

# US Small Cap Equity Strategy

## Why Axiom US Small Cap?



**David Kim, CFA**  
Lead Portfolio manager  
22 years of experience  
14 years at Axiom



**Matthew Franco, CFA**  
Co-portfolio manager  
24 years of experience  
21 years at Axiom

### Consistent, empirical, forward-looking process

*Axiom invests in companies that are dynamically growing and changing for the better more rapidly than generally expected and where the positive changes are not yet reflected in expectations or valuation.*



### Key Advantages

#### Experienced team

Lead Portfolio Manager David Kim and Co-Portfolio Manager Matthew Franco created the Axiom US Small Cap Strategy in 2006 and have been working closely together for over 14 years with significant co-investment in the Strategy.

#### Straight forward, repeatable process

Axiom's dynamic growth investment process focuses on positive change, identifying operational inflections and unique company insights resulting in investable dynamic gaps between Axiom's fundamental research and market expectations.

#### Differentiated

A global view of U.S. small capitalization companies is critical today as these companies broadly derive more than 20% of their revenues from outside the United States. Axiom's successful 20+ year track record of global growth investing and 29 person fundamental research team uniquely supports the Strategy.

### Why Axiom US Small Cap now?

Active stock selection is critical: +40% of the Russell 2000 Growth constituents were not profitable over the trailing 12 months and small cap balance sheet leverage ratios are at historically elevated levels. Quality small cap companies trade at a valuation discount to lower quality peers, creating a unique opportunity for fundamental investment as small cap relative valuations versus large cap companies remain near 17 year lows.

Innovation: We are currently in a period of exciting innovation, benefiting small capitalization companies in areas undergoing positive change including, SaaS/cloud computing, cyber security, eCommerce, data analytics/AI, DNA sequencing, gene therapy, medical technology, and industrial automation.

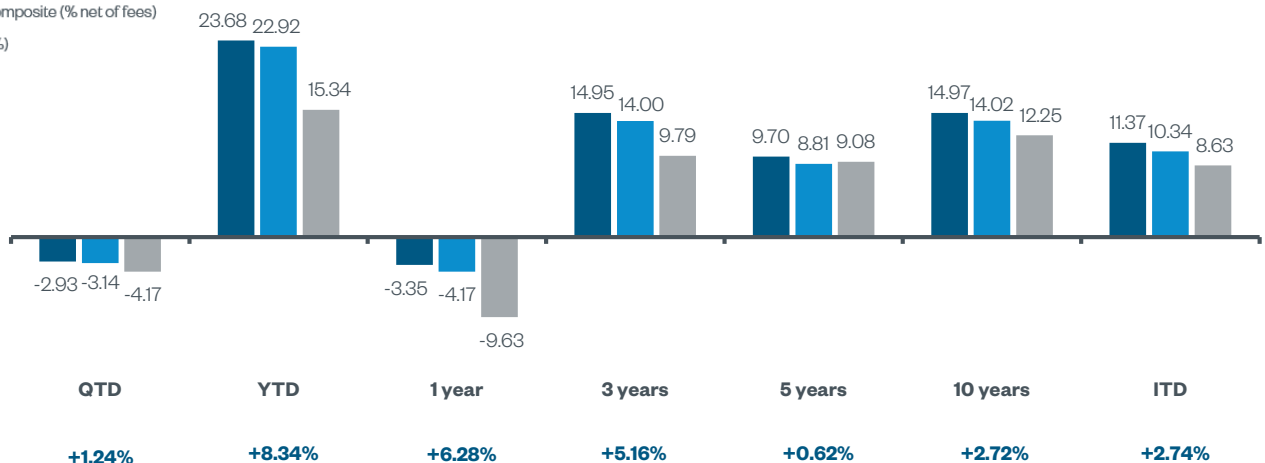
There continues to be a compelling investable universe of small capitalization companies exhibiting growth, innovation and business performance that are tracking ahead of market expectations where valuations and balance sheets are attractive. In a moderate economic growth environment, we continue to believe these higher growth companies remain a differentiated and compelling area of investment.

### Composite Results

Period: 9/1/06-9/30/19 (annualized)

Inception date: 9/1/06

- US Small Cap Equity Composite (% gross of fees)
- US Small Cap Equity Composite (% net of fees)
- Russell 2000 Growth (%)



Source: Factset and Axiom. This information is supplemental to the Investment Performance Disclosure Statement results. There can be no assurance that the Strategy will continue to hold these positions or that weightings do not change after the as of date stated. See additional definitions on page 2.

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### Footnotes and disclaimers

	Composite return (gross of fees)	Composite return (net of fees)	Russell 2000 Growth Index	No. of accounts	Composite Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
YTD 2019	23.68%	22.92%	15.34%	≤5	191.6	11,889.2	1.61	N/A	16.20	17.23
2018	-2.70%	-3.51%	-9.31%	≤5	208.0	9,729.2	2.14	N/A	15.73	16.46
2017	21.02%	20.04%	22.17%	≤5	363.1	12,116.0	3.00	N/A	12.66	14.59
2016	5.52%	4.68%	11.32%	≤5	282.4	9,671.6	2.92	N/A	14.23	16.67
2015	-2.73%	-3.50%	-1.38%	≤5	44.2	8,704.3	0.51	N/A	14.37	14.95
2014	1.11%	0.31%	5.60%	≤5	101.7	9,482.3	1.07	N/A	13.14	13.82
2013	54.36%	53.17%	43.30%	≤5	103.7	9,949.8	1.04	N/A	14.65	17.27
2012	10.26%	9.47%	14.59%	≤5	78.0	8,611.6	0.91	N/A	17.68	20.72
2011	5.82%	4.91%	-2.91%	≤5	1.9	10,161.2	0.02	N/A	20.31	24.31
2010	30.78%	29.50%	29.09%	≤5	1.8	13,827.6	0.01	N/A		
2009	36.90%	35.24%	34.47%	≤5	1.4	12,124.4	0.01	N/A		

**Fee schedule: First \$10 million: 0.80%; next \$15 million: 0.75%; Balance: 0.70%**

**Firm Compliance Statement:** Axiom International Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to March 31, 2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Axiom US Small Cap Equity - IPO Eligible composite has been examined for the periods September 1, 2006 to March 31, 2019. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom International Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940. Policies: Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The US Small Cap Equity - IPO Eligible strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of small cap equities. Portfolios are invested in smaller capitalization equity and equity-related securities in companies located within the United States. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all Institutional small cap style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s) that are eligible to invest in Initial Public Offerings. The Composite was initiated and created in September 2006. A complete list of composite descriptions is available upon request.

**Benchmark Description:** The benchmark is the Russell 2000 Growth index, which is designed to measure the performance of the small cap growth segment of the U.S. equity universe. The benchmark is calculated on a total return basis and is free float-adjusted market cap weighted and unmanaged.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

**Information Ratio:** A measure of consistency in excess return. The annualized excess return over a benchmark divided by the annualized standard deviation (population) of excess return.

**Excess Return:** The excess of the composite return relative to the benchmark return.

**Battling Average:** The number of periods that the portfolio outperforms (or matches) the benchmark divided by the total number of periods.

**Capture:** Upside/Downside capture explains how well a portfolio performs in time periods where the benchmark's returns are greater/less than zero.

**Allocation Effect:** Allocation effect is the portion of portfolio excess return attributed to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the weight of the portfolio's group minus the weight of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark in aggregate.

**Selection Effect:** Selection effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's selection effect equals the weight of the benchmark's group multiplied by the total return of the portfolio's group minus the total return of the benchmark's group.

**Total Effect:** The total effect represents the opportunity cost of your investment decisions in a group relative to the overall benchmark.

The information herein is only current as of the date indicated, and may be superseded by subsequent market events or for other reasons.

This may contain forward-looking statements within the meaning of the federal securities laws. Actual results could and likely will differ, sometimes materially, from those projected or anticipated.

Axiom is not undertaking any obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise. You should not take any statements regarding past trends as a representation that trends or activities will continue in the future. Accordingly, you should not put undue reliance on these statements.

Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision.

The information contained herein represents neither an offer to sell nor a solicitation of an offer to buy any securities or investment service. This strategy will only be offered through appropriate documents, copies of which may be obtained upon request from ClientRelations@axiom-investors.com. Offers will not be made in any jurisdiction in which the making of an offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. Investors should read applicable materials carefully before making a decision to invest

Indices such as the Russell 2000 Growth Index are unmanaged and are not subject to fees and expenses typically associated with investment funds or separate accounts. Investments cannot be made directly in an index such as the Russell 2000 Growth Index. The benchmark discussed herein is shown for informational purposes only. The performance of the benchmark shown represents an unmanaged passive strategy and has characteristics that may differ materially from the characteristics of any particular Axiom client account. An investment in an Axiom separate account or investment vehicle is not directly comparable to an investment in the benchmark or in the components that comprise the benchmark.

**Risks of investing in the strategy:**

**Potential loss of investment:** No guarantee or representation is made that the investment program used by Axiom will be successful. The strategy represents a speculative investment and involves a high degree of risk. An investment in the strategy should be discretionary capital set aside strictly for speculative purposes. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in the strategy. An investment in the strategy is not suitable for all investors. An investor could lose or a substantial portion of his/her/its investment. Only qualified eligible investors may invest in the strategy. Because of the nature of the trading activities, the results of the strategy's operations may be volatile from month to month and from period to period. Accordingly, investors should understand that past performance is not indicative of future results.

**Fees and expenses:** The strategy may be subject to substantial charges for management, advisory and brokerage fees. It may be necessary for those accounts that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.

**Reliance on key persons:** The strategy's manager or advisor has total trading authority over the strategy and may be subject to various conflicts of interest. The death, disability or departure of the manager or advisor may have a material effect on the strategy.

**Counterparty and bankruptcy risk:** Although Axiom will attempt to limit its transactions to counterparties which are established, well-capitalized and creditworthy, the strategy will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject the strategy to substantial losses.

**Volatile markets:** Market prices are difficult to predict and are influenced by many factors, including: changes in interest rates, weather conditions, government intervention and changes in national and international political and economic events.

The above summary is not a complete list of the risks, tax considerations and other important disclosures relating to Axiom products or services. Prospective clients should read all disclosure documents provided by Axiom relating to its products or services before engaging Axiom's advisory services.