GOELZER INVESTMENT MANAGEMENT

The Small Cap Revival

Small-cap stocks, long among the most unloved parts of the U.S. market, have finally shown signs of life. Since bottoming on April 8, the widely followed Russell 2000 has rallied 40% and just surpassed its prior all-time high from 2021.

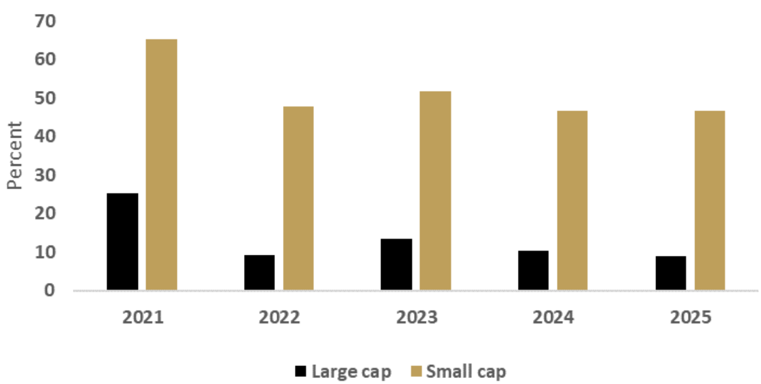
The simplest explanation is interest rates. Small-cap companies generally carry more floating-rate debt than their large-cap peers. When short-term rates fall, their interest burdens decline and their earnings outlook improves.

But rate cuts are not the whole story. Small caps are also benefiting from renewed focus on the so-called “Trump trade”—a market theme that favors domestically oriented companies expected to gain from deregulation and tax cuts. With trade tensions fading from the headlines, investors are paying more attention to these potential tailwinds.

That said, challenges remain. More than 40% of Russell 2000 companies still do not earn a profit. For those businesses, lower interest costs are a relief. But for shareholders, the greater prize will be evidence that a stronger economy can turn more of these companies into consistently profitable enterprises.

Index Share of Unprofitable Companies

Trailing 12-Month EBIT, through June 30



Russell 200 Index (Small Cap) and Russell 1000 Index (Large Cap). Holdings and weightings derived from respective iShares ETFs (tickers IWM & IWB). Profitability measured using trailing 12-month EBIT, calculations Bloomberg.

Economy

Last Week	This Week
*- **Retail Sales (Aug.):** 0.6% MoM vs. 0.5% one month prior Control group 0.7% vs. 0.2% one month prior*	***- S&P Flash PMIs (Sept.): 9/23***
*- **FOMC Rate Decision & Forecasts:** Target rate reduced 0.25%. FOMC split between 0.25% or 0.50% reductions before year end.*	***- 2Q GDP Revision: 9/25***
*- **Jobless Clams (9/13):** Initial claims 231K vs. 236K one week ago Continuing claims 1.92mln vs 1.94mln one week ago*	***- Personal Spending, PCE Price Index (Aug.): 9/26***
*- **Leading Index (Aug.):** -0.5% MoM vs. -0.1% one month prior*	***- U. of Mich. Sentiment (Sep.): 9/26***

Equities

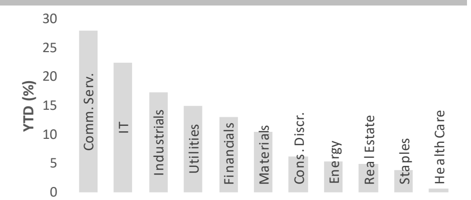
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6694	1.20	8.18	14.89	18.90	23.47	17.22
Russell 1000 Growth	4759	1.86	11.47	18.25	27.71	30.22	18.62
Russell 1000 Value	1994	0.43	4.71	10.99	10.05	15.71	14.39
FTSE High Dividend Yield*	508	-0.14	5.69	11.97	13.32	16.20	15.67
S&P Small and Mid Cap	18228	0.41	7.22	5.83	6.53	14.49	14.34
MSCI EAFE	2757	-0.52	4.24	25.03	17.51	21.62	11.72
MSCI EM	1344	1.18	10.68	27.88	24.80	17.37	7.52

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	22.1	15.5	1.2
Russell 1000 Growth	29.7	17.9	0.5
Russell 1000 Value	16.9	13.5	2.1
FTSE High Dividend Yield*	13.2	13.0	3.9
S&P Small and Mid Cap	15.2	15.4	1.8
MSCI EAFE	15.0	13.5	3.0
MSCI EM	13.4	11.2	2.5

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.35	-0.55	1.94	6.04	2.54	4.54	-0.49
U.S. Int. Gov/Credit	3.94	-0.24	1.52	5.72	3.90	5.02	0.81
U.S. Corporates	4.79	-0.53	2.56	6.84	3.41	6.38	0.25
High Yield	6.59	0.22	2.70	7.39	7.74	10.63	5.61
Municipals (1-10)	2.80	0.09	2.77	4.56	3.71	4.20	1.28

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.60	3.50	3.72	4.24	3.54	4.12	0.14
10-yr Treasury	4.15	4.03	4.23	4.57	3.73	3.72	0.67
30-yr Treasury	4.76	4.65	4.78	4.78	4.09	3.64	1.42
SOFR	4.14	4.39	4.45	4.49	4.84	2.99	0.06
6-mo. CD rate	3.97	3.97	4.28	4.33	4.44	4.40	0.22
Prime Rate	7.25	7.50	7.50	7.50	8.00	6.25	3.25
30-yr fixed mortgage	6.33	6.66	6.80	7.28	6.66	6.55	3.01

Data as of 5:30 PM ET, September 23, 2025. Returns through September 23, 2025.