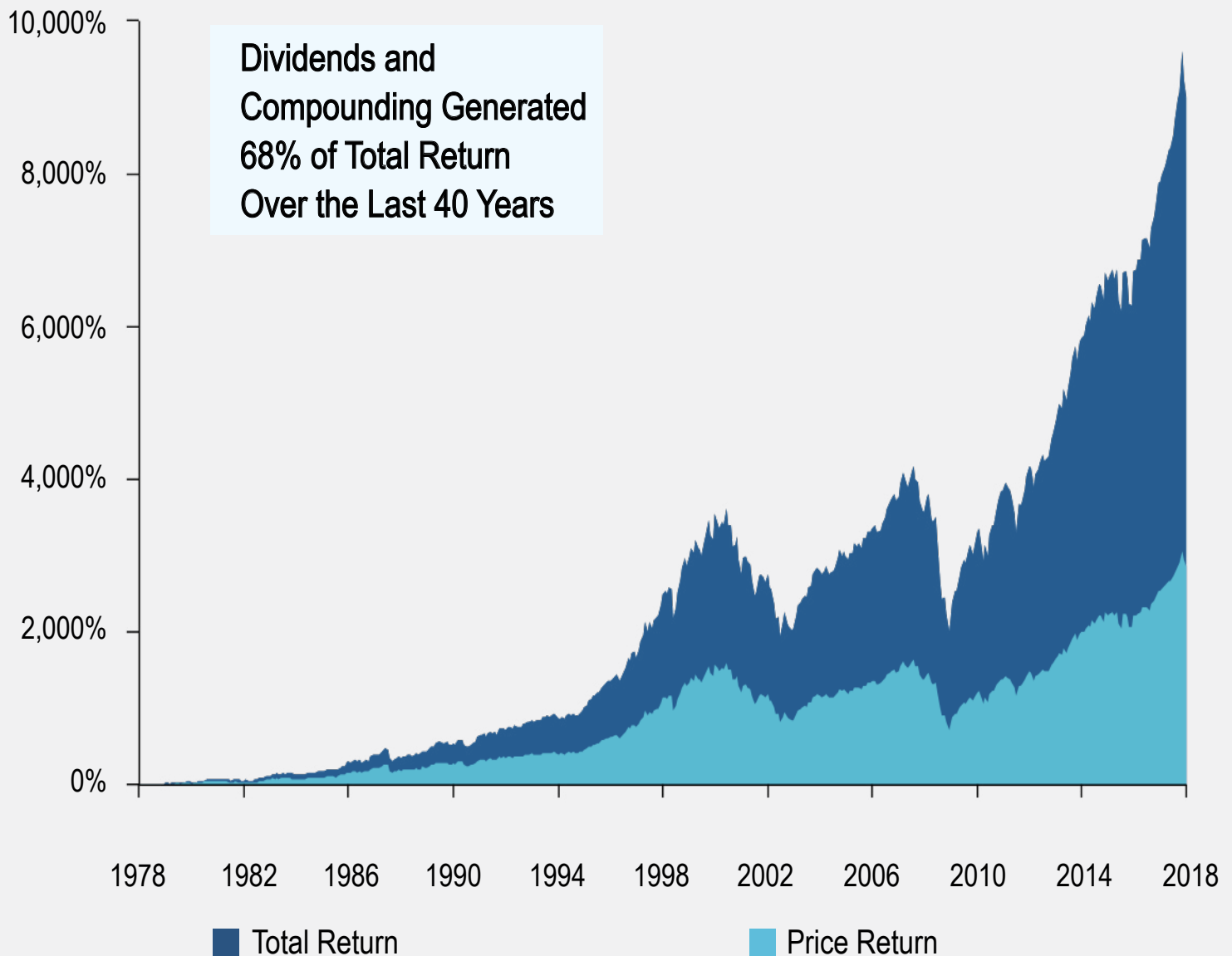


## The Power of Equity Income and Long Term Investing

- Investors may use equities to generate attractive income over the long term.
- During the past 40 years, the total return of the S&P 500 was over 9,000%, 11.9% annually.
- 68% of this total return can be attributed to compounding and reinvested dividends.

### S&P 500 Price and Total Return - 40 Years



Source: Bloomberg, S&P Total Return Index. Data as of 3/31/2018. Past performance does not guarantee future results. Index returns are for illustrative purposes only and does not represent actual performance of the O'Shares ETFs.

[OUSA: O'Shares ETFs approach to U. S. Large Caps, visit oshares.com](https://www.oshares.com)

# O'SHARES STRATEGY SERIES

APRIL 2018



## Related pieces: U. S. Large Caps

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**High Flying Tech Stocks Sell-Off, Time to Rotate into Quality?**

- High flying tech stocks like Facebook and Google sold-off in March after very strong performance in 2017.
- The downturn may be a sign the popular 'tech trade' is ending and that caution on the technology sector (25% of the S&P 500) is warranted.
- By rotating into Quality companies with high profitability, strong cash flow and low leverage, investors can diversify away from volatile tech stocks and potentially improve portfolio positioning for 2018.

**High Profile Tech Stock Performance - 2017 vs. March 2018**

	2017	March 2018	Return Contribution to S&P 500 in March
Facebook	53.4%	-10.4%	-1.1%
Apple	48.5%	-5.8%	-0.23%
Amazon	58.0%	-4.3%	-0.12%
Alphabet	35.8%	-4.6%	-0.15%
Microsoft	40.7%	-2.7%	-0.08%
S&P 500 Index	21.8%	-2.6%	<b>Total -0.81%</b>

**High Profile Tech Stock Performance - March 2018**

**OUSA: O'Shares ETFs approach to U. S. Large Caps, visit oshares.com**

Source: Bloomberg. Data from 2/28/2018 to 3/29/2018. oshares.com | info@oshares.com

High Flying Tech Stocks Sell-Off, Time to Rotate into Quality?  
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**Is Volatility Back? Time to Think Defense?**

Also known as Wall Street's "fear gauge", the Chicago Board Options Exchange SPX Volatility Index is often used as a proxy for market volatility. Spikes in the VIX often correspond with periods of market stress. On November 3, 2017, the VIX closed at 9.14, an all-time low.

The VIX has closed below 10 a total of 68 times since 1990. 52 of these occurrences have happened in 2017. With the recent uptick in market volatility, could the market be due for a correction? There are certainly arguments to stay invested in the market, but it might be a good time for investors to revisit their portfolios and assess their risk tolerance. Lower volatility, high quality stocks may allow investors to maintain their equity exposure but avoid the full brunt of market pull-backs.

VIX Level	Date
Low	9.06 2/28/2018
All-Time	
All-Time Low	9.14 11/03/2017
All-Time High	80.86 11/02/2008
Average	19.35
Peak 5 Years	
5 Year Low	9.14 11/03/2017
5 Year High	40.74 8/24/2015
5 Year Average	14.49
# of times closed below 10	68
# of times closed below 10 in 2017	52

**Chicago Board Options Exchange SPX Volatility Index**

**Chicago Board Options Exchange SPX Volatility Index - Year to date**

Source: Bloomberg. Data as of 2/26/2018. Past performance is not a guarantee of future results. One cannot invest in an index. oshares.com | info@oshares.com

Is Volatility Back? Time to Think Defense?  
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MARCH 2018

**S&P 500 Scatterplot: Long-Term Performance Versus Risk**

- The best performing sectors in the past 10 years were Consumer Discretionary and Information Technology.
- The worst performing sectors were Energy and Real Estate.
- The sectors with the lowest volatility in the past 10 years were Consumer Staples and Health Care. The highest volatility sectors were Financials and Real Estate.
- Adjusting for risk, the best performing sectors were Consumer Staples and Information Technology.

**S&P 500 Sectors: 10 Year Risk vs. Return**

**Return/Risk (Annualized Return/Annualized Volatility)**

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S&P 500 Scatterplot: Long-Term Performance Versus Risk  
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Concentration in a particular industry or sector will subject the Funds to loss due to adverse occurrences that may affect that industry or sector. The funds may use derivatives which may involve risks different from, or greater than, those associated with more traditional investments. The funds' emphasis on dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Also, a company may reduce or eliminate its dividend after the Fund's purchase of such a company's securities. Returns on investments in foreign securities could be more volatile than, or trail the returns on, investments in U.S. securities. Exposures to foreign securities entail special risks, including political, diplomatic, economic, foreign market and trading risks. In addition, unless perfectly hedged, the Fund's investments in securities denominated in other currencies could decline due to changes in local currency relative to the value of the U.S. dollar, which may affect the Fund's returns. The funds' hedging strategies may not be successful, and even if they are successful, the funds' exposure to foreign currency fluctuations is not expected to be fully hedged at all times. The securities of small capitalization companies are often more volatile and less liquid than the stocks of larger companies and may be more affected than other types of securities during market downturns. Compared to larger companies, small capitalization companies may have a shorter history of operations, and may have limited product lines, markets or financial resources. See the prospectus for specific risks regarding the Fund.

Past performance does not guarantee future results. Shares are bought and sold at market price (not NAV), are not individually redeemable, and owners of the Shares may acquire those Shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, consisting of 50,000 Shares. Brokerage commissions will reduce returns.

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