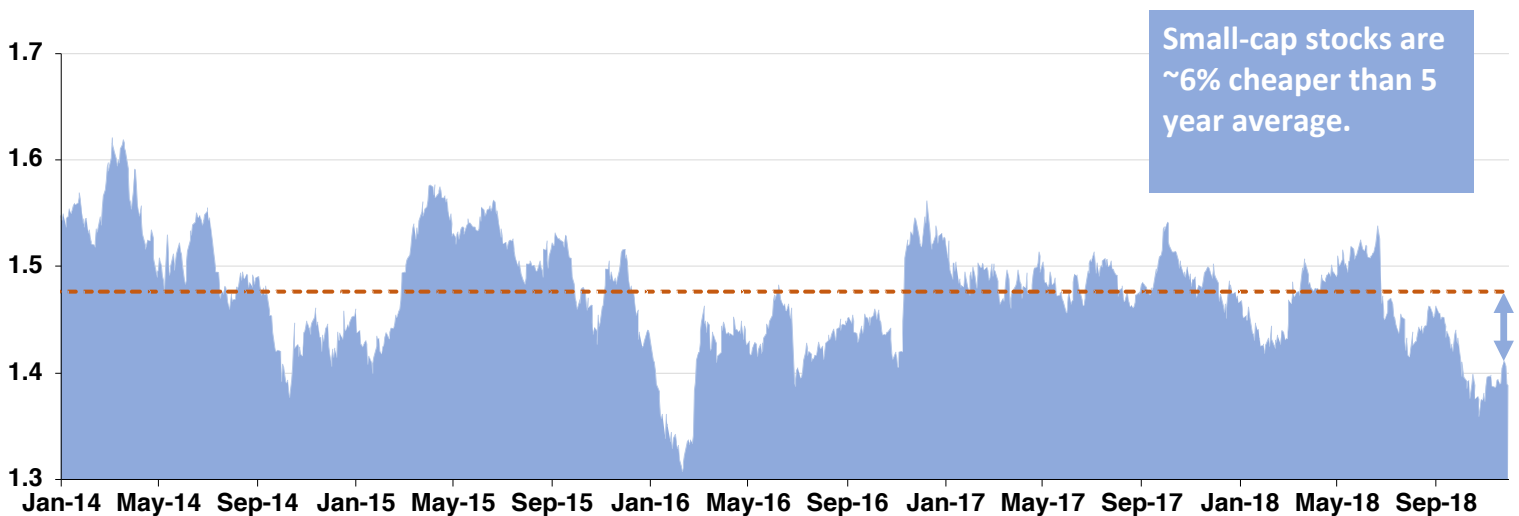


## Small-Cap Stocks: Cheap and Less Exposed to Trade Wars?

- **Cheapest in over 2 years:** 6% cheaper than 5 year average.
- **Exposure to trade wars?** Small-cap revenue is generally more domestic focused.
- **Potentially better positioned for rising rates:** Small-cap stocks historically tend to outperform as rates rise.

### Russell 2000 vs. S&P 500 - Relative P/E



Source: Bloomberg. Data as of 11/30/2018. Small-Cap stocks represented by Russell 2000 Index. Past performance does not guarantee future results. The referenced indices are shown for general market comparisons and are not meant to represent the Fund. Investors cannot directly invest in an index.



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**OUSM Has Delivered Higher Quality, Less Risk and More Income**

- OUSM has outperformed the Russell 2000 Index over the past 1, 3 and 6 months:

	Performance		
	1 Month	3 Months	6 Months
OUSM	8.0%	-2.0%	6.2%
Russell 2000	-10.0%	-6.2%	-1.4%
Outperformance	18.0%	4.2%	7.6%

For standard performance of the Fund, [click here](#).

- OUSM Has Delivered:
  - More Profitability:** OUSM has higher return on assets in 10 out of 11 sectors.
  - Less Volatility:** OUSM has lower volatility on average in 10 out of 11 sectors.
  - More Income:** OUSM has higher dividend yield in 10 out of 11 sectors.

Sector	Weights		Risk		Volatility		Yield
	OUSM	Russell 2000	OUSM	Russell 2000	OUSM	Russell 2000	
Technology	18.4%	13.7%	1.2%	0.8%	1.7%	20.2%	1.8%
Financial	16.1%	17.0%	0.2%	0.0%	1.0%	20.0%	3.8%
Consumer Technology	13.2%	15.2%	1.2%	1.0%	1.4%	20.0%	3.5%
Materials	8.8%	4.2%	4.4%	8.8%	8.1%	20.0%	2.5%
Health	7.7%	5.4%	4.2%	3.2%	1.6%	19.0%	2.2%
Consumer Staples	3.8%	3.2%	0.2%	0.3%	1.0%	20.0%	2.5%
Health Care	3.4%	1.6%	1.8%	1.2%	0.7%	20.0%	4.4%
Communication Services	2.4%	1.4%	1.0%	1.2%	1.2%	20.0%	3.5%
Energy	2.2%	4.0%	-2.0%	16.4%	1.4%	27.0%	4.0%
Real Estate	0.6%	2.1%	2.2%	0.0%	2.2%	0.0%	2.0%

Source: Bloomberg, Data as of 12/31/2018. RISK: Risk-adjusted assets. Return on average results based on net income, excluding one-time charges. Volatility: A statistical measure of risk. Generally, the higher the volatility, the riskier the security. Yield: The annual return on an investment, expressed as a percentage of the price. Past performance does not guarantee future results. Investments cannot directly invest in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

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**Rising Rates: Small-Caps May Provide More Performance**

Do Small-Cap Stocks Deserve an Allocation in an Equity Portfolio During Fed Tightening Cycles?

- Underperformance: small caps outperformed large caps in 4 of the 6 prior tightening cycles and are underperforming in the current cycle.

Average Total Return, Fed Rate Hike Cycles

Index Name	Hike 1 10/1987-10/1989	Hike 2 10/1991-10/1993	Hike 3 10/2000-10/2001	Hike 4 10/2003-10/2006	Current 10/2015-10/2018	Average
Russell 2000	26.6%	-3.0%	5.2%	26.6%	56.6%	21.7%
S&P 500	25.9%	4.4%	4.7%	15.6%	50.9%	20.2%

Percent of Fed Tightening

Source: Bloomberg, Data as of 02/01/2019. The references indices are shown for illustrative purposes only and are not meant to represent the O'Shares Funds. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance does not guarantee future results.

**OUSM: O'Shares' ETFs approach to U.S. Small Caps**

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[Rising Rates: Small-Caps May Provide More Performance](#)

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**3% of the U.S. Equity Market is Small-Cap. Should That Be Higher?**

- The total U.S. equity market is approximately \$20 billion. Small-cap stocks account for just over \$600 billion or just 3% of the total U.S. equity market.

**Small-Cap Stocks: Reasons to Increase Investor Allocations?**

- Strong Performance:** Small-cap stocks have outperformed large caps over short and long-term periods.
- Earnings Growth:** Analyst earnings estimates are higher for small-cap stocks versus large caps.
- Rising Rates:** Smaller companies have historically performed better than larger ones in rising rate environments.
- Valuation:** Small cap companies may benefit more than large cap from tax reform.
- Total Return:** Revenue generated by smaller U.S. companies is less exposed to international markets.

Index	Performance 1Y	Performance 3Y	Yield 1Y % Small Cap
Average Large cap Mid-Cap	16.6%	11.1%	26.4%
S&P 500 Small Cap Index	66.4%	14.4%	37.6%

**OUSM: O'Shares' ETFs approach to U.S. Small Caps**

Source: Bloomberg, Data as of 02/01/2019. The references indices are shown for illustrative purposes only and are not meant to represent the O'Shares Funds. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance does not guarantee future results. The referenced indices are shown for general market comparison and are not meant to represent the Fund. Investors cannot directly invest in an index.

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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 Funds' 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, the Funds' 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 Funds' returns. See the prospectus for specific risks regarding the Funds.

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.

Past performance does not guarantee future results. Shares are bought and sold at market price (not NAV), are not individually redeemable, and owners of 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. The market price of Shares can be at, below, or above NAV. Brokerage commissions will reduce returns. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 PM Eastern time (when NAV is normally determined), and do not represent the returns you would receive if you traded Shares at other times.

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