



## Hey Small Caps!?!? Is it Your Turn???

What a market!

From my view, this market has been surprising, sometimes crazy, but generally solid as the rally essentially hasn't stopped.

Even amongst the historic elections this market seems to keep going.

It seems now the markets are getting the attention of investors and retirees. We are also beginning to field some great questions amongst our clients and friends within the emerging industries.

As you may know Alpha Pointe Capital financial advisors manage client's portfolios rather than enlisting money managers so we find ourselves in position to potentially offer in depth market insights.

So, we get asked a lot of questions.... Which we like!

One question from an associate friend who services the commercial real estate needs of the tech industry and lives here in Annapolis asked "Should I start adding more to my large cap growth investments?"

She was basically asking about all of those popular stocks which have become the "work from home" stocks.

This was a great question because stocks outside of the "WFH" trade have not had the same experience.

Until now....

So we generally still like "WFH" but we are witnessing some potential new trends emerging. Actually there is a lot going on ..... So much that I'll have to spread them out over a few of the next On Pointe's!

How about small-caps?

Specifically small-cap growth... Small cap stocks are companies with market capitalizations that range in \$200 million to \$2 Billion. They typically have high growth rates as they chase their large cap brethren.

While this trend is not mature enough to consider a large allocation into this group it is emerging as an asset class that is beginning to keep pace with the "WFH" trend.

One big caveat is to make sure your research is focusing on small cap growth and not value. The growth vs. value debate, in my opinion, is not a debate as growth has been the winner for 2020.

One catalyst for small cap growth investments is what we market observers call “The January Effect”.

Much like my previous On Pointe “[Is it Fall for the Markets](#)” where I discuss market seasonality such as Seasonally Strong and Weak markets there are other times during the calendar year for different opportunities.

The January Effect is often when small cap stocks tend to be in favor.

Why?

In my observation you’ll often have hedge fund and money managers seek potential higher growth in small caps and will sometimes veer away from the large S&P 500 stocks for lesser known names.

We could be getting a little glimpse into this dynamic even though January is several weeks away.

So how do you invest in smallcaps?

I actually got an email from a participant in a 401k plan out in California we’re the advisor on who asked “what are and why are small caps funds available in our plan?”

This was the right question for the right time. I explained that in my observation small caps can offer cyclical moves and even overtake large caps, so I wanted to make sure it was available on his company’s plan menu.

Additionally, I explained that a mutual fund or an ETF (exchange traded fund) can be ways to invest in that asset class while maintaining diversification. It is important to have some diversification as small caps can be more volatile than large caps.

So Small Fry might be able to pack a little extra punch to the ole portfolio?

That’s our observation until we’re proven wrong!

Take care,

Jim

***Wondering how Small caps might fit your portfolio? Let’s chat!***

***The best way to determine a good fit is to start with talking. No statements or lengthy presentations just start with a chat and we’ll see where it goes. Remember, we want to know you before we accept your business.... [Reserve your Time Slot!](#)***



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- S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.