better aware of emerging challenges for which we need to be watchful, while the prior crisis greatly enlarged the toolkit we can use to address those challenges.

Meantime, a global fiscal response has emerged that in other times we might have thought impossible. For sure there will be high prices to pay down the road for the largesse being laid before an anxious global citizenry. But the moves seem appropriate now, and we think likely shall be viewed as appropriate in hindsight.

As we together persevere the challenges presented by the outbreak and the dispersive effects of the global response to the health crisis, we continue to welcome the opportunity to discuss model positioning and performance. Please continue to reach out as client situations and perspectives change. Well wishes for continued health and safety.

Important Information

Investing involves risks including the possible loss of principal. Past performance is not indicative of future results.

One cannot invest directly in an index. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Asset classes and their respective indexes mentioned in this report include the following:

Domestic (U.S.) fixed income (Fixed Income Aggregate): The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Components of the index include Treasury, Corporate, Agency and Securitized bonds. The Bloomberg Barclays U.S. 1-5 Year Government/Credit Bond Index is a broad-based benchmark that includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities with maturities between 1 and 5 years.

Global equity (stocks): The MSCI ACWI Investable Market Index (IMI) captures large-, mid- and small-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The index is comprehensive, covering approximately 99% of the global equity investment opportunity set. May be referred to as "global", "global equity" and/or "global stocks". "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

International equity (stocks): The MSCI ACWI ex USA Investable Market Index (IMI) captures large-, mid- and small-cap representation across 22 of 23 Developed Markets countries (excluding the United States) and 24 Emerging Markets countries. The index covers approximately 99% of the global equity opportunity set outside the U.S. May be referred to as "World ex. U.S.", "international equity", "international stocks" and/or "All Stocks" in a section specifically describing only international stocks. "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

International large-cap equity (stocks): The MSCI ACWI ex USA Large Cap Index captures large-cap representation across 22 of 23 Developed Markets countries (excluding the United States) and 24 Emerging Markets countries. The index covers approximately 70% of the free float-adjusted market capitalization in each country. May be referred to as international large-cap stocks, "World ex. U.S. Large-Cap", and/or "Large" in a section specifically describing only international stocks. "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

International mid-cap equity (stocks): The MSCI ACWI ex USA Mid Cap Index captures mid-cap representation across 22 of 23 Developed Markets (excluding the United States) and 24 Emerging Markets countries. The index covers approximately 15% of the free float-adjusted market capitalization in each country. May be referred to as international mid-cap stocks, "World ex. U.S. Mid-Cap", and/or "Mid" in a section specifically describing only international stocks. "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

International small-cap equity (stocks): The MSCI ACWI ex. USA Small Cap Index captures small-cap representation across 22 of 23 Developed Markets countries (excluding the United States) and 23 Emerging Markets countries. The index covers approximately 14% of the global equity opportunity set outside the U.S. May be referred to as international small-cap stocks, "World ex. U.S. Small-Cap", and/or "Small" in a section specifically describing only international stocks. "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

Developed markets equity (stocks): The MSCI EAFE Investable Market Index (IMI), is an equity index which captures large-, mid- and small-cap representation across Developed Markets countries around the world, excluding the United States and Canada. The index covers approximately 99% of the free float-adjusted market capitalization in each country. May be referred to as "Developed Markets". "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

Emerging markets (EM) equity (stocks): The MSCI Emerging Markets Investable Market Index captures large, mid and small cap representation across 24 Emerging Markets countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country. May be referred to as "Emerging Markets". "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below.

Domestic (U.S.) equity: The MSCI U.S. Investable Market 2500 Index is designed to measure the performance of the large-, mid- and small-cap segment of the U.S. equity market. The index represents approximately 99% of the free float-adjusted market capitalization in the U.S. equity market. "Value" and "Growth" versions of this index are constructed as described in the "MSCI Value and Growth Indexes" note below. May be referred to as "All Stocks" in a section specifically describing only U.S. stocks.

Domestic (U.S.) large-cap equity: The MSCI U.S. Large Cap 300 Index is designed to measure the performance of the large-cap segment of the U.S. equity market. The index represents approximately 71% of the free float-adjusted market capitalization in the U.S. equity market. “Value” and “Growth” versions of this index are constructed as described in the “MSCI Value and Growth Indexes” note below. May be referred to as “Large” in a section specifically describing only U.S. stocks.

Domestic (U.S.) mid-cap equity: The MSCI U.S. Mid Cap 450 Index is comprised of the next largest 450 companies in terms of market capitalization of the U.S. equity market and designed to measure the performance of the mid-cap segment. The index represents approximately 16% of the free float-adjusted market capitalization of the U.S. equity market. “Value” and “Growth” versions of this index are constructed as described in the “MSCI Value and Growth Indexes” note below. May be referred to as “Mid” in a section specifically describing only U.S. stocks.

Domestic (U.S.) small-cap equity: The MSCI U.S. Small Cap 1750 Index is comprised of the remaining smallest 1,750 companies in the U.S. Investable Market 2500 Index of the U.S. equity market and designed to measure the performance of the small-cap segment. The index represents approximately 11.5% of the free float-adjusted market capitalization of the U.S. equity market. “Value” and “Growth” versions of this index are constructed as described in the “MSCI Value and Growth Indexes” note below. May be referred to as “Small” in a section specifically describing only U.S. stocks.

MSCI Value and Growth Indexes: The value investment style characteristics for MSCI index construction are defined using the following variables: book value to price, 12-month forward earnings to price and dividend yield. The growth investment style characteristics are defined using the following variables: long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend and long-term historical sales per share growth trend. The objective of the MSCI Value and Growth Indexes design is to divide constituents of an underlying market capitalization index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying index. The market capitalization of each constituent should be fully represented in the combination of the value index and the growth index, and, at the same time, should not be double-counted. One security may, however, be represented in both the value index and the growth index at a partial weight.

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Fama/French U.S. Book-to-Market Research Indexes: Provided by Professors Eugene Fama and Kenneth French. Index constituents are formed on book equity (BE) / market equity (ME) at the end of each June using NYSE breakpoints. The BE used in June of year t is the book equity for the last fiscal year end in t-1. ME is price times shares outstanding at the end of December of t-1. The reconstitution considers all NYSE, AMEX, and NASDAQ stocks for which we have ME for December of t-1 and June of t, and BE for t-1. The Fama/French U.S. Value Research Index includes the lower 30% in price-to-book. The Fama/French U.S. Growth Research Index includes the higher 30% in price-to-book.

Fama/French U.S. Size Research Indexes: Provided by Professors Eugene Fama and Kenneth French. Index constituents are formed at the end of each June using June market equity and NYSE breakpoints. The reconstitution considers for July of year t to June of t+1 include all NYSE, AMEX, and NASDAQ stocks for which are available market equity data for June of t. The Fama/French U.S. Small Research Index includes the lower 30% in market capitalization. The Fama/French U.S. Large Research Index includes the higher 30% in market capitalization.

Fama/French U.S. Profitability Research Indexes: Provided by Professors Eugene Fama and Kenneth French. Index constituents are formed on profitability (OP) at the end of each June using NYSE breakpoints. OP for June of year t is annual revenue minus cost of goods sold, interest expense, and selling, general and administrative expenses divided by book equity for the last fiscal year end in t-1. The reconstitution considers all NYSE, AMEX and NASDAQ stocks for which are available market equity data for June of t, (positive) book equity data for t-1, non-missing revenues data for t-1, and non-missing data for at least one of the following: cost of goods sold, selling, general and administrative expenses, or interest expense for t-1. The Fama/French U.S. Robust Profitability Research Index includes the higher 30% of stocks by profitability. The Fama/French U.S. Weak Profitability Research Index includes the lower 30% of stocks by profitability.

Fama/French U.S. Investment Research Indexes: Provided by Professors Eugene Fama and Kenneth French. Index constituents are formed on the change in total assets from the fiscal year ending in year t-2 to the fiscal year ending in t-1, divided by t-2 total assets at the end of each June using NYSE breakpoints. The reconstitution considers all NYSE, AMEX and NASDAQ stocks for which we have market equity data for June of t and total assets data for t-2 and t-1. The Fama/French U.S. Conservative Investment Research Index includes the lower 30% of stocks by profitability. The Fama/French U.S. Aggressive Investment Research Index includes the higher 30% of stocks by profitability.

The S&P 500 Index measures the performance of the large-cap segment of the U.S. equity market.

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