



The Case for Microcap

September 2025

Introduction

Microcap stocks reside in an often-neglected area of U.S. equity markets despite offering uniquely attractive return opportunities. Microcap stocks get so little attention from institutional investors for a simple reason: for most large financial firms, creating a product to invest in microcap stocks would require far too much effort relative to the potential revenue they could generate from it. A microcap strategy doesn't move the profitability needle from a business perspective. The same is true for sell-side coverage – the large brokers can't generate enough trading volume to make it worth covering microcap stocks, so there is very little motivation to cover the smallest stocks.

This neglect is the very reason why the opportunities persist in microcap – large institutions rarely compete in the space, resulting in inefficiency, larger mispricings of securities, and greater potential for skilled investors to generate attractive returns. Ironically, this creates a conundrum of incentives within the asset management industry, as there is an inverse relationship between revenue potential for the business versus returns for clients. Products that invest up the market cap spectrum can run significantly more assets (i.e. generate more revenue) but have less alpha potential.

Interestingly, despite consistently delivering strong excess returns, the inefficiencies and return opportunities for microcap managers have increased over the last decade as megacap growth stocks (like the Magnificent 7) dominated investors' attention and assets flowed out of small and microcap stocks. However, we have recently noticed a surge in small and microcap searches. It seems the tide is turning, with investors increasingly aware of the inherent risk associated with the concentration of major indexes in a handful of stocks, as well as the generationally wide valuation gaps between large and microcap stocks. Additionally, investors who have been disappointed with the results from their alternatives and private markets portfolios are seeking opportunities for higher returns at lower fees. Lastly, there are a number of catalysts in place that could drive a revaluation of microcap stocks, which include geopolitical shifts, interest rate trends, fiscal policy (lower tax rates and deregulation), and accelerating M&A activity.

To be clear, Acuitas invests in microcap equities due to the long-term structural opportunity for excess returns - skilled investment managers can generate more attractive returns due to the lack of competition. Over the long run, active microcap managers have been able to deliver the most attractive excess returns within U.S. equity, and we expect the structural advantages for microcap managers to continue well into the future. The question of timeliness is a topic for another paper (and one we have covered thoroughly in commentaries) but suffice it to say that we believe it is an unusually good time to add a dedicated microcap allocation due to the attractive valuations and positive catalysts. In our view we are only in the early innings of a long-term cyclical shift that favors microcap stocks over the intermediate- to long-term.



In this paper we will explore the definition of microcap stocks and discuss the long-term return benefits of an allocation to active microcap managers. Additionally, we will cover the risk management benefits of including dedicated microcap in a diversified portfolio and the role active microcap plays in investor portfolios.

Microcap Defined

Prior to 2006, the microcap universe was poorly defined and had little institutional attention. In 2006, in order to more clearly define the universe, Russell Investments created the Russell Microcap Index. The Index consists of the smallest 1,000 stocks of the Russell 2000 Index as well as the next 1000 smaller stocks, with an overlay to screen for investability. This methodology results in an index of the stocks ranked 2,001 to 4,000 by market capitalization, excluding over-the-counter stocks, pink sheet stocks, stocks below \$30 million in market cap, and those trading below \$1.00. In addition, the Index is reconstituted annually at the end of June (increasing to twice annually in 2026) to prevent rising stocks from distorting performance and to allow for new entrants. As of June 30, 2025, the Index consisted of 1,556 stocks.

Exhibit 1 shows key characteristics of the Index as of June 30, 2025. The weighted average market capitalization in the Index was \$735 million, dwarfed by the small and large cap indexes, with weighted average market caps of \$3.4 billion and over \$1 trillion, respectively. From a valuation perspective, microcap stocks are cheaper than large and small cap regardless of the valuation metric considered. For example, microcaps trade at roughly one third the price/book of large cap stocks. This lower valuation points to the undiscovered nature of microcap companies, which receive less attention from institutional investors, as well as recent underperformance versus large cap. Notably, there are more unprofitable or early stage, lower margin companies in the Microcap Index, making active management and stock selection very important. Conversely, sales growth tends to be higher down the cap spectrum, as the 18.1% sales growth for the Microcap Index is well above the Russell 1000's 14.6% sales growth. Also, microcap companies tend to finance operations without using as much long-term debt as larger cap firms, sometimes relying more on shorter-term financing.

Exhibit 1. Characteristics of Microcap vs. Small and Large Cap, as of 6/30/2025

	Russell Microcap	Russell 2000	Russell 1000
Avg. Mkt Cap (\$b)	0.74	3.44	1,039.50
Median Mkt Cap (\$b)	0.22	0.88	15.31
P/Bk	1.5	1.8	4.6
Div. Yield	1.3	1.4	1.2
P/E (ex-neg earners)	14.3	17.3	26.6
Sales Growth - (3y)	18.1	16.5	14.6
Est. EPS Growth - (5y)	8.3	12.4	12.1
LT Debt to Cap	29.1	32.9	37.1

Source: Acuitas Investments, FTSE Russell, FactSet

In summary, over the long run microcap stocks tend to be earlier stage, higher-growth potential companies that trade at lower valuations versus book value, cash flows and earnings. On average, margins are lower, as high sales growth has not yet translated to the same degree of earnings as in large cap – in part because some microcap companies are less mature or have less economies of scale. These characteristics highlight a rich environment for active stock pickers who are willing to conduct thoughtful and comprehensive research.

Diverse by Industry, Visibility, and Life Cycle

The microcap universe contains a wide array of companies; diverse by industry, life cycle, and visibility. For example, five sectors (consumer discretionary, technology, industrials, health care, and financials) each make up over 10% of the Russell Microcap Index. These cover a wide spectrum of the United States economy and have complementary characteristics such as varying cyclicity, exposure to different stages of the economic cycle, and diverse revenue drivers.

Additionally, microcap companies run the gamut from highly visible and well-known to obscure and unknown. For example, there are a large number of popular restaurant chains currently in the consumer discretionary sector of the Microcap Index, such as El Pollo Loco, Red Robin and Potbelly. Additionally, many financial services companies are local or regional banks that are household names in their respective geographies. Conversely, there are many successful companies that operate niche businesses that few people have heard of. For example, iRadimed makes and sells MRI machines and other medical devices. While they operate a successful company that plays an important role in the health care industry, there is little reason the everyday consumer would have heard of them. One thing most microcap companies have in common – although they may be relatively small compared to the largest publicly traded companies – they are still sizeable companies within the broad economy, often having revenues and assets in the hundreds of millions. In total, for the 12 months ending June 30, 2025, there were 118 stocks in the Microcap Index that generated more than \$1 billion in annual revenues. Conversely, there are also a number of biotech companies in the Microcap Index, many of which do not have revenues, but are assessed on future drug development and growth potential.

Stocks enter the Microcap Index in a number of ways, with most falling into one of several categories: stable operators, fallen angels, emerging growth, or story stocks. *Stable operators* are perennial small companies, often operating in a specific niche. They may generate strong cash flow and have compelling competitive advantages within their respective space, but due to their business strategy or narrow addressable market, they may not be expected to grow to the level that would move them up the cap spectrum. *Fallen angels* are stocks that have declined in value due to fundamental issues, cyclical challenges or declining sentiment, despite a past history of success. *Emerging growth* companies may have low current profitability, but possess unique products, technology, or competitive advantages that are expected to drive strong future growth. Lastly, *story stocks* typically trade on sentiment. They may also be emerging growth stocks, but story stocks have generally become overheated and trade at extreme valuations for reasons that are not directly related to current fundamentals. SPACs and meme stocks are recent examples of story stocks. In summary, companies within the microcap universe represent a diverse economic landscape and have the potential to be great, or capital destroying, investments. The inefficiencies in the microcap market frequently result in mispriced securities, creating opportunities for investors willing to conduct deep fundamental research to separate the winners from the losers.

Microcap Stocks ≠ Penny Stocks

Although many investors confuse microcap stocks with penny stocks, the two are quite different. References to penny stocks conjure up images of securities that are illiquid, don't trade on a recognized exchange, are unregulated, and are susceptible to market manipulation and fraud. In fact, when constructing the Russell Microcap Index, Russell sought to only include companies that were viable investments for institutional investors. The Russell Microcap Index excludes stocks that trade under \$1, as well as those that trade on the pink sheets and bulletin board stocks. As a result, virtually all penny stocks are excluded from the Microcap Index and are not part of most active managers' portfolios.

Microcap and the Small Cap Effect

In 1992, Eugene Fama and Kenneth French published "The Cross-Section of Expected Stock Returns" in *The Journal of Finance*. The paper, which is now one of the most widely cited in finance, helped popularize investing that exploits small cap and value anomalies. While we do not need to revisit their findings, an important point that is often overlooked is in the design of the paper's study: *what Fama and French refer to as small cap is actually microcap by today's conventional definitions, and microcap has historically outperformed the rest of the market.*

Unfortunately, most investors use market cap-weighted benchmarks such as the Russell 3000 Index or the S&P 500 Index. These indexes have almost no exposure to the lower three deciles of the Fama-French data, meaning a passive Russell 3000 all-cap strategy has almost no exposure to what Fama-French considered small cap (microcap by today's definition). While the academic research highlights the return benefits of small stocks, we believe that the so called "small cap premium" is, in practice, a microcap premium. At the time of Russell's last index reconstitution, 92.5% of the Russell Microcap Index aligned with the bottom three Fama French deciles. Exhibit 2 shows how the widely used Russell Indexes line up with each of the Fama-French deciles, as of July 1, 2025 (immediately after the most recent reconstitution of the Russell Indices).

Exhibit 2: Percentage of Fama-French Deciles Within Each Russell Index, as of 6/30/2025

<i>Index's weight in each Fama-French Decile</i>	Russell 1000 <i>Large Cap</i>	Russell Midcap <i>Mid Cap</i>	Russell 2000 <i>Small Cap</i>	Russell Microcap <i>Microcap</i>	Russell 3000 <i>All Cap</i>	Avg. Market Cap \$MM
Fama-French Decile 1	79.4%	8.0%	0.0%	0.0%	76.0%	1,302,818
Fama-French Decile 2	10.8%	45.5%	0.0%	0.0%	10.4%	37,777
Fama-French Decile 3	5.7%	27.0%	0.9%	0.0%	5.5%	16,733
Fama-French Decile 4	2.6%	12.5%	7.7%	0.0%	2.9%	8,979
Fama-French Decile 5	1.1%	5.0%	19.2%	0.0%	1.8%	5,666
Fama-French Decile 6	0.3%	1.4%	25.2%	1.4%	1.4%	3,667
Fama-French Decile 7	0.1%	0.4%	20.7%	6.0%	1.0%	2,226
Fama-French Decile 8	0.0%	0.0%	14.4%	23.5%	0.6%	1,245
Fama-French Decile 9	0.0%	0.0%	8.1%	39.0%	0.3%	619
Fama-French Decile 10	0.0%	0.0%	3.7%	30.0%	0.2%	233

Source: Kenneth French data library, FTSE Russell, FactSet, Acuitas. Data is as of June 30, 2025.

Risk and Returns

Given index construction nuances, one challenge when assessing how today's microcap benchmark would have performed historically is the lack of historical data. After all, the Russell Microcap Index has been around for less than two decades. One way that we can build a proxy for long term index performance within a cap-weighted framework is by using the same Fama-French data as shown above, which provides nearly a century of return data. From there, we can approximate what a microcap index would have looked like over time by using the percentage exposure to each decile from Exhibit 2, overlaying the performance of each of those deciles at the allocated weights. When modernizing the data in this way, it shows a simulated return history for microcap stocks. We also are able to make a risk comparison through the lens of return volatility. In short, microcap exposure has return benefits and potential risk mitigating benefits when weighted properly, which may surprise many allocators who have historically dismissed the asset class out of risk concerns.

As shown below in Exhibit 3, over the last 75 years within the Fama-French data, the simulated microcap returns have outperformed the large cap market by an annualized 0.68%. To put that in dollar terms, \$1 invested at the start of the data set (99 years ago) in microcap would have grown to \$52,306 as of June 2025, compared to \$15,160 in large cap. Additionally, when looking at rolling 30-year periods, the simulated microcap index has outperformed the simulated large cap index in 59 out of 70 periods, or 84% of the time. Notably, microcap stocks have reached extremely cheap levels relative to large and small cap stocks over the last decade and as a result recently lost their long-term return advantage versus small cap. However, considering the excess returns available for active managers, we believe microcap remains the most lucrative place to invest in the U.S. equity markets.

Exhibit 3. Annualized Monthly Returns of Simulated Indexes Ending 6/30/2025

	Simulated Large Cap Index	Simulated Small Cap Index	Simulated Microcap Index	Micro vs Large	Micro vs Small Cap
25 Years	8.10%	8.75%	8.26%	0.16%	-0.49%
50 Years	11.75%	12.71%	12.15%	0.40%	-0.56%
75 Years	11.40%	12.42%	12.08%	0.68%	-0.34%

Source: Acuitas Investments, Kenneth French

Despite return advantages, microcaps have traditionally – and incorrectly – been perceived as risk outliers relative to small and large cap. Exhibit 4 below shows the volatility of those same return streams over the same time periods. From a risk standpoint, the variability of microcap returns has understandably been above large cap stocks, with an annualized standard deviation of 20.32% vs. 14.52% over the past 75 years. However, investors have been rewarded for this additional risk with the performance premium. When comparing the risk of microcaps vs. small caps, the difference is relatively small. The volatility of the simulated microcap index over the past 25, 50, and 75 years is only 1.30%, 1.45%, and 1.62% higher versus the simulated small cap index.

Exhibit 4. Annualized Monthly Risk of Value Weighted Portfolios ending 6/30/2025

	Simulated Large Cap Index	Simulated Small Cap Index	Simulated Microcap Index	Micro vs Large	Micro vs Small Cap
25 Years	15.34%	20.24%	21.53%	6.20%	1.30%
50 Years	15.08%	19.36%	20.81%	5.73%	1.45%
75 Years	14.52%	18.70%	20.32%	5.80%	1.62%

Source: Acuitas Investments, Kenneth French. Data represents annualized monthly standard deviation of returns.

While we find the analysis of historical index data helpful, it is important to emphasize that we believe the most compelling case for microcap investing is the additional return available from skilled *active* managers outperforming the Index. We address the ‘why’ on this topic in the next section, but perhaps the most compelling case for it is what has happened in the most recent 15-year period, which is aligned with Acuitas’ history.

Exhibit 5. eVestment Universe Average Total Returns (15 years ending 6/30/2025, gross of fee)



Source: Acuitas Investments, eVestment, FTSE Russell

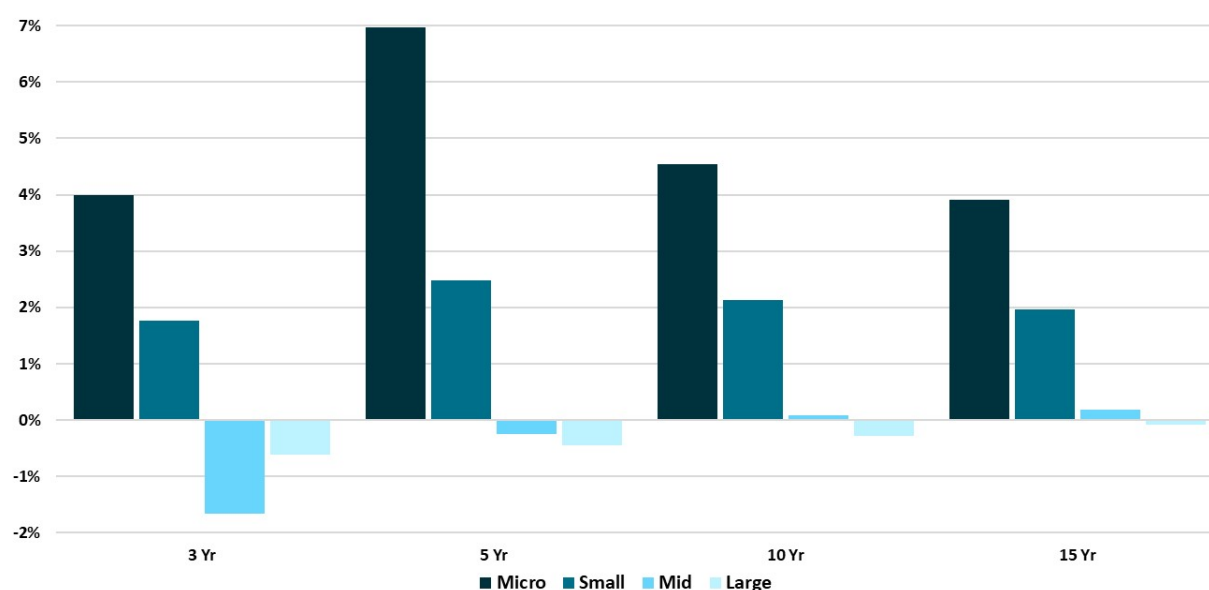
As we mentioned earlier, large cap stock indexes (driven by the Magnificent 7) have dominated U.S. equity returns since Acuitas’ inception. However, the positive excess returns (light blue) generated by active U.S. microcap managers have closed the large vs. microcap gap almost entirely. Even with a significant cyclical headwind to microcap indexes, active microcap managers have still been able to come within shouting distance of active large cap managers’ returns (with excess returns of virtually zero), while significantly outperforming active small cap managers. Conversely, in periods where microcap had a tailwind, the returns to active microcap have outperformed all indexes as well as active small and large cap managers by a wide margin. It is

this anomaly, the ability of active managers to deliver superior returns by focusing on less efficient areas of the equity markets, that is the foundation of Acuitas' investment philosophy.

Active Opportunity in Microcap

With millions of investors and dozens of Wall Street analysts covering every move of large companies, it is very difficult to generate an informational or execution advantage when investing in large cap stocks. Conversely, there are few professional investors looking at microcap stocks and a much larger proportion of these stocks are held by relatively unsophisticated part-time investors, retail investors, or company management. This is the core reason why skilled investors are able to deliver excess returns in microcap. We like to use the baseball analogy of major league hitters against minor league pitchers, where the hitters (skilled professional investors) have a consistent, inherent advantage against the less-skilled pitchers (less sophisticated investors). Information is not disseminated as efficiently, news is not recognized as quickly, and fewer investors are conducting deep fundamental research on the companies. For experienced institutional investors, good companies with improving fundamentals selling at attractive prices are easier to identify and exploit, resulting in superior returns.

Exhibit 6. Annualized Active Manager Excess Returns (Through 6/30/2025)



Source: Acuitas Investments, eVestment, as of 6/30/2025

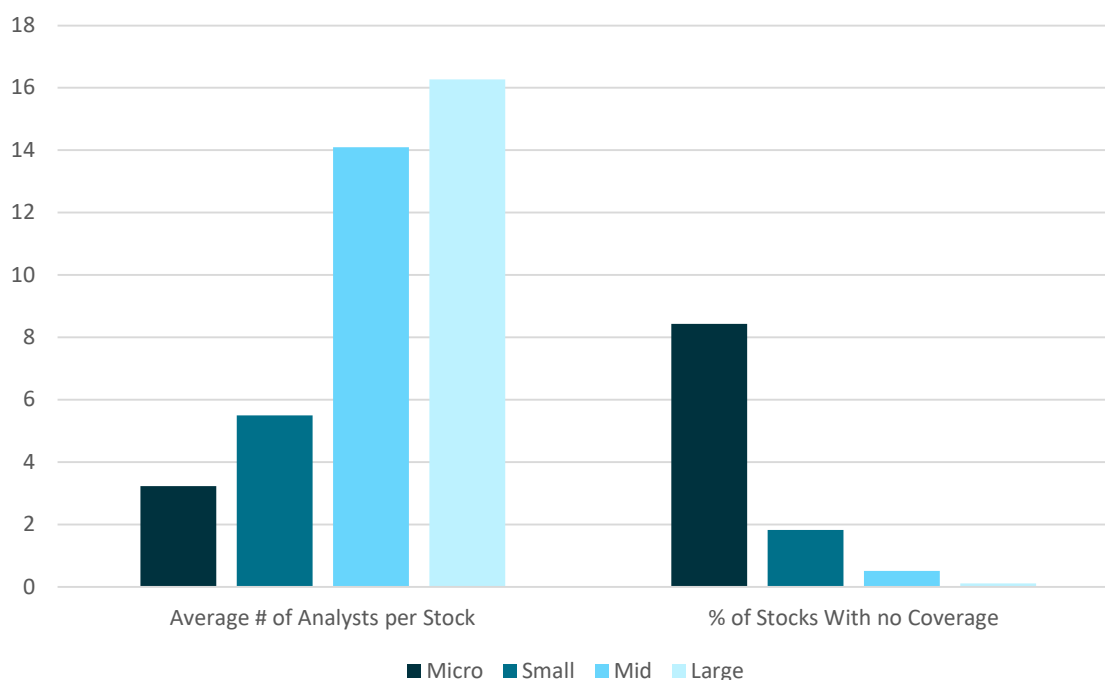
Exhibit 6 shows the magnitude of the outperformance by institutional microcap managers compared to large and small cap managers. Active microcap managers have consistently outperformed the Microcap Index over the trailing three-, five-, ten- and fifteen-year time periods by a meaningful amount, while returns decline significantly as investors move up the cap spectrum. Over the last ten years, microcap managers have averaged 453 basis points of annualized outperformance (using eVestment's database, gross of management fees). Over that same time period, small cap managers averaged 213 bps of excess returns, midcap managers averaged 9 bps, and large cap managers *underperformed* their benchmarks by -28 bps. The data

shows the clear advantage institutional investors possess in microcap: they are operating in a space with significantly less competition and greater opportunity for skilled participants to add value above the already appealing absolute return premiums.

Analyst Coverage

The inefficiency we have written about in the microcap universe is highlighted by the level of sell side analyst coverage on individual microcap stocks. Many investors rely on sell side analysts for key company information and to support investors' theses. Analysts' reports, such as detailed financial models, price targets, and other resources help generate trading and investment banking revenue for sell side firms. However, because there is less opportunity to generate revenue on microcap stocks, they have significantly less coverage. Exhibit 7 shows the relative comparison of analyst coverage for different sizes of stocks. As is shown, 8.4% of microcap stocks have no coverage at all. For those microcap companies with coverage, the average number of estimates is only three. For small cap, the percent of stocks with no coverage drops to 1.8%, with the average number of analysts covering a stock jumping to 5.5. Virtually every large cap stock is covered by the sell side, with an average of 16.3 estimates per stock.

Exhibit 7. Microcap Analyst Coverage (As of 6/30/2025)



Source: Acuitas Investments, FTSE Russell, FactSet.

The lack of attention on microcap stocks creates greater inefficiency, resulting in mispricings that can be exploited by institutional investors. Additionally, this lack of attention creates opportunity for a “discovery effect” to drive price appreciation. When microcap stocks perform well fundamentally, sell side analysts are more likely to initiate coverage which in turn triggers increased visibility and capital flows, leading to a rising stock price (rerating). Skilled microcap investors benefit by identifying these stocks before others. This means there is more room for

institutional investors to add value through company analysis and purchasing high quality stocks before they are widely recognized.

Capacity Constraints

Given the alpha available within microcap equity, why don't more institutional investors target the space? The simple answer is capacity. Microcap stocks are less liquid and consequently, products are more capacity constrained. Investors can only invest relatively small amounts of capital in microcap stocks before they own an uncomfortably large percentage of the company, inhibiting their ability to execute their process. Additionally, regulatory requirements can be onerous (for example, investors must file with the SEC when they own more than 5% of a company). It is simply not possible to efficiently manage the same amount of money in a microcap product as it is in small or large cap products. Because institutional managers are typically paid based on the amount of assets they manage, the financial incentive to run capacity constrained products such as microcap is low. Anecdotally, we continuously come across managers that openly state that they won't manage microcap strategies because it isn't worth their while.

As an example, a typical microcap manager with 60-100 stocks in their portfolio may set product capacity at \$600 - \$800 million (which we generally think is still high – a topic for another time). This pales in comparison to the \$6 - \$10 billion or more managers target for small cap, and the many multiples that large cap managers can invest. As a result, fewer microcap products exist in the market. With fewer professional investors competing to invest in the same stocks, it is easier for skilled investors to gain a competitive advantage when analyzing and trading the stocks.

Diversification Benefits – Role in a Portfolio

In addition to the attractive returns available from investing with active microcap managers, exposure to microcap also provides structural and diversification benefits. This is especially true as broad market indexes become increasingly concentrated in a very small number of highly correlated stocks. Currently roughly 35% of the S&P 500 Index is in the Magnificent 7, which are heavily exposed to the same related themes (technology and AI enthusiasm). Regardless of the excitement about these businesses, investors are increasingly sensitive to the dangers of having so much of their portfolio in such a small number of correlated companies. The diversity by industry and life cycle within microcap companies provides an appealing counterbalance to this concentration. Similarly, active microcap managers aren't forced to hold a large portion of their portfolio in a narrow set of specific stocks, allowing for better risk management and more opportunities to win through stock selection.

Second, many investors' approach to the U.S. equity market focuses on a blend of large cap and small cap allocations, leaving investors underexposed to microcap stocks. In fact, most small cap managers are heavily tilted toward the larger end of the small cap because those stocks increase product capacity and are easier to cover, leaving an even larger gap in their clients' portfolios at the smaller end of the market. Based on eVestment's databases, as of June 30, 2025, the average actively managed small cap product had only 19.5% of their portfolio invested in stocks below \$1.5 billion in market cap, while the average microcap manager has 77.6% invested below \$1.5 billion. The key takeaway is that even with a dedicated allocation to small cap, most investors are underexposed to the lowest market cap deciles and the associated excess return opportunities. Adding a dedicated microcap exposure complements most investors' portfolios, filling a common gap, improving diversification, and improving returns.

As a further diversification benefit, microcap companies' success tends to be more idiosyncratic and stock specific. Being smaller and more nimble, microcap companies have greater opportunity to differentiate themselves through growth strategies, product innovation, strong leadership and disciplined financial management. As such, microcap stocks can provide diversification benefits at the overall portfolio level despite being more volatile. As shown in Exhibit 8 below, over the past 98 years the returns of small and midcap stocks have behaved quite similarly to large caps, with correlations of Fama-French decile 1 vs. deciles 2-7 ranging between 0.81 and 0.93. This correlation drops significantly for microcaps, as returns for decile 10 have exhibited a correlation of 0.68 vs decile 1, meaning microcap stocks provide significantly more diversification benefit.

Exhibit 8. Correlations of Yearly Returns Between Fama French Deciles

Correlations	<i>Microcap</i>			<i>Small Cap</i>			<i>Midcap</i>		
	Decile 10	Decile 9	Decile 8	Decile 7	Decile 6	Decile 5	Decile 4	Decile 3	Decile 2
Decile 1 (Large Cap)	0.68	0.75	0.79	0.81	0.85	0.86	0.88	0.89	0.93

Source: Kenneth French Data Library, Acuritas Investments. Represents correlations of yearly returns from 1927 – 2024.

In addition to the diversification provided by microcap exposure within a public equity portfolio, microcap allocations have become increasingly valuable to investors seeking alternatives to private equity (PE) allocations. Decades of flows into the PE markets have flooded the space, increasing competition for deals, cutting into return prospects, and resulting in many PE managers having challenges exiting their existing holdings. As a result, many large institutional investors are cutting their target weights and looking for other sources of return. Additionally, many smaller institutions and retail investors have had limited access to good private equity investments. Microcap is a common solution as a proxy for private equity, offering similar return patterns and benefits, including exposure to early growth stocks, incomparably better liquidity, greater transparency, less leverage and lower fees. Because this is a big topic warranting more attention, we have covered the merits of microcap as an alternative to private equity in a separate paper.

Summary

Simply put, the microcap universe offers the most attractive long-term return potential and the greatest opportunity for successful active management within the U.S. equity markets. The average institutional microcap product has delivered returns that exceed its index by a much wider margin than any other group within U.S. equity. This opportunity is driven by a lack of competition and inattention to microcap stocks by Wall Street and institutional investors. Additionally, due to the broad market's extreme concentration in just a handful of stocks, most investors' adherence to cap-weighted benchmarks, and microcap stocks' unique return pattern that hasn't historically moved in lockstep with the broad market, an investment in microcap is a diversifying addition to a broader equity portfolio. Lastly, investors looking for a liquid and transparent surrogate to alternatives and private equity allocations, at lower fee levels, will likely find the microcap universe an attractive investment option.

In aggregate, given the long-term return and diversification benefits, supported by the attractive cyclical opportunity in small cap, we believe adding dedicated microcap managers will improve investors' portfolios over the long run. Equally important, it is an unusually good time to make an allocation, with microcap positioned very well for the intermediate- and long-term.

Disclosures

Performance

Past performance is not a guarantee of future returns. Investing in securities involves risk of loss that investors should be prepared to bear. Investments in small and microcap companies may be less liquid and prices may fluctuate more than those of larger, more established companies.

Investment Strategy

This material contains the current opinions of Acuitas and is presented solely for informational purposes. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation or solicitation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable.

General

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Index Descriptions

Russell Microcap Index: *The stocks ranked from 2,001-4,000 in the Russell indexing universe, consisting of capitalizations ranging from about \$50 million to \$2.5 billion.*

Russell 2000 Index: *A small-cap benchmark index of the bottom 2,000 stocks in the Russell 3000 Index.*

Russell 1000 Index: *A large-cap index of the top 1,000 stocks in the Russell 3000 Index.*

Russell Midcap Index: *The bottom 800 stocks in the Russell 1000 Index.*

Russell 3000 Index: *An unmanaged index that consists of 3,000 of the largest U.S. companies based on total market capitalization.*

Russell 3000E Index: *Measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

S&P 500 Index: *A market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.*

Index returns do not reflect any fees or expenses and are not directly available for investment.

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