

Small-Cap Quality Stocks: Lower Leverage, Stronger Returns

- **Lower Leverage, Stronger Performance?** Companies in the Russell 2000 with lower leverage performed better during the last 5 years than companies with higher leverage in 9 out of 11 sectors.
- **Outperformance of over 4%:** Companies with lower leverage outperformed those with higher leverage by an average annualized return of over 4%.

Lower Leverage - Superior Performance
Average Annualized 5-Year Return by Sector



Source: Bloomberg, data as of 3/31/2019. *Index:* Russell 2000. *Leverage:* An investment strategy of using borrowed money — specifically, the use of various financial instruments or borrowed capital — to increase the potential return of an investment. *Lower Leverage:* Defined as companies with a CFO to Debt ratio that is above the average for the sector. *Higher Leverage:* Defined as companies with a CFO to Debt ratio that is below the average for the sector.

Past performance does not guarantee future results. The referenced index is shown for general market comparisons and is not meant to represent the Fund. Investors cannot directly invest in an index.



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Small-Cap Dividends, Value and Growth: Performance Cycles

- Performance:** Small-cap Dividends have outperformed Value, Growth and the Russell 2000 in 3 out of the 4 prior calendar years. Growth has provided strong returns during 2019 year-to-date (YTD).
- Valuations and Yield:** Dividends and Value provide more yield and are cheaper relative to Growth and the Russell 2000 based on forward P/E.

Calendar Year Return Comparison

	2015	2016	2017	2018	2019 YTD
Russell 2000	2.1%	36.2%	22.1%	-9.3%	17.1%
Dividends	-1.4%	31.7%	14.6%	-9.3%	14.6%
Value	-4.4%	21.3%	7.8%	-11.0%	11.9%
Growth	-7.9%	11.3%	5.1%	-12.9%	8.7%

	Forward P/E	Yield
Russell 2000	22.3	1.5%
Dividends	19.2	2.6%
Value	15.7	2.9%
Growth	35.7	0.7%

Source: Bloomberg, data as of 3/31/2019. Russell 2000, Russell 2000 Dividend Growth Total Return, Value, Russell 2000 Total Return, Growth, Russell 2000 Growth Index, Forward P/E. Price divided by total base quote average. 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 comparison and are not meant to represent the Fund. Investors should directly invest in an index and understand that index returns do not reflect any fees, expenses or sales charges.

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Small-Cap Quality Stocks, Strong Performers

Stronger Profitability, Stronger Interest? Comparison in the Russell 2000 with the strongest average return on assets (ROA) in the past 5 years were among the best performers.

- Comparison by Return on Assets (ROA):**
 - 1st quartile companies generated an average of nearly 6% annualized return for the past 5 years.
 - 4th quartile companies by ROA generated a negative annualized return for the past 5 years.

Strong ROA - Strong Performance

ROA - Average Annualized 5-Year Return by Quartile

Source: Bloomberg, data as of 3/31/2019. ROA (Return on Assets) is a measure of a company's ability to generate income relative to its total assets. It is calculated as Operating Income divided by Total Assets. ROA is measured on an annual basis. The chart shows the average ROA of companies in the Russell 2000 index on average 5-year return on assets. 4th Quartile: Companies in the bottom 25% of companies in the Russell 2000 based on average 5-year return on assets. 1st Quartile: Companies in the top 25% of companies in the Russell 2000 based on average 5-year return on assets. The referenced index is shown for general market comparison and is not meant to represent the Fund. Investors should directly invest in an index. Past performance does not guarantee future results.

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OUSM Has Delivered Higher Quality, Less Risk and More Income

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	11.8%	6.2%	36.8%	36.5%	2.6%	0.9%
Information Technology	9.7%	0.1%	31.8%	43.2%	1.7%	0.3%
Financials	11.9%	2.8%	29.8%	28.1%	3.5%	2.9%
Consumer Discretionary	10.8%	6.7%	33.8%	43.1%	3.1%	0.9%
Materials	7.8%	7.0%	27.9%	38.2%	2.5%	1.6%
Utilities	3.4%	2.8%	28.1%	24.4%	2.8%	2.9%
Consumer Staples	10.3%	3.4%	28.8%	34.1%	2.7%	1.2%
Health Care	5.5%	-16.2%	35.5%	34.6%	3.5%	0.7%
Communication Services	5.4%	3.2%	30.3%	40.9%	3.5%	1.7%
Energy	5.9%	2.3%	40.1%	50.1%	4.3%	1.3%
Total OUSM	8.8%	1.3%	38.8%	38.8%	3.8%	4.4%
Average	6.7%	6.6%	38.2%	38.7%	2.6%	1.9%

Source: Bloomberg, data as of 3/31/2019. ROA (Return on Assets) is a measure of a company's ability to generate income relative to its total assets. It is calculated as Operating Income divided by Total Assets. ROA is measured on an annual basis. The chart shows the average ROA of companies in the Russell 2000 index on average 5-year return on assets. OUSM has higher return on assets in 10 out of 11 sectors. Volatility is a statistical measure of risk. Conceptually, the higher the volatility, the higher the risk. The annual return on an investment, expressed as a percentage of the price. Past performance does not guarantee future results. Investors should directly invest in an index. Past performance does not guarantee future results.

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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.

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