

# IS THE “FACTOR WHEEL” ROLLING AGAIN?

Scott Welch – Chief Investment Officer, Model Portfolios  
08/03/2023

*This article is relevant to financial professionals who are considering offering model portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these Model Portfolios.*

*Big wheel keep on turning  
Proud Mary keep on burning  
And we're rolling, rolling  
Rolling on the river*

*(John Fogerty and Credence Clearwater Revival, 1969, with an iconic cover by Ike & Tina Turner, 1971)*

I last wrote about [risk factor diversification](#) this past March, and it is time to revisit this important topic.

As a reminder, most investors are familiar with the visual of an asset class “performance quilt,” which highlights the importance of asset class diversification.

																2008 - 2022	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Ann.	Vol.
Fixed Income	EM Equity	REITs	REITs	REITs	Small Cap	Large Cap	Large Cap	Small Cap	EM Equity	Cash	Large Cap	Small Cap	REITs	Comdty.	Large Cap	Large Cap	REITs
5.2%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	16.9%	8.8%	23.4%
Cash	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	EM Equity	Large Cap	Cash	DM Equity	Small Cap	Small Cap
1.8%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	12.1%	7.2%	23.2%
Asset Alloc.	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Large Cap	Comdty.	High Yield	Small Cap	REITs	EM Equity
-26.4%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	8.1%	6.6%	23.0%
High Yield	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	Asset Alloc.	Comdty.
-28.9%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	7.8%	6.1%	20.2%
Small Cap	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	High Yield	DM Equity
-33.8%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	5.2%	5.4%	20.0%
Comdty.	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	EM Equity	Fixed Income	Large Cap
-35.6%	16.5%	14.8%	0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	5.1%	2.7%	17.7%
Large Cap	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	High Yield	High Yield	Large Cap	REITs	DM Equity	High Yield
-37.0%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	3.0%	2.3%	13.0%
REITs	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	EM Equity	Cash	EM Equity	Asset Alloc.
-37.7%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	2.3%	1.0%	12.4%
DM Equity	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Comdty.	Comdty.	Fixed Income	Small Cap	Fixed Income	Cash	Fixed Income
-43.1%	5.9%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	2.1%	0.6%	4.2%
EM Equity	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	REITs	EM Equity	REITs	Comdty.	Comdty.	Cash
-53.2%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.8%	-2.6%	0.4%

Sources: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/08 to 12/31/21. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns. J.P. Morgan "Guide to the Markets," U.S. data is as of 6/30/23.



But, as regular readers know, we believe risk **factor** diversification is equally as important as asset class diversification. And risk factor performance can be as difficult to forecast as asset class performance.

																2008 - 2022	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Ann.	Vol.	
Min. Vol.	Value	Small Cap	High Div.	Cyclical	Value	Value	Momen.	Small Cap	Momen.	Min. Vol.	Cyclical	Momen.	Value	Defens.	Min. Vol.	Small Cap	
-25.7%	38.8%	26.9%	14.3%	20.1%	43.2%	17.7%	9.3%	21.3%	37.8%	1.9%	36.3%	29.8%	29.2%	5.3%	9.8%	23.2%	
Defens.	Cyclical	Multi-Factor	Min. Vol.	Value	Small Cap	Min. Vol.	Min. Vol.	High Div.	Cyclical	Momen.	Quality	Cyclical	Cyclical	High Div.	Momen.	Value	
-26.7%	36.9%	18.3%	12.9%	16.8%	38.8%	16.6%	5.6%	16.3%	27.3%	-1.6%	34.4%	27.8%	27.5%	-3.8%	9.2%	21.4%	
High Div.	Multi-Factor	Momen.	Defens.	Small Cap	Multi-Factor	High Div.	Quality	Value	Quality	High Div.	Momen.	Small Cap	Quality	Min. Vol.	Quality	Cyclical	
-27.6%	29.8%	18.2%	10.1%	16.3%	37.4%	14.9%	4.6%	15.9%	22.5%	-2.3%	23.1%	20.0%	27.2%	-9.2%	9.2%	20.9%	
Quality	Small Cap	Cyclical	Quality	Multi-Factor	Cyclical	Multi-Factor	Cyclical	Cyclical	Value	Defens.	Min. Vol.	Quality	Multi-Factor	Value	High Div.	Momen.	
-31.2%	27.2%	17.9%	7.6%	15.7%	35.0%	14.8%	2.6%	14.0%	22.2%	-2.9%	28.0%	17.1%	25.1%	-14.0%	9.1%	19.0%	
Small Cap	Quality	High Div.	Multi-Factor	Momen.	Momen.	Momen.	High Div.	Multi-Factor	Multi-Factor	Cyclical	Value	Multi-Factor	Defens.	Multi-Factor	Cyclical	Multi-Factor	
-33.8%	24.9%	16.9%	7.3%	15.1%	34.8%	14.7%	0.7%	13.7%	21.5%	-5.3%	27.7%	11.4%	25.0%	-15.5%	8.9%	18.8%	
Value	High Div.	Min. Vol.	Momen.	Quality	Quality	Cyclical	Multi-Factor	Min. Vol.	High Div.	Quality	Multi-Factor	Min. Vol.	High Div.	Momen.	Multi-Factor	Quality	
-36.9%	18.4%	14.7%	6.1%	12.8%	34.3%	13.6%	0.4%	10.7%	19.5%	-5.6%	26.6%	5.6%	21.9%	-17.4%	8.5%	17.0%	
Multi-Factor	Min. Vol.	Quality	Value	Min. Vol.	High Div.	Defens.	Defens.	Quality	Min. Vol.	Multi-Factor	Small Cap	Defens.	Min. Vol.	Quality	Defens.	High Div.	
-38.3%	18.4%	14.2%	-2.7%	11.2%	28.9%	13.0%	-0.9%	9.4%	19.2%	-5.7%	25.9%	5.2%	21.0%	-20.3%	8.3%	16.7%	
Momen.	Momen.	Value	Cyclical	Defens.	Defens.	Quality	Small Cap	Defens.	Small Cap	Small Cap	High Div.	High Div.	Small Cap	Small Cap	Value	Defens.	
-40.9%	17.6%	12.7%	-3.4%	10.7%	28.9%	10.7%	-4.4%	7.7%	14.6%	-11.0%	22.5%	1.7%	14.8%	-20.4%	8.9%	14.6%	
Cyclical	Defens.	Defens.	Small Cap	High Div.	Min. Vol.	Small Cap	Value	Momen.	Defens.	Value	Defens.	Value	Momen.	Cyclical	Small Cap	Min. Vol.	
-44.6%	16.6%	12.0%	-4.2%	10.6%	25.3%	4.9%	-6.4%	5.1%	12.3%	-11.1%	21.4%	-0.2%	12.9%	-27.2%	7.2%	13.9%	

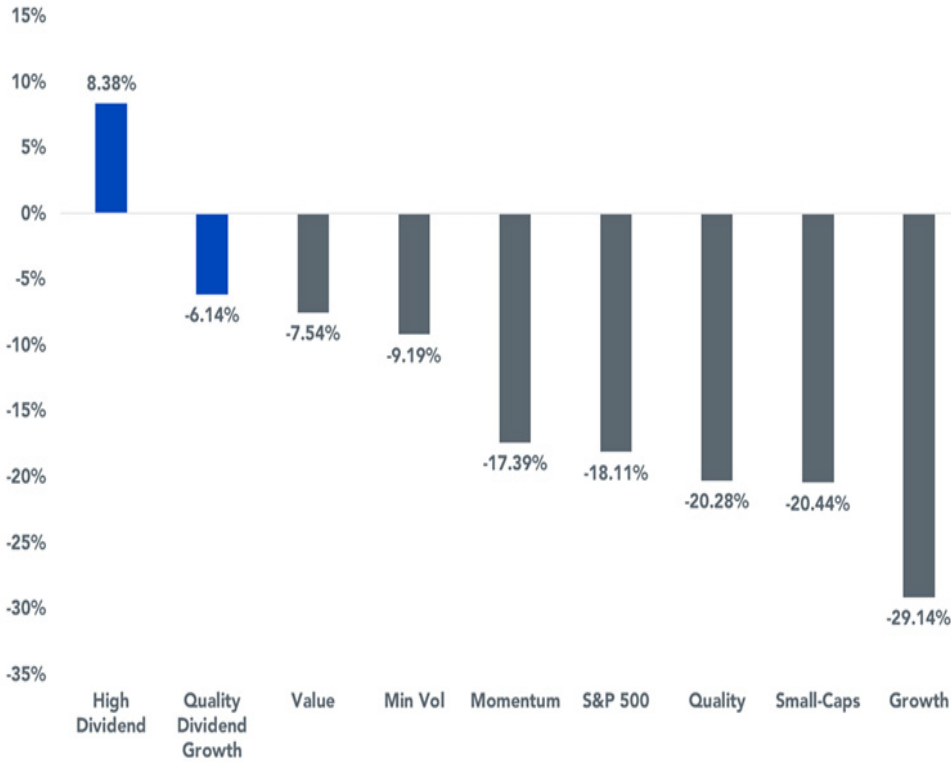
Sources: FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management. The MSCI High Dividend Yield Index aims to offer a higher-than-average dividend yield relative to the parent index that passes dividend sustainability and persistence screens. The MSCI Minimum Volatility Index optimizes the MSCI USA Index using an estimated security co-variance matrix to produce low absolute volatility for a given set of constraints. The MSCI Defensive Sectors Index includes Consumer Staples, Energy, Health Care and Utilities. The MSCI Cyclical Sectors Index contains Consumer Discretionary, Communication Services, Financials, Industrials, Information Technology and Materials. Securities in the MSCI Momentum Index are selected based on a momentum value of 12-month and 6-month price performance. Constituents of the MSCI Sector Neutral Quality Index are selected based on stronger quality characteristics than their peers within the same GICS sector by using three main variables: high return on equity, low leverage and low earnings variability. Constituents of the MSCI Enhanced Value Index are based on three variables: price-to-book value, price-to-forward earnings and enterprise value-to-cash flow from operations. The Russell 2000 is used for Small Cap. The MSCI USA Diversified Multiple Factor Index aims to maximize exposure to four factors: Value, Momentum, Quality and Size. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of four. J.P. Morgan "Guide to the Markets," U.S. data is as of 12/31/22.

### 2023 YTD Risk Factor Review

2022 witnessed one of the greatest factor rotations in history, as **growth** fell to earth and **value** roared back to life.

That "factor rotation" completely reversed itself in the first six months of 2023 (here, we use the **S&P 500 Index** as a proxy for the broader markets), as the market was dominated by a small handful of **artificial intelligence (AI)**-themed **mega-cap** tech stocks.

Here is the 2022 factor performance..



Sources: WisdomTree, FactSet, Russell, MSCI, S&P, data as of 12/31/22. You cannot invest directly in an index. Past performance is not indicative of future returns. High Dividend: WisdomTree U.S. High Dividend Index. Quality Dividend Growth: WisdomTree U.S. Quality Dividend Growth Index. Value: Russell 1000 Value Index. Small-Caps: Russell 2000 Index. Min Vol: MSCI USA Minimum Volatility Index. Quality: MSCI USA Sector-Neutral Quality Index. Momentum: MSCI USA Momentum Index. Growth: Russell 1000 Growth Index.

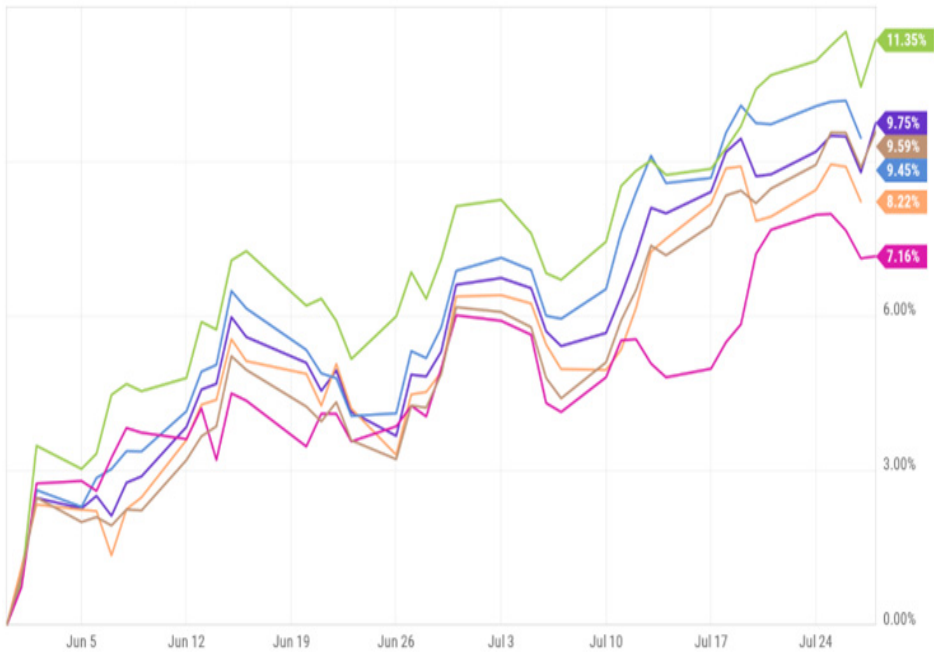
...in comparison to the same factor performances YTD through June 30, 2023:



Sources: WisdomTree, FactSet, Russell, MSCI, S&P, data through 6/30/23. You cannot invest directly in an index. Past performance is not indicative of future returns. High Dividend: WisdomTree U.S. High Dividend Index. Quality Dividend Growth: WisdomTree U.S. Quality Dividend Growth Index. Value: Russell 1000 Value Index. Small-Caps: Russell 2000 Index. Min Vol: MSCI USA Minimum Volatility Index. Quality: MSCI USA Sector-Neutral Quality Index. Momentum: MSCI USA Momentum Index. Growth: Russell 1000 Growth Index.

BUT look at how those factors have “re-rotated” over the past 4–6 weeks—[dividends](#), value and [quality](#) have moved back to the “top of the charts” while growth has fallen back.

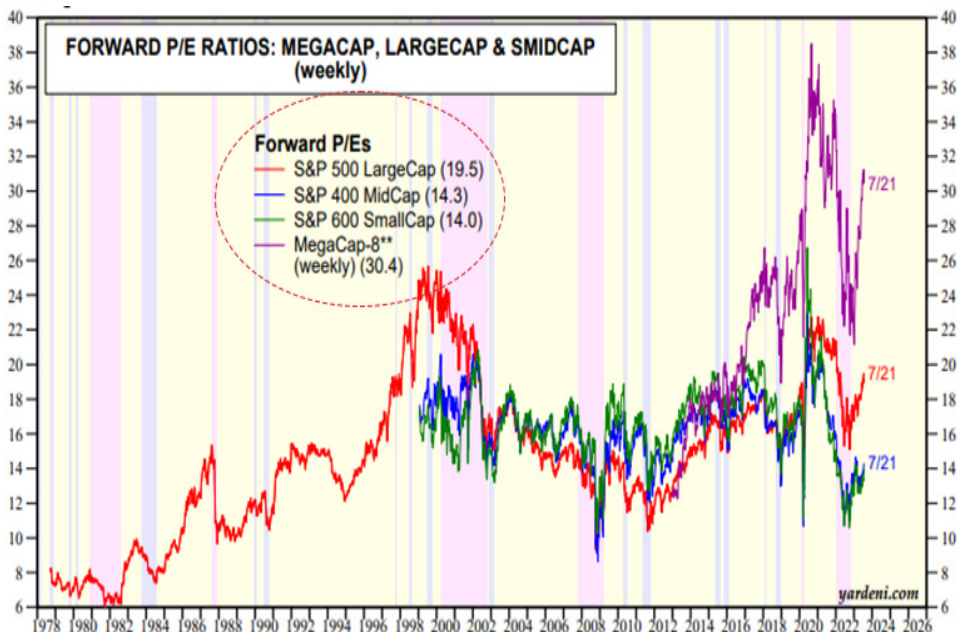
- S&P 500 Total Return (\*SPXTR) Level % Change
- S&P 500 Growth Total Return (\*SPXGTR) Level % Change
- S&P 500 Value Total Return (\*SPXVTR) Level % Change
- S&P 500 Dividend Aristocrats Total Return (\*SPXDATR) Level % Change
- S&P 500 Momentum Index Total Return (\*SPXMTR) Level % Change
- S&P 500 Quality Total Return (\*SPXQTR) Level % Change



Jul 28 2023, 10:42AM EDT. Powered by YCHARTS

Source: YCharts, from 6/1/23–7/27/23. You cannot invest in an index, and past performance is no guarantee of future results.

Why has this happened? Has “AI” fallen out of favor? We think most definitely not. We think the answer comes down to [valuations](#). Here is a comparison of the [forward-looking P/E ratios](#) of the “MegaCap-8” (Alphabet [Google], Apple, Amazon, Meta [Facebook], Microsoft, Netflix, Nvidia and Tesla) versus the rest of the market.



\* Weekly stock price index divided by 52-week forward consensus expected operating earnings per share.

\*\* MegaCap-8 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Blue shaded areas are correction declines of 10% to less than 20%. Yellow areas are bull markets. Source: I/B/E/S data by Refinitiv and Standard & Poor's.

Source: Yardeni Research, as of 7/27/23. You cannot invest in an index, and past performance does not guarantee future results.

We think investors are simply beginning to wonder if the future earnings potential of those “MegaCap-8” stocks can support such frothy valuations and are beginning to refocus on more attractively priced areas of the market (e.g., value and [small cap](#)).

And it is not simply that those other market areas are valued relatively attractively to the mega-cap growth stocks—they are also valued attractively relative to their own history.



While [large-cap](#) stocks have dominated this year, we may be beginning to see small caps “close the gap.”



**What about the Remainder of 2023?**

As we move through the remainder of 2023, the open question is whether the value, [size](#) and dividend “re-rotation” will continue. If we are correct in our view that interest

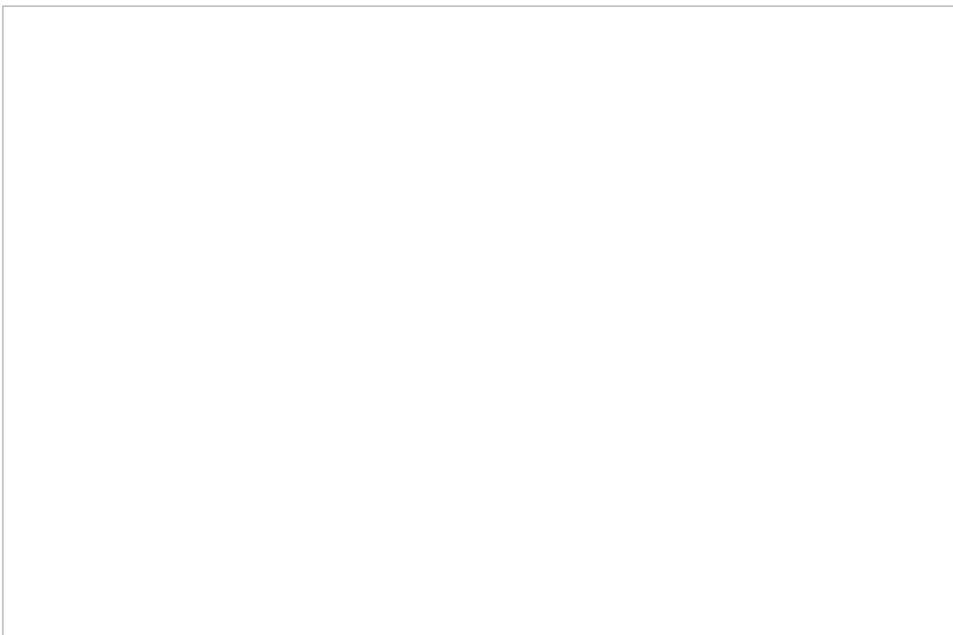
rates will remain range-bound and “higher for longer,” then we think the answer is yes, assuming investors “fade” (or simply capture profits from) the AI trade and refocus on fundamentals and valuations.

We further believe that quality will become increasingly important as we head into an uncertain economic environment marked by generally rising interest rates, a slowing economy and increased market volatility. We believe that investors will once again focus on companies that exhibit stronger earnings, [cash flows](#) and [balance sheets](#) and therefore have greater ability to protect their [margins](#) and dividends.

For valuation-driven (and therefore longer-term) investors, U.S. small-cap stocks continue to present an interesting opportunity. Despite the narrowing of the gap between large- and small-cap valuations, small caps remain attractively valued on a comparative basis.

Taking a brief look outside the U.S., valuation- and dividend-focused investors may like what they see over a reasonable time horizon.

**International Equities Forward P/E Discount to U.S.: MSCI ACWI ex-USA vs. S&P 500**



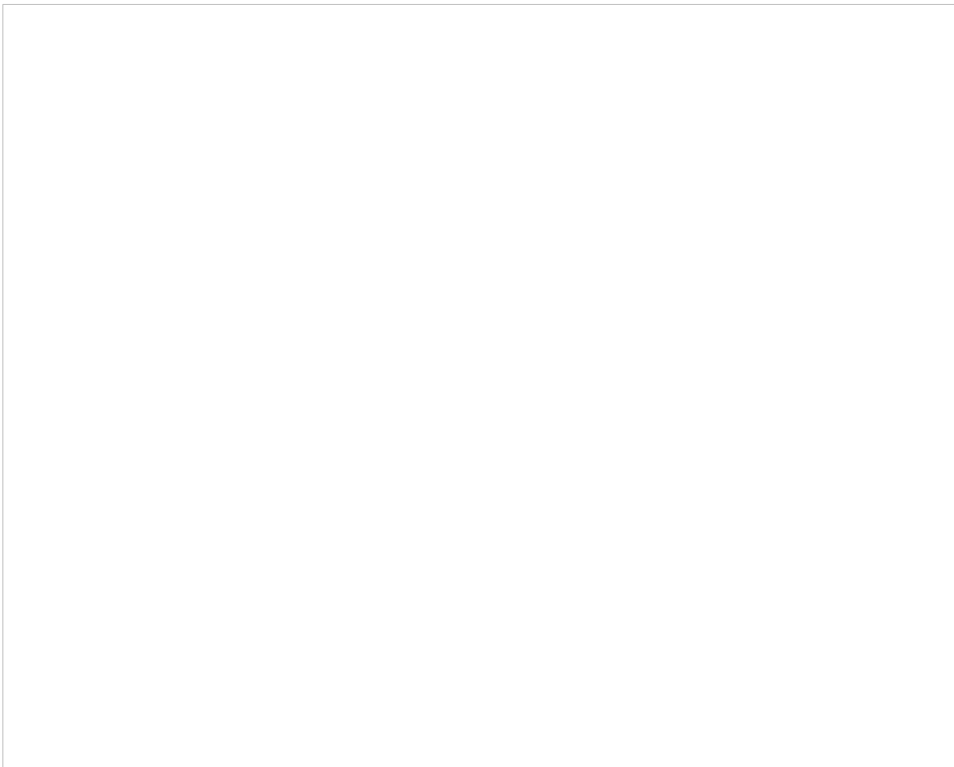
**Quality Dividend Growth Index Trailing 12-Month Dividend Yields**





### Conclusions

We remain comfortable with the positioning, allocations and tilts within our Model Portfolios (dividends, value, size and quality), especially since we believe in risk factor diversification and therefore allocate to the growth factor as well. The result has been that our portfolios have “held their own” in 2023 despite the mega-cap tech “headwind.”



It is too early to tell if the recent “re-rotation” back toward dividends, value and size will continue, but we believe that it will over a reasonable time horizon. Ultimately, fundamentals matter, not just trends and “memes” (though sentiment and momentum can carry a factor rally far beyond its underlying fundamentals).

As a reminder, all publicly available WisdomTree Model Portfolios have certain common characteristics:

1. They are global in nature;
2. They are diversified at both the asset class and risk factor levels;
3. They are ETF-focused to optimize fees and taxes; and
4. We charge no strategist fee.

We are an **open-architecture** shop (that is, all our models include both WisdomTree and third-party products) for many reasons: (a) it’s the right thing to do, (b) it’s what end clients assume and advisors expect and (c) it allows us to build more risk factor-diversified portfolios.

Given the difficulty in forecasting asset class and risk factor performances, we intentionally diversify our portfolio at both of those levels.

#### Important Risks Related to this Article

Neither diversification nor an asset allocation strategy assures a profit or eliminates the risk of experiencing investment losses.

**For retail investors:** WisdomTree’s Model Portfolios are not intended to constitute investment advice or investment recommendations from WisdomTree. Your investment advisor may or may not implement WisdomTree’s Model Portfolios in your account. The performance of your account may differ from the performance shown for a variety of reasons, including but not limited to: your investment advisor, and not WisdomTree, is responsible for implementing trades in the accounts; differences in market conditions; client-imposed investment restrictions; the timing of client investments and withdrawals; fees payable; and/or other factors. WisdomTree is not responsible for determining the suitability or appropriateness of a strategy based on WisdomTree’s Model Portfolios. WisdomTree does not have investment discretion and does not place trade orders for your account. This material has been created by WisdomTree, and the information included herein has not been verified by your investment advisor and may differ from information provided by your investment advisor. WisdomTree does not undertake to provide impartial investment advice or give advice in a fiduciary capacity. Further, WisdomTree receives revenue in the form of advisory fees for our exchange-traded Funds and management fees for our collective investment trusts.

**For financial professionals:** WisdomTree Model Portfolio information is designed to be used by financial advisors solely as an educational resource, along with other potential resources advisors may consider, in providing services to their end clients. WisdomTree’s Model Portfolios and related content are for information only and are not intended to provide, and should not be relied on for, tax, legal, accounting, investment or financial planning advice by WisdomTree, nor should any WisdomTree Model Portfolio information be considered or relied upon as investment advice or as a recommendation from WisdomTree, including regarding the use or suitability of any WisdomTree Model Portfolio, any particular security or any particular strategy.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

#### Related Blogs

+ [Risk Factors Keep on Rolling](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

## DEFINITIONS

**Factor**...: Attributes that based on its fundamentals or share price behavior, are associated with higher return.

**Growth**...: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

**Value**...: Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over tim.

**S&P 500 Index**...: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

**Artificial intelligence**...: machine analysis and decision-making.

**Mega Cap**...: Market Capitalization over \$100 Billion.

**Dividend**...: A portion of corporate profits paid out to shareholders.

**Quality**...: Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over tim.

**Valuation**...: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

**Forward P/E ratio**...: Share price divided by compilation of analyst estimates for earnings-per-share over the coming 12-month period. These are estimates that may be subject to revision or prove to be incorrect over time.

**Small caps**...: new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

**Large-Capitalization (Large-Cap)**...: A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization". Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

**Size**...: Characterized by smaller companies rather than larger companies by market capitalization. This term is also related to the Size Factor, which associates smaller market-cap stocks with excess returns vs the market over time.

**Cash flows**...: a measure of how much cash a business generates after taking into account all the necessary expenses, including net capital expenditures.

**Balance sheet**...: refers to the cash and cash equivalents part of the Current Assets on a firms balance sheet and cash available for purchasing new position.

**Margins**: Focused on issues impacting the overall economic landscape as opposed to those only impacting individual companies.