Greg Tuorto: Small caps have not been a fun place to be in 2023. We've just come off a significant outperformance of large caps versus small caps. Many investors feel that small-cap companies cannot tolerate the higher interest rates because their balance sheets are not as good as large-cap counterparts.

So, many investors this year have focused on the largest companies for obesity drugs or artificial intelligence. Investors have felt that these companies are the only ones that can withstand the spending needed to develop these large megatrends going forward.

It's time for small caps to play catch up. If you look at the relative valuation of small caps to large caps, small caps are the cheapest they've been in decades. No one rings a bell when rates stop going up. However, we do think we are very close to the end of the Fed hiking cycle.

More recently, we saw small caps significantly outperform as rates stopped going up. Small caps are a great place to access disruptive innovation, even more so than large caps because these companies have significantly more leverage to the megatrends that are our there today. Themes like artificial intelligence, cybersecurity, MetTech, and even casual dining have significantly more growth than current estimates predict. And we think that this can go on for many years.