ARISTOTLE
CAPITAL BOSTON

Small Cap Observations

June 30, 2026

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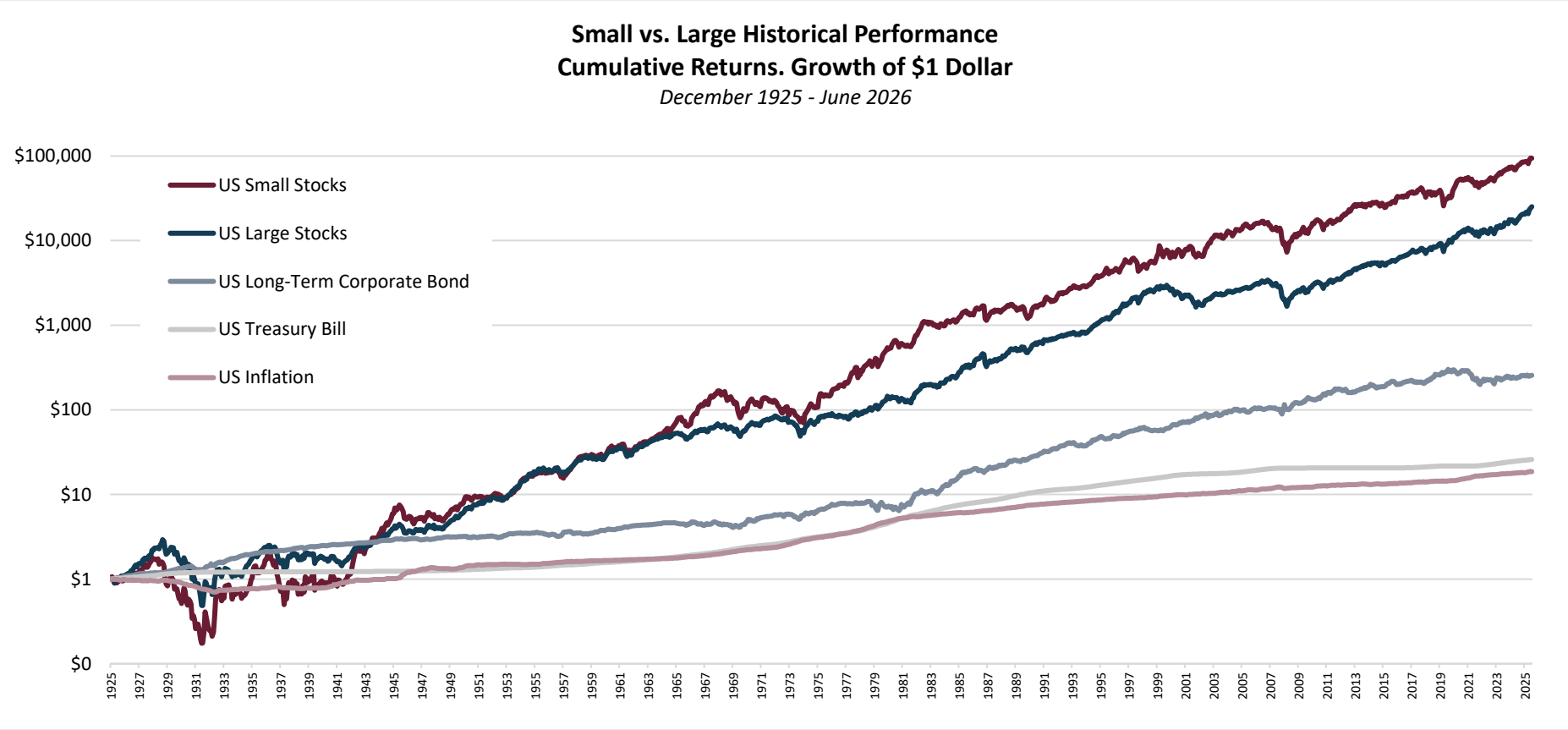
The Long-Term Case for Investing in Small Caps

As of June 30, 2026

Historically, Small Capitalization stocks have outperformed Large Capitalization stocks.

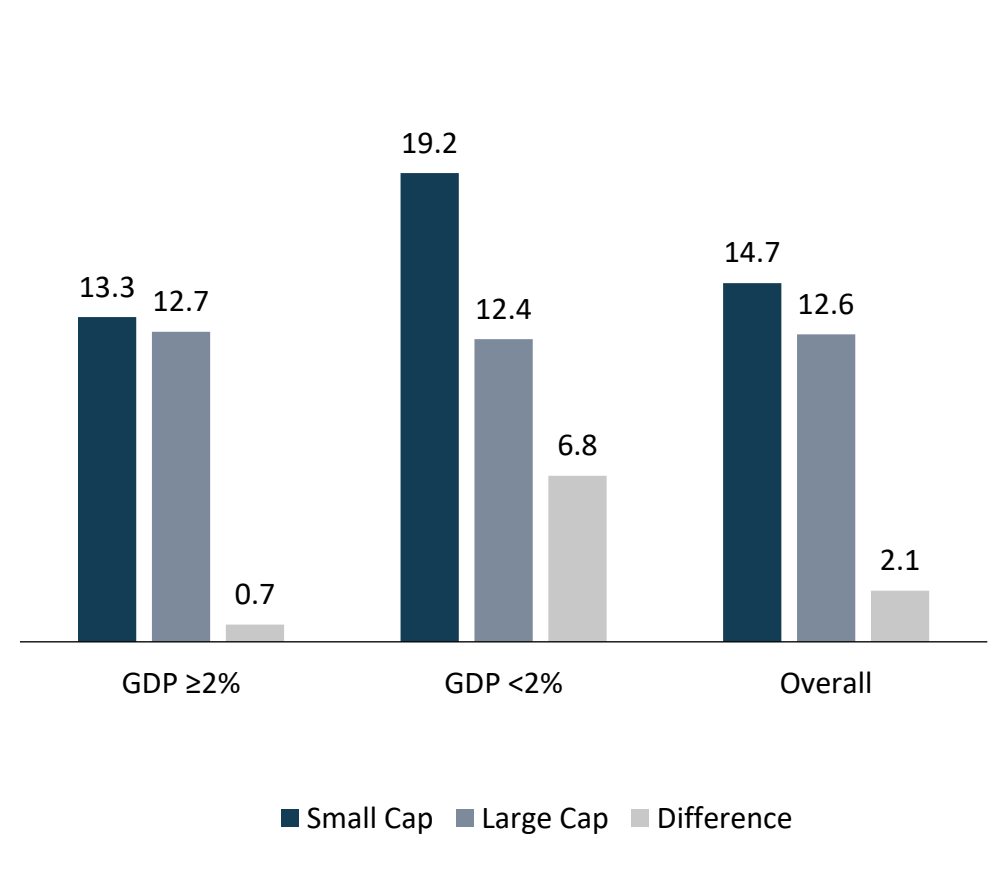


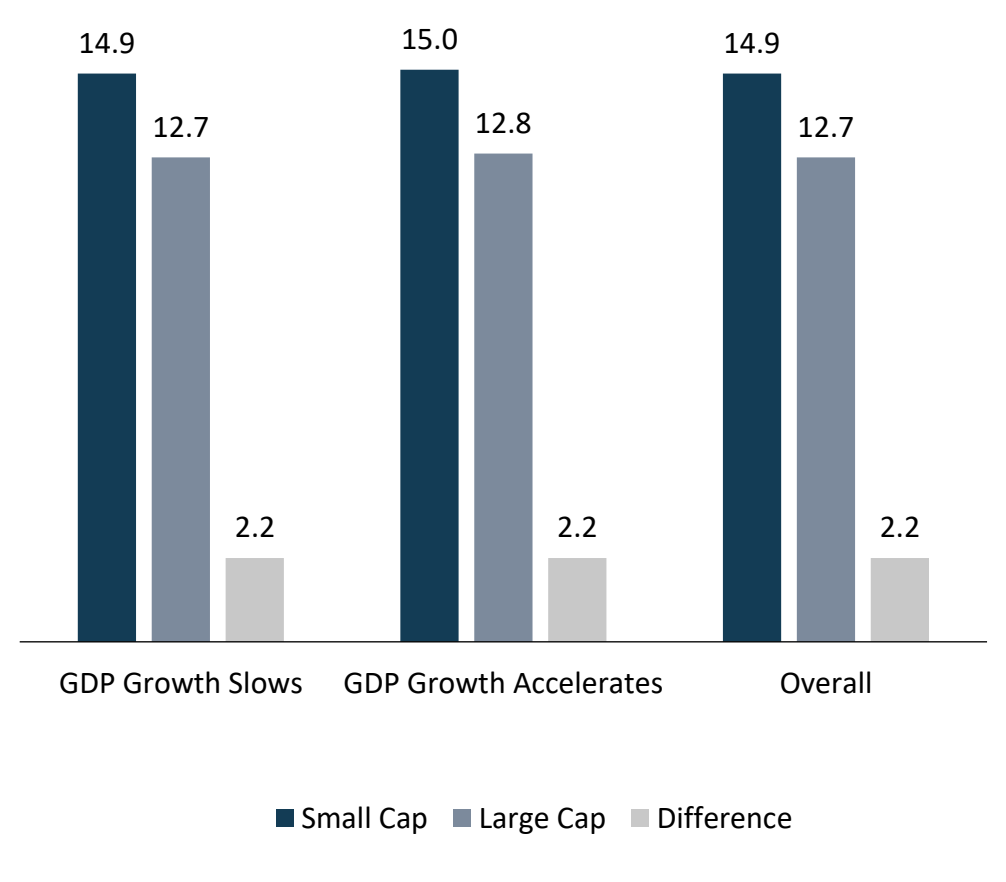
Source: Ibbotson.
Small Stocks—represented by the Ibbotson® Small Company Stock Index; Large Stocks—Ibbotson® Large Company Stock Index; Long-Term Corporate Bonds—20-year U.S. Corporate Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index.

Behavior of Small Caps in Various Macroeconomic Environments

Small Caps in Various GDP Environments

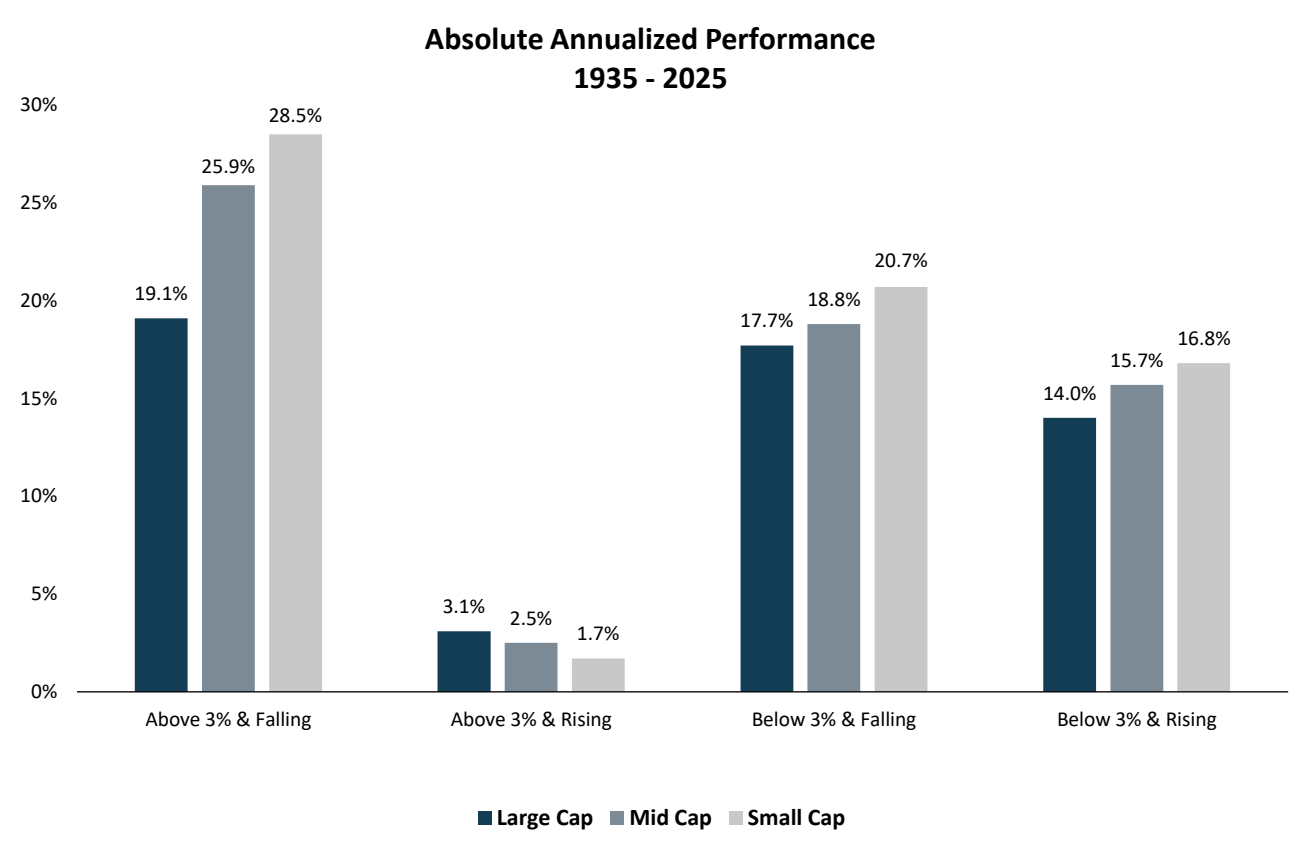
1925 - 2025

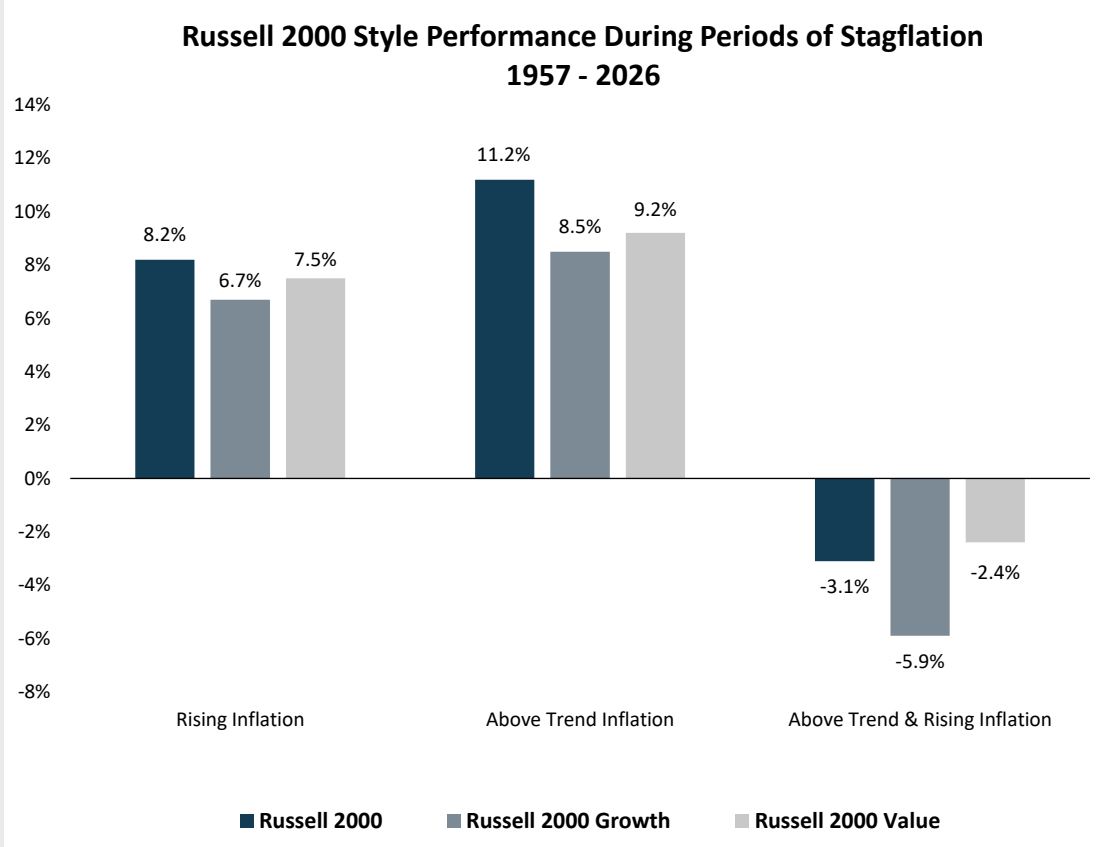




Sources: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies. 1925-Q4 2025. CRSP US Small Cap Index, CRSP US Large Cap Index.

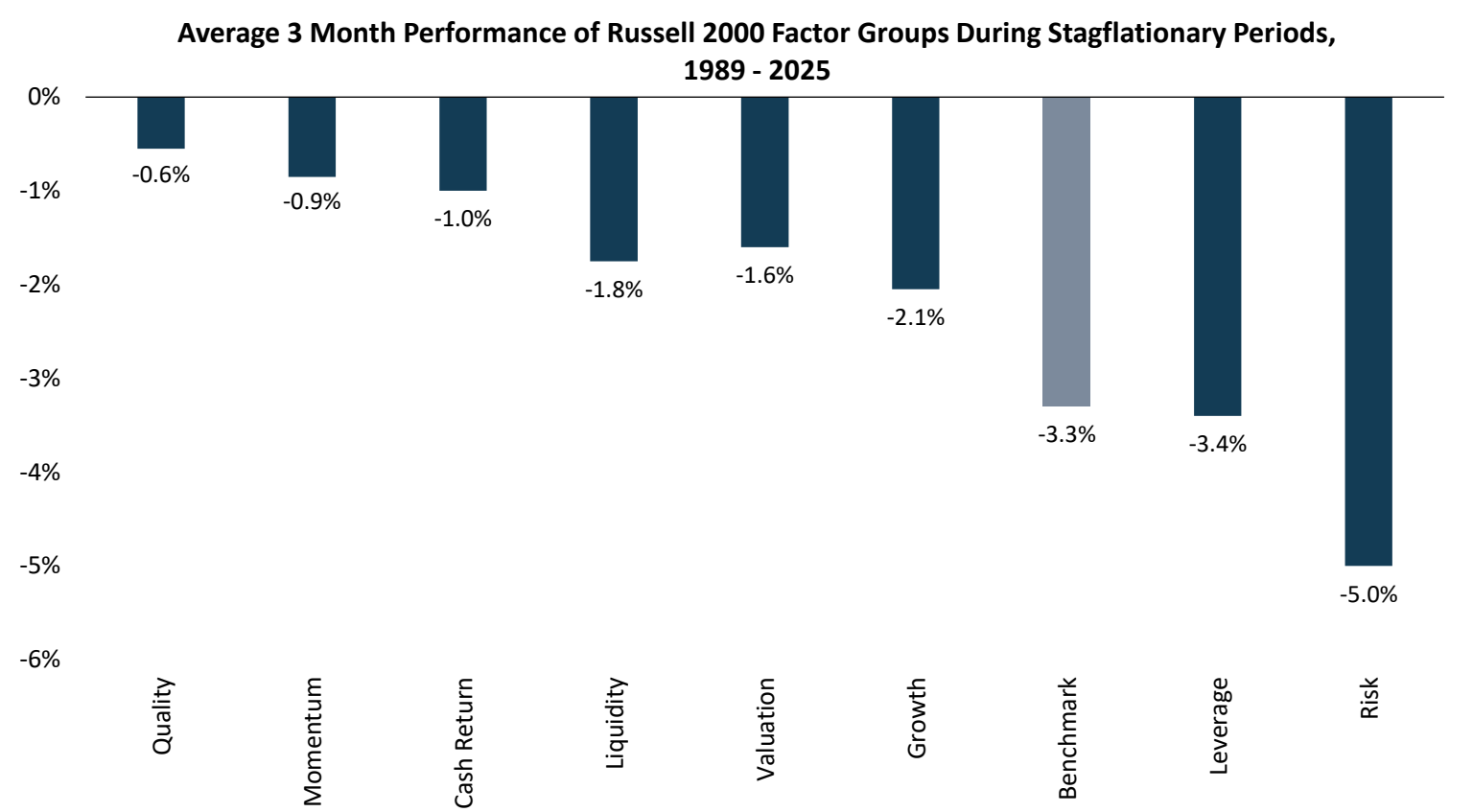
Historical Analysis of Small Caps in Differing Inflationary Environments





Sources: [Left] Center for Research in Security Prices (CRSP), The University of Chicago Booth School of Business, Jefferies. CRSP US Small Cap Index, CRSP US Mid Cap Index, CRSP US Large Cap Index. Data 1/1/1935-12/31/2025. [Right] Bank of America, FactSet. Data 6/30/1957-6/30/2026. Style benchmark returns based on Russell index returns 1979-2026 and Fama-French data 1957-1978.

When Stagflation Risks Increase, Quality Factors Have Shown the Greatest Resilience



Sources: BofA Global Research; FactSet. Stagflationary periods are defined as incidences of above-trend CPI inflation coupled with below-trend real GDP growth. Data 1/1/1989-12/31/2025.

Small Cap Factor Performance During Stages of the Economic Cycle

Small Cap Factor Performance Across Cycles

As of June 30, 2026

High-Quality stocks have led both the Russell 2000 Index and Low-Quality peers in 100% of late cycle regimes and Value has been the outperforming style during 90% of early cycle regimes since 1990.

Small cap factor group performance during phases of the economic cycle (Jan. 1990-Present)

Hit rate = % of periods in which style outperformed the equal-weighted Russell 2000 Index.

Quintile 1 vs. Index

		Valuation	Quality	Liquidity	Growth	Risk	Momentum	Leverage	Cash Deployment	Size
Early Cycle	Median	12%	2%	-2%	2%	-1%	-2%	-1%	4%	-1%
	Hit Rate	90%	60%	40%	60%	50%	40%	50%	80%	30%
Mid Cycle	Median	7%	2%	2%	4%	7%	3%	1%	-5%	-4%
	Hit Rate	67%	78%	67%	78%	78%	78%	89%	22%	44%
Late Cycle	Median	0%	7%	0%	0%	-10%	0%	1%	6%	3%
	Hit Rate	44%	100%	56%	56%	11%	78%	67%	78%	89%
Downturn	Median	1%	2%	2%	0%	-5%	3%	0%	1%	4%
	Hit Rate	50%	60%	60%	50%	40%	70%	50%	60%	70%

Sources: FactSet, BofA Global Research. Based on the Russell 2000 Index. Data as of 6/30/26. Please see important disclosures at the end of this document.

Recent History and Internal Analysis

2Q26 was the Russell 2000's 8th Best Quarter since 1978

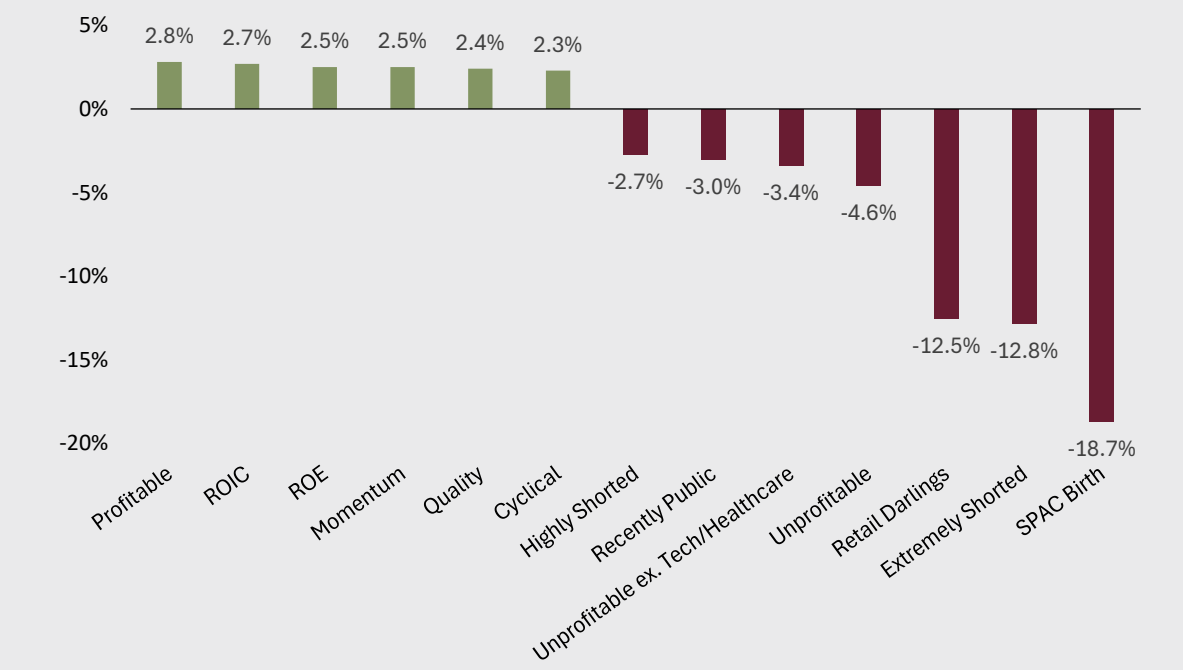
2Q26 was the Russell 2000's best quarter since 4Q20, 8th best overall, and 23rd best on a relative basis.
Forward quarters following 20%+ quarters tend to be above average and up 78% of the time (versus 67% overall).
Small caps also tend to outperform both in the forward quarter and particularly in the forward year.

	Quarter	Russell 2000	S&P 500	Relative	Russell 2000 Next Quarter	Relative	Russell 2000 Forward Year	Relative
1	Dec-20	31.4%	12.1%	19.2%	12.7%	6.5%	14.8%	-13.9%
2	Mar-91	29.7%	14.5%	15.2%	-1.6%	-1.4%	21.0%	10.0%
3	Dec-82	26.5%	16.8%	9.7%	17.4%	8.7%	29.1%	11.2%
4	Jun-20	25.4%	20.5%	4.9%	4.9%	-4.0%	62.0%	21.2%
5	Mar-87	24.2%	20.5%	3.8%	-0.7%	-4.9%	-12.6%	-1.3%
6	Jun-03	23.4%	15.4%	8.0%	9.1%	6.4%	33.4%	14.3%
7	Sep-80	22.6%	9.8%	12.8%	7.8%	-0.4%	-0.1%	7.3%
8	Jun-26	21.5%	15.2%	6.3%	-	-	-	-
9	Dec-01	21.1%	10.7%	10.4%	4.0%	3.7%	-20.5%	1.6%
10	Jun-09	20.7%	15.9%	4.8%	19.3%	3.7%	21.5%	7.1%
	Average	24.7%	15.1%	9.5%	8.1%	2.0%	16.5%	6.4%
	% Pos	100%	100%	100%	78%	56%	67%	78%

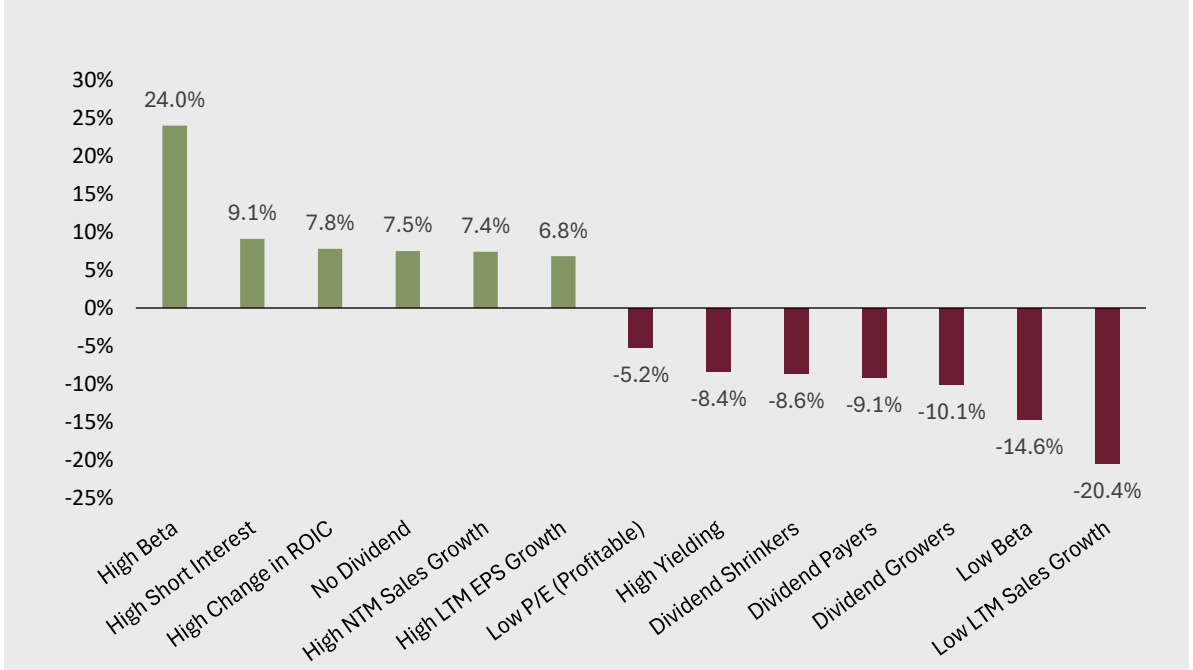
Source: Furey Research Partners, FactSet; as of 6/30/2026.

Change in Leading Factors During 1H26

Quality factors led in 1Q26



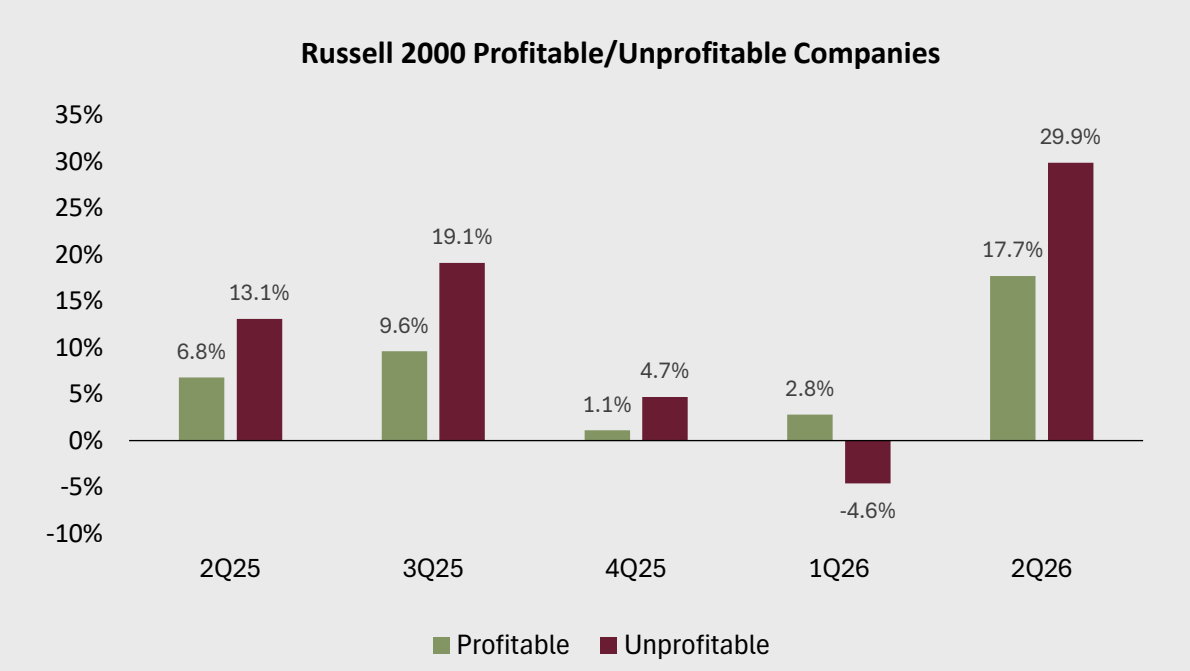
Low quality factors led in 2Q26



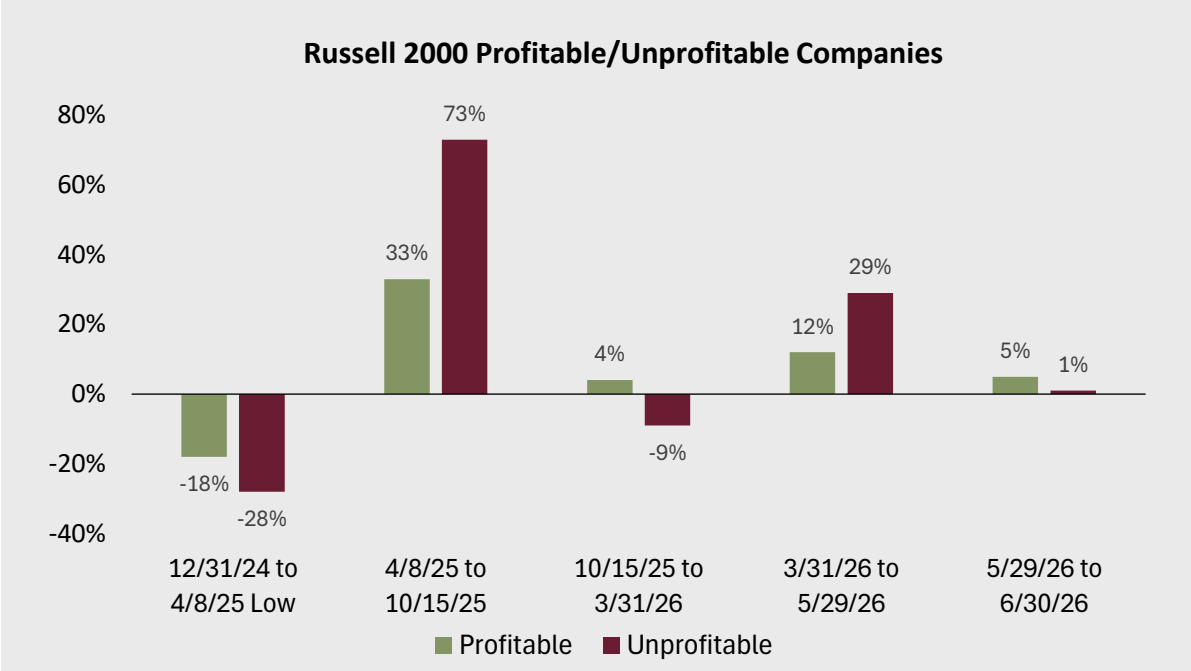
Source: Furey Research Partners, FactSet; Russell 2000 Index as of 3/31/26 and 6/30/2026.

Profitable vs. Unprofitable Companies

Quarterly Returns



Periods of Switching Returns



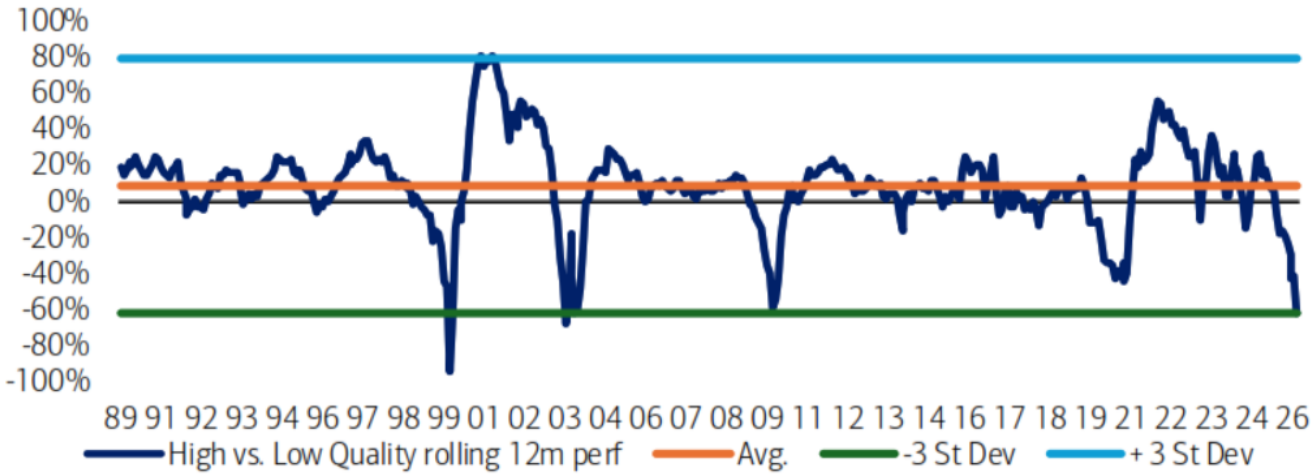
Source: (L) FactSet 6/30/2025 to 6/30/2026, (R) FactSet 12/31/2024 to 6/30/2026.

Outperformance of Low Quality at Historic Highs

Small Caps is at a 3 Standard Deviation Event

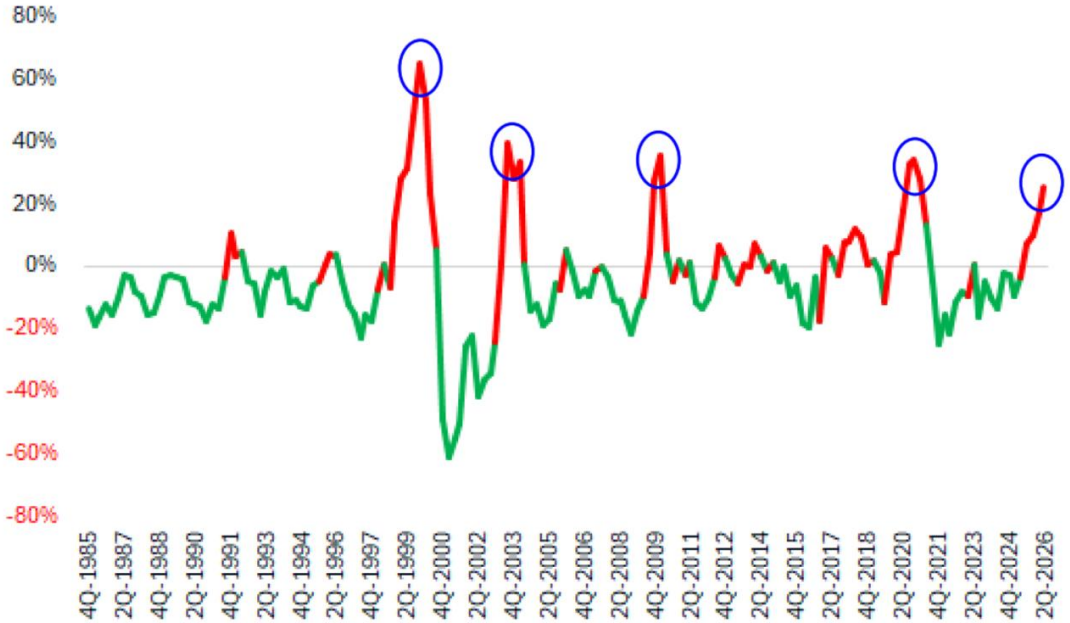
Historically, over the next 3/6/12 months, leadership changes and High Quality leads

Rolling 12-month relative performance of High vs Low Quality (Russell 2000 top/bottom quintile by ROIC)



Outperformance by Loss-Makers is Rivaling Four Historic Highs

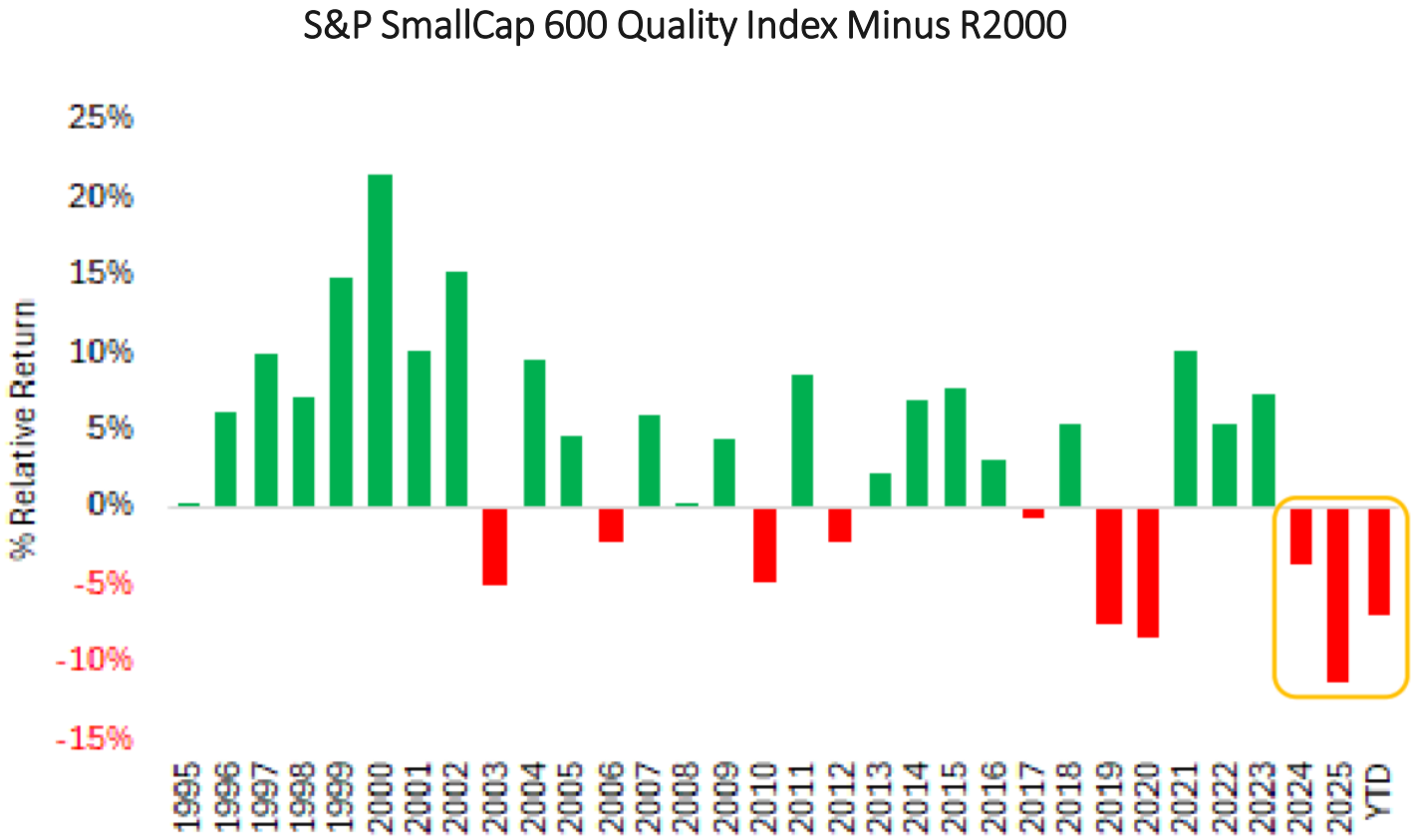
R2000 Loss-Makers minus Profitable Trailing Year Relative Performance



Source: (L) Bank of America, FactSet; 12/31/1989 to 6/30/2026 and (R) Furey Research Partners, FactSet; as of 6/30/2026. Based on LTM Net Income lagged by 165 days.

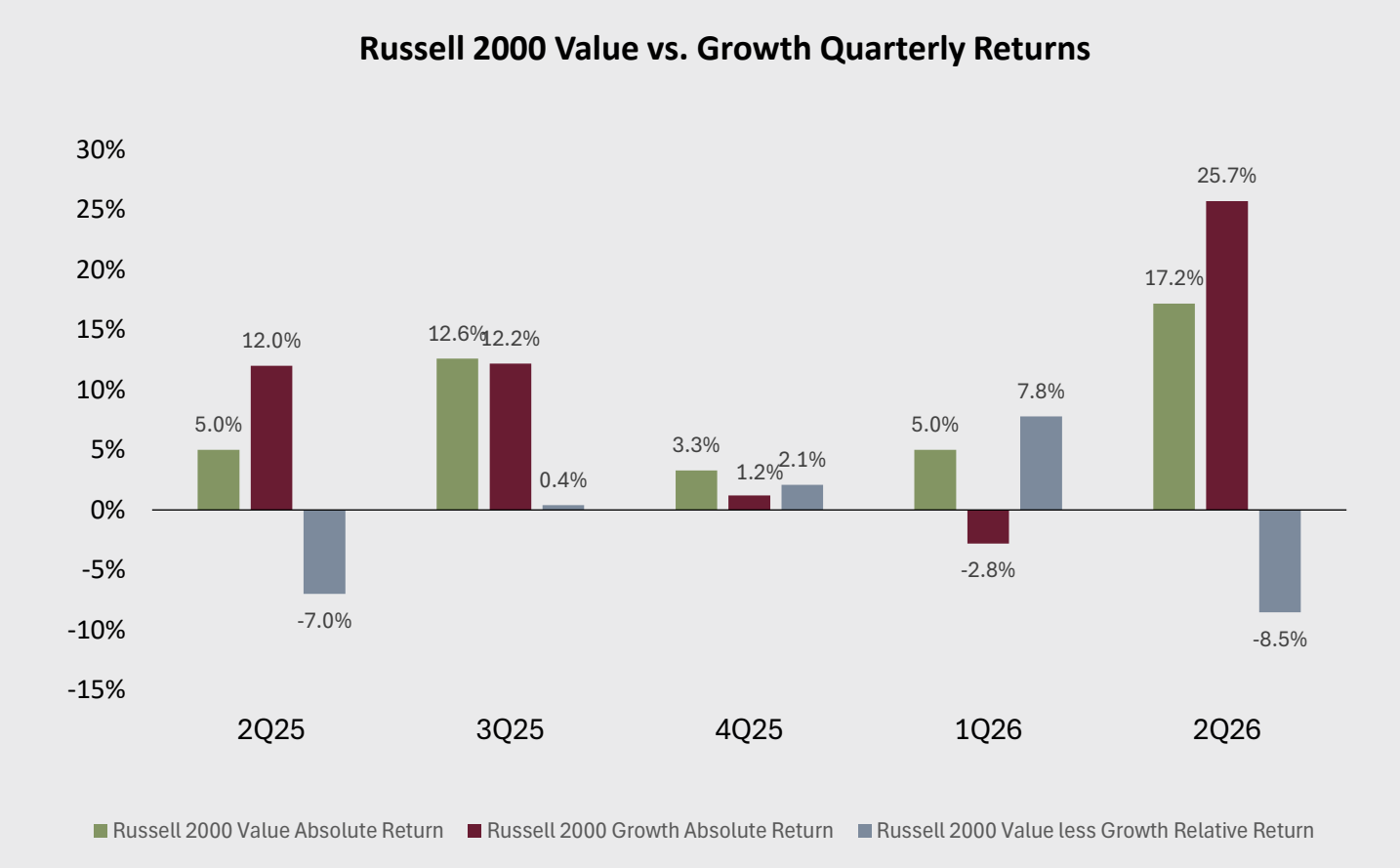
S&P 600 is on Track to Underperform for a 3rd Straight Year

The S&P Small Cap Quality Index is lagging the Russell 2000 by 700bps YTD after suffering its worst annual relative performance in 2025.
Quality is on track to underperform for a third consecutive year, something that has never happened in its over 30-year history.



Source: Furey Research Partners, FactSet; Russell 2000 Index as of 6/30/2026.

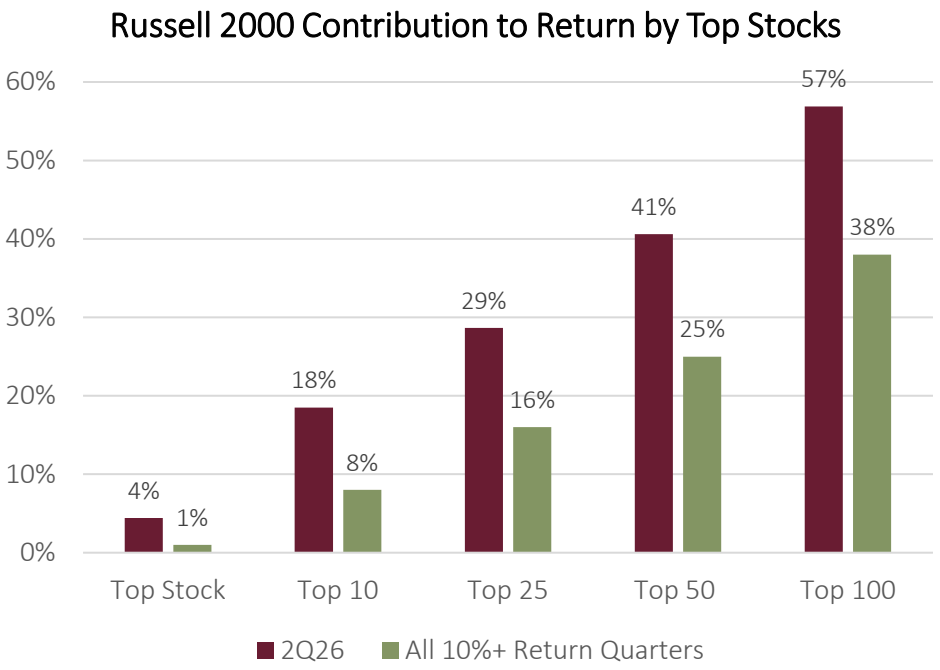
Value has Outperformed in 3 of the Last 5 Quarters



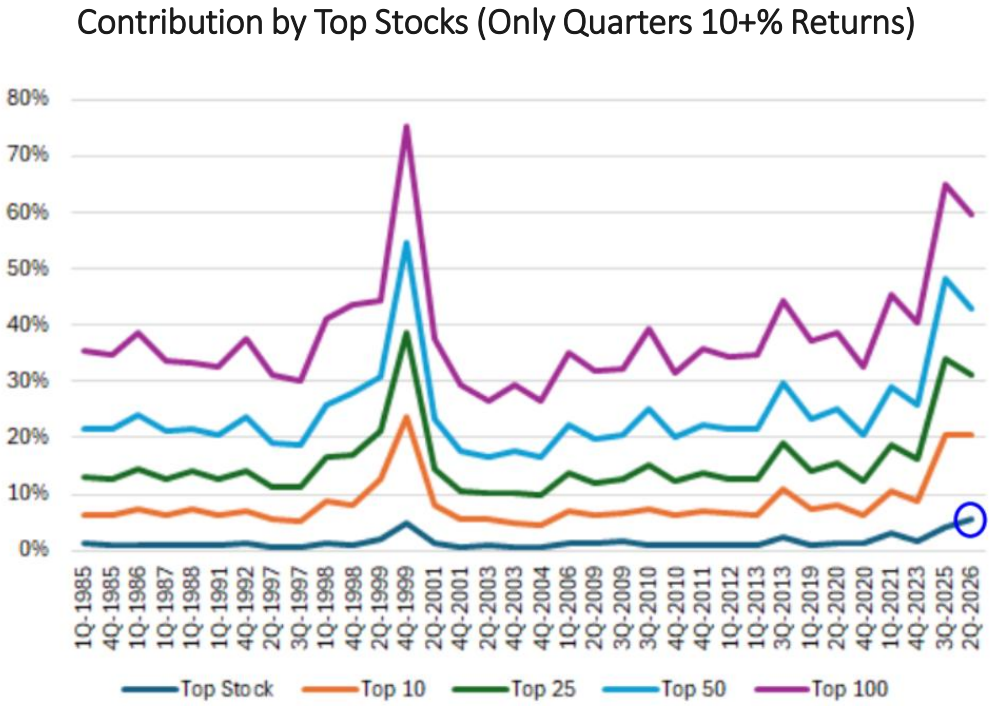
Source: FactSet 6/30/2025 to 6/30/2026.

Russell 2000 Return Concentration 2Q26

2Q26 returns were highly concentrated in the Russell 2000's top stocks with the Top 25, Top 10, and top stock accounting twice or more the average for quarters in which the index returned 10% or more.



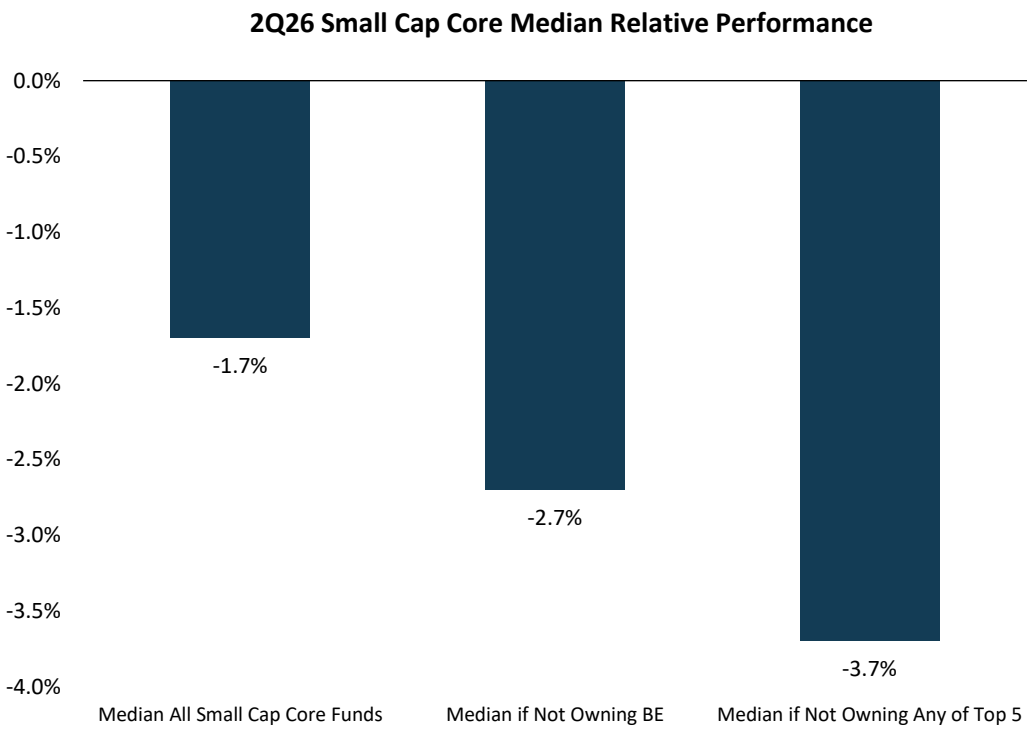
2Q26 was the 3rd most concentrated among the Russell 2000's best quarters, trailing only 4Q99and 3Q25. The top stock (Bloom Energy) was the highest single contribution across all quarters in which the index returned 10% or more.



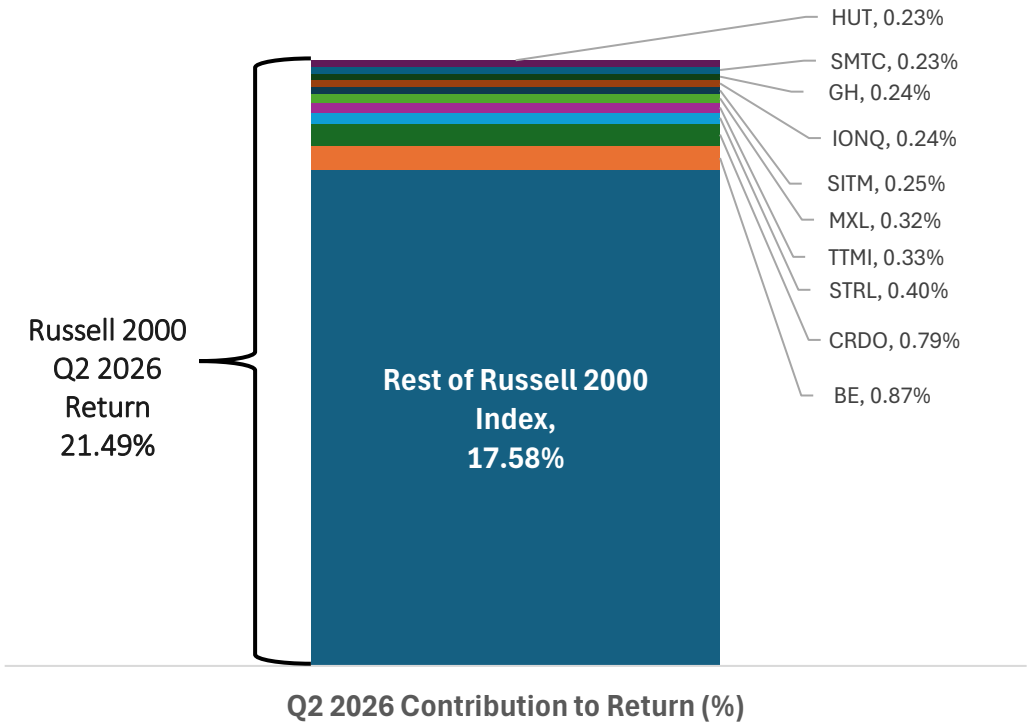
Source: Furey Research Partners, FactSet as of 6/30/2026.

Russell 2000 Return Concentration 2Q26

Not holding Bloom Energy cost the median manager 100bps; not owning any of the Russell 2000's top 5 stocks cost the media manager 200bps



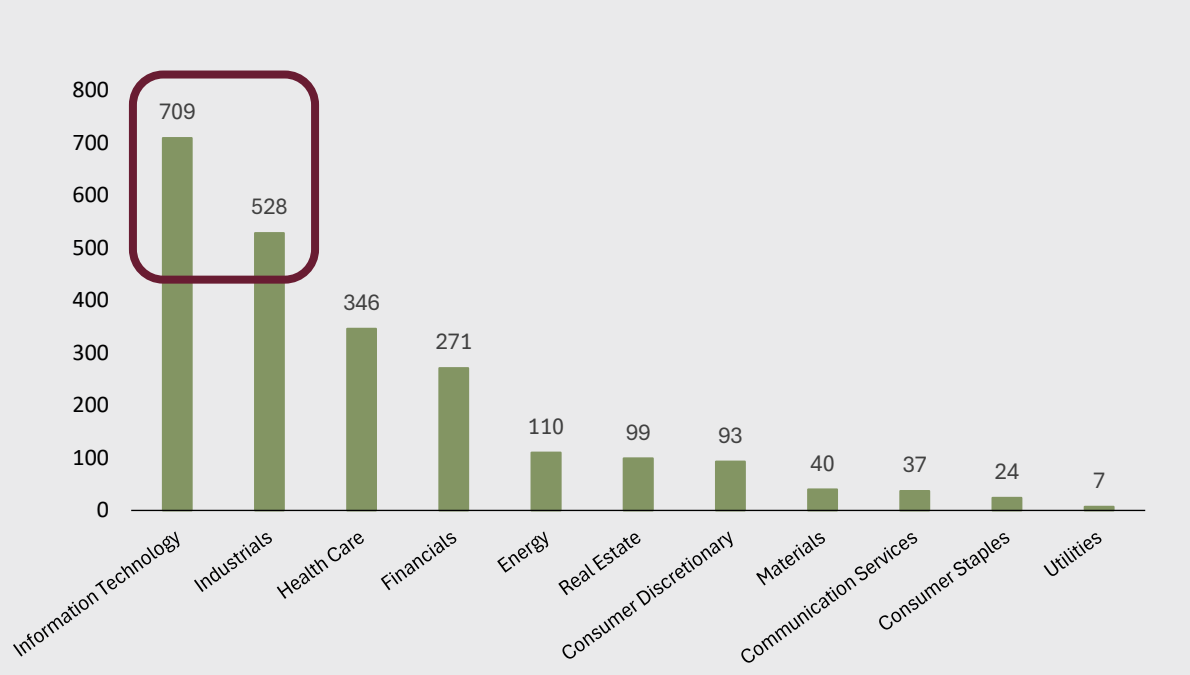
18% of the Russell 2000's 2Q26 return came from its top 10 stocks



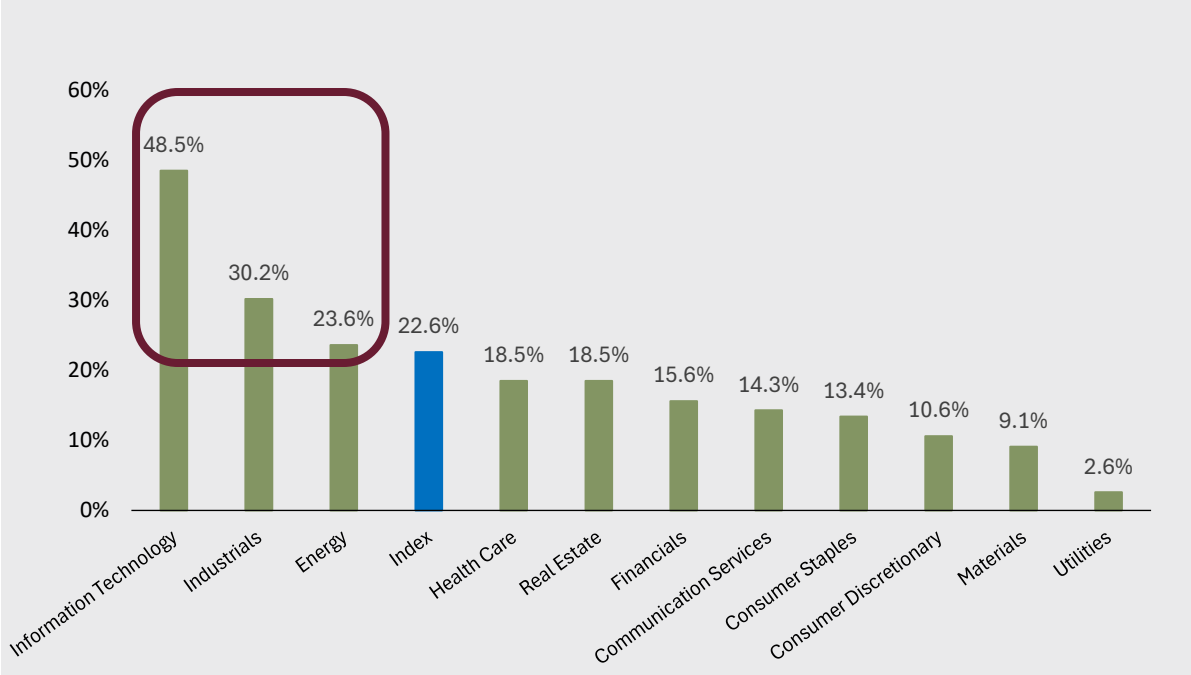
Source: Furey Research Partners, FactSet; data as of 6/30/2026.

Russell 2000 Return Concentration YTD

Information Technology & Industrials Dominate YTD
Russell 2000 Contribution to Return (bps)



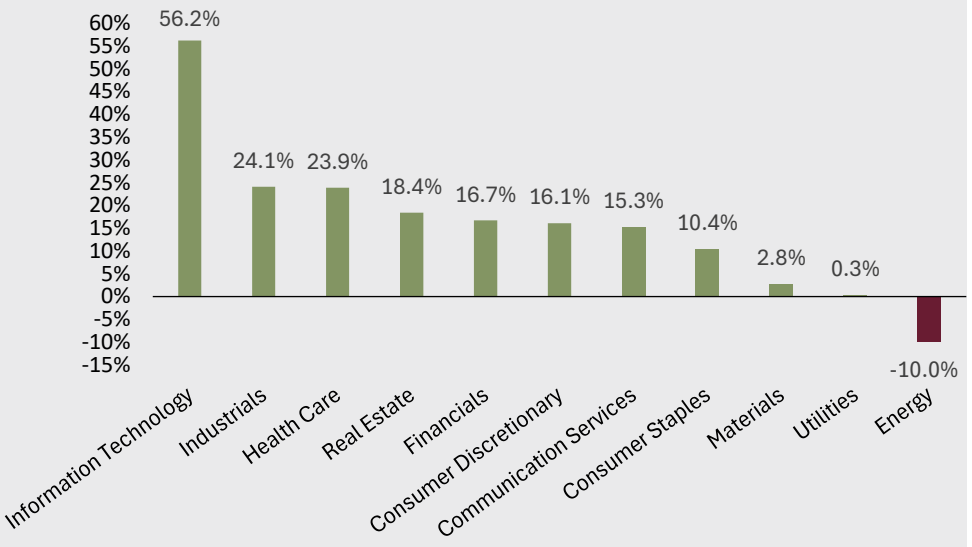
Narrow YTD Sector Leadership Dominated by Information Technology
Russell 2000 Total Return (%)



Source: Furey Research Partners, FactSet; Russell 2000 Index as of 6/30/2026.

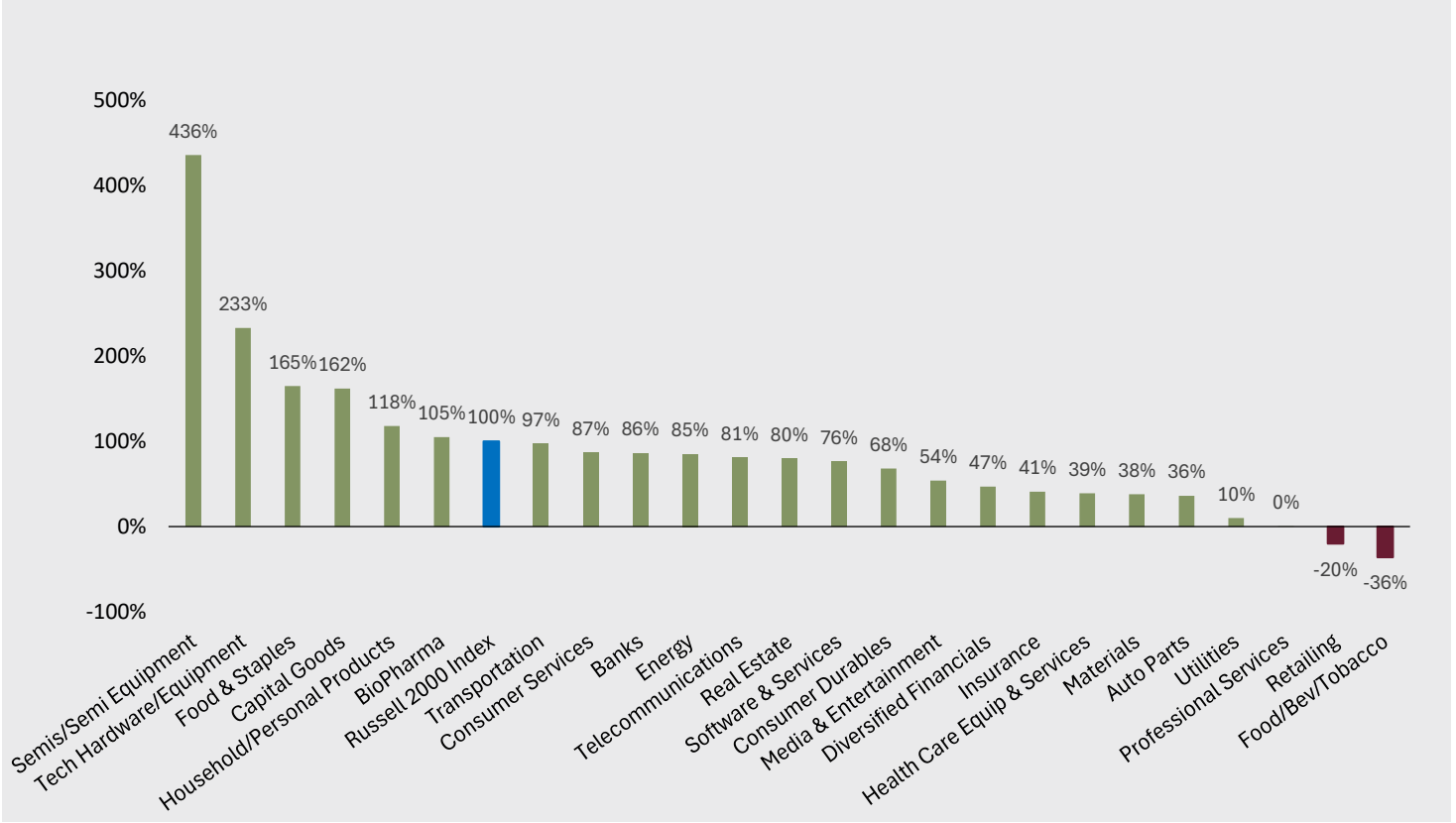
Russell 2000 Sector & Industry Performance

Cyclical over Defensive Sectors in 2Q26



YTD Sector & Industry % Contribution to Return relative to % Index Weight

Semis contributed more than four times its weight to the Russell 2000's YTD return.



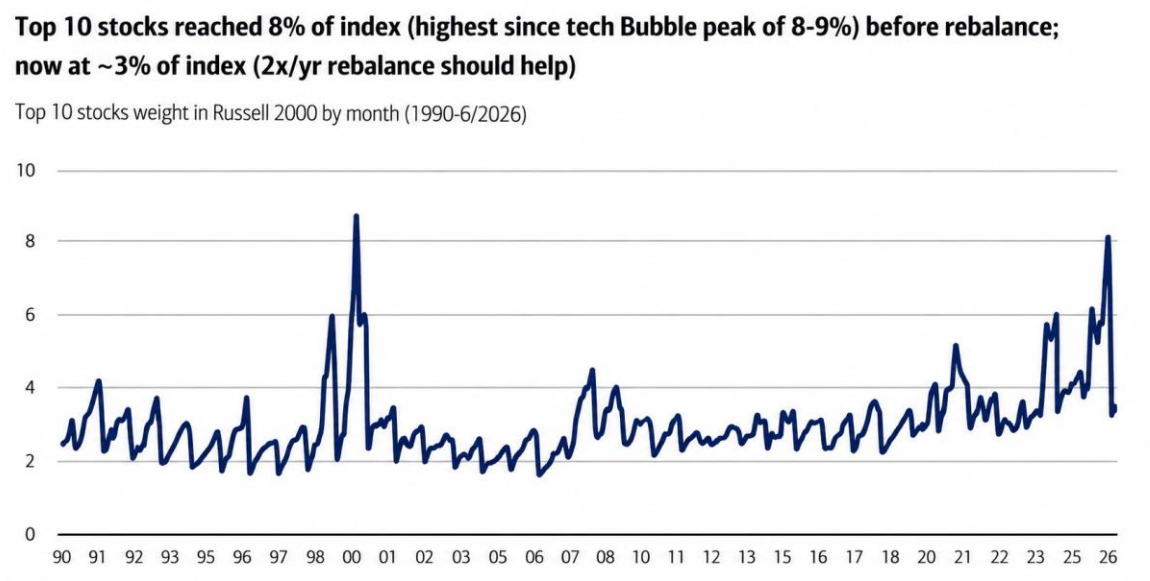
Source: Furey Research Partners, FactSet; Russell 2000 Index as of 6/30/2026.

Russell 2000 Index Reconstitution

Reconstitution resulted in greater Health Care and Financials weights, while weight declined in the Industrials and Information Technology sectors.

Russell 2000 Sector	Old Weight	New Weight	Difference	% Change
Communication Services	2.5	2.4	0.0	-1.2%
Consumer Discretionary	8.1	9.5	1.4	17.8%
Consumer Staples	1.7	2.0	0.3	20.2%
Energy	5.1	5.9	0.7	13.8%
Financials	16.7	18.8	2.1	12.7%
Health Care	17.8	19.8	2.0	11.4%
Industrials	18.7	14.9	-3.8	-20.3%
Information Technology	17.3	13.7	-3.6	-20.8%
Materials	4.3	4.3	0.0	0.2%
Real Estate	5.2	5.9	0.6	12.0%
Utilities	2.6	2.7	0.1	5.4%

Top 10 stocks reached 8% of index (highest since tech Bubble peak of 8-9%) before rebalance; now at ~3% of index (2x/yr rebalance should help)

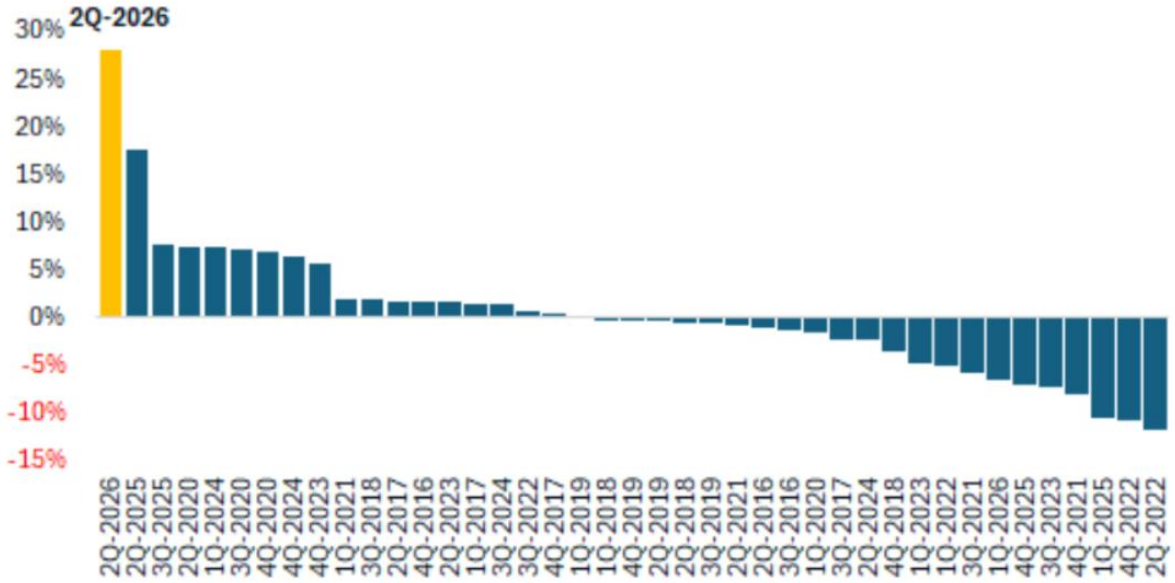


Source: Furey Research Partners, FactSet; as of 6/30/2026.

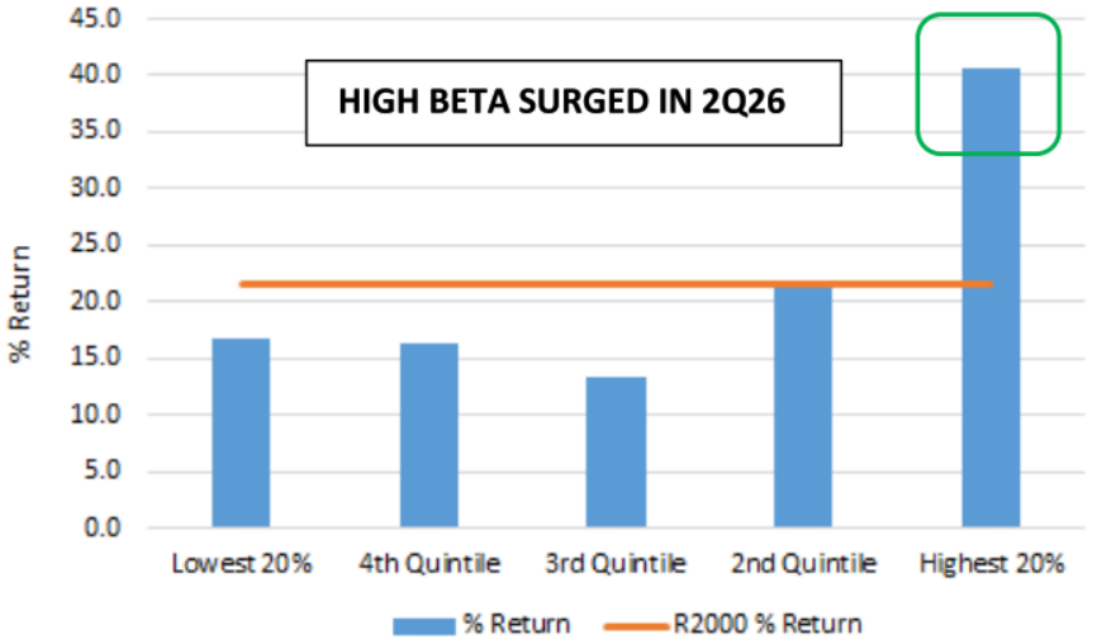
High Beta Surge During 2Q26

2Q26 was Beta's best relative quarter within the Russell 2000 during the last 10 years

High Beta Quarterly Relative Performance vs R2000



Highest Beta alone outperformed in 2Q26



Source: Furey Research Partners, FactSet; Russell 2000 Index as of 6/30/2026.

Monthly Russell 2000 Payoffs

Composites	Long Term Average*	Monthly Payoffs Jan	Feb	Mar	Apr	May	Jun	Q2 2026	YTD 2026
Value	12.64	-2.80	2.31	1.51	-3.23	-7.46	9.60	-1.08	-0.06
Quality**	11.29	-2.82	2.82	1.78	-4.51	-6.53	5.16	-5.88	-4.11
Margin	7.94	-3.29	4.78	2.50	-7.35	-9.07	9.90	-6.53	-2.53
Accruals	5.61	-0.91	-2.05	-0.27	1.54	-0.22	-1.92	-0.59	-3.82
Capital Usage	8.33	-1.05	2.40	1.75	-3.84	-4.92	6.29	-2.47	0.63
LowVariability	2.94	1.84	5.85	1.31	-4.50	-0.62	6.05	0.93	9.92
LowLeverage	0.29	3.35	4.75	1.24	-4.67	-0.18	2.27	-2.58	6.76
LowVolatility	4.79	-3.25	7.04	3.00	-13.58	-10.04	8.48	-15.14	-8.35

*Long Term Average is 1/1995 – 6/2026,annualized. Based on Russell 2000 Index.
**Quality is composed of Margin, Accruals, and Capital Usage Composites.
Source: Aristotle Boston analysis with data from Bloomberg and Russell Investments. Year to date data is computed monthly.

Long Term Factor Performance vs. Recent Periods

Our research shows that **Quality and Value factors have paid off over the long-term**, however, over periods of severe stylistic swings, particularly calendar years 2020 and 2025, short-term payoffs can differ relative to historic norms.

Russell 2000 Index, 1/1/2020 to 6/30/2026

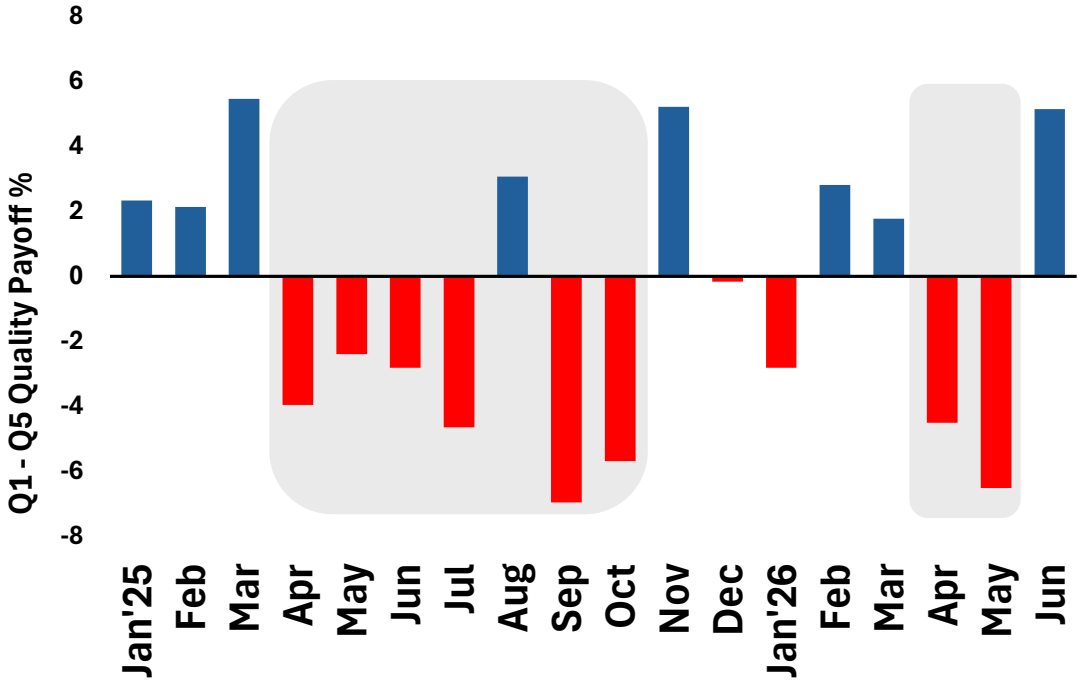
Composites	Long Term Average*	2020	2021	2022	2023	2024	2025	2026 YTD Jun
Value	12.64	-15.78	37.81	43.68	20.28	-0.57	-4.36	-0.06
Quality**	11.29	-29.99	28.30	45.20	16.63	-0.44	-8.45	-4.11
Margin	7.94	-17.68	22.69	35.26	7.99	8.94	-2.98	-2.53
Accruals	5.61	-9.29	7.38	9.78	5.23	-6.47	-3.39	-3.82
Capital Usage	8.33	-25.99	21.35	40.14	18.73	-3.18	-8.76	0.63
LowVariability	2.94	-19.76	9.29	22.98	5.39	3.95	-7.41	9.92
LowLeverage	0.29	-14.68	-22.36	6.49	8.55	3.12	6.29	6.76
LowVolatility	4.79	-30.35	19.57	54.15	-3.25	5.39	-13.42	-8.35

**Long Term Average is 1/1995 – 6/2026, annualized. Based on Russell 2000 Index.*
***Quality is composed of Margin, Accruals, and Capital Usage Composites.*

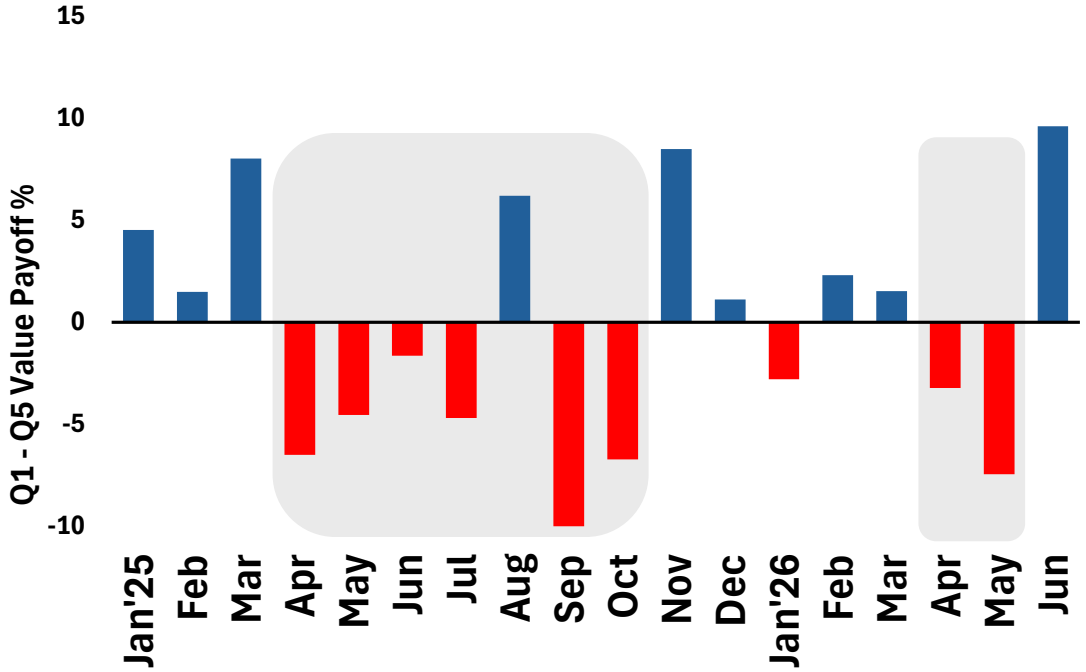
Source: Aristotle Capital Boston analysis, Bloomberg.

2025 & 2026 YTD: Periods of Low Quality and Expensive Stocks

Russell 2000



Low Quality Rallied in
Apr to Oct 2025 and Apr-May 2026



The Most Expensive Stocks Performed Best in
Apr to Oct 2025 and Apr to May 2026

Source: Aristotle Capital Boston analysis using Bloomberg data in the Russell 2000 universe. Quality consists of Margin, Low Accruals, and Capital Usage. The fifth quintile is described as the most expensive stocks.

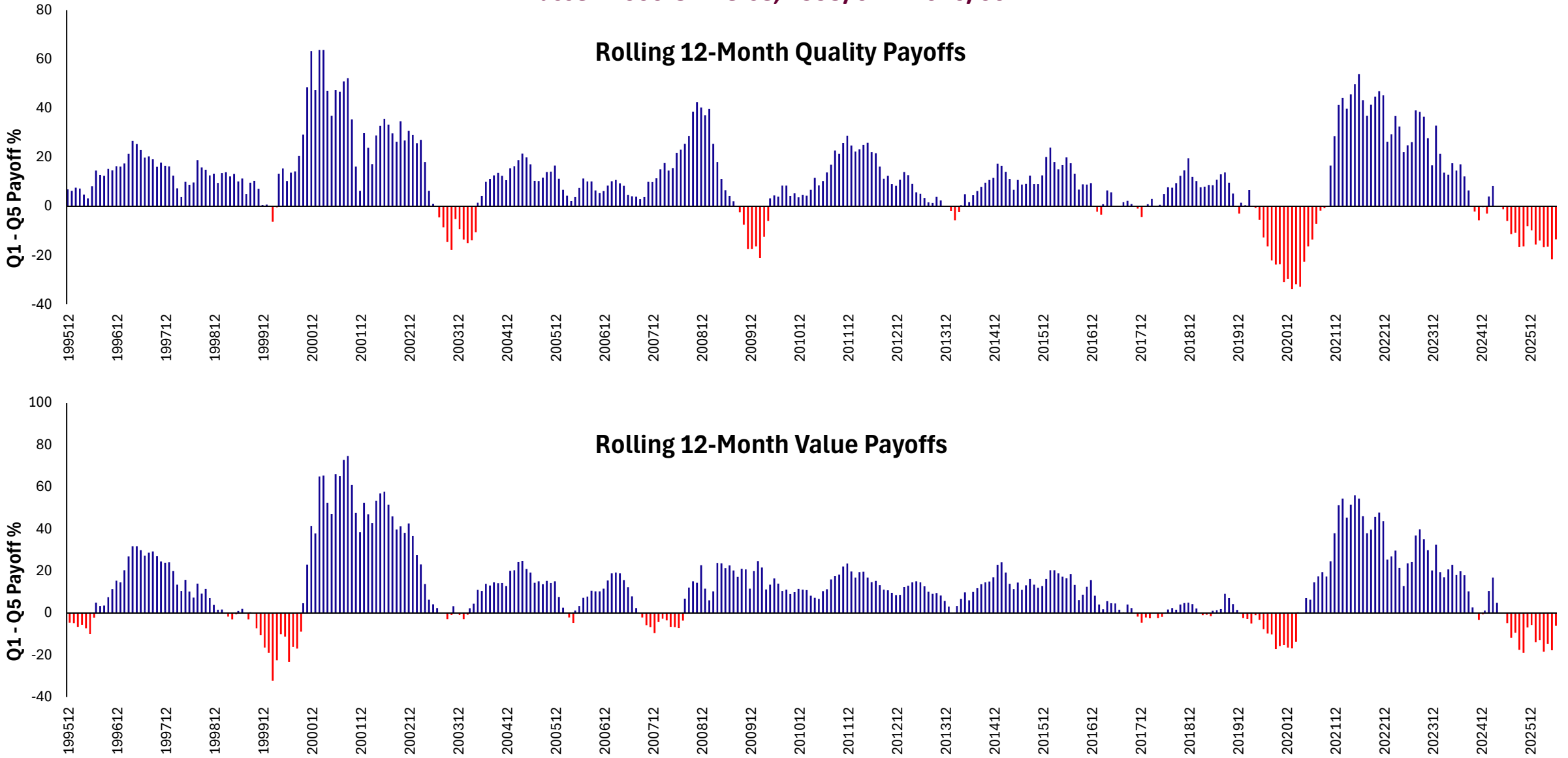
Rolling 12-Month Payoffs to Quality and Value

Russell 2000 Universe, 1995/01 – 2026/06

Source: Aristotle Capital Boston analysis using Bloomberg data over the years 1995/01 to 2026/06.

Rolling 12-Month Payoffs to Quality and Value

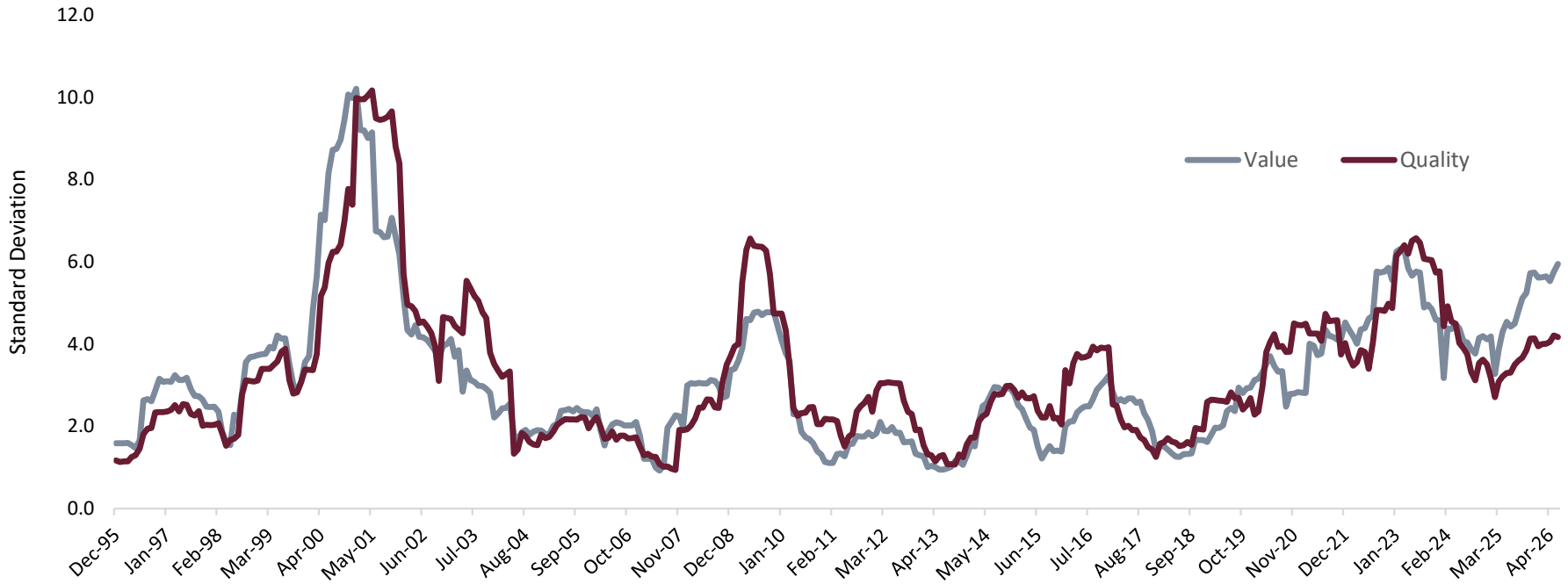
Russell 2000 Universe, 1995/01 – 2026/06



Source: Aristotle Capital Boston analysis using Bloomberg data over the years 1995/01 to 2026/06

Value and Quality Factor Volatility

Russell 2000 Index 12/1995 – 6/2026

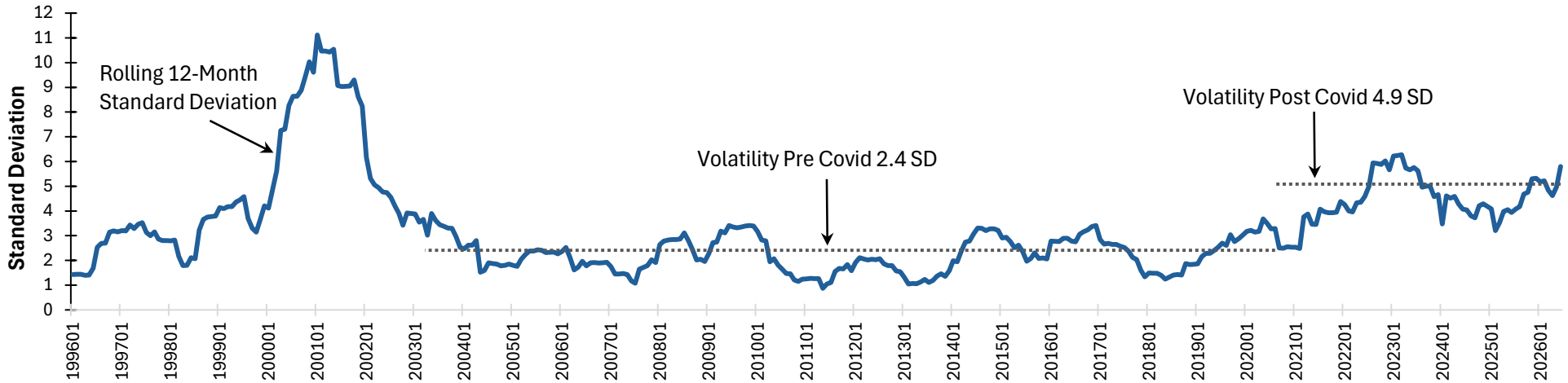


Volatility is standard deviation of rolling 12-month Q1-Q5 factor payoffs

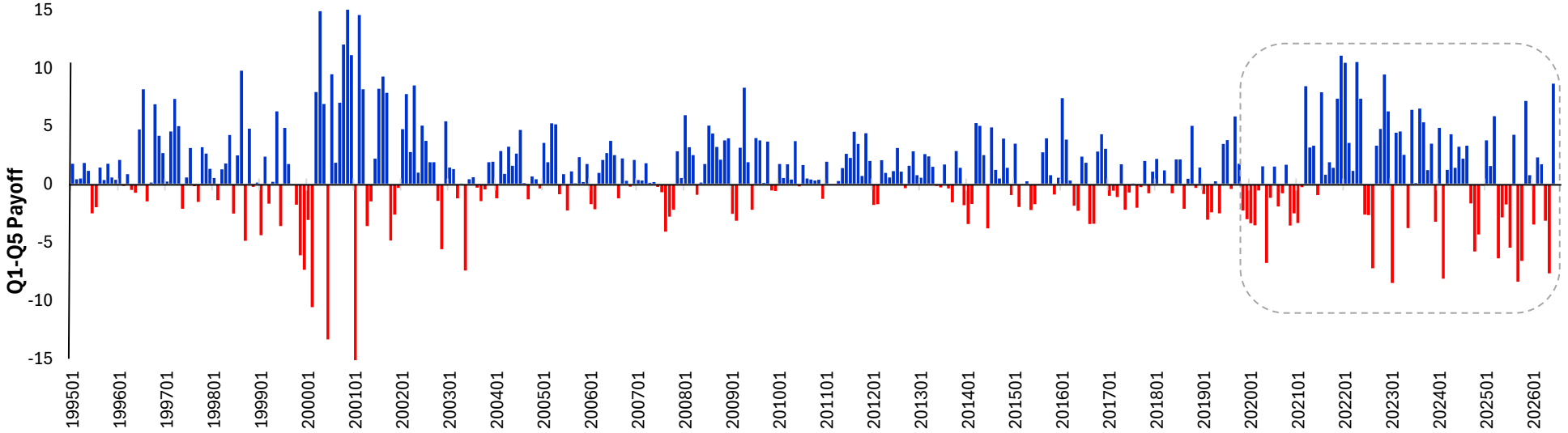
Source: Aristotle Capital Boston analysis, Bloomberg, in the Russell 2000 Small-Cap Index.

Composite Value + Quality Factor Volatility and Payoffs

Russell 2000 Composite Value + Quality Q1-Q5 Payoff Volatility



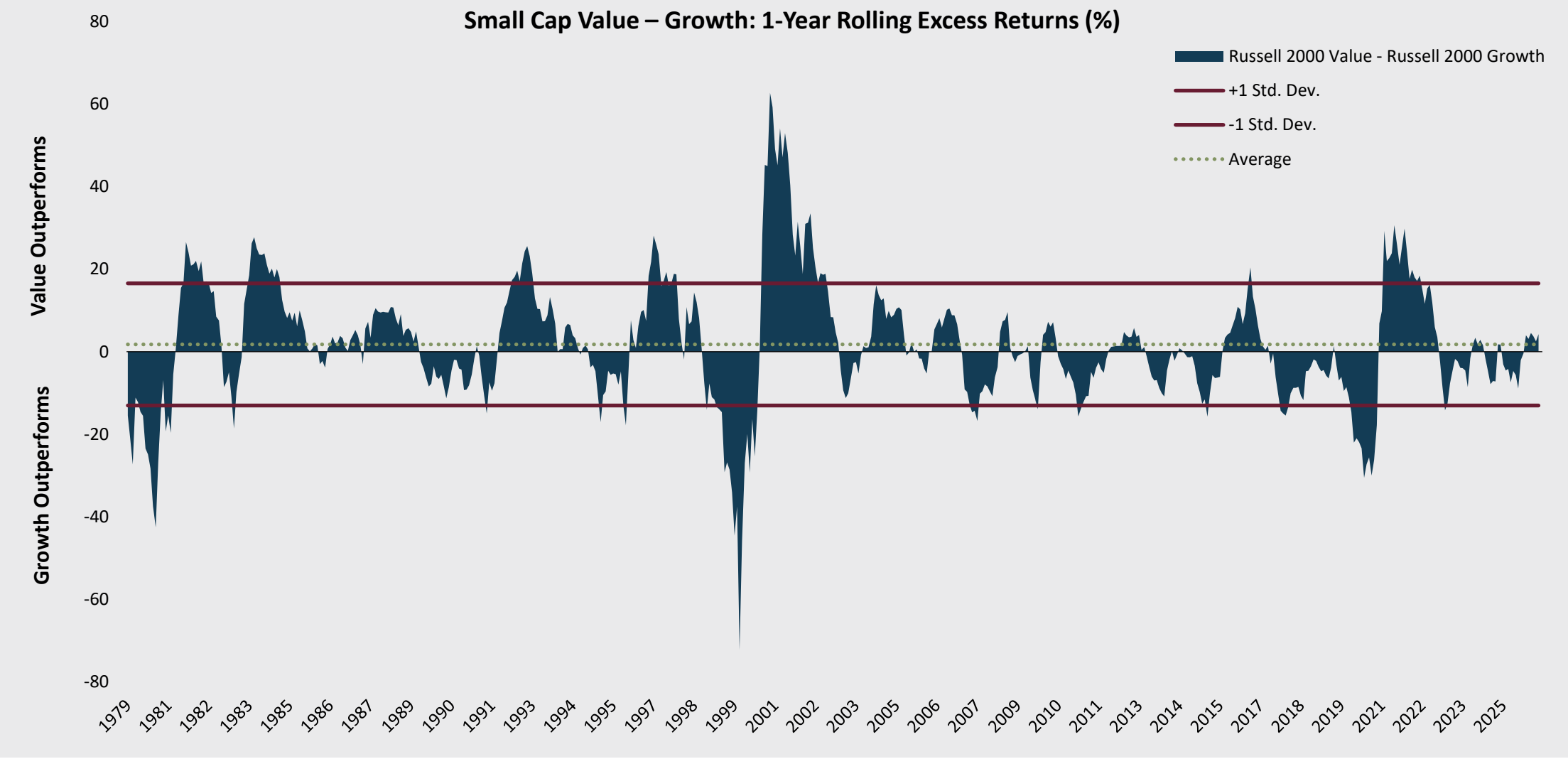
Russell 2000 Monthly Composite Value + Quality Q1-Q5 Payoffs



Source: Data from Bloomberg and Russell Investments with analysis by Aristotle Capital Boston over the period 1/1995 to 6/2026.

Swings in Style Between Growth and Value Remain Volatile

As of June 30, 2026

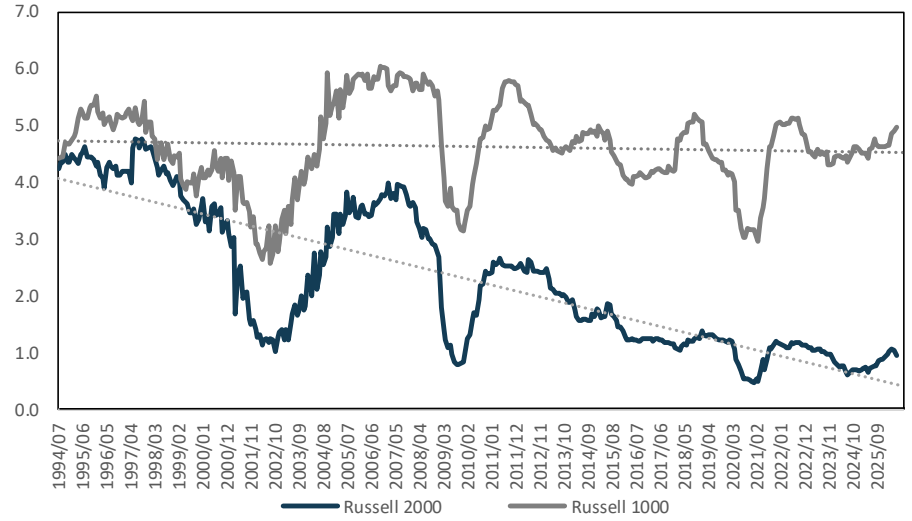


Source: eVestment. The 1-Year Rolling Excess Return represents the annualized return of the Russell 2000 Value Index over the trailing 1-year period minus the annualized return of the Russell 2000 Growth Index over the same period. Rolling periods are calculated monthly based on trailing 1-year return data from 1979 to June 2026.

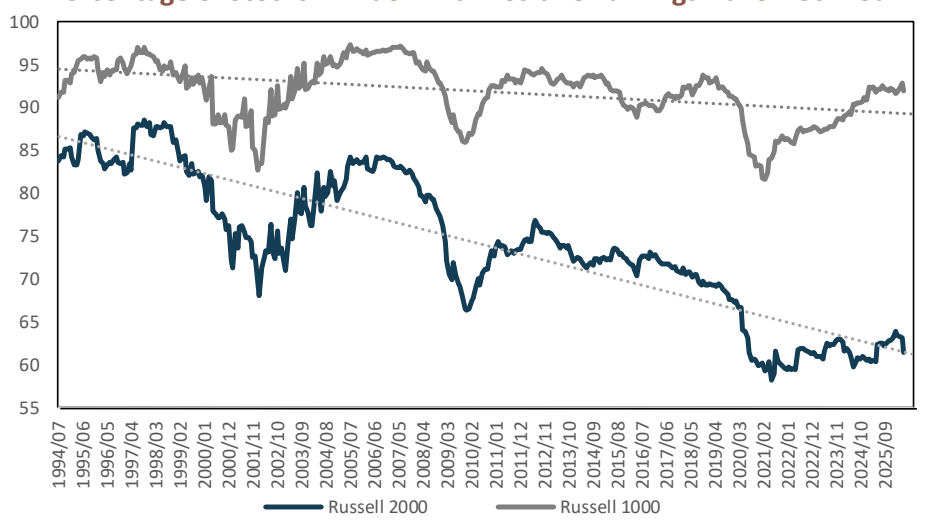
Quality of Index has Declined

As of June 30, 2026

Median ROA Has Declined



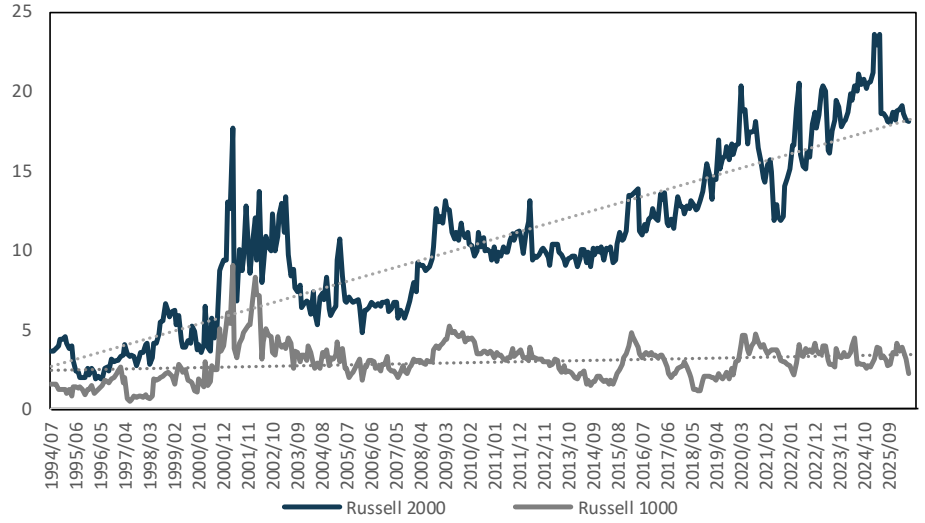
Percentage of Stocks in Index with Positive Earnings Have Declined



Stocks With Negative Net Income Underperform Stocks With Positive Net Income on Average

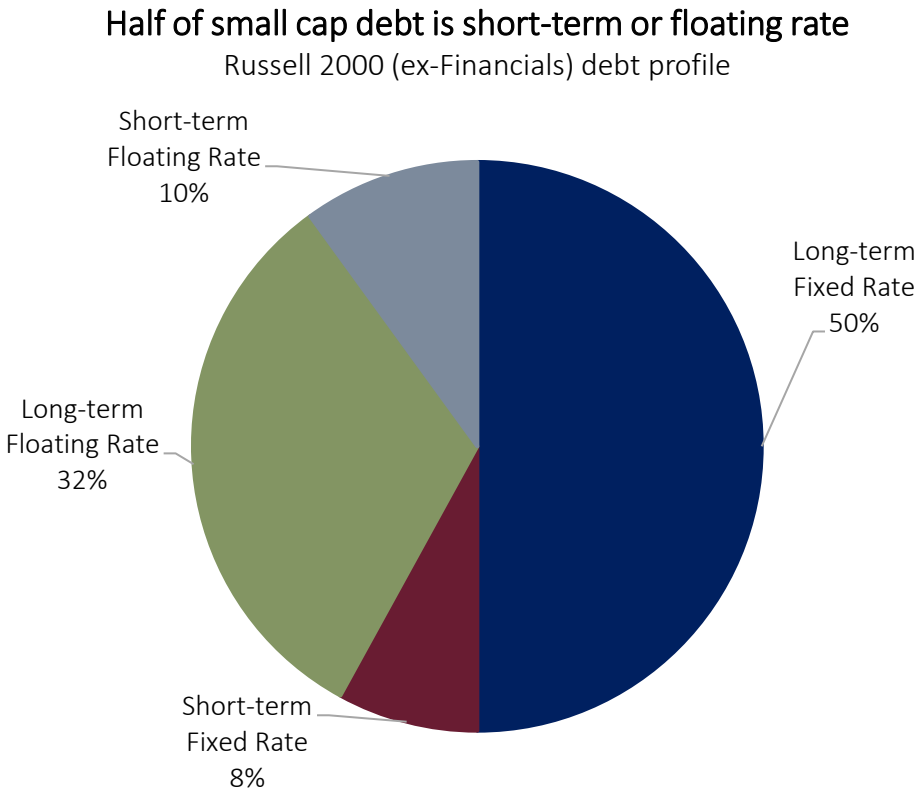
	Average Annualized Excess Returns	
	Russell 2000	Russell 1000
Positive Net Income	2.02	0.22
Negative Net Income	-5.07	-2.25

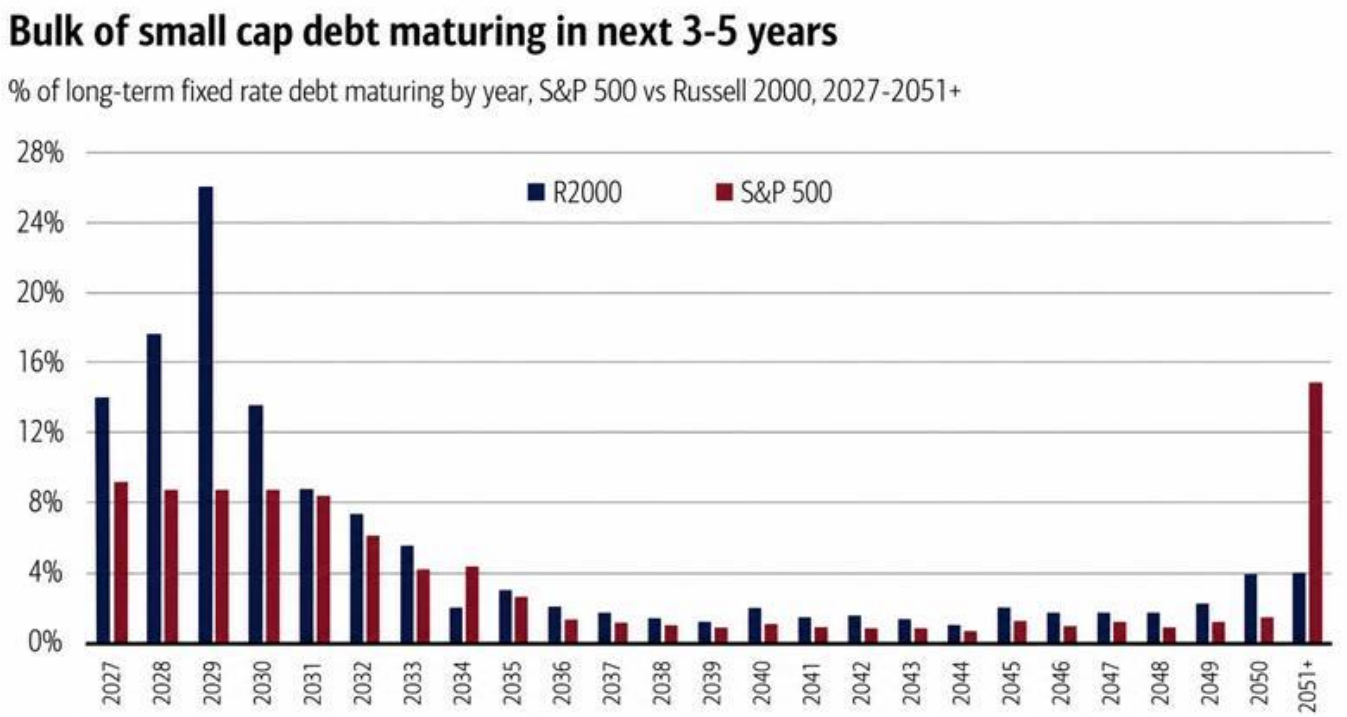
Percentage of Stocks in Index with Altman-Z Below 0.5 Has Increased



Source: Aristotle Boston analysis with data from Bloomberg and Russell Investments.
Data 7/1994 – 6/2026

The Case for Active SC Management: Refinancing Risk





Source: Bank of America, FactSet; as of 6/30/2026.

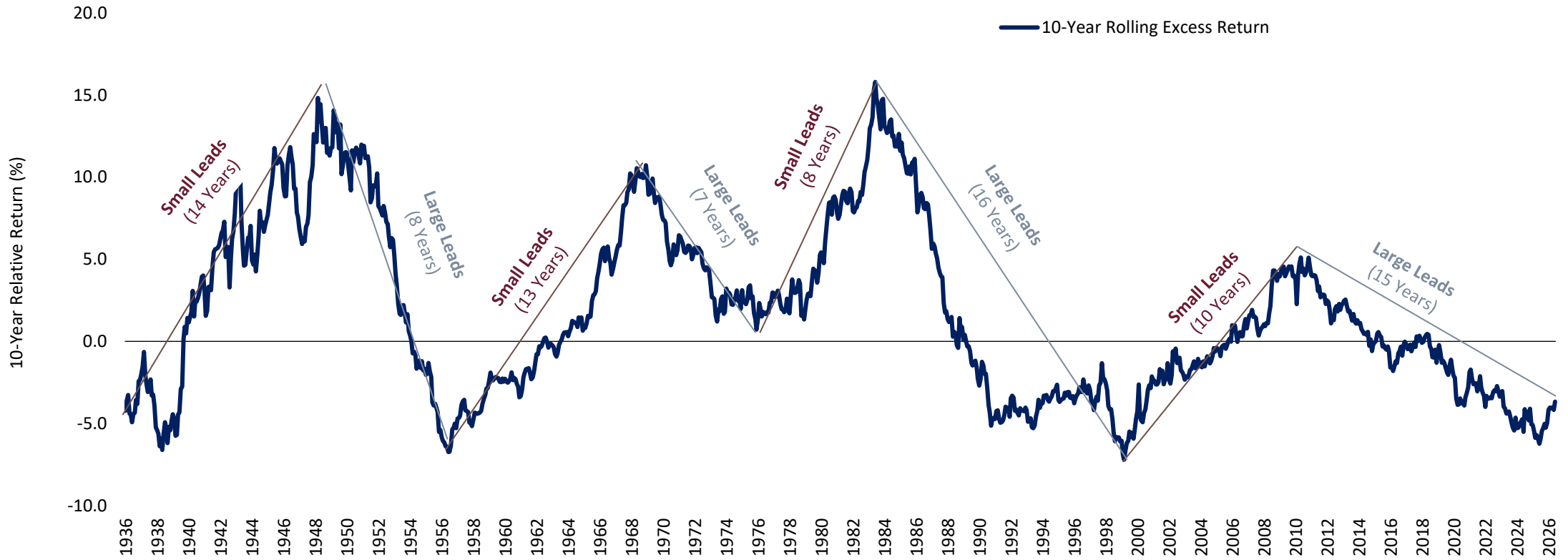
Why Small Caps Now?

Small vs. Large Potential Reversion to Historical Norms

As of June 30, 2026

We believe the latest large-cap cycle is growing old as large caps have outperformed small caps for the better half of the last decade plus. A reversion to the mean positions' small caps well relative to large caps moving forward.

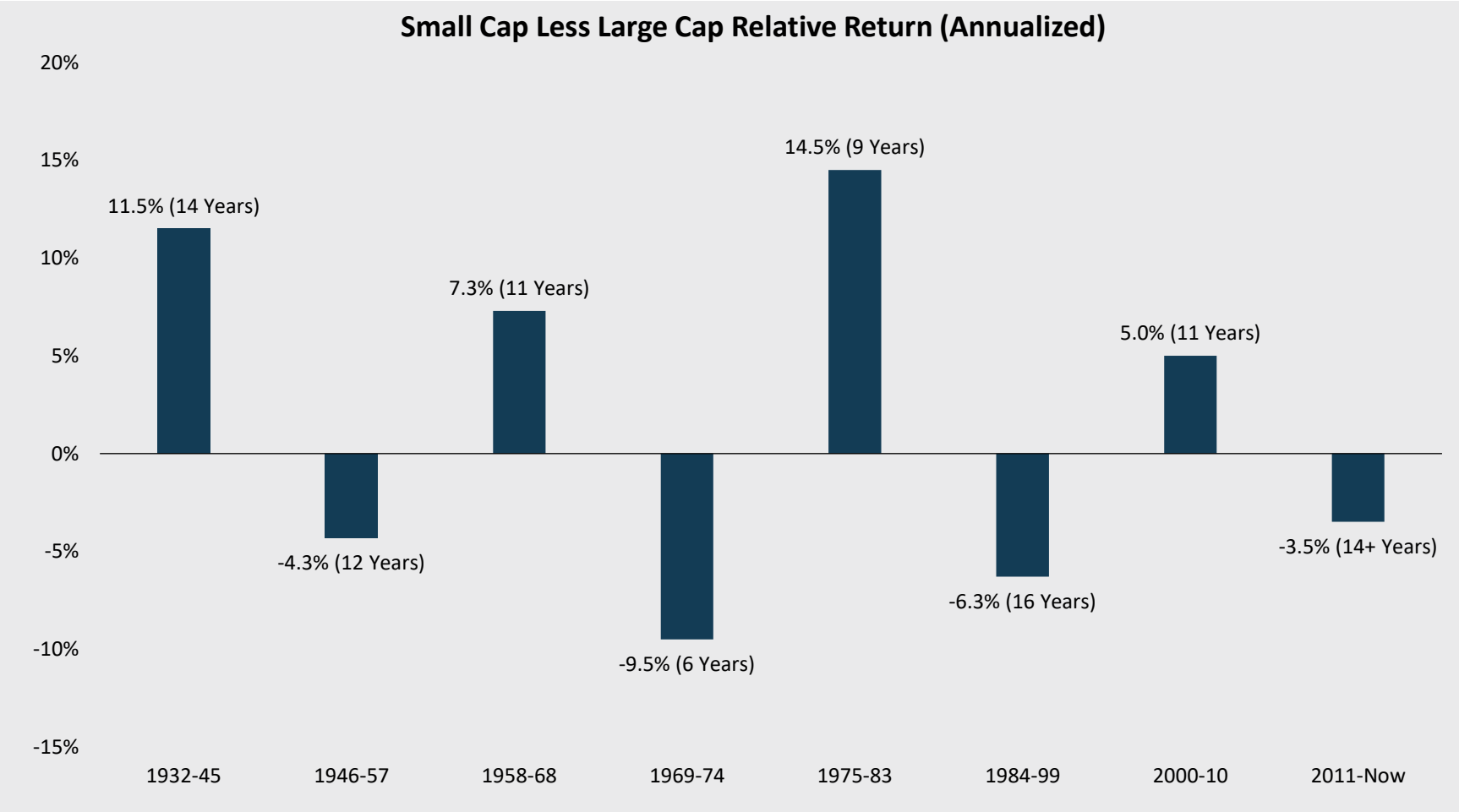
Rolling 10-Year Excess Return US Small Cap Stocks vs. US Large Cap Stocks 1935-June 30, 2026



Source: eVestment. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the Russell 1000 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to June 2026. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices. Cycles are defined by peak to trough inflection points in 10-year rolling excess returns. Length in years are rounded to nearest whole number.

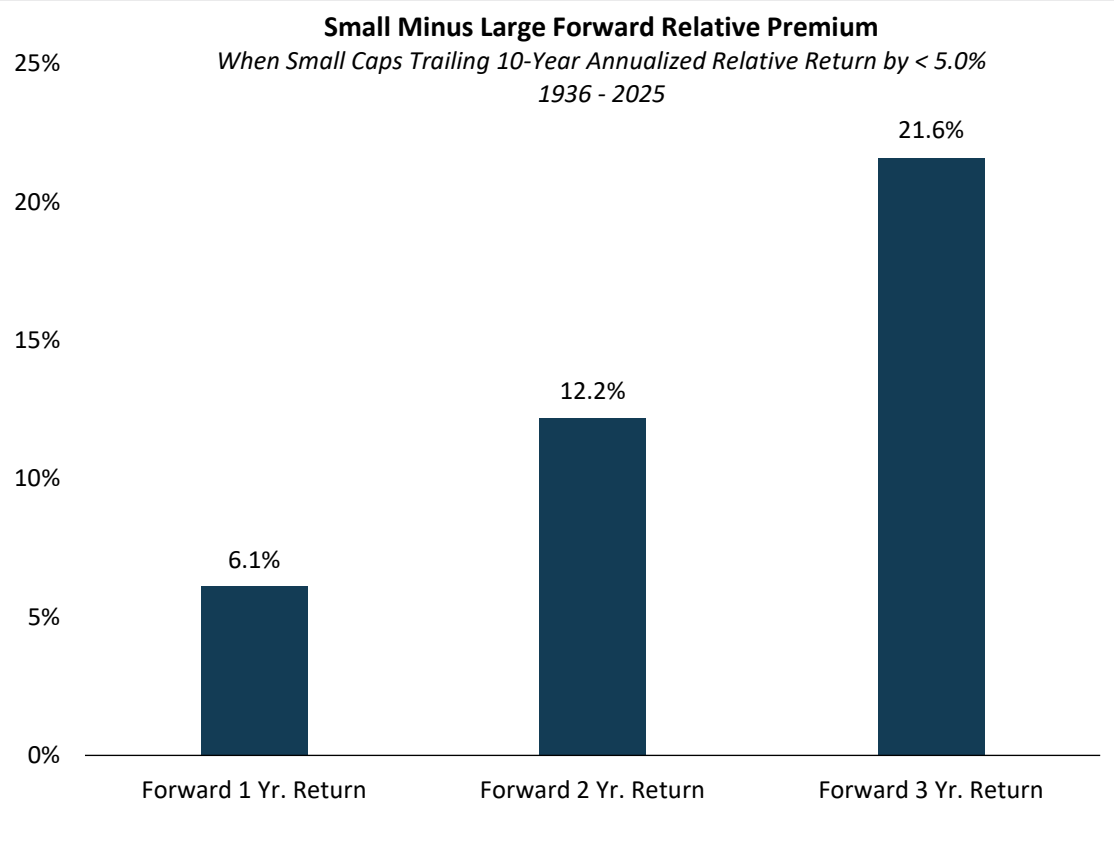
Small Caps Have Lagged By 3.5% in the Current Large Cap Cycle

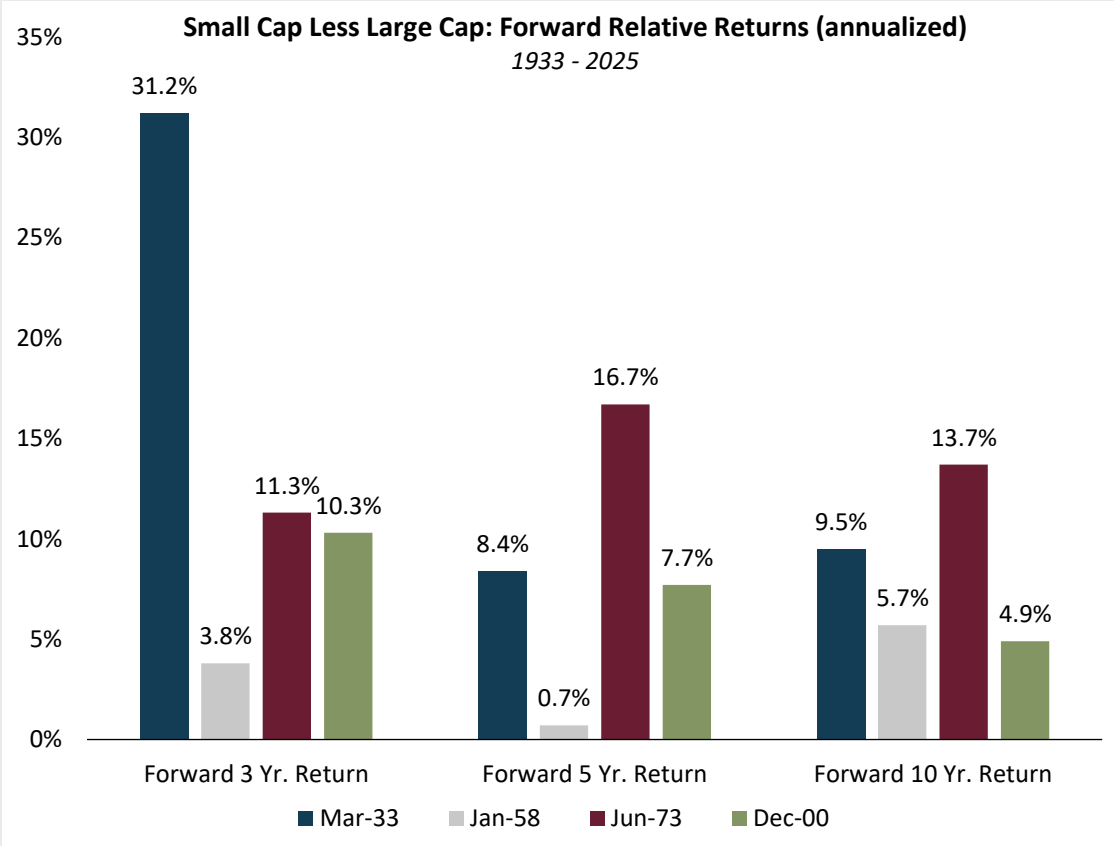
As of June 30, 2026



Sources: FactSet. Based on annualized returns for the Russell 2000 and S&P 500 indices from 1979 to June 2026. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.

Trailing Performance History Suggests We May Be at an Inflection Point

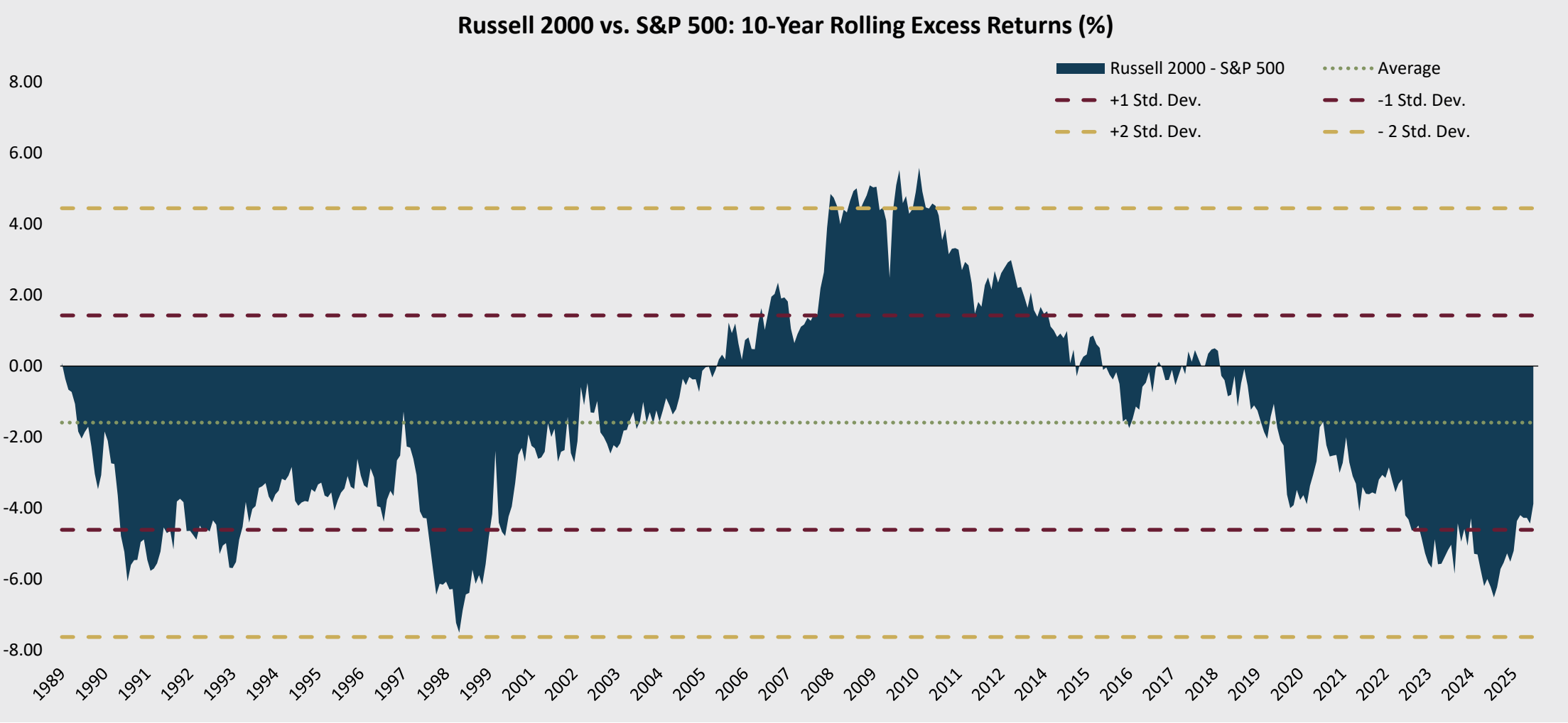




Source: [Left chart]: Furey Research Partners; FactSet. Based on the annualized returns of the Russell 2000 and S&P 500 indices from 1979 to December 2025. [Right chart]: Furey Research Partners; FactSet. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.

The Last Time Large Caps Outperformed Small Caps by this Margin was in 2000

As of June 30, 2026



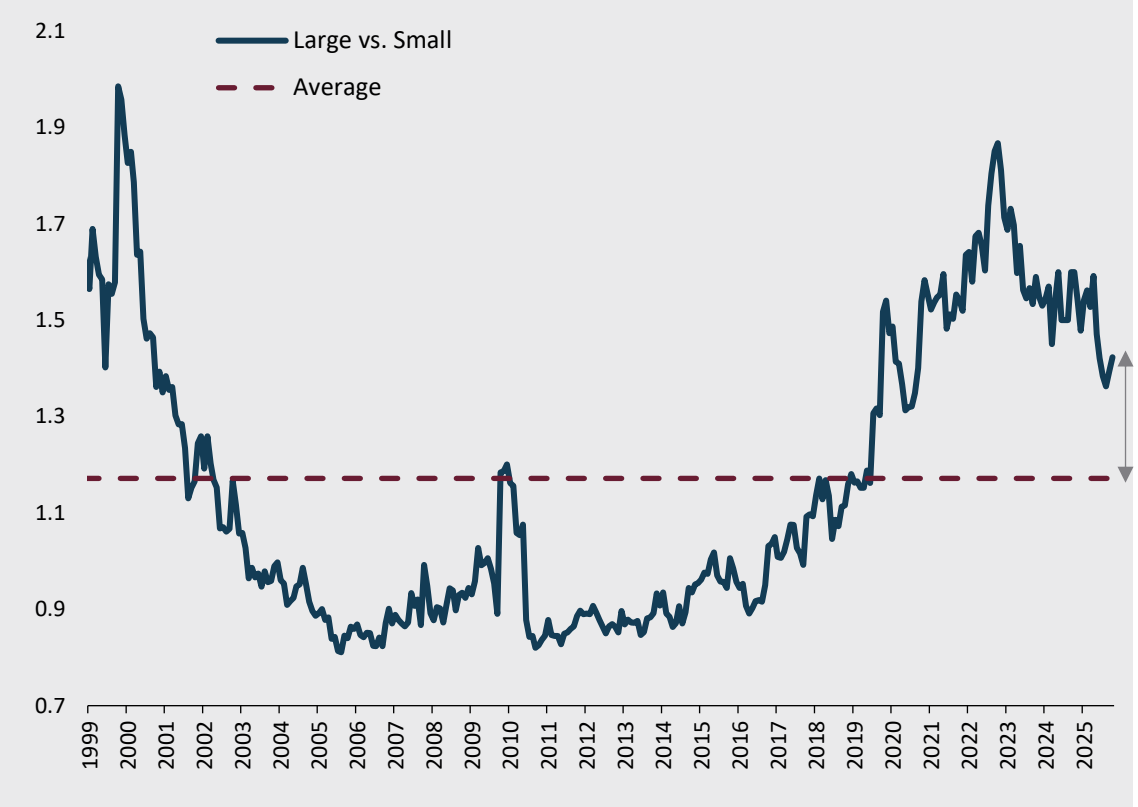
Source: eVestment. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to June 2026.

Small Caps and Value are Historically Cheap Relative to Large Caps and Growth

As of June 30, 2026

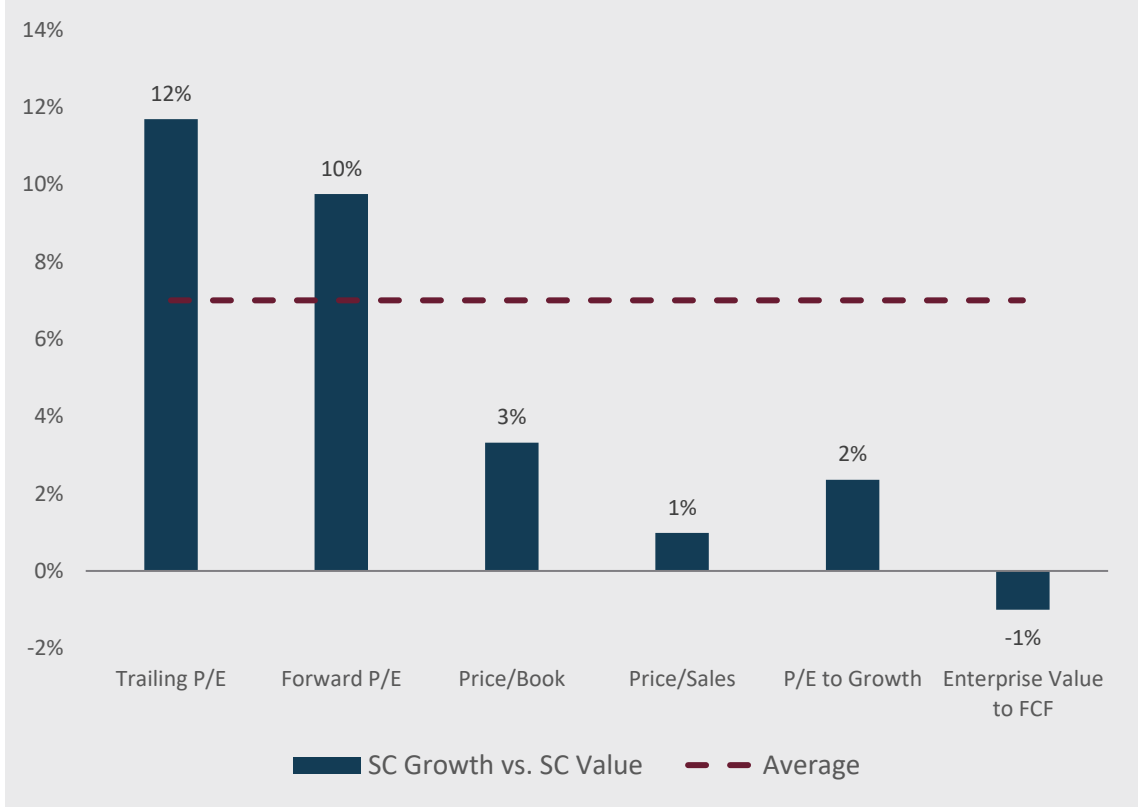
Large caps have been trading at a premium to small caps since 2020

Relative P/E (LTM) Russell 1000 vs. Russell 2000



Small cap Growth is historically expensive vs. Value on five of six metrics

Relative premium to the historical average multiple for Russell 2000 Growth vs. Russell 2000 Value



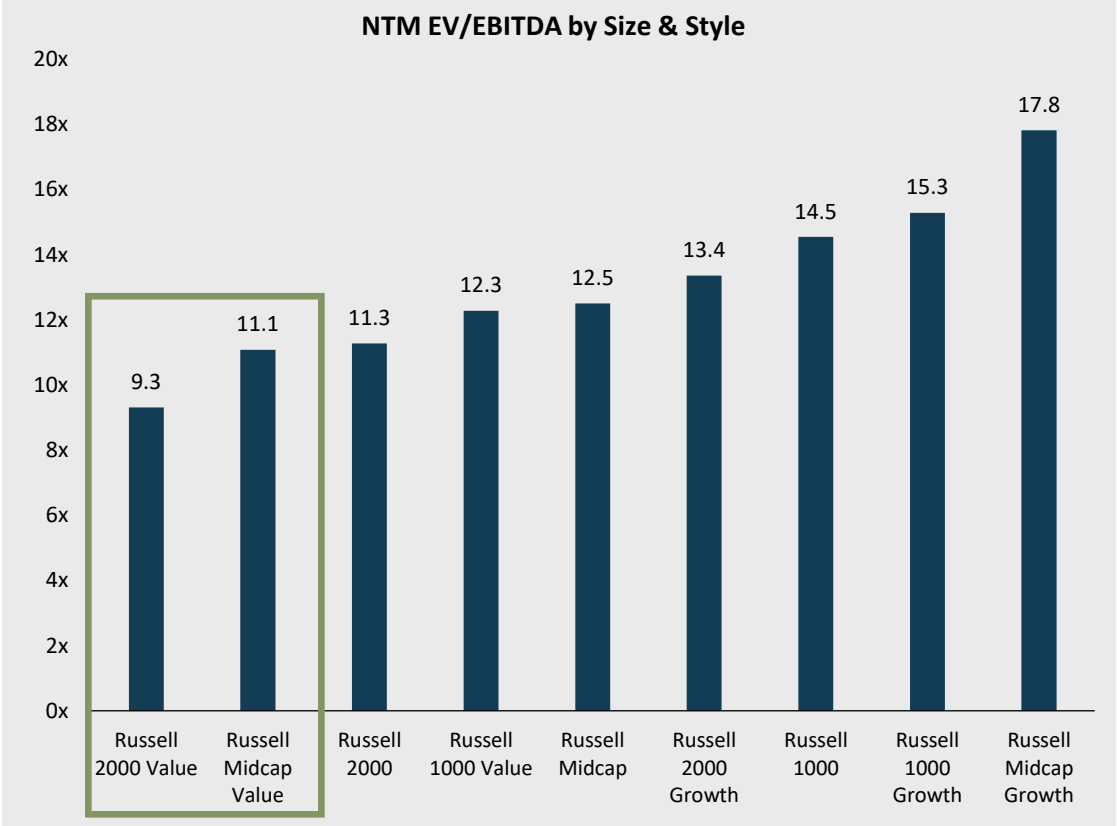
Source: [Left chart]: FactSet. Based on trailing 12-month earnings. 9/30/1999 – 6/30/2026. [Right chart]: BofA Global Research; FactSet. Based on historical multiples, 1985-6/30/2026.

Small-Cap Value and Mid-Cap Value Remain Cheap Relative to Style Peers

As of June 30, 2026

Small-Cap and Mid-Cap Value remain cheap vs. size & style peers

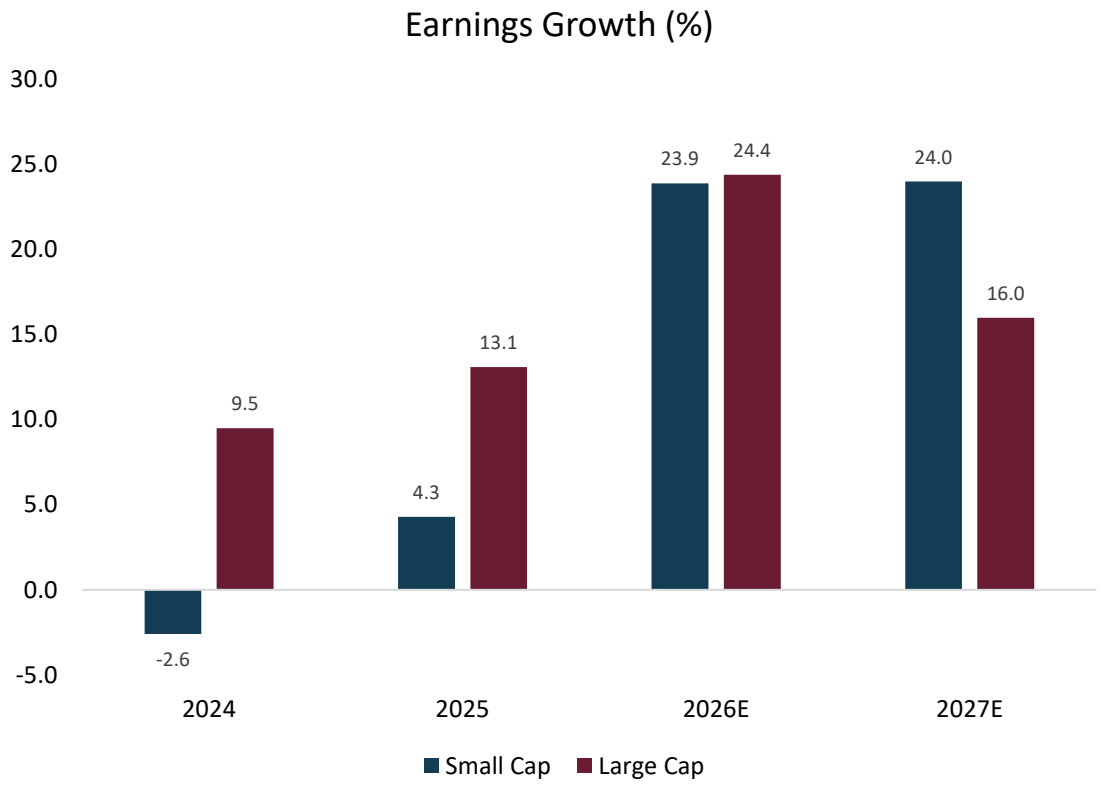
EV/EBITDA (NTM) by size & style as of June 30, 2026

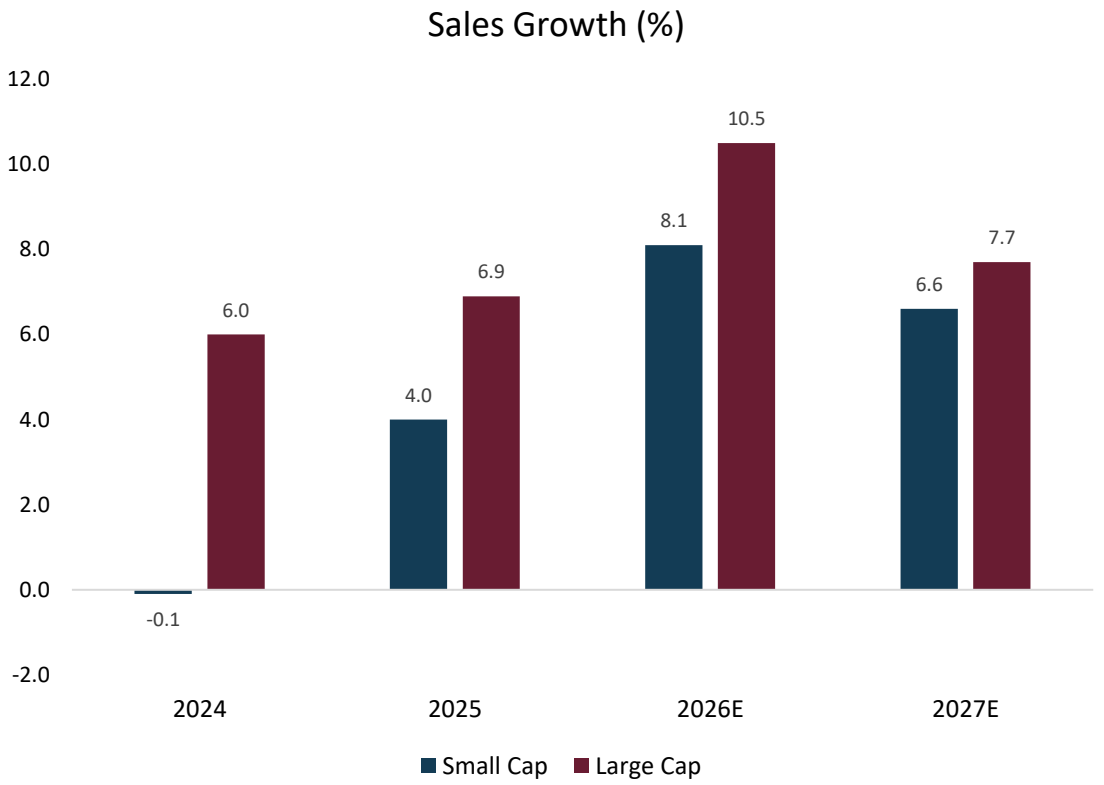


Source: FactSet. NTM EV/EBITDA refers to the value of the next twelve months (NTM) enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. Values are determined across the index constituents.

Small Cap Earnings and Sales Growth Expectations

As of June 30, 2026

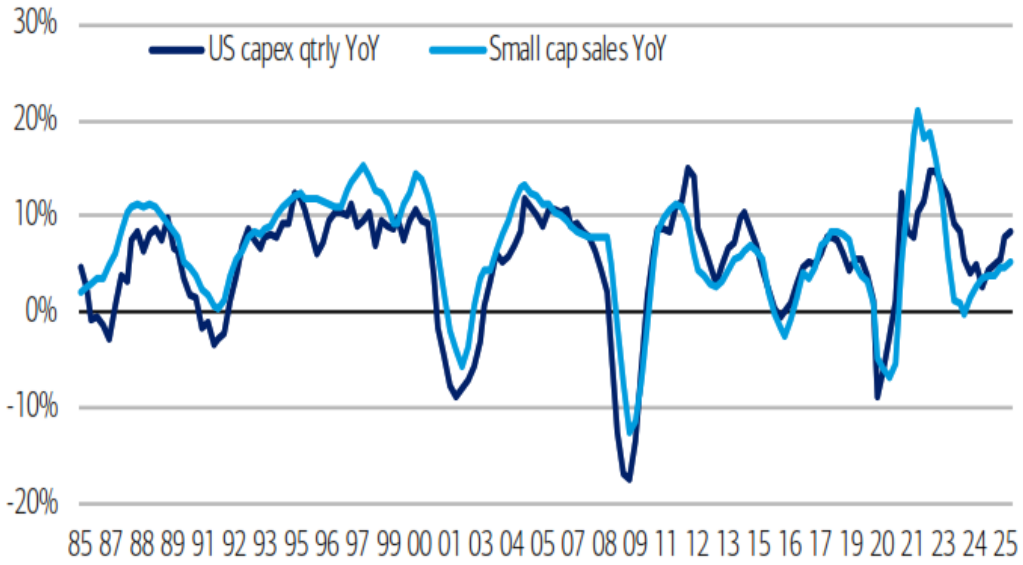




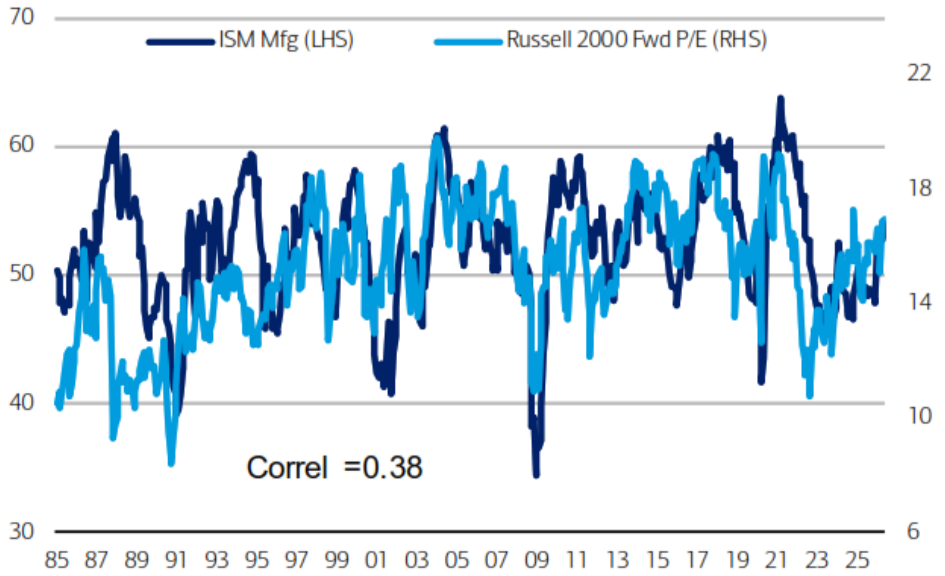
Source: Furey Research Partners as of 6/30/2026.

Capex Cycle and Manufacturing Both Benefit Domestic Small Caps

Small cap sales growth is highly correlated with US capex growth



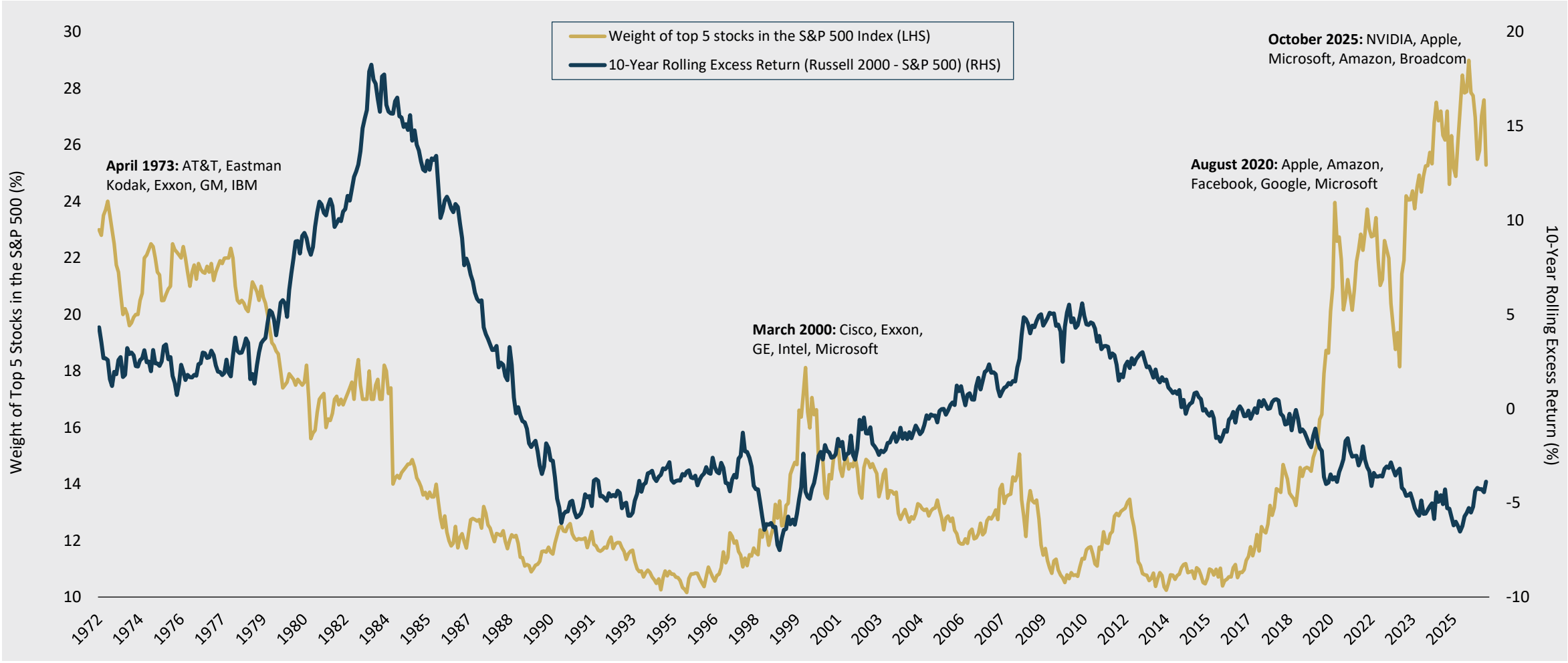
Small cap valuations are highly correlated with ISM manufacturing



Source: Bank of America US Equity & US Quant Strategy as of 6/30/2026.

Large-Cap Cycles Typically Peak at Market Tops Crowded with Mega Caps

As of June 30, 2026

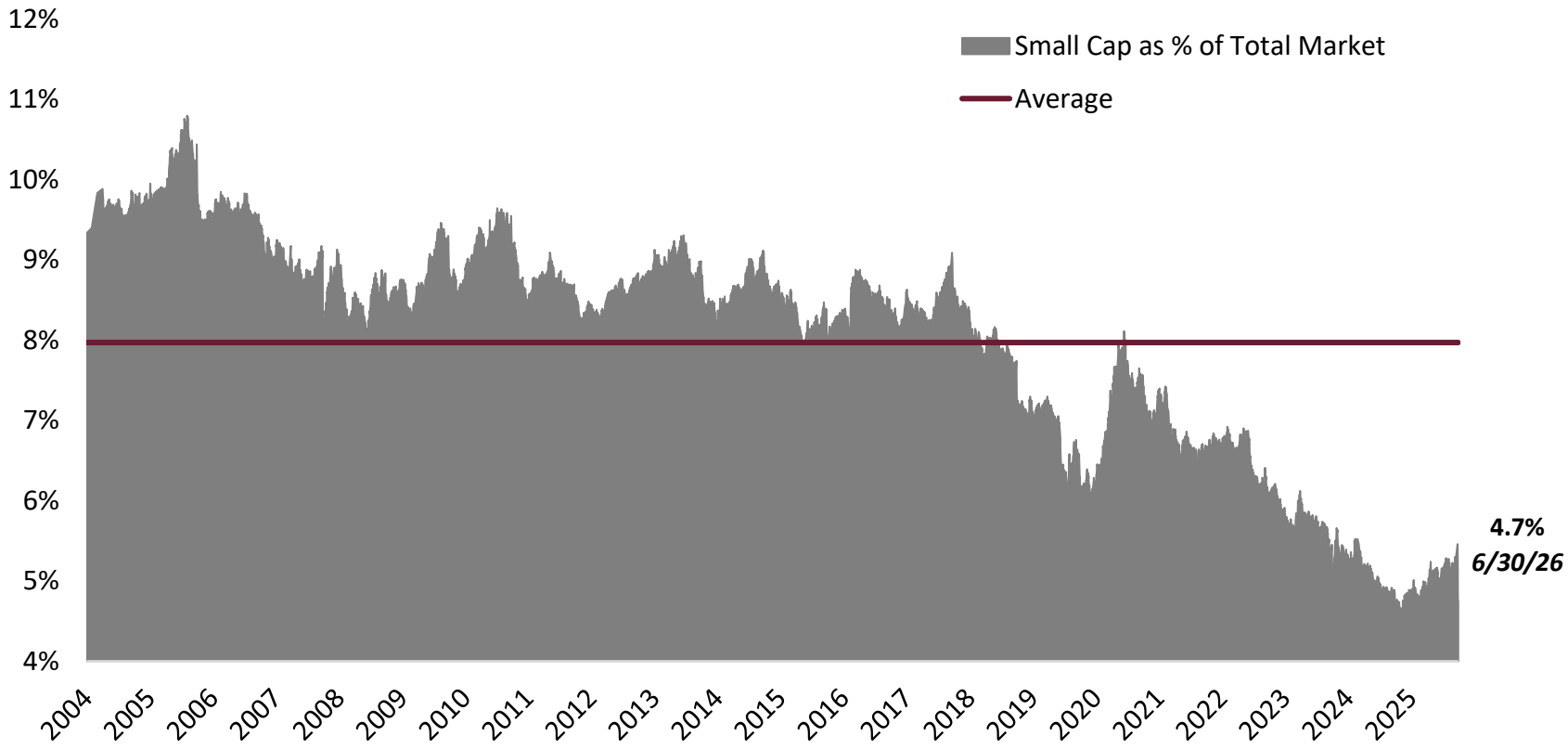


Sources: eVestment; FactSet; Furey Research Partners. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to June 2026. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.

Small Cap's Total Market Cap as a % of the Russell 3000 Sits Near Multi-Decade Lows

As of June 30, 2026

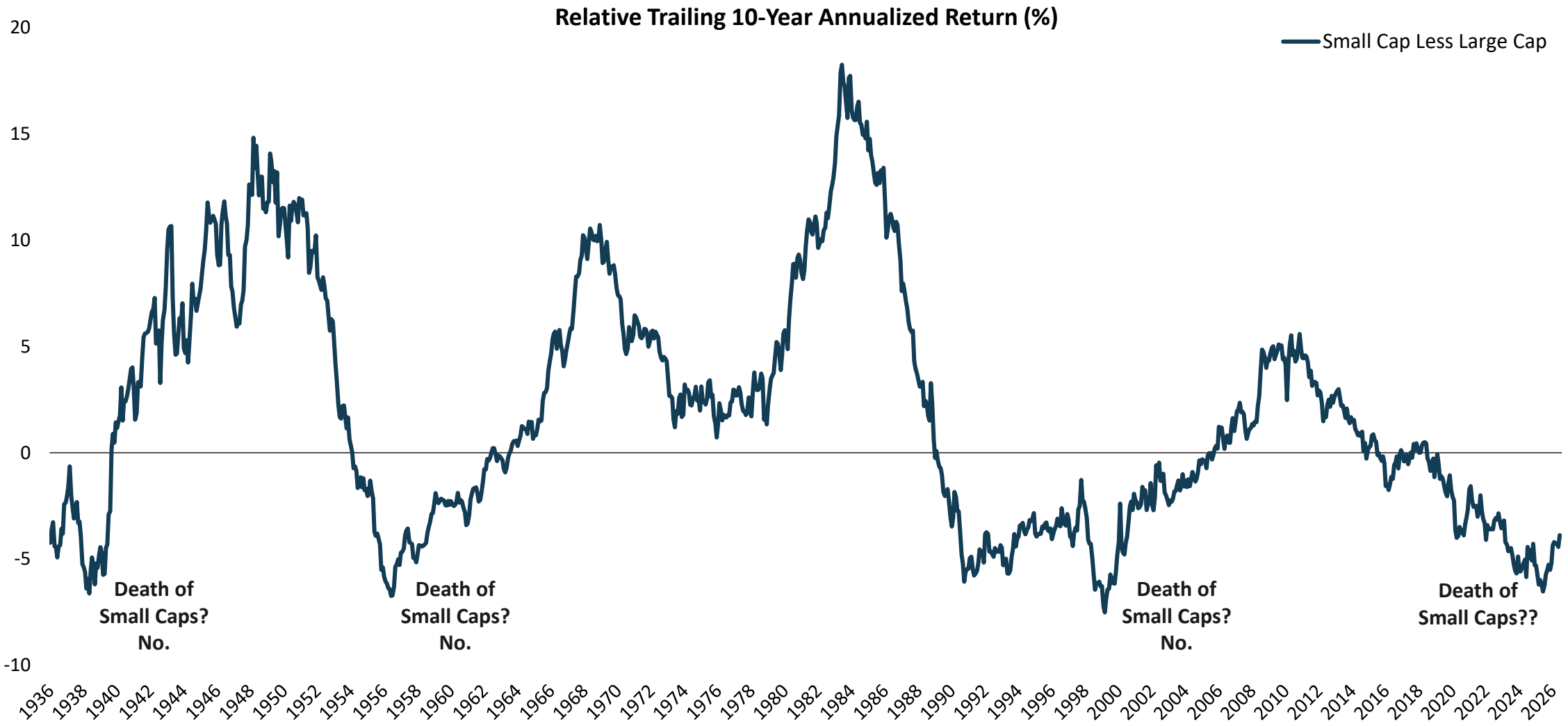
Russell 2000 Total Market Cap / Russell 3000 Total Market Cap (%)
9/30/2004 – 6/30/2026



Source: Bloomberg. The ratio represents the total market capitalization of the Russell 2000 Index as a percentage of the total market capitalization of the Russell 3000 Index.

History Doesn’t Repeat But It Often Rhymes

As of June 30, 2026



Source: Furey Research Partners; FactSet Quote by Mark Twain. The Relative Trailing 10-Year Annualized Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Trailing periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to June 2026. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.

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All investments carry a certain degree of risk, including the possible loss of principal. Investments are also subject to political, market, currency and regulatory risks or economic developments. International investments involve special risks that may in particular cause a loss in principal, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. While large-capitalization companies may have more stable prices than smaller, less established companies, they are still subject to equity securities risk. In addition, large-capitalization equity security prices may not rise as much as prices of equity securities of small-capitalization companies. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid. Value stocks can perform differently from the market as a whole and other types of stocks. The material is provided for informational and/or educational purposes only and is not intended to be and should not be construed as investment, legal or tax advice and/or a legal opinion. Investors should consult their financial and tax adviser before making investments. The opinions referenced are as of the date of publication, may be modified due to changes in the market or economic conditions, and may not necessarily come to pass. Information and data presented has been developed internally and/or obtained from sources believed to be reliable. Aristotle Boston does not guarantee the accuracy, adequacy or completeness of such information.

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Differing historical time periods are selected throughout the presentation as we believe specific periods provide the most informative historical analog for the concepts presented.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 5% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Growth® Index measures the performance of the small cap companies located in the United States that also exhibit a growth probability. The Russell 2000 Value® Index measures the performance of the small cap companies located in the United States that also exhibit a value probability. The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The 800 companies in the Russell Midcap Index are the 800 smallest of the 1,000 companies that comprise Russell 1000 Index. The Russell Midcap Growth® Index measures the performance of the mid cap companies located in the United States that also exhibit a growth probability. The Russell Midcap Value® Index measures the performance of the mid cap companies located in the United States that also exhibit a value probability. The Russell 1000 Index is a subset of the Russell 3000® Index. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 Growth® Index measures the performance of the large cap companies located in the United States that also exhibit a growth probability. The Russell 1000 Value® Index measures the performance of the large cap companies located in the United States that also exhibit a value probability. The S&P 500® Index is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The CRSP U.S. Large Cap Index measures the performance of U.S. companies that comprise the top 85% of investable market capitalization and are traded on NYSE, NYSE Market, NASDAQ or ARCA. The CRSP U.S. Mid Cap Index measures the performance of U.S. companies that fall in the top 70-85% of investable market capitalization. It includes securities traded on NYSE, NYSE Market, NASDAQ, or ARCA. The CRSP U.S. Small Cap Index measures the performance of U.S. companies that fall in the bottom 2-15% of investable market capitalization. It includes securities traded on NYSE, NYSE Market, NASDAQ, or ARCA. The volatility (beta) of the portfolios may be greater or less than the benchmarks. It is not possible to invest directly in these indices.

BofA factor groupings on slide 8 – the universe and the factors are rebalanced monthly using month-end data on slide. FactSet is used as the source of all data. A factor's return is calculated as the equal-weighted total return of the top quintile of stocks within the universe by that factor for Quintile 1. Factor data is also compared to the total return of the equal-weighted Russell 2000 as the benchmark return. Performance results do not reflect actual transactions and no assurances can be given about future performance. Valuation factors included in calculation include Book/Price, EBITDA/EV, Free Cash Flow Yield, Earnings/Price, Sales/Price and Sales/EV. Quality factors included in the calculation include: Return on Equity, Return on Assets, Cash Flow return on Invested Capital, Free Cash Flow Return on Assets, and Earners/Non-earnings. Liquidity factors included in the calculation include: 3-month average daily volume, 1-month trading volume and market capitalization. Growth factors included in the calculation include: Sales Growth Trailing 5 Year, EPS Growth Trailing 5 Year, Year over year change in Trailing EPA, Operating Margin, EPS Estimate Revision and Operating Margin Expansion. Risk factors included in the calculation include: 5 Year Beta, Price Volatility, EPS Estimate Dispersion and 5 Year EPS Variability. Momentum factors included in the calculation included: various moving average ratios and price changes over various durations. Leverage factors included in the calculation included: Net Debt/Equity, Net Debt/Market Cap, and Net Debt/EBITA. Cash Deployment Factors included in the calculation included: Dividend Growth, Dividend Payers/Non-payers, Dividend Yield and Share Repurchases. BofA stages of the economic cycle (Early, Mid, Late, Recession) on are determined using a combination of the following macroeconomic or top-down variables: Earnings Revision Ratio, ISM PMI, Inflation, GDP Forecast, Leading Economic Indicators Index, US Capacity Utilization, 10-year US Treasury Bond Yield and the High Yield Corporate Bond Credit Spread.

Factor Composite Definitions on slides 22-28: Value Composite consists of Earnings/Price, Free Cash Flow/Price, Sales/Price, Book/Price. Quality Composite consists of Margin, Accrual and Capital Usage sub-composites Margin sub-composite consists of Net Profit Margin, Operating Margin, Gross Margin, Return on Assets. Accruals sub-composite consists of Total Accruals, Short Term Accruals, and Cash Flow Accruals. Capital Usage sub-composite consists of Share Buybacks, Capital Expenditures, and Retained Earnings/Total Assets. Low Variability Composite consists of variability in Net Income, Cash Flow and Sales. Low Volatility Composite consists of Beta and Price Volatility.

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