

ABOVE THE FRAY

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## US Small and Value Opened Strong in 2026

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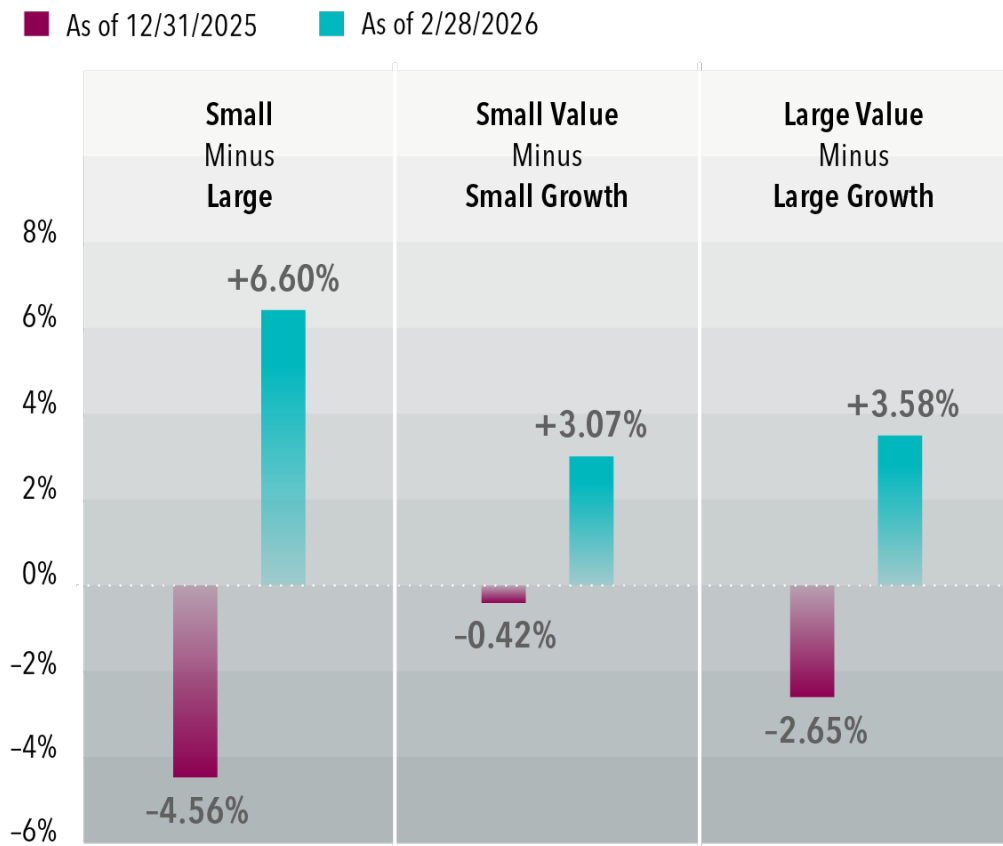
What a difference two months makes. US small cap and value stocks came out of the gates on a tear in 2026. On the other hand, large cap stocks, particularly those within growth, have lagged. The two-month return difference between large cap value and growth, at 12.1%, was the fifth largest among all rolling two-month periods since January 1979.<sup>1</sup>

The turnarounds for small cap and value show up dramatically in one-year numbers. Relative returns for small versus large and value versus growth all flipped from negative to positive when the one-year end date moved from December to February. That's despite 10 of the 12 months being identical in both samples.

This is one of the reasons why trying to time markets is so perilous. Missing outsized periods of returns can put a dent in your long-term performance.

As impressive as this turnaround was, it may underestimate the premiums available for investors to harvest this year. Commercial indices often have style drift from [irregular rebalancing](#). A systematic investment strategy with focused, targeted exposure to small cap and value stocks could have achieved an even more pronounced outperformance.

**Exhibit 1**  
**One-Year Relative**  
**Returns for US Small**  
**Cap and Value Stocks**



**Past performance is not a guarantee of future results.**

*Small and large caps represented by the Russell 2000 Index and Russell 1000 Index, respectively. Small value and small growth represented by the Russell 2000 Value Index and Russell 2000 Growth Index, respectively. Large value and large growth represented by the Russell 1000 Value Index and the Russell 1000 Growth Index, respectively. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.*

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1. Based on rolling two-month return differences between the Russell 1000 Value Index and the Russell 1000 Growth Index from January 1979 to February 2026.

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