William Blair

Equity Research
Macroeconomics

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Richard de Chazal, CFA
rdechazal@williamblair.com
+44 20 7868 4489

Economics Weekly

From Growth to GARP

Please refer to important disclosures on pages 13 and 14. Analyst certification is on page 13.

One of the most important things for investors to grasp at the moment is that the tectonic plates of global finance and economics are shifting. This did not start with President Trump, as it is the result of a number of structural changes taking place within the global economy; however, many of the current administration's actions are amplifying these changes. Perhaps the most important of these is the shift in the inflation regime—from one that is low and stable, with only downside risks, to a marginally higher but more volatile regime, with greater uncertainty around the economic outlook. **Such a transformation has important implications for bond and equity investors, and in this *Economics Weekly,* we suggest one potential outcome is a transition from growth investing to GARP (growth at a reasonable price) investing.**

The Old Inflation Regime

Under the old inflation regime—which we refer to as the time roughly from 2001 to the COVID pandemic—demand was relatively unconstrained by the supply-side of the economy. This meant that there was little upside risk to inflation at almost any given level of demand.

When it came to labor, for example, the economy was blessed with a global supply glut: the baby boomers were still active in the workforce, the echo boomers were just entering the workforce, borders were open and welcoming immigrants, the labor unions had been crushed, and companies could easily outsource (or threaten to outsource) production. In short, labor was not much of a constraint on demand; if more workers were needed, there was an abundance of cheap and available labor close to hand.

Similarly, there was little in the way of supply shortages. In a hyperglobalized world—brought about by the combination of multiple rounds of free trade agreements, the peace dividend, and country and regional specialization—if companies or economies needed parts and materials, there was seemingly plenty of supply ready to be shipped to arrive the next day.

Meanwhile, barring the momentous upheaval from the global financial crisis, financing capital became both less expensive and more available as a result of globalization and financialization.

This glide path was then smoothed with central banks at the helm of economic policymaking. The Fed and other central banks were both willing and able to at least try to provide some clarity and guidance as to the path ahead. Simultaneously, they were also able to act preemptively—as opposed to reactively—should there be an unexpected divergence from that previously foreseen path ahead.

The New Inflation Regime

In this new regime, inflation is likely to be marginally higher and more volatile around that new mean.

Previously, all major drivers of inflation pointed downward; today, that mix is much broader. Innovation and AI are still likely to have a strong disinflationary impact. However, factors such as a structurally tight labor market, deglobalization, anti-immigration, more powerful labor unions, increasingly frequent and disruptive major weather events, rising geopolitical tensions, and the return of fiscal dominance (where politicians in Washington direct economic policy, as opposed to the independent and technocratic central bankers) are resulting in increased instances of major supply shortages, more volatile economic outcomes, and temporary price spikes.

We do not view this as a transition to a high inflation world; rather, it is a transition to one where the supply-side of the global economy is no longer as unconstrained as it was previously.

In the old regime, the central bankers' main fear was that the economy would be hit with a sudden negative demand (or positive supply) shock and cause a major drop in consumption, pushing the economy toward deflation. In that world, the Fed could act preemptively to cushion any downside economic impact, and it could also "look through" any transitory supply-related disruptions, without much fear of eliciting higher and stickier inflation.

As a result, rates were often kept lower for longer—the risks of tightening too soon were much higher than keeping rates a little lower. As Minneapolis Fed President Neel Kashkari succinctly put it at the time, for the Fed "inflation is a high class problem."

In today's world, the Fed finds itself increasingly worried about supply shocks and their ability to disanchor inflationary expectations. As a result, the Fed is no longer able to look through such price shocks, nor can it act as preemptively to head off downside risks as it did previously. The Fed's reaction function has, therefore, now changed—it is now more reactive to economic outcomes, and increasingly being forced to hold rates a little higher for a little longer.

Investment Implications Under the Old Regime

The old inflation regime was the main driver of the negative correlation between equities and bonds. With limited inflation risks, good news on the economy was good news for stocks and only limited bad news for bonds. Conversely, bad news on the economy was really bad news for stocks but very good news for bonds. And because there was very little downside risk to bonds, coupled with a negative correlation to equities, investors held bonds mainly for their portfolio insurance properties, rather than for the yield. This was evident in the fact that the term premium (the extra yield investors normally demand for holding longer duration bonds compared to rolling over shorter-duration notes or bills) was negative for much of this period—bond investors were simply paying an insurance premium.

For equity investors, the combination of low and stable inflation and interest rates, unconstrained supply chains, and monetary policy dominance provided much greater economic visibility on the road ahead. This, coupled with the knowledge that there was a central bank ready, willing, and able to exercise the Fed put at the slightest sign of an economic wobble, and that they had portfolio insurance through the bond market, meant that investors could move further and further out along the equity duration curve.

This scenario was then amplified by the continued growth of passive investment, which almost by definition is valuation-agnostic and momentum-driven investing. Investors were increasingly being funneled into what were supposed to be a well-diversified indexed funds that, in reality, became ever more highly concentrated portfolios of long duration tech stocks—the Mag 7—balanced out with 40% Treasury holdings.

Investment Implications Under the New Regime

Today, the stock-to-bond correlation is positive once again. The shift in the inflation regime has reintroduced both upside risks to inflation and greater downside risks to bond returns. With bonds no longer as reliable in providing portfolio insurance for equity market investors, investors are unsurprisingly unwilling to pay the insurance fee of a negative term premium to hold them. Rather, bonds are once again being held for their yield properties, and less for risk reduction.

Meanwhile, where the shift away from a monetary policy dominant world to a fiscal dominant one should have the positive impact of making the economy less financialized, it is also likely have the negative effect of reducing economic policy visibility. Fiscal policymaking is much less technocratic, is incapable of providing much in the way of forward guidance, does not have a transmission channel that passes by Wall Street to get to Main Street, and makes decisions on taxing and spending whose impact is less easily quantifiable compared to the impact from a 25- or 50-basis-point change in interest rates.

When this change in the economic policy driver is further combined with greater supply-side sensitivities, it is likely to result in increased economic and earnings volatility.

The result for equity investors is that with bonds providing less reliable portfolio insurance, they will necessarily have to more actively manage their portfolios. This is likely to mean the need for greater diversification across other assets, as well as across the equity universe itself, very much including increased exposure to a wider array of equity market caps and sectors than was previously believed necessary.

Lastly, the increased economic volatility and uncertainty, combined with the ongoing innovation wave, should continue to drive investors toward the more defensive and less economically sensitive growth stocks—higher-quality stocks with proven above-market rates of return. Yet, because of the reduced visibility for the road ahead, investors are also likely to demand their own term premiums for taking on this risk. This will necessarily be achieved through a greater emphasis on valuation, an area that has arguably been given less consideration for many years now in what has a momentum-driven market with a greater concentration on earnings revisions.

The upshot of all these changes is that investors are increasingly going to move from momentum-driven growth to GARP.

Conclusion

We continue to believe that the one of the most important things for investors to grasp today is that the underlying structural inflation regime has changed. That is to say, we have moved from a world characterized by an abundance of supply and at times a deficiency of demand, which had very few (if any) upside risks to inflation, to a world that is more frequently being hit by negative supply shocks.

The result is that inflation is likely to be slightly higher on average and also likely to be more volatile around that new mean. The uncoupling of the negative stock-to-bond correlation back to a positive stock-to-bond correlation is a reflection of this regime shift.

For investors, this is highly significant. Bonds are no longer providing the return diversification that enabled equity portfolio investors to run increasingly less diversified portfolios of long duration growth stocks. Without this portfolio ballast today, equity investors will be forced to take a more active portfolio management approach, diversifying across asset classes, as well as across the equity market itself, including across sizes and sectors.

Meanwhile, increased economic sensitivity to the supply-side of the economy, coupled with a Fed that is no longer the dominant driver of economic policy, is likely to mean reduced economic visibility and more economic volatility.

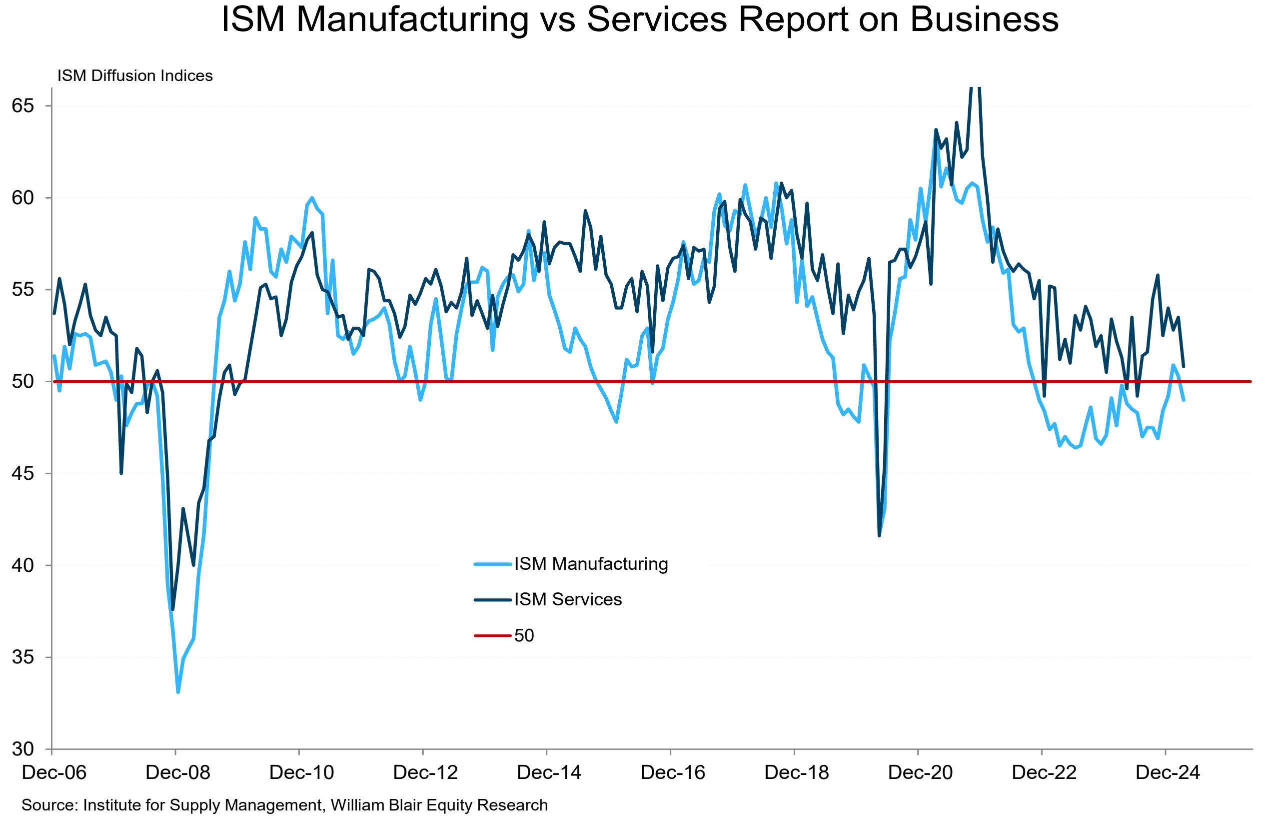
The combination of the end of the stock-to-bond correlation, reduced policy visibility, and more economic volatility should encourage investors to look to more-defensive durable growth stocks for above-average returns; however, this time around they are likely to be more discerning with regard to the valuations than was the case previously.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
5 May	10:00 a.m.	ISM Services Index (Apr)	50.8	50.1	50.0	
6 May	8:30 a.m.	Trade Balance (Mar)	-$122.7bn	-$119.5bn	-$120.1bn	
7 May	2:00 p.m.	FOMC Meeting (upper bound)	4.5%	4.5%	4.5%	
8 May	8:30 a.m.	Nonfarm Productivity (Q1)	1.5%	-0.5%	0.2%	
		Unit Labor Costs	2.2%	5.4%	4.8%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: ISM Services Index



Source: Institute for Supply Management, William Blair Equity Research

Economic Scorecard

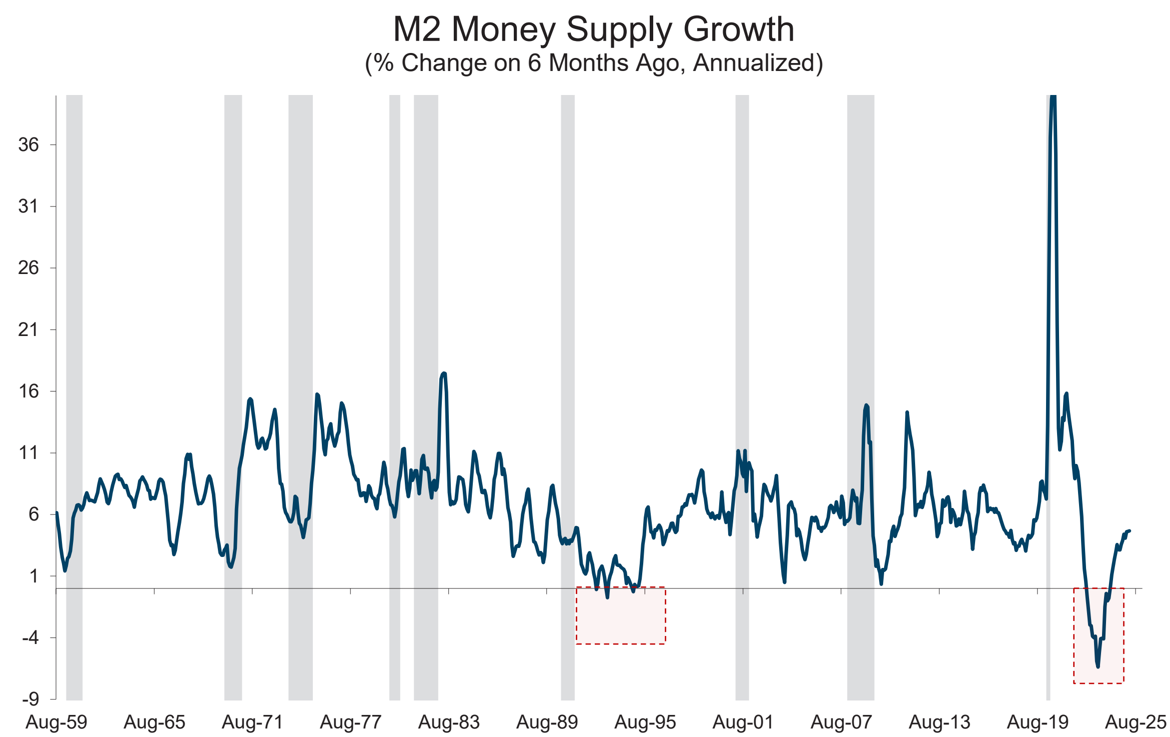
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Growth																			
US Leading Indicators	-7.5	-6.8	-7.0	-6.5	-5.5	-5.4	-5.0	-4.5	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.5		
US Coincident Indicators	2.2	2.4	1.6	2.0	2.1	1.7	1.9	2.1	1.7	1.7	1.6	1.6	1.3	1.6	1.6	1.5	1.5		
US Lagging Indicators	1.3	0.3	1.2	1.2	1.2	1.4	1.2	1.1	1.0	0.8	0.3	0.1	0.0	0.1	-0.1	0.1	0.0		
Consumer																			
Total Retail Sales	3.9	5.3	0	2	3.5	2.7	2.6	2	3	1.9	2	3.1	3.9	4.6	4.6	3.9	4.9		
Personal Income	5.2	5.2	6	5.9	5.9	5.7	5.5	5.4	5.3	5	4.8	5.1	5	4.9	4.2	4.5	4.3		
Real Disposable Personal Income	4.8	4.7	3.7	3.3	3.1	2.8	2.8	2.7	2.6	2.4	2.4	2.4	2.1	2	1.2	1.5	1.7		
Real Personal Consumption	3.1	3.6	1.9	2.1	2.7	2.4	2.8	2.9	2.9	2.9	3.2	3.1	3.1	3.1	3.1	2.9	3.3		
Personal Saving Rate (%)	4.6	4.4	5.5	5.4	5.2	5.1	4.9	4.8	4.3	4.2	3.8	4	3.7	3.3	3.9	4.1	3.9		
Consumer Confidence (Conference Board)**	101	108	110.9	104.8	103.1	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	86	
Employment																			
Employment Growth	1.6	1.7	1.5	1.4	1.5	1.5	1.4	1.3	1.3	1.2	1.3	1.2	1.3	1.3	1.3	1.2	1.2		
ASA Temporary Staffing Index	-7.6	-5.5	-12.2	-9.4	-8.2	-9.3	-10.2	-9.9	-12.5	-12.2	-12.0	-9.5	-6.6	-21.0	-8.2	-7.5	-8.7		
ISM Employment Index Manufacturing*	46.2	47.6	47.2	46.1	47.5	48.2	50.4	48.4	43.6	45.8	44.6	44.8	48.1	45.4	50.3	47.6	44.7	46.5	
ISM Employment Index Services*	50.1	43.7	50.2	48	48.5	46.6	47.5	46.7	51	49.6	48.2	52.2	50.9	51.3	52.3	53.9	46.2	46.2	
Unemployment Rate, %	3.7	3.8	3.7	3.9	3.9	3.9	4	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4	4.1	4.2		
Average Hourly Earnings	4.1	4.1	4.3	4.2	4.2	4	4.1	3.9	3.6	4	3.9	4.1	4.2	4	3.9	4	3.8		
Initial Jobless Claims (avg. wkly. chg. '000s)	218	205	210	211	216	210	222	237	237	230	225	236	219	222	218	227	223	226	
Jop Openings	-18.4	-21.1	-18.5	-14.2	-15.5	-23.7	-15.1	-19.4	-12.8	-17.6	-23.5	-10.9	-7.3	-12.5	-8.3	-11.4	-11.1	-5.6	
Layoff Announcements	-40.8	-20.2	-20	8.8	0.7	-3.3	-20.3	19.8	9.2	1	53.4	50.9	26.8	11.4	-39.5	103.2	204.8	62.7	
Housing Market																			
Housing Starts	6.3	17	1.1	10.1	-3.2	0.7	-16.9	-6.1	-14.3	5.7	-0.6	-1.5	-13.6	-2.7	-1.1	-3.4	1.9		
New Home Sales	2.5	3.5	3.9	2.9	6.1	7.1	-9.3	0.9	1	6	4.6	-7.4	10.6	10.1	-1.5	4.8	6		
Existing Home Sales	-6.9	-5.6	-2.0	-3.4	-3.3	-2.6	-3.1	-5.1	-2.5	-3.7	-3.0	3.1	6.7	9.7	2.3	-0.9	-2.4		
Median House Price (Existing Homes)	0.4	-2.2	5.4	-2.9	-0.6	-0.5	-1.6	-0.9	-1.6	-8	-1.2	2.1	-7.4	1.1	0.2	-2.2	-7.5		
Existing Homes Inventory (Mths' supply)	3.5	3.5	3.5	3.3	3.5	3.5	3.5	3.8	3.7	3.9	4	3.9	3.8	3.7	3.9	3.8	4.2		
New Homes Inventory (Mths' supply)	8.8	8.2	8.3	8.7	8.2	7.6	8.4	8.4	7.9	8.2	7.8	9.2	8.6	8.2	9.1	8.9	8.3		
NAHB Homebuilder Sentiment*	34	37	44	48	51	51	45	43	41	39	41	43	46	46	47	42	39	40	
Inflation																			
Consumer Price Index	3.1	3.4	3.1	3.2	3.5	3.4	3.3	3	2.9	2.5	2.4	2.6	2.7	2.9	3	2.8	2.4		
CPI Less-food & energy	4	3.9	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8		
Producer Price Index	0.8	1.1	1	1.6	2	2.3	2.5	2.9	2.4	2.1	2.1	2.8	2.9	3.4	3.7	3.2	2.7		
PPI Less-food & energy	1.9	1.8	2	2.1	2.3	2.5	2.7	3.3	2.6	2.8	3.3	3.6	3.4	3.7	3.8	3.5	3.3		
PCE Price Index	2.7	2.7	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.6	2.7	2.3		
PCE Prices Less-food & energy	3.2	3.0	3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.7	3.0	2.6		
Business Activity - US																			
Industrial Production	-0.2	0.8	-1.2	-0.1	-0.3	-0.8	0.0	0.9	-0.5	-0.1	-0.7	-0.4	-0.9	0.5	1.8	1.5	1.3		
New Cap Gds Orders less-aircraft & parts	1.4	0.8	-0.2	3.2	-0.9	2.8	-0.5	-2.2	2	-1.5	0.5	1.8	-0.4	2.9	2.2	-1.1	1.8		
Business Inventories	0.1	-0.2	0	0	0.6	0.4	0.7	1.4	1.8	2.3	2.3	2	2.3	2.6	1.8	2.3	2.1		
ISM Manufacturing PMI*	46.9	46.9	48.9	47.6	49.8	48.8	48.5	48.3	47	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49	48.7	
Markit US Manufacturing PMI*	49.4	47.9	50.7	52.2	51.9	50	51.3	51.6	49.6	47.9	47.3	48.5	49.7	49.4	51.2	52.7	50.2	50.2	
ISM Services Index*	52.6	50.6	53.2	52.2	51.3	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54	52.8	53.5	50.8	50.8	
Markit US Services PMI*	50.8	51.4	52.5	52.3	51.7	51.3	54.8	55.3	55	55.7	55.2	55	56.1	56.8	52.9	51	54.4	51.4	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	42.6	43.3	45.5	42.5	41.9	42.5	45.4	43.5	43.2	42.4	40.6	43	43	42.5	45	46.5	48.3	48	
Japan Manufacturing PMI Jibun Bank*	48.3	47.9	48	47.2	48.2	49.6	50.4	50	49.1	49.8	49.7	49.2	49	49.6	48.7	49	48.4	48.7	
Caixin China Manufacturing PMI*	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4	
China Manufacturing PMI*	49.4	49	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1	50.2	50.5	49	
UK Manufacturing PMI Markit/CIPS*	47.2	46.2	47	47.5	50.3	49.1	51.2	50.9	52.1	52.5	51.5	49.9	48	47	48.3	46.9	44.9	45.4	
France Manufacturing PMI Markit*	42.9	42.1	43.1	47.1	46.2	45.3	46.4	45.4	44	43.9	44.6	44.5	43.1	41.9	45	45.8	48.5	48.2	
Currencies* **																			
Euro (EUR/USD)	4.6	3.1	-0.4	2.2	-0.5	-3.2	1.5	-1.8	-1.6	1.9	5.3	2.9	-2.9	-6.2	-4.2	-4.0	0.2	6.2	
Renmimbi (USD/CNY)	0.6	2.9	6.1	3.6	5.1	4.7	1.9	0.2	1.2	-2.3	-3.8	-2.7	1.6	2.8	1.1	1.2	0.5	0.4	
Yen (USD/Yen)	7.3	7.6	12.9	10.1	13.9	15.8	12.9	11.5	5.4	0.4	-3.8	0.2	1.1	11.5	5.6	0.4	-0.9	-9.3	
Sterling (GBP/USD)	4.7	5.4	3.0	5.0	2.3	-0.6	2.4	-0.5	0.2	3.6	9.6	6.1	0.9	-1.7	-2.3	-0.4	2.3	6.7	
Canadian $ (USD/CAD)	1.1	-2.3	1.0	-0.5	0.2	1.7	0.4	3.3	4.7	-0.1	-0.4	0.4	3.3	8.6	8.2	6.5	6.3	0.2	
Mexican Peso (USD/MXN)	-9.8	-13.0	-8.6	-6.8	-8.2	-4.8	-3.8	7.0	11.2	15.8	13.0	11.0	17.2	22.7	20.1	20.5	23.6	14.4	
US Equities																			
S&P 500	12.0	24.2	18.9	28.4	27.9	20.8	26.3	22.7	20.3	25.3	34.4	36.0	32.1	23.3	24.7	16.8	6.8	10.6	
S&P 400 Midcap	-0.5	14.4	3.0	11.1	21.3	14.9	23.9	11.7	13.5	16.9	24.8	30.9	31.3	12.2	18.6	7.1	-4.2	-0.3	
S&P 600 Smallcap	-5.9	13.9	-0.1	4.5	13.8	10.4	18.1	6.6	12.0	15.1	23.5	27.6	30.9	6.8	14.5	4.5	-5.0	-3.6	
Russell 2000	-4.1	15.1	0.8	8.3	17.9	11.6	18.3	8.4	12.5	16.7	24.9	32.1	34.6	10.0	17.5	5.3	-5.3	-0.5	

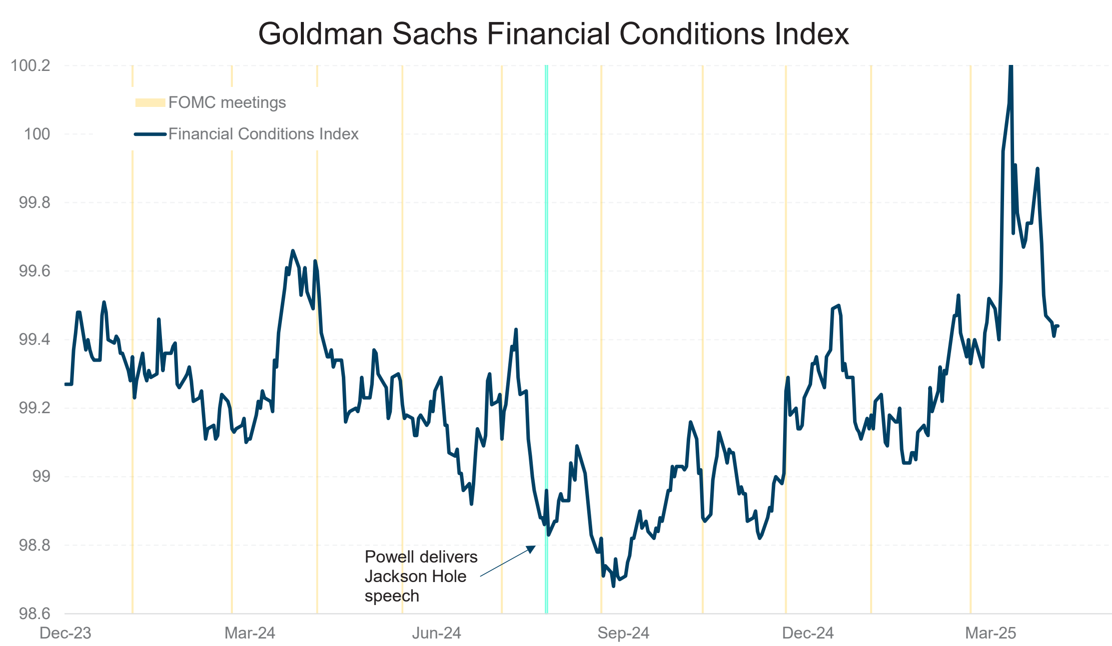
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

Other Economic Indicators

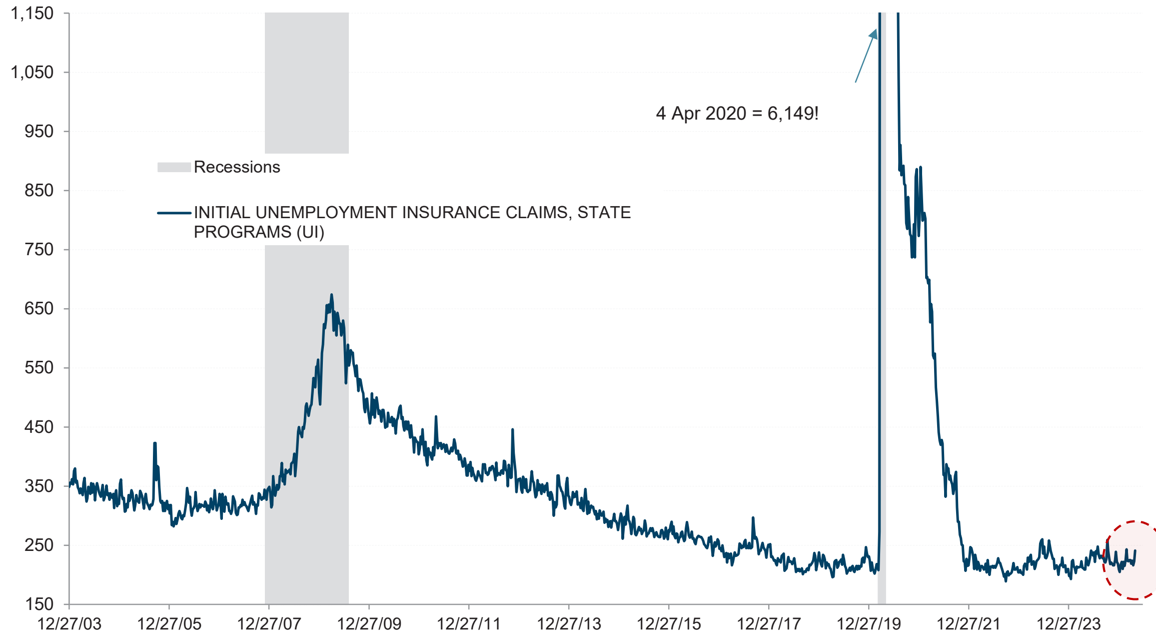


Sources: Federal Reserve, William Blair Equity Research



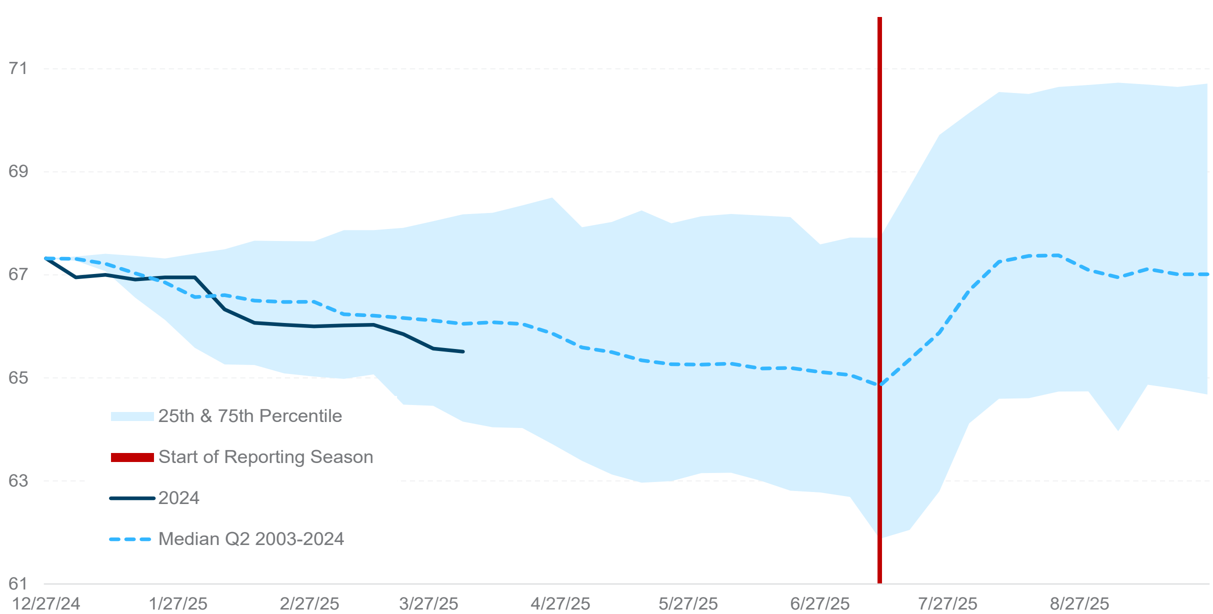
Sources: Bloomberg, William Blair Equity Research

Initial Jobless Claims
('000s, Seasonally Adjusted)



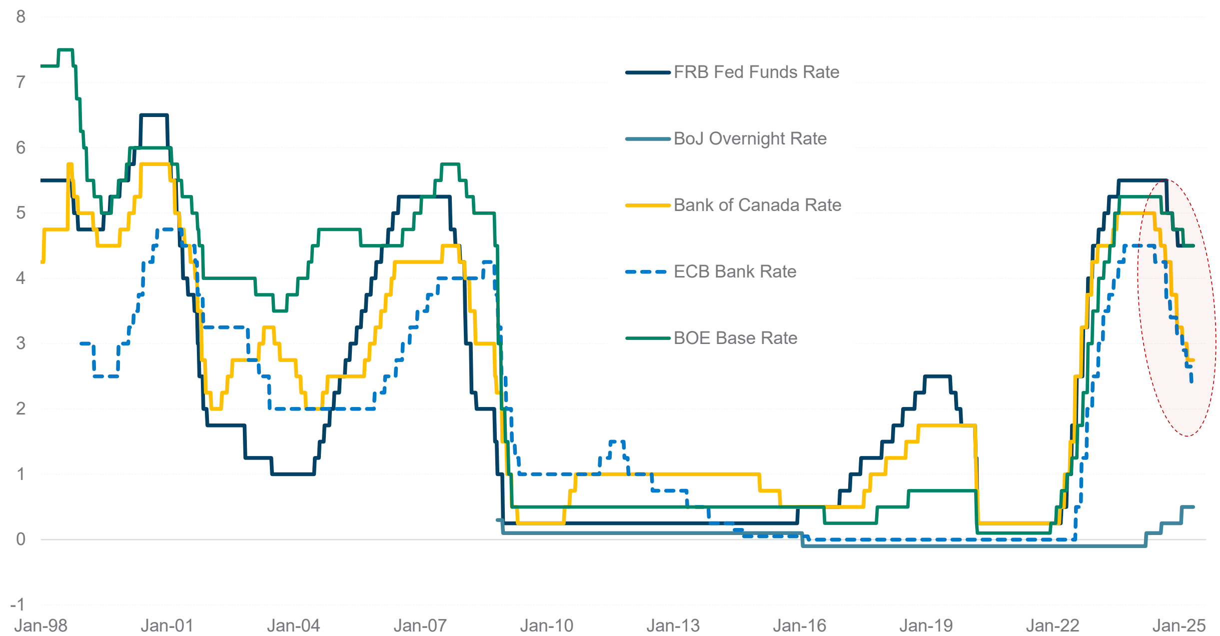
Source: Department of Labor, Bloomberg, William Blair Equity Research

Progression of S&P 500 Q2 EPS Estimates, Q2 2025 vs Median Q2 2003-2024
(Rebased to Q2 2025 Estimate at End of Q4 2024 of $67.30 per share)



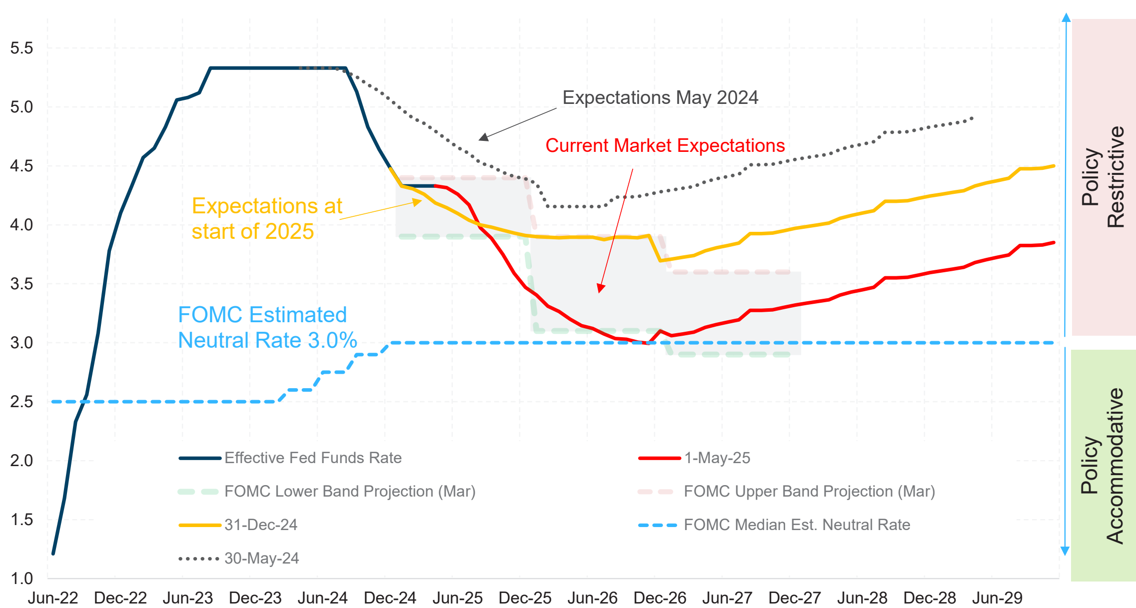
Sources: LSEG, William Blair Equity Research

Central Bank Target Short-Term Interest Rates, %



Sources: Bloomberg, William Blair Equity Research

Fed Funds Rate Futures Market Expectations & FOMC Projections, %



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 01-May-25	Week Ago 24-Apr-25	Month Ago 01-Apr-25	Qtr-to-Date 31-Mar-25	Year-to-Date 31-Dec-24
S&P 500 Index	**100.00**	**2.18**	**-0.51**	**-0.14**	**-4.72**
S&P 400 MidCap Index		**0.72**	**-2.44**	**-1.88**	**-8.23**
S&P 600 SmallCap Index		**0.87**	**-3.91**	**-3.69**	**-12.66**
Dow Jones Industrials		**1.65**	**-2.95**	**-2.97**	**-4.21**
Nasdaq Composite		**3.17**	**1.49**	**2.38**	**-8.29**
Communication Services	**9.75**	**2.88**	**1.14**	**2.17**	**-4.38**
Advertising	0.05	-0.70	-4.82	-8.45	-11.58
Broadcasting	0.06	0.81	-8.72	-10.21	3.78
Cable & Satellite	0.37	4.43	-5.61	-5.85	-5.80
Integrated Telecommunication Services	0.78	0.76	-3.74	-3.36	14.74
Interactive Home Entertainment	0.16	2.51	5.76	6.91	12.43
Interactive Media & Services	6.28	3.61	0.43	2.08	-9.85
Movies & Entertainment	1.45	2.53	11.46	10.66	9.88
Publishing & Printing	0.03	0.83	0.98	0.29	-0.63
Wireless Telecommunication Svcs	0.57	-5.79	-8.02	-7.39	11.90
Consumer Discretionary	**10.85**	**2.33**	**-0.48**	**0.65**	**-13.41**
Apparel Retail	0.38	0.50	4.85	5.71	1.93
Apparel & Accessories & Luxury Goods	0.11	0.74	-3.43	-2.64	-17.79
Auto Parts & Equipment	0.03	3.45	-3.70	-4.27	-9.71
Automobile Manufacturers	2.01	7.08	3.88	7.20	-28.67
Automobile Retail	0.31	3.53	-3.02	-2.96	14.25
Broadline Retail	4.18	1.94	-1.01	-0.03	-12.98
Casinos & Gaming	0.10	-0.57	-1.02	-0.59	-19.15
Computer & Electronics Retail	0.03	1.58	-9.86	-8.92	-21.86
Consumer Electronics	0.07	-6.19	-14.15	-13.98	-9.45
Distributors	0.08	1.37	-5.76	-5.74	-3.36
Footwear	0.17	-2.28	-10.44	-8.74	-30.16
Home Furnishings	0.01	-2.43	-7.44	-6.76	-10.64
Home Improvement Retail	0.98	-0.24	-2.78	-2.88	-8.43
Homebuilding	0.21	-0.88	-2.63	-2.66	-10.63
Hotels, Resorts & Cruise Lines	0.92	4.07	4.27	5.23	-5.77
Household Appliances	0.01	-4.13	-16.95	-16.00	-33.87
Leisure Products	0.02	0.57	-2.30	-1.27	8.58
Restaurants	1.11	0.03	-3.44	-2.78	0.75
Other Specialty Retail	0.09	2.37	-3.57	-2.82	-7.07
Consumer Staples	**6.79**	**0.30**	**0.00**	**0.29**	**4.88**
Agricultural Products	0.07	-2.59	-0.65	0.21	-3.76
Brewers	0.02	-1.89	-6.52	-5.95	-0.12
Hypermarkets	2.66	1.81	6.17	7.17	6.03
Distillers & Vintners	0.09	-1.13	0.63	0.98	-15.09
Drug Retail	0.02	-0.90	-2.06	-2.15	17.15
Food Distributors	0.07	-3.30	-6.99	-6.52	-8.25
Food Retail	0.10	1.16	5.93	6.63	18.04
Household Products	1.08	-0.60	-6.53	-6.42	-4.41
Packaged Foods & Meats	0.61	0.31	-3.33	-3.63	-0.04
Personal Products	0.12	4.14	-3.16	-2.77	2.13
Soft Drinks	1.21	-1.28	-4.44	-4.12	3.20
Tobacco	0.74	0.27	5.64	4.70	32.34
Energy	**3.17**	**-2.11**	**-13.91**	**-13.41**	**-5.36**
Integrated Oil & Gas	1.49	-2.33	-14.11	-13.86	-3.80
Oil & Gas Equipment & Services	0.20	-2.87	-20.10	-19.10	-14.88
Oil & Gas Exploration & Production	0.79	-1.07	-13.51	-12.87	-5.42
Oil & Gas Refining & Marketing & Transportation	0.25	0.02	-12.44	-11.69	-5.64
Oil & Gas Storage & Transportation	0.44	-3.97	-11.51	-10.78	-5.39

Financials	**13.95**	**0.99**	**-2.13**	**-2.29**	**0.75**
Asset Management & Custody Banks	1.07	0.34	-3.81	-3.14	-14.34
Consumer Finance	0.66	-0.78	0.83	0.99	-5.82
Diversified Banks	3.10	1.30	-0.85	-1.51	-2.25
Financial Exchanges & Data	1.16	3.78	-0.74	-0.78	4.11
Insurance Brokers	0.67	-1.86	-9.35	-9.50	4.37
Investment Banking & Brokerage	1.09	1.64	1.99	1.64	-1.53
Life & Health Insurance	0.35	-2.71	-8.53	-7.82	-5.79
Multi-line Insurance	0.10	-1.95	-6.88	-7.02	11.04
Multi-Sector Holdings	1.45	-0.26	-0.51	-0.44	16.98
Property & Casualty Insurance	1.22	1.16	-4.21	-4.15	6.74
Regional Banks	0.27	0.90	-4.91	-5.55	-11.21
Reinsurance	0.03	-5.02	-7.67	-7.14	-6.92
Transaction & Payment Processing	2.73	1.96	-2.82	-3.17	1.36
Health Care	**10.51**	**-0.58**	**-4.85**	**-6.52**	**-0.84**
Biotechnology	1.74	2.73	-5.13	-6.40	6.89
Health Care Distributors	0.38	3.30	4.51	4.44	23.43
Health Care Equipment	2.30	0.35	-1.36	-1.80	3.44
Health Care Facilities	0.19	0.46	-1.72	-1.69	11.54
Health Care Services	0.47	2.53	1.86	2.22	28.89
Health Care Supplies	0.08	-2.79	-0.52	-2.14	-10.55
Life Sciences Tools & Services	0.89	-0.77	-8.56	-10.93	-18.74
Managed Health Care	1.09	-5.08	-18.24	-18.40	-13.82
Pharmaceuticals	3.36	-2.17	-2.69	-6.40	-2.36
Industrials	**8.52**	**2.48**	**0.25**	**0.85**	**0.31**
Aerospace & Defense	2.10	3.85	2.27	2.93	9.95
Agricultural & Farm Machinery	0.27	3.34	0.33	2.27	13.29
Air Freight & Logistics	0.30	-3.28	-12.92	-13.25	-22.27
Building Products	0.55	9.72	7.01	8.04	1.83
Construction & Engineering	0.10	14.11	24.83	26.65	1.86
Construction Machinery & Heavy Trucks	0.54	0.85	-5.16	-4.65	-12.53
Data Processing & Outsourced Services	0.05	-4.25	-6.83	-5.96	0.85
Diversified Support Svcs	0.29	-1.08	2.85	4.00	10.56
Electrical Components & Equipment	0.55	2.00	1.91	2.76	-11.70
Environmental & Facilities Services	0.45	2.76	0.37	1.12	14.52
Human Resource & Employment Services	0.40	1.47	-2.79	-2.48	1.80
Industrial Conglomerates	0.43	2.90	-3.23	-2.54	-2.32
Industrial Machinery	0.73	0.85	-4.10	-3.72	-6.76
Passenger Airlines	0.13	1.47	-3.01	-6.05	-26.82
Railroads	0.47	-0.85	-7.91	-7.64	-7.65
Research & Consulting Svcs	0.22	1.58	3.15	3.46	2.43
Trading Companies & Distributors	0.28	0.21	3.83	4.36	0.62
Information Technology	**30.29**	**4.47**	**2.86**	**3.83**	**-9.45**
Application Software	2.65	3.50	6.66	7.26	-1.90
Communications Equipment	0.90	5.55	-1.07	-0.79	-6.85
Electronic Components	0.27	3.05	12.70	13.09	7.46
Electronic Equipment & Instruments	0.15	1.54	-5.88	-5.83	-13.32
Electronic Manufacturing Services	0.12	1.71	5.11	4.84	2.41
Internet Software & Services	0.13	7.21	6.39	6.74	5.24
IT Consulting & Services	1.00	3.60	-3.69	-3.32	-4.65
Semiconductor Equipment	0.65	-0.74	-1.03	-0.72	-5.13
Semiconductors	9.19	3.35	2.18	3.22	-15.85
Systems Software	8.34	8.74	11.04	12.98	0.08
Technology Distributors	0.04	2.18	0.20	1.34	-6.68
Technology Hardware, Storage & Peripherals	6.84	2.31	-4.25	-3.77	-14.79
Materials	**1.94**	**0.35**	**-3.04**	**-2.73**	**-0.48**
Commodity Chemicals	0.08	0.82	-13.90	-14.52	-22.92
Construction Materials	0.14	4.21	9.55	11.23	1.88
Copper	0.11	-3.24	-4.51	-3.83	-4.39
Fertilizers & Agricultural Chemicals	0.13	1.70	0.19	1.12	5.30
Gold	0.12	-7.56	6.63	6.64	38.34
Industrial Gases	0.55	0.01	-4.80	-4.68	3.79

Metal & Glass Containers	0.03	1.39	-2.25	-1.63	-7.09
Paper Packaging	0.18	-4.98	-11.26	-10.44	-16.85
Specialty Chemicals	0.51	3.86	-2.57	-2.39	-2.81
Steel	0.10	3.22	1.98	1.29	6.90
Real Estate	**2.23**	**2.03**	**-1.28**	**-1.19**	**1.50**
Data Center REITs	0.28	5.40	7.47	8.35	-8.63
Health Care REITs	0.31	-0.69	-5.42	-5.15	9.20
Hotel & Resort REITs	0.02	4.31	0.62	2.25	-17.07
Industrial REITs	0.19	-0.27	-7.51	-7.79	-2.48
Multi-Family Residential REITs	0.00	1.73	-3.75	-3.94	-1.28
Office REITs	0.02	-2.66	-4.00	-4.33	-13.56
Real Estate Service	0.14	-3.65	-4.59	-4.53	-0.31
Retail REITs	0.28	1.02	-2.05	-2.62	-2.93
Self-Storage REITs	0.17	3.07	0.36	0.09	-0.24
Single-Family Residential REITs	0.17	3.07	0.36	0.09	-0.24
Telecom Tower REITs	0.36	6.29	2.95	3.59	20.19
Timber REITs	0.04	1.25	-11.40	-11.82	-8.28
Utilities	**2.49**	**0.84**	**0.05**	**0.35**	**4.48**
Electric Utilities	1.60	0.80	-0.20	-0.07	4.20
Gas Utilities	0.05	0.32	3.38	3.62	15.01
Independent Power Producers & Energy Traders	0.11	8.74	6.75	10.25	-4.05
Water Utilities	0.06	0.27	-0.38	-0.74	17.63
Multi-Utilities	0.67	-0.15	-0.60	-0.27	4.94

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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