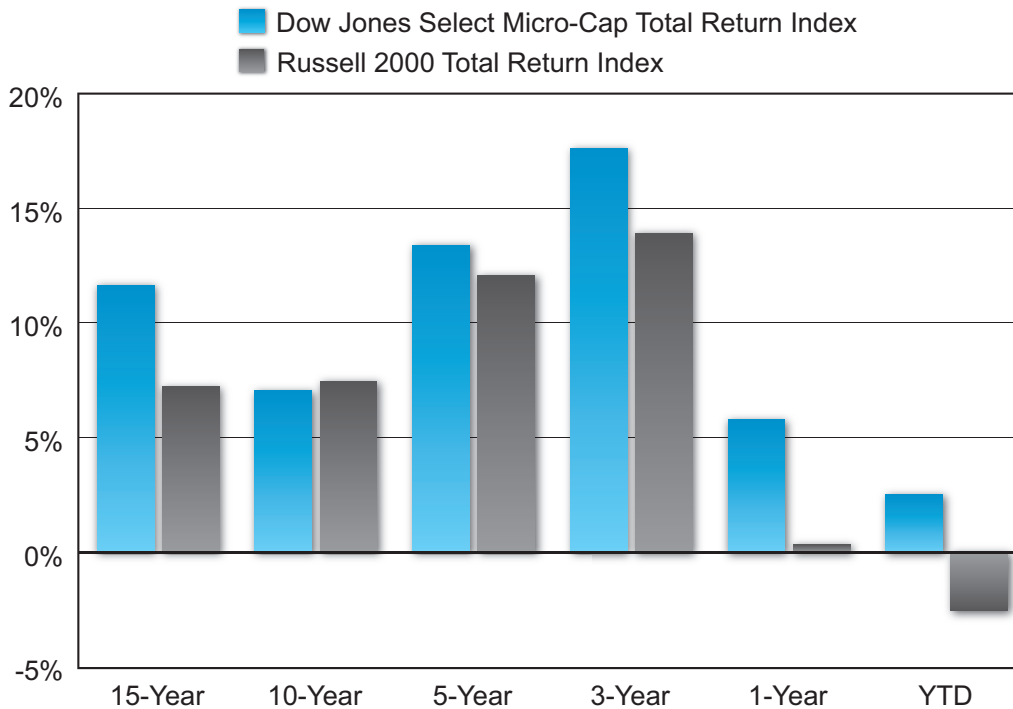


# Micro-Caps Have Been The Sweet Spot In The Small-Cap Space

## Micro-Cap Stocks vs. Small-Cap Stocks

(Y-T-D, 1-Year and Average Annualized Total Returns thru 10/30/15)



Source: Bloomberg.  
Past performance is no  
guarantee of future results.

## View from the Observation Deck

1. While there is no official set of parameters that define a micro-capitalization (micro-cap) stock, the U.S. Securities and Exchange Commission (SEC) defines them as companies with a market value of less than \$250 million.
2. The SEC refers to companies with market capitalizations below \$50 million as “nano-cap” stocks. Due to their low valuations levels, micro-cap companies tend to receive little attention from equity analysts, according to *U.S. News & World Report*.
3. This shifts more of the fact finding onus to the investor. For those investors not interested in performing such research, there are various products they can turn to.
4. As indicated in the chart, the Dow Jones Micro-Cap Index posted higher average annualized total returns than the Russell 2000 Index (small-caps) in all but one (10-Year) of the time periods featured.
5. For the 15-Year period ended 10/30/15, the Dow Jones Micro-Cap Index posted an average annualized total return of 11.64%, compared to 7.23% for the Russell 2000 Index.
6. What is interesting about this particular time period is that real U.S. GDP growth averaged only 1.8% from 9/30/00 through 9/30/15 (GDP posted on a quarterly basis), according to data from the Bureau of Economic Analysis.
7. Micro-cap companies tend not to be multinational in scope, so they are more heavily influenced by the state of the U.S. economy, which currently looks attractive compared to most foreign economies, in our opinion.

*The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment. The index performance data excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The Dow Jones Select Micro-Cap Index represents the “investable” portion of U.S. micro-cap companies traded on the major U.S. exchanges. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the total market capitalization of the Russell 3000.*