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## TOP 10 REASONS TO INVEST IN MICRO-CAPS

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*Small is passionate.*

## REASON #1 MICRO-CAPS USE DISCLOSURES

### DISCLOSURE

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Summary Prospectus and Statutory Prospectus contain this and other important information about the investment company, and it may be obtained by calling (800) 331-8936 or by visiting [perrittcap.com](http://perrittcap.com). Read it carefully before investing.*

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. The Funds invest in micro-cap companies which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund may invest in early stage companies which tend to be more volatile and somewhat more speculative than investments in more established companies.

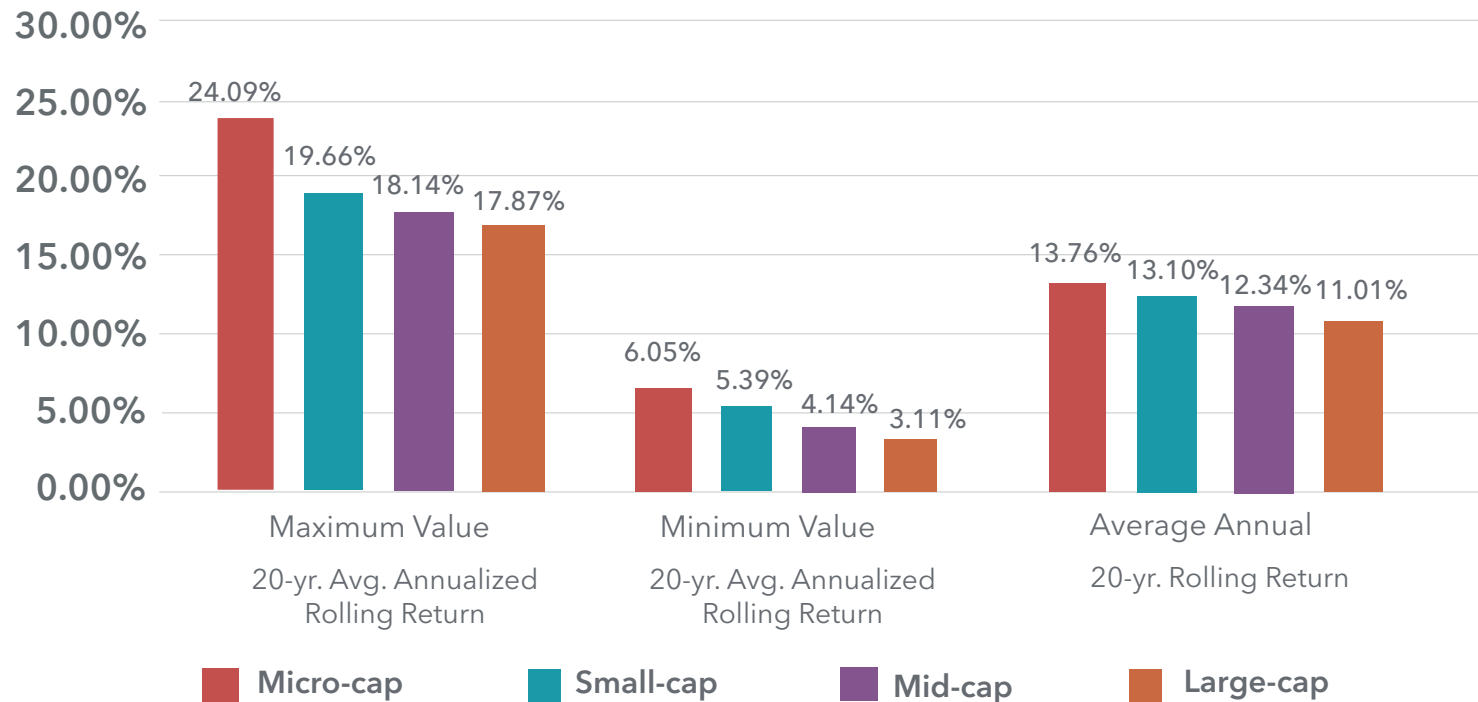
Index performance is not indicative of fund's performance. Past performance does not guarantee future results. Current performance can be obtained by calling 800-331-8936. It is not possible to invest directly in an index.

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## REASON #2 MICRO-CAPS PROVIDE HIGHER HIGHS AND HIGHER LOWS

### 20-Year Rolling Return Periods

12/31/1925 - 12/31/2018



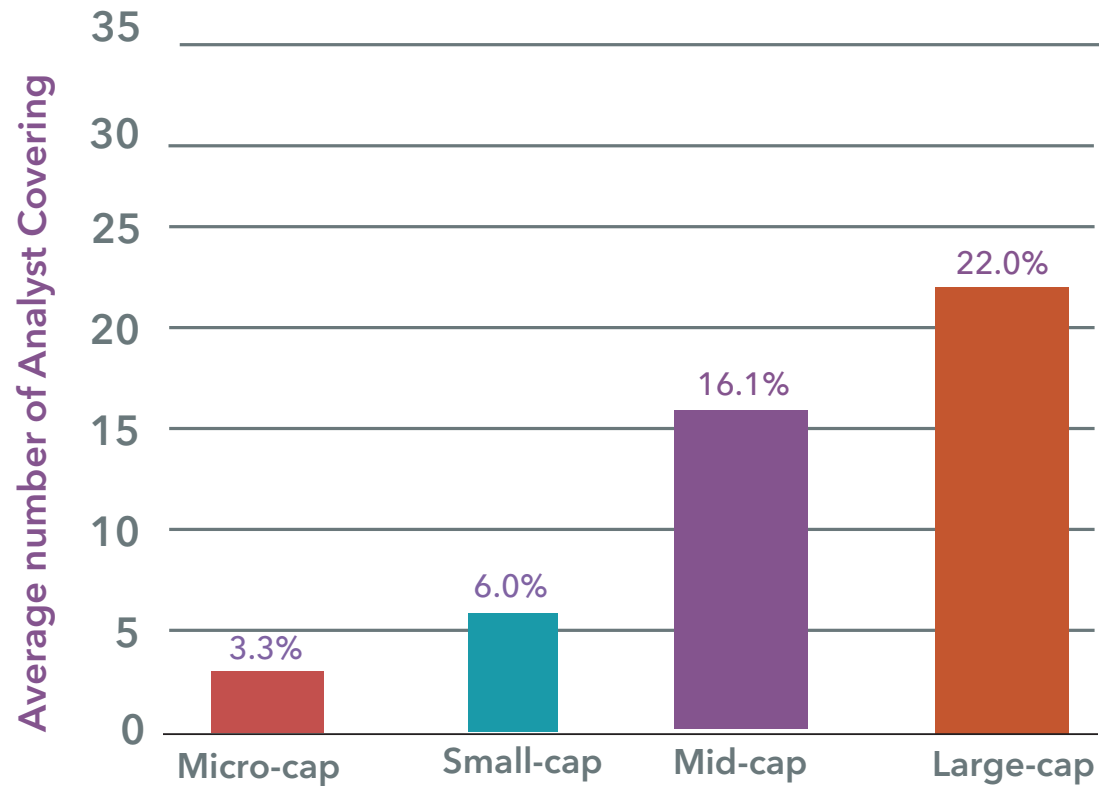
Source: Ibbotson Classic Yearbook, 2015 and FRP and Factset, 2018.

Micro-cap stocks defined as the bottom two deciles of securities ranked by Market capitalization from 1926-2017. Small-cap defined as deciles 6-8. Large company stocks are represented by the S&P 500 index. Rolling return is the annualized average return for a period ending with the listed year. For example, the twenty-year rolling return for 1995 covers Jan 1, 1976 through Dec 31, 1995. The twenty-year rolling return for 1996 is the average annual return for Jan. 1, 1977 through Dec. 31, 1996, etc.

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## REASON #3 MICRO-CAPS ARE UNDER-COVERED IN OUR VIEW

AVERAGE ANALYST COVERAGE, BY MARKET CAP GROUP

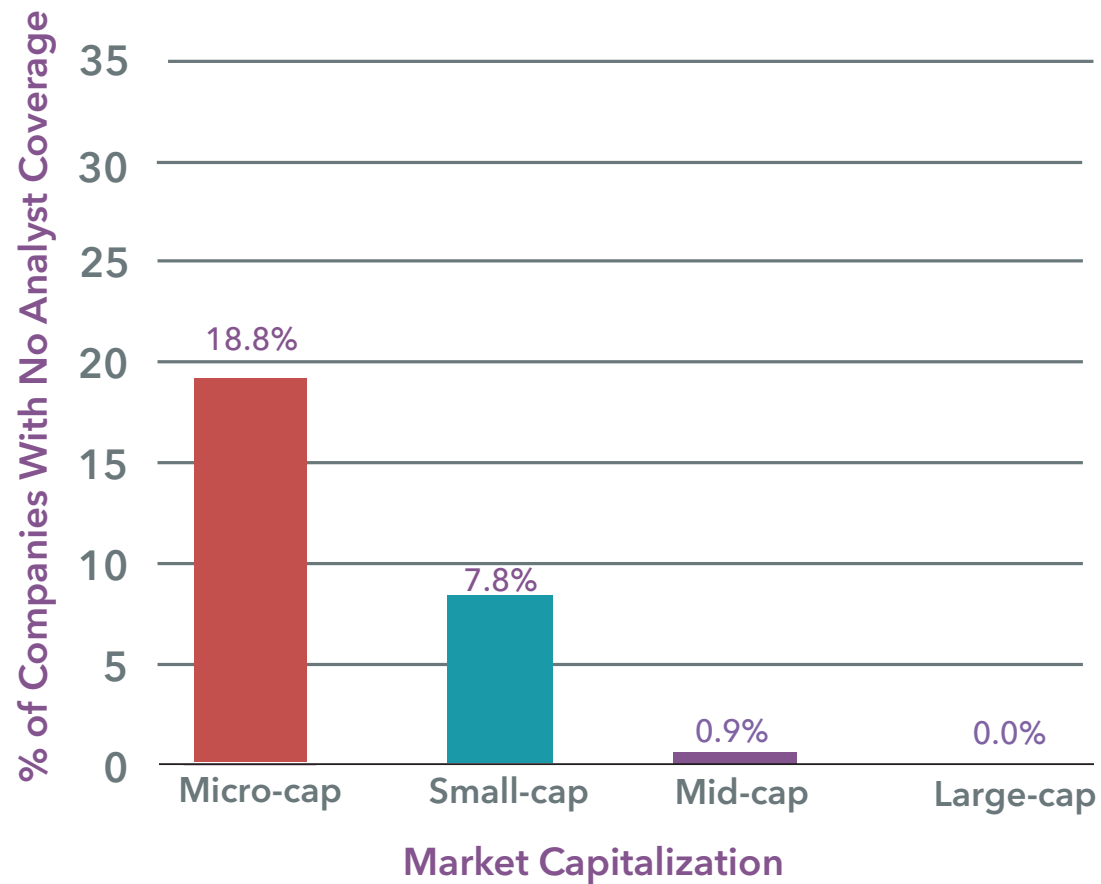


Source: FRP and FactSet as of 12/31/18.

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## REASON #4 WE BELIEVE MICRO-CAPS REMAIN THE LAST INEFFICIENT MARKET CAP CLASS

PERCENT OF STOCKS WITH NO ANALYST COVERAGE, BY MARKET CAP GROUP

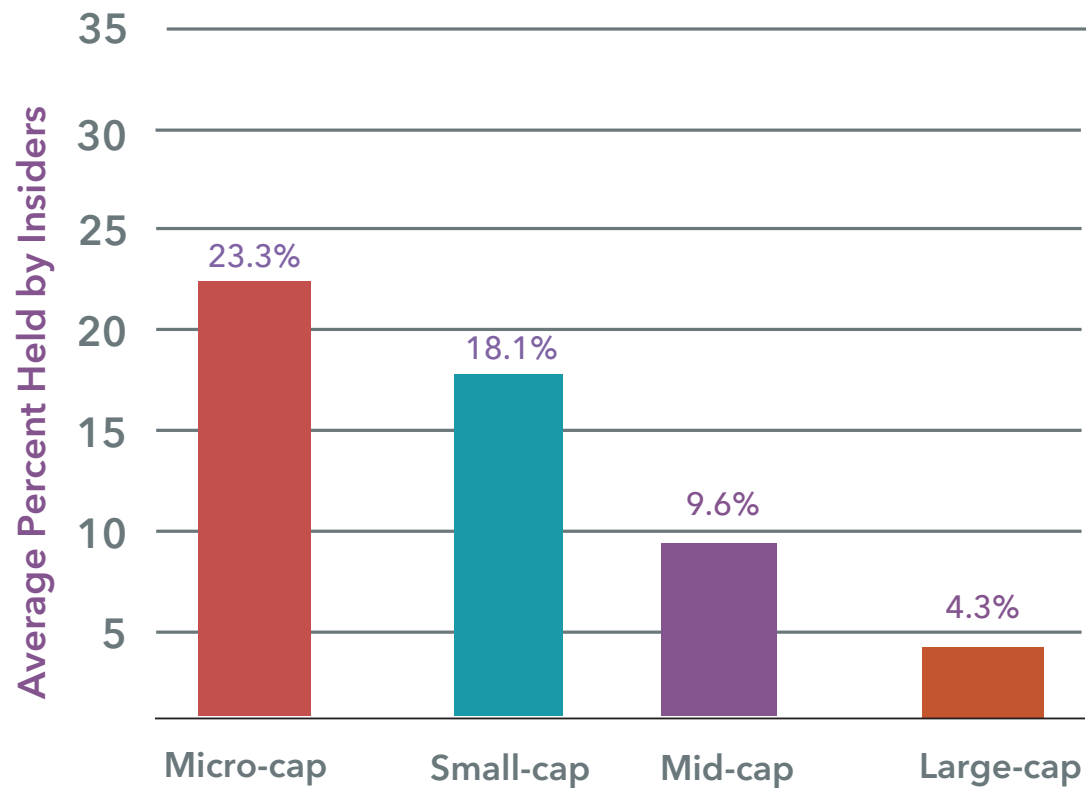


Source: FRP and FactSet as of 12/31/18.

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## REASON #5 MICRO-CAPS HAVE HISTORICALLY HAD A HIGH DEGREE OF INSIDER OWNERSHIP, WHICH ALIGN MANAGEMENT AND INVESTOR INTERESTS

AVERAGE INSIDER OWNERSHIP, BY MARKET CAP GROUP

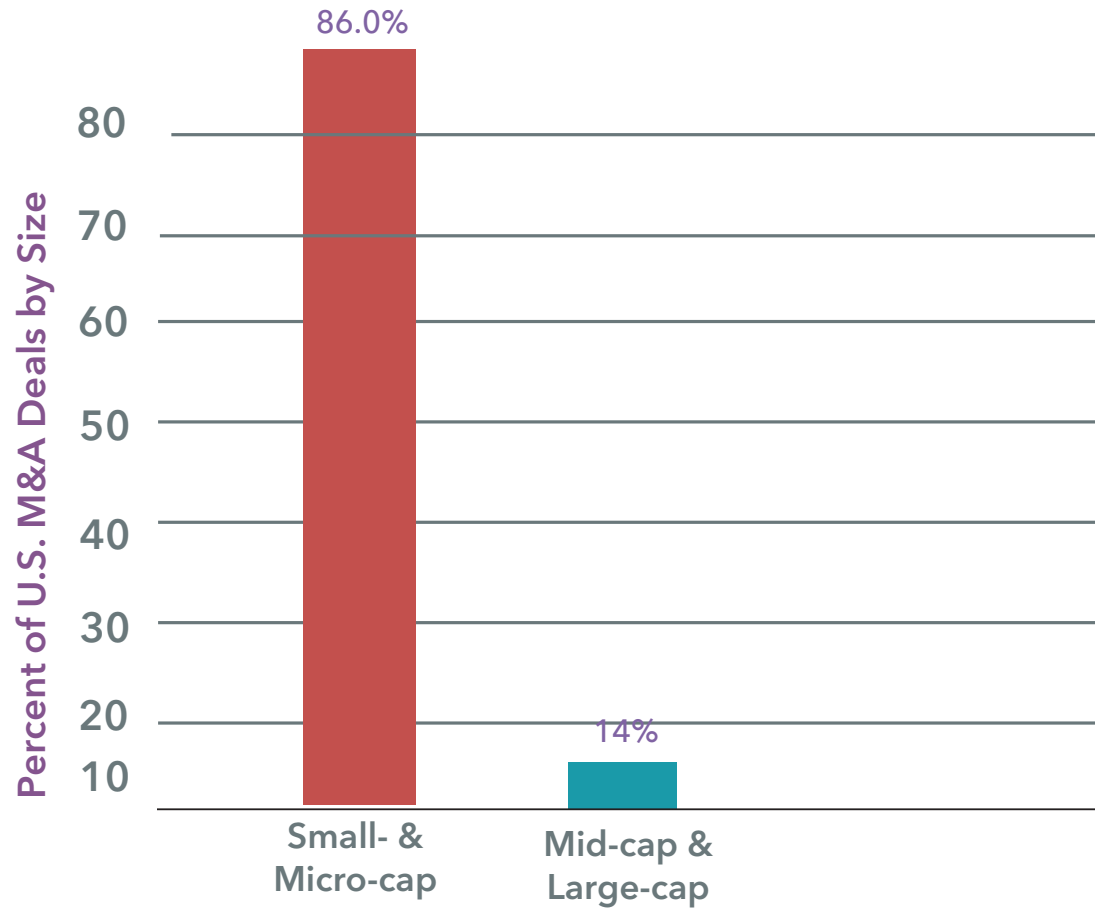


Source: FRP, FactSet as of 12/31/18.

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## REASON #6 SINCE 1992, 86% OF ALL PUBLIC M&A TRANSACTIONS OCCURRED AT THE SMALL/MICRO-CAP LEVEL

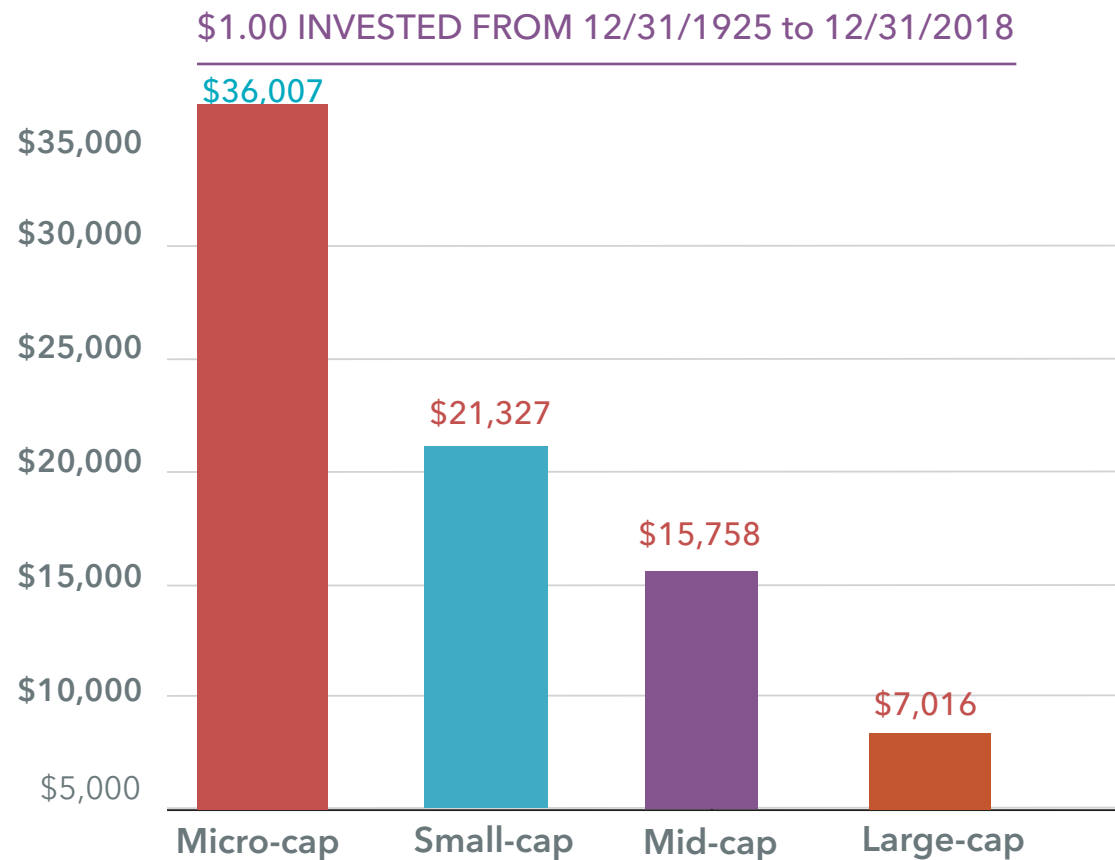
PERCENT OF U.S. PUBLIC M&A DEALS, BY MARKET CAP GROUP (1992-2018)



Source: Furey Research Partners, 12/31/18.

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## REASON #7 MICRO-CAPS HAVE HISTORICALLY POSTED STRONG LONG-TERM RETURNS



Micro-cap and small capitalization companies typically have relatively lower revenues, limited product lines, lack of management depth, higher risk of insolvency and a smaller share of the market for their products or services than larger capitalization companies. Generally, the share prices of stocks of micro-cap and small capitalization companies are more volatile than those of larger capitalization companies. Also, the returns of micro-cap and small capitalization company stocks may vary, sometimes significantly, from the returns of the overall market. In addition, micro-cap and small capitalization company stocks tend to perform poorly during times of economic stress. Relative to large capitalization company stocks, the stocks of micro-cap and small capitalization companies are thinly traded, and purchases and sales may result in higher transactions costs. A micro-cap company may be more vulnerable to adverse business or economic events than stocks of larger companies.

**This chart illustrates the performance of a hypothetical \$1 investment made on December 31, 1925. It assumes the reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales charges or redemption fees. The chart does not imply any future performance.**

Micro-cap stocks defined as the bottom two deciles of securities ranked by market capitalization from 1926-2018. Small-cap stocks defined as deciles 6-8. Mid-cap stocks defined as deciles 3-5. Large cap stocks are represented by the S&P 500 Index.

Source: FRP, Morningstar, and FactSet.

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## REASON #8 MICRO-CAPS HAVE HISTORICALLY DONE WELL IN LOW-GROWTH ENVIRONMENTS

### ANNUALIZED CHANGE (%)

Decade	Large-cap	Small-Cap	Micro-cap	Real GDP
1930's	-0.05%	3.57%	7.17%	0.97%
2000's	-0.95%	4.88%	8.19%	1.80%
2010's	13.92%	14.38%	13.94%	2.15%
1980's	17.55%	16.16%	12.39%	3.11%
1970's	5.86%	10.44%	8.96%	3.21%
1990's	18.20%	15.88%	14.47%	3.22%
1950's	19.35%	18.17%	18.89%	4.20%
1960's	7.81%	11.74%	13.64%	4.51%
2000's	9.17%	14.79%	20.50%	5.61%

Micro-cap stocks defined as the bottom two deciles of securities ranked by market capitalization from 1926-2018. Small-cap stocks defined as deciles 6-8. Large-cap stocks are represented by the S&P 500 Index.

Source: FRP, Ibbotson SBBI, CRSP, as of 12/31/18.

GDP is Gross Domestic Product

**Past performance does not guarantee future results.**

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## REASON #9 MICRO-CAPS CAN LOWER CORRELATION

### CORRELATIONS OF ANNUAL RETURNS 1926-2018

Category	Large Company Stocks	Small Company Stocks	LT Government Bonds	Treasury Bills
Large Company	1.00	0.76	0.00	-0.02
<b>Small Company</b>	<b>0.87</b>	<b>0.96</b>	<b>-0.07</b>	<b>-0.08</b>
Long-Term Gov't Bonds	0.00	-0.12	1.00	0.18
Treasury Bills	-0.02	-0.14	0.18	1.00

Source: FRP, Morningstar and FactSet as of 12/31/18.

Small company stocks defined as the bottom quintile of securities ranked by market capitalization from 1926-2018. For January 1982 to March 2001, the series is represented by the DFA U.S. 9-10 Small company portfolio and the DFA U.S. Micro Cap Portfolio thereafter. Large company stocks are represented by the S&P 500 Index. Long-term Government Bonds are constructed with data from *The Wall Street Journal*. To the greatest extent possible, a one-bond portfolio with a term of approximately 20 years and a reasonable coupon was used each year. For the U.S. Treasury Bill Index, data from *The Wall Street Journal* are used. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. The Consumer Price Index for All Urban Consumers is used to measure inflation.

Correlation is a statistical measure of how two securities move in relation to each other. A correlation of 1.00 equals perfect correlation, 0.00 equals no correlation, -1.00 equals perfect negative correlation.

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## REASON #10 SMALL-CAPS HAVE HISTORICALLY PERFORMED WELL FOLLOWING RATE HIKES

### RUSSELL 2000 INDEX RETURNS FOLLOWING FED FUNDS RATE INCREASE

Hike Date	3 months after	12 months after	18 months after	36 months after
2/1/83	n/a	26.52%	5.20%	49.22%
10/1/86	1.75%	29.02%	7.47%	40.02%
2/4/94	-2.54%	-2.69%	16.85%	47.57%
6/30/99	-6.32%	14.32%	7.60%	1.71%
6/30/04	-2.86%	9.45%	15.88%	48.00%
12/15/15	-5.36%	22.63%	17.55%	30.00%
Averages	-3.07%	16.54 %	11.76%	36.09%

Source: Capital IQ.

The Russell 2,000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. You cannot invest directly in an index.

# Invest With Us

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Perritt Capital Management is devoted to the micro-cap space and focuses only on investing in smaller companies. Our Funds offer investors direct exposure to this dynamic and underfollowed asset class.

Perritt MicroCap Opportunities Fund -PRCGX

Perritt Ultra MicroCap Fund - PREOX

Perritt Capital Management's funds are available with the following leading online brokers, or through your Financial advisor.

Additionally, you can invest directly with us by downloading the appropriate forms [here](#) or calling 800-332-3133 to have them sent to you.

>eTrade

>Interactive Brokers

>Schwab

>TD Ameritrade

>Fidelity

>Merrill Edge

>Scottrade

>FolioFN

>Options House

>ShareBuilder

**Perritt**  
CAPITAL MANAGEMENT

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