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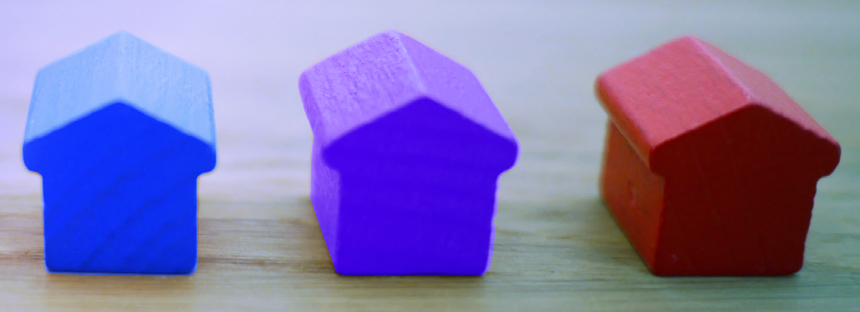
# BLUE CHIPS VS MID CAPS AND SMALL CAPS



**By Thibault Gobert, Spectrum Markets**

Among all the stocks available on the markets around the globe it's usually the blue-chip stocks that make the biggest headlines. These companies are well known, have good reputations and, consequently, end up in many investors' portfolios. However, while constantly overshadowing mid-cap and small-cap companies, the blue chips are not necessarily always the best choice when investors are looking for high stock investment returns.

By far not all retail stock investors are aware of the broad range of stocks that are available to trade. Indeed, most invest in mutual funds or stock-related ETFs and are not really interested in the individual holdings of such vehicles. And those who are actually keen on investing in individual stocks tend to pick the ones that they are familiar with: stocks from renowned and stable large-cap companies, the blue chips. Having been around for many years or decades, these companies are often regarded as relatively safe investments with a "guarantee" for growth over the long term.

While, depending on an investor's goals and risk appetite, this can be an effective approach, it disregards literally thousands of stocks from mid-cap and small-cap companies. The definition of these two categories of companies can vary but is generally accepted as:

- **Mid-cap companies** – market capitalisation between USD 2 and 10 billion, perceived as in the middle of the growth curve, hence there is more room for growth (in comparison to large-cap companies) and more potential to increase market share and profits. Investments in mid-cap stocks are regarded as less risky than investments in small-cap companies as they tend to be more stable.

- **Small-cap companies** – market capitalisation of up to USD 2 billion, perceived as in the early stage of the growth curve, hence there is significantly more room for growth (in comparison to large-cap and mid-cap companies) and considerably more potential to increase market share and profits. Investments in small-cap stocks are regarded as more risky than investments in large-cap and mid-cap stocks as they tend to be more volatile.

Historically, mid-cap and small-cap stocks outperformed large-cap stocks in some periods – depending a lot on the overall state of the economy or the stage of the economic cycle. When it comes to small-cap stocks, such periods of growth may put some institutional investors at a disadvantage as such investors often have to follow internal rules that prevent them from investing in small-cap stocks.

On the other hand, for stock-picking retail investors it can be a daunting task to gather and go through all the data that's available on specific small-cap companies in order to find the best potential opportunities, which is another reason why many shy away from investing in small-caps and instead are attracted by the usually much better known large-caps or their respective indices.

At Spectrum Markets various major large-cap indices are available in the form of securitised derivatives, including the OMX, DAX, Nasdaq, S&P500 and Dow Jones. Indeed, these highly liquid derivatives have constantly been among the most sought-after products on the platform, with retail investors taking long or short positions, using the venue's cost-efficient and unique seamless 24 hours access, 5 days a week.

**Get in touch today to discuss how we can help you to grow your retail client business.**

Please don't hesitate to get in touch if you wish to receive further detail.

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