

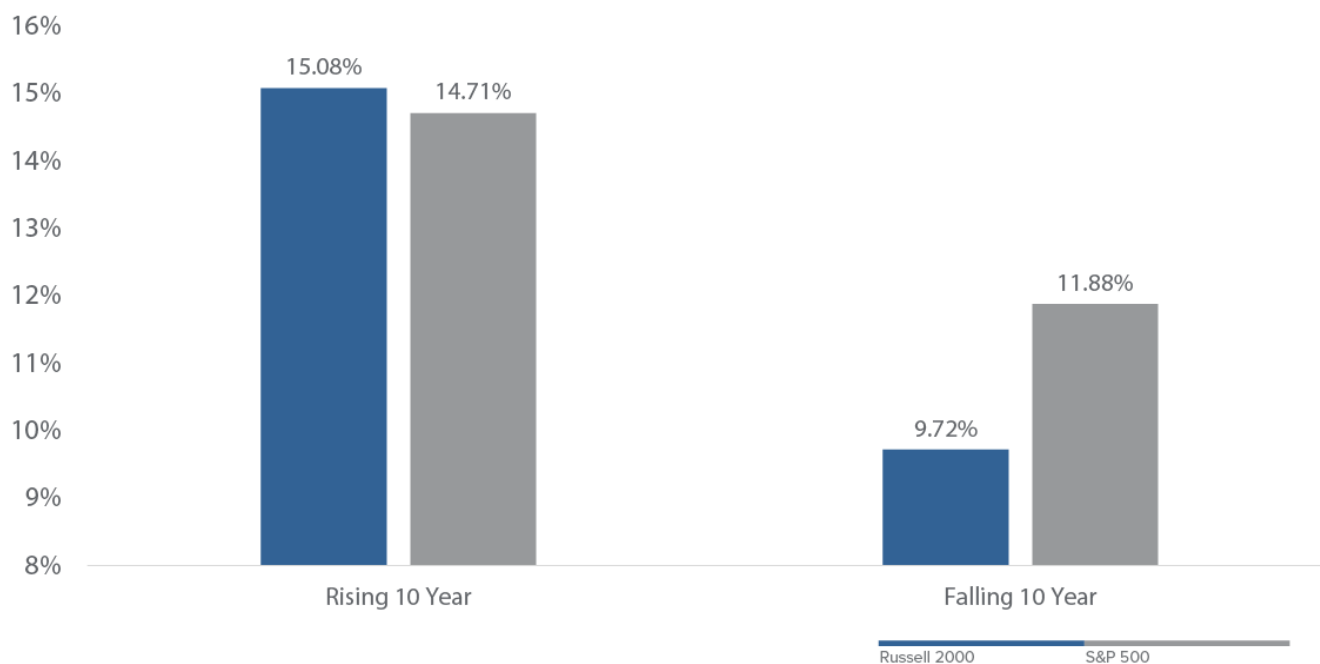
Rising Rates Benefit Small Caps

 westwoodgroup.com/insight/rising-rates-benefit-small-caps/



Small caps have historically performed well in rising rate environments, even outpacing large caps.

Average 12-Month Performance When 10-Year Treasury Rates Are Rising and Falling (Since 1980)



As of December 31, 2018. Source: Strategas.

Why it Matters

If interest rates rise resulting in price to earnings multiples and profit margins peaking, avoiding marginal companies with a greater emphasis on high-quality companies trading at attractive prices will be increasingly important. We are already seeing this play out in the Russell 2000 Index where one-third of the stocks in the Russell 2000 have not been profitable in 12 months, a level normally only seen in recessions.

Source: Strategas Research Partners, 2017. Past performance is not indicative of future results.

Take Action: Learn More About Our Approach to Small Cap Investing

3.1%

Annualized Alpha Since Inception

Using net of fees returns vs. Russell 2000 Value

86%

Down Market Capture Since Inception

Using net of fees returns vs. Russell 2000 Value

95%

Active Share

High-conviction portfolio focused on 50 to 70 holdings

Top Decile

Percentile Ranking

Total net return performance in U.S. Small Cap Value Equity Universe since inception

All data as of 12/31/2018 with inception date of 1/1/2004. Frequency: Quarterly. Active Share, alpha and down market capture calculated using FactSet. Downside Market Capture is a measure of the manager's performance in down markets relative to the market itself and is calculated by dividing the return of the manager during the down market periods by the return of the market during the same periods. The above Downside Market Capture value was calculated using quarterly, net of fees returns. Performance provided is net of management fees and reflects the reinvestment of dividend and interest income. All calculations shown use the Russell 2000 Value Index as the benchmark. Percentile Ranking data was collected from eVestment using the eVestment U.S. Small Cap Value Equity Universe as of 4/19/2018. Data Source: © 2018 FactSet Research Systems Inc. All Rights Reserved. Past performance is not indicative of future results. As with any investment strategy, this strategy involves risk of loss. Please see appendix for full performance disclosures. The disclosures provided are considered an integral part of this presentation.

Westwood SmallCap: Key takeaways

A high-quality approach to small cap investing could be a way for investors to strategically allocate to the asset class in an attempt to improve consistency over the long term.



High-Quality Focus

We believe high-quality businesses that are operating well with undervalued earnings potential offer competitive risk-adjusted returns.



High-Conviction Investing

Focused best ideas portfolio with historically high active share. Number of securities typically ranges from 50 to 70.



Team-Based Approach

Our strategy utilizes a team-based fundamental bottom-up approach to identify high-quality companies.

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