

Small-Cap Stocks: Growth vs. Value, Quality and Dividends

- **Dividends outperformed Quality, Growth and Value in 2018.**
- **Dividends and Value provide more yield.**

Calendar Year Return Comparison

■ Russell 2000
 ■ Dividends
 ■ Value
 ■ Growth
 ■ Quality

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
-19.1%	34.4%	29.0%	10.5%	18.1%	43.3%	8.7%	2.1%	36.2%	22.1%	-0.3%
-29.0%	29.7%	26.8%	0.7%	16.4%	38.8%	5.6%	-1.4%	31.7%	14.6%	-7.4%
-30.7%	27.1%	26.1%	-2.9%	15.8%	38.0%	5.6%	-2.8%	24.2%	11.5%	-9.3%
-33.8%	20.5%	24.7%	-4.2%	15.2%	34.5%	4.9%	-4.4%	21.3%	7.8%	-11.0%
-38.6%	14.8%	24.5%	-5.5%	14.6%	32.6%	4.2%	-7.5%	11.3%	5.1%	-12.9%

	Forward P/E	Yield
Russell 2000	18.9	1.7%
Dividends	17.6	2.1%
Value	13.6	2.6%
Growth	29.3	0.8%
Quality	28.2	1.2%

Source: Bloomberg, data as of 12/31/2018. Russell 2000: Russell 2000 Index, Dividends: Russell 2000 Dividend Growth Total Return, Value: Russell 2000 Value Index, Growth: Russell 2000 Growth Index, Quality: Russell 2000 Quality Factor Total Return Index. Forward P/E: Price divided by next four quarters earnings. It is impossible to predict forward P/E and actual results may vary. Returns are in USD. Past performance is no guarantee of 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 and unmanaged index returns do not reflect any fees, expenses or sales charges.



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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:

	1 Month	3 Months	6 Months
OUSM	+0.6%	+5.6%	+11.6%
Russell 2000	-11.9%	-20.2%	-17.4%
Outperformance	1.2%	4.2%	5.2%

For detailed 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 9 out of 11 sectors.

Sector	ROA		Volatility		Yield	
	OUSM	Russell 2000	OUSM	Russell 2000	OUSM	Russell 2000
Industrials	11.4%	6.1%	26.6%	26.1%	3.2%	1.1%
Information Technology	9.7%	2.3%	23.2%	42.2%	2.2%	0.6%
Financials	10.7%	2.8%	27.1%	27.8%	4.4%	2.9%
Consumer Discretionary	11.2%	6.2%	33.8%	41.8%	3.3%	1.1%
Utilities	5.6%	1.8%	20.2%	23.5%	3.5%	1.4%
Materials	6.7%	7.2%	26.2%	27.2%	2.2%	1.8%
Consumer Staples	10.8%	6.1%	26.1%	26.5%	3.4%	1.3%
Health Care	5.2%	-15.1%	46.7%	52.2%	3.7%	0.1%
Communication Services	5.4%	1.9%	28.1%	41.9%	3.8%	1.3%
Energy	6.2%	1.9%	26.7%	49.8%	4.4%	1.4%
Real Estate	3%	2.2%	3%	2.7%	3%	5.3%
Average	8.6%	1.8%	28.4%	28.9%	3.4%	1.9%

Source: Bloomberg, data as of 12/31/2018. ROA: Return on assets. Return on average assets based on net income, excluding one-time charges. Volatility: A statistical measure of risk. Commonly, 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. Investors cannot directly invest in an index; unmanaged index returns do not reflect any fees, expenses or sales charges.

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DECEMBER 2018

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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 comparison and are not meant to represent the Fund. Investors cannot directly invest in an index.

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OCTOBER 2018

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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?

- Outperformance:** Small-caps outperformed large-caps in 3 of the 4 prior Fed tightening events and are outperforming in the current cycle.

Average Total Return, Fed Rate Hike Cycles

Index Name	Hike 1 Jul-08 Sep-08	Hike 2 Oct-09 Dec-09	Hike 3 Mar-10 Jun-10	Hike 4 Dec-15 Jan-16	Current Hike Cycle Sep-18	Average
Russell 2000	25.8%	-3.6%	5.2%	25.3%	55.8%	21.7%
S&P 500	25.3%	4.4%	4.7%	15.9%	50.9%	20.2%

Periods of Fed Tightening

Source: Bloomberg, Data as of 9/30/2018. The referenced 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.

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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.

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