

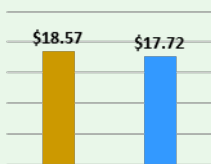
MARKET MICROSCOPE – Are International Small Cap Stocks More Risky Than US Small Caps?

Some investors shy away from non-US Small Cap stocks because of a perceived higher level of risk. But is that really true?

80% of the EAFE Small Cap Index is in 8 countries, whose combined GDP is similar to the US. The number and size of the companies in the index is similar to US small cap.

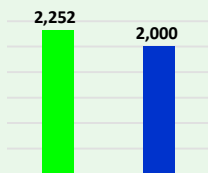
	Weight in EAFE Small Cap
Japan	29.6%
U.K.	18.4%
Germany	6.9%
Australia	6.0%
Sweden	5.3%
Switzerland	4.8%
France	4.6%
Italy	4.2%
TOTAL	79.8%

2016 GDP (\$Tril)



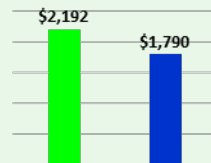
United States Top 8 EAFE SC Countries

of Stocks



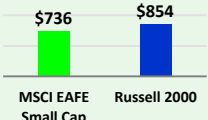
MSCI EAFE Small Cap Russell 2000

Avg Mkt Cap (\$M)



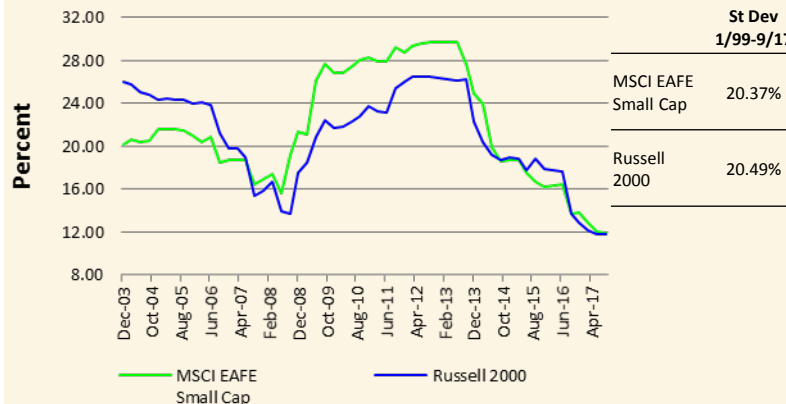
MSCI EAFE Small Cap Russell 2000

Median MktCap (\$M)



MSCI EAFE Small Cap Russell 2000

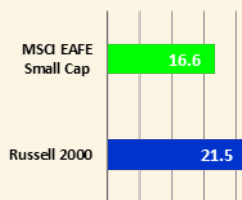
Rolling 5-Year Standard Deviation



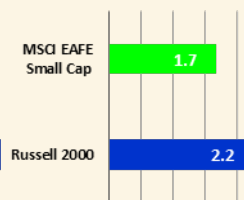
Over shorter periods one group is sometimes more volatile than the other, but since the inception of the EAFE Small Cap Index in 1999 the volatility of US and non-US small caps is **virtually identical**.

Currently, the EAFE Small Cap Index actually has **lower** valuation ratios than the Russell 2000, and the companies have **less** debt on average.

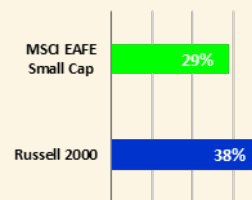
Price/Earnings Ratio



Price/Book Ratio



Debt/Capital Ratio



Annual Returns

	MSCI EAFE Small Cap	Russell 2000
1999	19.73	21.26
2000	-7.56	-3.02
2001	-12.51	2.49
2002	-7.82	-20.48
2003	61.35	47.25
2004	30.78	18.33
2005	26.20	4.55
2006	19.31	18.37
2007	1.45	-1.57
2008	-47.01	-33.79
2009	46.78	27.17
2010	22.04	26.85
2011	-15.94	-4.18
2012	20.00	16.35
2013	29.30	38.82
2014	-4.95	4.89
2015	9.59	-4.41
2016	2.18	21.31
2017 YTD	25.42	10.94

Total (Jan 1999 - Sept 2017)	8.67	8.40

Head-to-head, non-US Small Caps led in 10 years, while US Small Caps led 9 times. For the total period since the EAFE Small Cap's inception their returns are very similar.

The monthly correlation of the two indexes is just 0.72.