

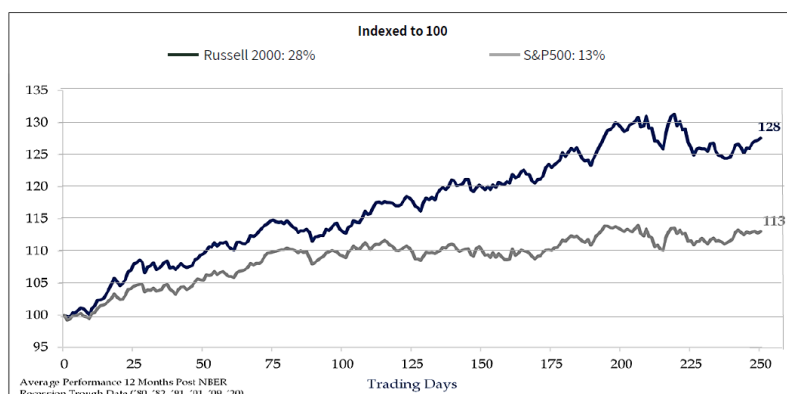


Investing in turbulent markets can raise a number of questions for investors. The high inflation and the rising interest rate environment in the US is particularly concerning to many. In recent years, rising interest rates have been very topical given the ultra-low rate environment experienced in the US for 30+ years. Historically, in a rising rate environment, such as the one we are currently experiencing, small caps have in the past delivered better returns than their large cap counterparts.

As we delve deeper into why now is the time for small caps, five reasons to be investing in this sector are:

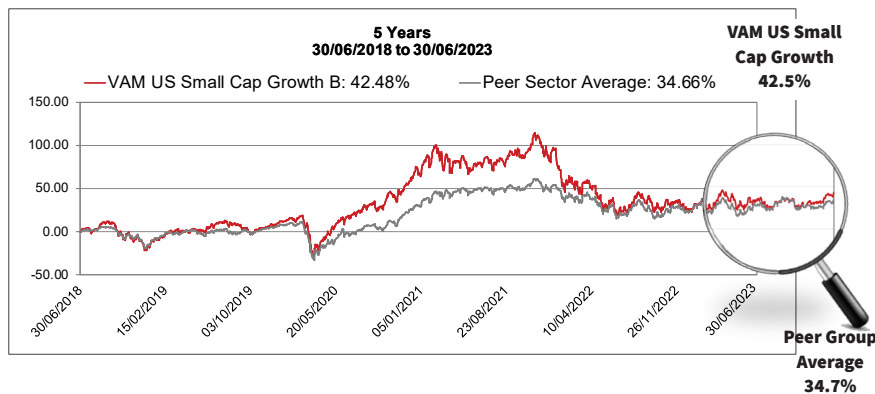
1. **Small caps are currently trading at a deep discount to large caps** not seen in decades. Smaller cap stocks typically trade at a premium to larger companies, given their higher earnings growth potential. However, recently, against a persistent recession drumbeat, small cap valuation multiples have declined rapidly versus larger cap companies. Valuations remain appealing for many parts of the market and are significantly so when compared to large caps with smaller cap stocks in general continuing to trade at their second largest discount to large caps over the past 40 years.

2. **Historically, US small cap companies have tended to lead the market recovery** following a bear market. Their outperformance relative to larger companies' counterparts has often been magnified during the early stages of recovery, as large companies have been generally slower to respond to the changing environment. Small caps can be rewarding for investors with a long-term horizon using them as a diversifier in their portfolio as, by virtue of their scale, they have a greater scope to grow their earnings at a quicker rate than large caps.



Source: Strategas Securities, LLC

3. The VAM US Small Cap Growth Fund has outperformed the peer sector average in Q2 (8.73% vs 4.89%). The skill that the Manager has in picking stocks that have been dragged down as a result of the prevailing market conditions is evident when comparing the VAM US Small Cap Growth Fund to the peer group over a full market cycle.



4. In Q2 2023, outperforming sectors are technology, health care, consumer staples, materials, financials and energy. The stockpicking strength of the Manager has seen exposure to new world stocks positively contribute to performance and positioned for more positive gains as prices recover. Several networking and hardware holdings performed well due to increased spending on AI. Hardware investment to support the growing need for greater bandwidth and computing power to support AI applications is showing a huge growth inflection. Outperformance in biotech/pharma and medical devices drove the positive relative and absolute performance. Health care ended the quarter as the portfolio's third largest absolute sector weight.

5. Small caps offer more attractive valuations and higher growth prospects than large caps. Valuations remain appealing for many parts of the market and are significantly so when compared to large caps. Current small cap valuations are at levels similar to past recessions.

The case for small caps stocks is very compelling as history shows that small caps typically materially outperform during the first five years or more of a new market cycle. We believe that the VAM US Small Cap Growth Fund should be a consideration for any investor wanting exposure to this interesting market sector.

VAM US Small Cap Growth Fund Details:

	Share Class	ISIN	Minimum Investment
VAM US Small Cap Growth Fund USD	B	LU0247232753	USD 20,000 (or other currency equivalent)
	Z	LU2583621953	USD 10,000 (or other currency equivalent)

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