

# Nicholas Funds



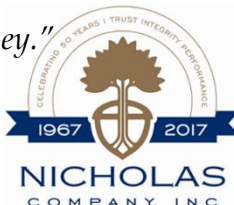
# Nicholas 50 Year History

- Founded in 1967
- Located in Milwaukee, WI
- Independently owned and managed
- Practice the investment philosophy created in 1967
- Advisor to the Nicholas Funds and separately managed accounts
- Assets under management: \$4.9 billion (9/30/2018)
- David O. Nicholas, CFA
  - Chief Executive Officer, President and Portfolio Manager
- Ownership: Nicholas Family
- Investment Staff: 9
- Total Staff: 22

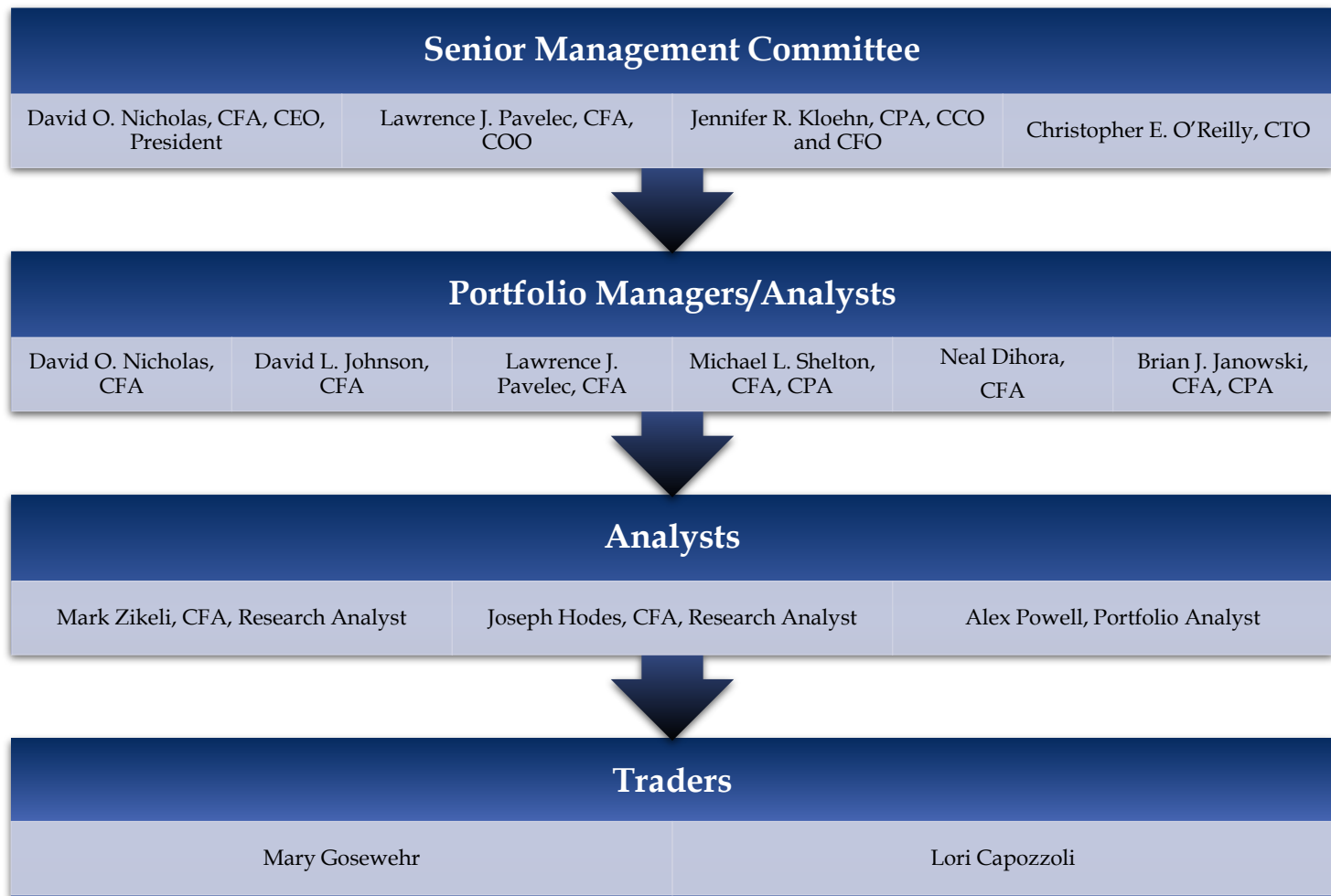


*"You should be skeptical, but you have to inherently be an optimist to be in this business. Pessimism makes you very little money."*

- Ab Nicholas, Founder



# Senior Leadership and Investment Team



# Investment Philosophy

Seek to generate high, risk adjusted returns for our clients by;

- Identifying high quality, sustainable businesses through bottom-up, fundamental analysis.
- Acquiring these high quality businesses at reasonable valuations.
- Employing a patient, long-term investment style.
- Maintaining low relative fees and minimizing portfolio turnover.
- Seeking capital appreciation while attempting to mitigate downside risk through security selection.
- Placing our shareholders and clients interests first.

*“A Value Approach to Growth Investing”*



# Stock Selection

## Criteria for identifying high quality companies;

- Companies offering a sustainable competitive advantage (identifiable moat) to protect and grow market share.
- Superior business model.
- Sustainable earnings growth rates versus industry and peers.
- Manageable balance sheets and debt service.
- Ability to generate free cash flow to re-invest in the business or return capital to investors.
- Competent management teams with interests aligned with shareholders.



Earnings growth is not a measure of future performance.

# Idea Generation

- Portfolio managers and analysts have areas of specialty, but are free to pursue ideas across industries and market capitalizations.
- Utilize technology to identify stocks that meet specific quantitative and qualitative criteria.
- Utilize a trusted network of regional brokers that offer high value supplemental information.
- Ideas derived from research, conferences and company meetings.
- Stocks are reviewed by the investment team during twice weekly research meetings.
  - Formal presentations are made to the team for review and discussion.
  - Presentations include information on the company, business model, financial history, and stock valuation.



# Portfolio Construction

- Portfolio managers have flexibility to select stocks from both formal and informal discussions with analysts.
- Portfolio manager is final decision maker on buy/sell decisions.
- Typically positions are built over time with number of portfolio holdings ranging from 40-80 stocks.
- Maximum sector exposure is 25% of market value, but there are no specific requirements or constraints for relative sector weighting.
- Sell decisions are based on valuation or change in investment thesis.
- Risk management is performed and reviewed daily via attribution analysis and documented research notes.



# Trailing Performance

<i>Performance as of September 30, 2018</i>	Expense Ratio	Assets (millions)	3 Month	Year to Date	Average Annual				
					1 Year	3 Year	5 Year	10 Year	15 Year
<b>Nicholas Fund - NICSX</b>	<b>0.72%</b>	<b>\$ 2,856.4</b>	<b>8.82%</b>	<b>12.07%</b>	<b>17.27%</b>	<b>9.75%</b>	<b>10.54%</b>	<b>12.60%</b>	<b>10.02%</b>
S&P 500			7.71%	10.56%	17.91%	17.31%	13.95%	11.97%	9.65%
Russell 1000 Growth			9.17%	17.09%	26.30%	20.55%	16.58%	14.31%	10.67%
Morningstar Large Growth Category	1.10%		7.54%	15.64%	23.18%	17.68%	14.02%	12.60%	9.84%
<b>Nicholas II Class I - NCTWX</b>	<b>0.61%</b>	<b>\$ 795.9</b>	<b>5.56%</b>	<b>9.76%</b>	<b>17.10%</b>	<b>14.05%</b>	<b>11.93%</b>	<b>11.84%</b>	<b>9.95%</b>
Russell Midcap Growth			7.57%	13.38%	21.10%	16.65%	13.00%	13.46%	11.10%
Russell Midcap			5.00%	7.46%	13.98%	14.52%	11.65%	12.31%	11.07%
Morningstar Mid-Cap Growth Category	1.20%		6.48%	13.42%	20.31%	15.81%	11.68%	11.97%	10.14%
<b>Nicholas Limited Edition Class I - NCLEX</b>	<b>0.86%</b>	<b>\$ 408.6</b>	<b>8.57%</b>	<b>16.53%</b>	<b>20.12%</b>	<b>18.04%</b>	<b>11.66%</b>	<b>12.49%</b>	<b>10.98%</b>
Russell 2000 Growth			5.52%	15.76%	21.06%	17.98%	12.14%	12.65%	10.61%
Russell 2000			3.58%	11.51%	15.24%	17.12%	11.07%	11.11%	10.12%
Morningstar Small Growth Category	1.30%		7.00%	18.94%	24.44%	18.39%	11.75%	12.57%	10.49%
<b>Nicholas Equity Income Fund - NSEIX</b>	<b>0.72%</b>	<b>\$ 449.0</b>	<b>5.88%</b>	<b>8.66%</b>	<b>13.90%</b>	<b>12.88%</b>	<b>9.20%</b>	<b>11.57%</b>	<b>10.78%</b>
S&P 500			7.71%	10.56%	17.91%	17.31%	13.95%	11.97%	9.65%
Morningstar Large Value Category	1.02%		5.49%	4.50%	10.84%	13.45%	10.19%	9.69%	8.38%
Lipper Equity Income Funds Objective			5.33%	4.72%	10.59%	13.04%	9.76%	9.58%	8.71%
<b>Nicholas High Income Fund Class I - NCINX</b>	<b>0.69%</b>	<b>\$ 99.9</b>	<b>1.91%</b>	<b>0.50%</b>	<b>-0.24%</b>	<b>3.99%</b>	<b>2.80%</b>	<b>6.14%</b>	<b>5.33%</b>
BofA ML US HY Constrained			2.44%	2.52%	2.94%	8.20%	5.55%	9.40%	7.65%
BofA ML BB US HY			2.36%	0.55%	0.89%	6.81%	5.58%	8.98%	7.35%
Morningstar High Yield Bond Category	1.00%		2.02%	1.84%	2.36%	6.41%	4.31%	7.62%	6.42%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-544-6547. The funds' impose a \$15 wire redemption fee.

Investment performance for the periods prior to the fiscal year ended June 30, 2011 reflects fee waivers in effect for Nicholas Equity Income Fund. In the absence of such waivers the total return would be reduced.





# Calendar Year Performance

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Nicholas Fund - NICSX</b>	<b>17.54%</b>	<b>0.92%</b>	<b>-2.95%</b>	<b>15.31%</b>	<b>40.18%</b>	<b>17.57%</b>	<b>4.38%</b>	<b>20.95%</b>	<b>34.28%</b>	<b>-31.57%</b>
S&P 500	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%	15.06%	26.46%	-37.00%
Russell 1000 Growth	30.21%	7.08%	5.67%	13.05%	33.48%	15.26%	2.64%	16.71%	37.21%	-38.44%
Morningstar Large Growth Category <sup>(a)(b)(c)</sup>	27.67%	3.23%	3.60%	7.00%	34.93%	14.07%	-3.81%	22.52%	37.39%	-39.18%
<b>Nicholas II Class I - NCTWX</b>	<b>25.63%</b>	<b>4.87%</b>	<b>0.92%</b>	<b>11.27%</b>	<b>32.74%</b>	<b>14.84%</b>	<b>0.01%</b>	<b>21.94%</b>	<b>29.08%</b>	<b>-30.77%</b>
Russell Midcap Growth	25.27%	7.33%	-0.20%	11.90%	35.74%	15.81%	-1.65%	26.38%	46.29%	-44.32%
Russell Midcap	18.52%	13.80%	-2.44%	13.22%	34.76%	17.28%	-1.55%	25.48%	40.48%	-41.46%
Morningstar Mid-Cap Growth Category	23.91%	6.03%	-0.95%	7.00%	34.93%	14.07%	-3.96%	24.61%	39.11%	-43.77%
<b>Nicholas Limited Edition Class I - NCLEX</b>	<b>19.92%</b>	<b>12.37%</b>	<b>-1.83%</b>	<b>4.34%</b>	<b>36.13%</b>	<b>10.58%</b>	<b>1.33%</b>	<b>31.62%</b>	<b>27.50%</b>	<b>-30.26%</b>
Russell 2000 Growth	22.17%	11.32%	-1.38%	5.60%	43.30%	14.59%	-2.91%	29.09%	34.47%	-38.54%
Russell 2000	14.65%	21.31%	-4.41%	4.89%	38.82%	16.35%	-4.18%	26.85%	27.17%	-33.79%
Morningstar Small Growth Category	21.50%	11.20%	-2.41%	2.44%	40.91%	13.15%	-3.55%	26.98%	35.46%	-41.55%
<b>Nicholas Equity Income Fund - NSEIX</b>	<b>12.41%</b>	<b>12.60%</b>	<b>-3.69%</b>	<b>8.76%</b>	<b>32.93%</b>	<b>13.58%</b>	<b>1.62%</b>	<b>22.04%</b>	<b>34.54%</b>	<b>-23.59%</b>
S&P 500	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%	15.06%	26.46%	-37.00%
Morningstar Mid-Cap Value Category	13.22%	18.06%	-5.41%	9.31%	35.14%	16.60%	-3.96%	21.92%	35.41%	-36.77%
Lipper Equity Income Funds Objective	15.55%	14.02%	-3.27%	10.26%	28.07%	12.69%	2.99%	15.19%	23.53%	-32.78%
<b>Nicholas High Income Fund Class I - NCINX</b>	<b>4.28%</b>	<b>9.94%</b>	<b>-4.54%</b>	<b>1.62%</b>	<b>5.91%</b>	<b>13.36%</b>	<b>4.93%</b>	<b>12.99%</b>	<b>36.42%</b>	<b>-23.26%</b>
BofA ML US HY Constrained	7.48%	17.49%	-4.61%	2.51%	7.41%	15.55%	4.37%	15.07%	58.10%	-26.11%
BofA ML BB US HY	7.16%	13.22%	-1.04%	5.34%	5.19%	14.36%	6.12%	14.93%	45.21%	-19.19%
Morningstar High Yield Bond Category	6.47%	13.30%	-4.01%	1.11%	6.90%	14.67%	2.83%	14.24%	46.70%	-26.41%

(a) Prior to calendar year 2015, Morningstar categorized the Fund as Mid-Cap Growth.

(b) Prior to calendar year 2012, Morningstar categorized the Fund as Mid-Cap Blend.

(c) Prior to calendar year 2008, Morningstar categorized the Fund as Large-Blend.

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Investment performance for the periods prior to the fiscal year ended June 30, 2011 reflects fee waivers in effect for Nicholas Equity Income Fund. In the absence of such waivers the total return would be reduced.



# Rankings and Ratings

*As of September 30, 2018*

	Ticker	Morningstar Category	Morningstar Ratings			
			Overall	3 Year	5 Year	10 Year
Nicholas Fund	NICSX	Large Growth # of Funds	★★ 1,258	★ 1,258	★★ 1,129	★★★ 818
Nicholas II Class I	NCTWX	Mid-Cap Growth # of Funds	★★★ 540	★★ 540	★★★ 483	★★★★ 342
Nicholas Limited Edition Class I	NCLEX	Small Growth # of Funds	★★★★ 606	★★★ 606	★★★ 532	★★★★ 404
Nicholas Equity Income Fund	NSEIX	Large Value # of Funds	★★★★ 1,109	★★★ 1,109	★★ 948	★★★★★ 696
Nicholas High Income Fund Class I	NCINX	High Yield Bond # of Funds	★★ 592	★ 592	★ 502	★★ 330
			Lipper Ranking Based on Total Return			
		Lipper Category	1 Year	3 Year	5 Year	10 Year
Nicholas Equity Income Fund	NSEIX	Equity Income # of Funds	18% 539	59% 461	65% 397	3% 243

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar Rating is for the share class indicated above only; other classes may have different performance characteristics. ©2018, Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Lipper Analytical Services, Inc. is an independent mutual fund research and rating service. Each Lipper average represents a universe of funds with similar investment objectives. The highest percentile rank is 1 and the lowest is 100. Rankings for the periods shown are based on Fund total returns with dividends and distributions reinvested and do not reflect sales charges.



# Nicholas Fund

NICSX

Lead Portfolio Manager: David O. Nicholas, CFA  
Co-Portfolio Manager: Michael L. Shelton, CFA, CPA

**The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.**

Must be preceded or accompanied by a prospectus.

**Mutual fund investing involves risk. Principal loss is possible.**

Please refer to Glossary for index definitions.

Quasar Distributors, LLC, Distributor



# Nicholas Fund

**Objective:** The Fund strives to increase the value of your investment over the long-term (“long-term growth”).

**Security Selection Process:** The Fund generally invests in growth companies with market capitalizations between \$3 billion and \$100 billion at the time of purchase. A disciplined philosophy and process guides the portfolio manager to identify stocks of companies with key characteristics, including companies with the following:

- Sustainable competitive advantage (identifiable moat) to protect and grow its market share.
  - Low cost.
  - Intangibles such as a patent or brand.
  - Switching costs.
- Superior business model.
  - Recurring sales from subscriptions or consumables products.
  - Participation in a growth sector of an industry or economy.
  - History of increasing sales and earnings.
- A competent management team with proven experience and knowledge of their business and industry.
- The stock trading at valuation that offers potential capital growth that is commensurate with the expected earnings growth and risk.

**Portfolio Structure:** The Fund generally will own a diversified portfolio of between 50 and 75 stocks. The position sizes may vary from a minimum of 0.75% to upwards of 4.00% for a high conviction holding. Cash positions will be a residual based on recent trading, fund flows and stock valuations.



# Nicholas Fund Historical Performance

<u>Performance as of September 30, 2018</u>	<u>Expense Ratio</u>	<u>Assets (millions)</u>	<u>3 Month</u>	<u>Year to Date</u>	<u>Average Annual</u>				
					<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>
Nicholas Fund - NICSX	0.72%	\$ 2,856.4	8.82%	12.07%	17.27%	9.75%	10.54%	12.60%	10.02%
S&P 500			7.71%	10.56%	17.91%	17.31%	13.95%	11.97%	9.65%
Russell 1000 Growth			9.17%	17.09%	26.30%	20.55%	16.58%	14.31%	10.67%
Morningstar Large Growth Category	1.10%		7.54%	15.64%	23.18%	17.68%	14.02%	12.60%	9.84%

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Morningstar rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total fund return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees.



# Nicholas Fund Characteristics

## Nicholas Fund

As of 9/30/2018

### Characteristics

Net Assets	\$2,856.4 million
Weighted Avg. Market Capitalization	\$200,949.6
Geometric Avg. Market Capitalization	\$77,275.9
Weighted Avg. Forward P/E Capped	21.65x
Weighted Avg. Trailing P/E Capped	24.09x
Weighted Harmonic Avg. Price/Book	4.89x
Weighted Harmonic Avg. Price/Sales	3.34x
Historical 3 Year Sales Growth	8.85%
Return on Assets	9.64%
Return on Equity	22.93%
Long-Term Debt/Capital	39.76%
Turnover Rate (3/31/18)*	18.40%
Typical Position Size	1.0% - 4.0%

### Market Capitalization Exposure

	% of Portfolio
Capitalizations > \$50 Billion	62.01%
Capitalizations \$25 Billion to \$50 Billion	9.45%
Capitalizations \$10 Billion to \$25 Billion	26.01%
Capitalizations \$5 Billion to \$10 Billion	2.52%

Source: Factset

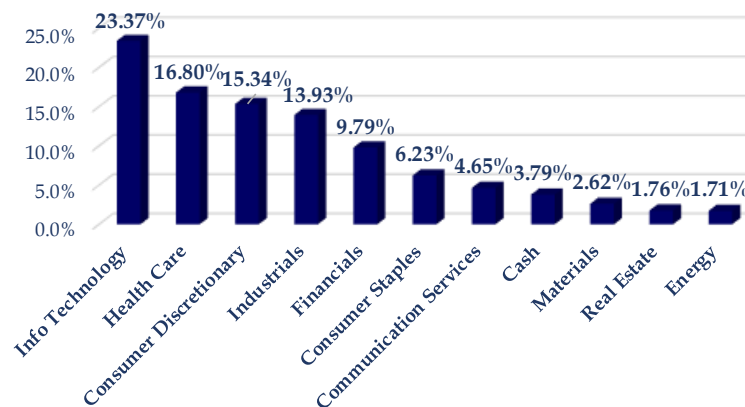
\*Annualized

### Top 10 Equity Holdings

	% of Net Assets
Apple Inc.	3.48%
Microsoft Corporation	3.36%
Cisco Systems, Inc.	3.31%
Thermo Fisher Scientific Inc.	3.23%
Mastercard Incorporated -Class A	2.92%
Charles Schwab Corporation(The)	2.72%
Cintas Corporation	2.65%
Snap-on Incorporated	2.64%
Alphabet Inc. - Class C	2.53%
Visa Inc. - Class A	2.36%

% of Top Ten Holdings 29.21%  
Total Holdings 61

### Sector Weights - % of Portfolio



Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Due to rounding, numbers presented may not total.

# Nicholas II

## NCTWX

Lead Portfolio Manager: David O. Nicholas, CFA  
Co-Portfolio Manager: Brian J. Janowski, CFA, CPA

**The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.**

Must be preceded or accompanied by a prospectus.

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Please refer to Glossary for index definitions.

Quasar Distributors, LLC, Distributor



# Nicholas II

**Objective:** The Fund strives to increase the value of your investment over the long-term (“long-term growth”).

**Security Selection Process:** The Fund generally invests in mid-sized companies with market capitalizations between \$3 billion and \$25 billion at the time of purchase. A disciplined philosophy and process guides the portfolio manager to identify stocks of companies with key characteristics, including companies with the following:

- Sustainable competitive advantage (identifiable moat) to protect and grow its market share.
  - Low cost.
  - Intangible such as a patent or brand.
  - Switching costs.
- Sustainable business model.
  - Recurring sales from subscriptions or consumables products.
  - Participation in a growth sector of an industry or economy.
  - History of increasing sales and earnings.
- A competent management team with proven experience and knowledge of their business and industry.
- The stock trading at valuation that offers potential capital growth that is commensurate with the expected earnings growth and risk.

**Portfolio Structure:** The Fund generally will own a diversified portfolio of between 60 and 80 stocks. The position sizes may vary from a minimum of 0.75% to upwards of 3.00% for a high conviction holding. Cash positions will be a residual based on recent trading, fund flows and stock valuations.





# Nicholas II Historical Performance

<u>Performance as of September 30, 2018</u>	<u>Expense Ratio</u>	<u>Assets (millions)</u>	<u>3 Month</u>	<u>Year to Date</u>	<u>Average Annual</u>				
					<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>
Nicholas II Class I - NCTWX	0.61%	\$ 795.9	5.56%	9.76%	17.10%	14.05%	11.93%	11.84%	9.95%
Russell Midcap Growth			7.57%	13.38%	21.10%	16.65%	13.00%	13.46%	11.10%
Russell Midcap			5.00%	7.46%	13.98%	14.52%	11.65%	12.31%	11.07%
Morningstar Mid-Cap Growth Category	1.20%		6.48%	13.42%	20.31%	15.81%	11.68%	11.97%	10.14%

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# Nicholas II Characteristics

## Nicholas II

As of 9/30/2018

### Characteristics

Net Assets	\$897.1 million
Weighted Avg. Market Capitalization	\$16,763.5
Geometric Avg. Market Capitalization	\$14,164.4
Weighted Avg. Forward P/E Capped	22.50x
Weighted Avg. Trailing P/E Capped	25.93x
Weighted Harmonic Avg. Price/Book	4.07x
Weighted Harmonic Avg. Price/Sales	2.50x
Historical 3 Year Sales Growth	12.56%
Return on Assets	8.14%
Return on Equity	20.66%
Long-Term Debt/Capital	41.24%
Turnover Rate (3/31/18)*	17.58%
Typical Position Size	0.5%-3.0%

### Market Capitalization Exposure

	% of Portfolio
Capitalizations > \$25 Billion	18.12%
Capitalizations \$10 Billion to \$25 Billion	55.17%
Capitalizations \$5 Billion to \$10 Billion	23.06%
Capitalizations < \$5 Billion	3.65%

Source: Factset  
\*Annualized

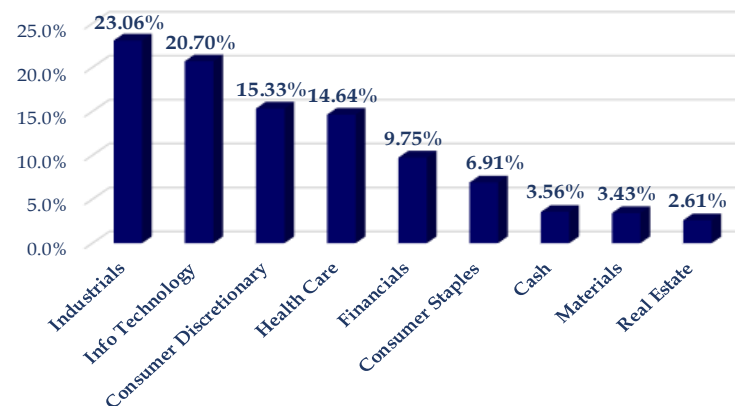
### Top 10 Equity Holdings

	% of Net Assets
FleetCor Technologies, Inc.	2.06%
Verisk Analytics, Inc.	2.02%
TransUnion	1.97%
Service Corporation International	1.92%
Fiserv, Inc.	1.92%
Worldpay, Inc. - Class A	1.86%
IHS Markit Ltd.	1.77%
Fidelity National Info Services, Inc.	1.76%
Snap-on Incorporated	1.74%
Global Payments Inc.	1.67%

% of Top Ten Holdings 18.68%

Total Holdings 78

### Sector Weights - % of Portfolio



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# Nicholas Limited Edition

NCLEX

Lead Portfolio Manager: David O. Nicholas, CFA

Co-Portfolio Manager: Neal Dihora, CFA

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Quasar Distributors, LLC, Distributor



# Nicholas Limited Edition

**Objective:** The Fund strives to increase the value of your investment over the long-term (“long-term growth”).

**Security Selection Process:** The Fund generally invests in smaller sized growth companies with market capitalizations less than \$3 billion at the time of purchase. A disciplined philosophy and process guides the portfolio manager to identify stocks of companies with key characteristics, including companies with the following:

- Sustainable competitive advantage (identifiable moat) to protect and grow its market share.
  - Low cost.
  - Intangible such as a patent or brand.
  - Network effects.
  - Switching costs.
- Superior business model.
  - Recurring sales from subscriptions or consumable products.
  - Participation in a growth sector of an industry or economy.
  - History of increasing sales and earnings.
- A competent management team with proven experience and knowledge of their business and industry.
- The stock trading at valuation that offers potential capital growth that is commensurate with the expected earnings growth and risk.

**Portfolio Structure:** The Fund generally will own a diversified portfolio of between 75 and 100 stocks. The position sizes may vary from a minimum of 0.50% to upwards of 3.00% for a high conviction holding. Cash positions will be a residual based on recent trading, fund flows and stock valuations.



# Nicholas Limited Edition Performance History

<u>Performance as of September 30, 2018</u>	<u>Expense Ratio</u>	<u>Assets (millions)</u>	<u>3 Month</u>	<u>Year to Date</u>	<u>1 Year</u>	<u>Average Annual</u>			
						<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>
Nicholas Limited Edition Class I - NCLEX	0.86%	\$ 408.6	8.57%	16.53%	20.12%	18.04%	11.66%	12.49%	10.98%
Russell 2000 Growth			5.52%	15.76%	21.06%	17.98%	12.14%	12.65%	10.61%
Russell 2000			3.58%	11.51%	15.24%	17.12%	11.07%	11.11%	10.12%
Morningstar Small Growth Category	1.30%		7.00%	18.94%	24.44%	18.39%	11.75%	12.57%	10.49%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-544-6547.

Morningstar rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total fund return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees.



# Nicholas Limited Edition Characteristics

## Nicholas Limited Edition

As of 9/30/2018

### Characteristics

Net Assets	\$443.8 million
Weighted Avg. Market Capitalization	\$3,779.2
Geometric Avg. Market Capitalization	\$2,875.8
Weighted Avg. Forward P/E Capped	27.12x
Weighted Avg. Trailing P/E Capped	30.24x
Weighted Harmonic Avg. Price/Book	3.50x
Weighted Harmonic Avg. Price/Sales	1.95x
Historical 3 Year Sales Growth	15.07%
Return on Assets	5.41%
Return on Equity	9.47%
Long-Term Debt/Capital	25.73%
Turnover Rate (6/30/18)*	24.18%
Typical Position Size	0.5%-3.0%

### Market Capitalization Exposure

	% of Portfolio
Capitalizations > \$4 Billion	31.95%
Capitalizations \$2 Billion to \$4 Billion	36.44%
Capitalizations \$1 Billion to \$2 Billion	24.40%
Capitalizations < \$1 Billion	7.20%

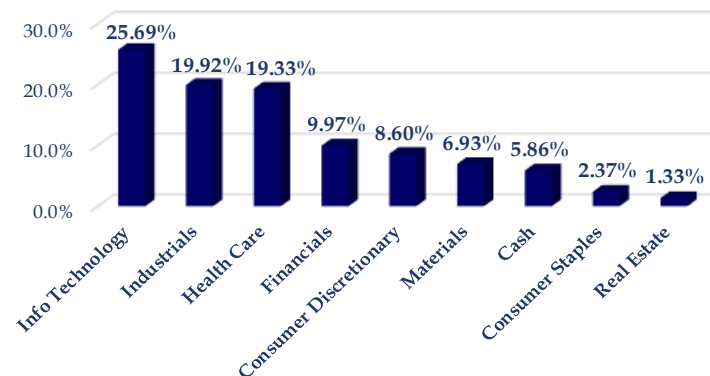
Source: Factset

\*Annualized

### Top 10 Equity Holdings

	% of Net Assets
Ollie's Bargain Outlet Holdings, Inc.	1.82%
Paycomity Holding Corporation	1.77%
Bottomline Technologies (de), Inc.	1.75%
ICON plc	1.73%
Vocera Communications, Inc.	1.73%
CyberArk Software Ltd.	1.72%
LivaNova PLC	1.72%
K2M Group Holdings, Inc.	1.67%
NuVasive, Inc.	1.64%
HEICO Corporation	1.64%
<b>% of Top Ten Holdings</b>	<b>17.19%</b>
<b>Total Holdings</b>	<b>73</b>

### Sector Weights - % of Portfolio



Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Due to rounding, numbers presented may not total.



# Nicholas Equity Income Fund

## NSEIX

Lead Portfolio Manager: Michael L. Shelton, CFA, CPA  
Co-Portfolio Manager: David O. Nicholas, CFA

**The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Additionally, the Fund may invest in debt securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.**

Must be preceded or accompanied by a prospectus.

**Mutual fund investing involves risk. Principal loss is possible.**

Please refer to Glossary for index definitions.

Quasar Distributors, LLC, Distributor



# Nicholas Equity Income Fund

**Objectives:** The Fund's main goal is to produce reasonable income and the Fund's secondary goal is moderate long-term growth.

**Security Selection Process:** The Fund invests in dividend paying companies of all market capitalizations. A disciplined philosophy and process guides the portfolio manager to identify stocks with key characteristics, including companies with the following:

- A competitive dividend yield supported with earnings growth and increasing dividend rates.
- A payout ratio less than 70% of earnings.
- History of consistently raising the dividend.
- Sustainable business model and an identifiable moat that should enable it to protect and grow its market share.
- Critical service or product that is well positioned to expand market share and sales.
- Participation in a growth sector of an industry or economy.
- History of increasing sales and earnings.
- A capable management team with proven experience and knowledge of their business and industry.
- The stock trading at valuation that offers an attractive dividend yield and potential capital growth that is commensurate with the expected earnings growth and risk.

**Portfolio Structure:** The Fund generally will own a diversified portfolio of between 50 and 75 stocks. The position sizes may vary from a minimum of 1.00% to upwards of 4.00% for a high conviction holding. Cash positions will be a residual based on recent trading, fund flows and stock valuations.





# Nicholas Equity Income Fund Performance History

<u>Performance as of September 30, 2018</u>	<u>Expense Ratio</u>	<u>Assets (millions)</u>	<u>3 Month</u>	<u>Year to Date</u>	<u>Average Annual</u>				
					<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>
Nicholas Equity Income Fund - NSEIX	0.72%	\$ 449.0	5.88%	8.66%	13.90%	12.88%	9.20%	11.57%	10.78%
S&P 500			7.71%	10.56%	17.91%	17.31%	13.95%	11.97%	9.65%
Morningstar Large Value Category	1.02%		5.49%	4.50%	10.84%	13.45%	10.19%	9.69%	8.38%
Lipper Equity Income Funds Objective			5.33%	4.72%	10.59%	13.04%	9.76%	9.58%	8.71%

Nicholas Equity Income Fund 30-Day SEC Yield = 2.00%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-544-6547.

Lipper Analytical Services, Inc. is an independent mutual fund research and rating service. Each Lipper average represents a universe of funds with similar investment objectives. Ranking for the periods shown are based on Fund total returns with dividends and distributions reinvested and do not reflect sales charges.

Morningstar rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total fund return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees.



# Nicholas Equity Income Fund Characteristics

## Nicholas Equity Income Fund

As of 9/30/2018

### Characteristics

Net Assets	\$449.0 million
Weighted Avg. Market Capitalization	\$134,694.0
Geometric Avg. Market Capitalization	\$39,969.7
Weighted Avg. Forward P/E Capped	17.13x
Weighted Avg. Trailing P/E Capped	19.05x
Weighted Harmonic Avg. Price/Book	2.94x
Weighted Harmonic Avg. Price/Sales	2.49x
Historical 3 Year Sales Growth	5.54%
Return on Assets	7.25%
Return on Equity	17.30%
Long-Term Debt/Capital	40.59%
Turnover Rate (3/31/18)*	31.66%
Typical Position Size	1.0% - 4.0%

### Market Capitalization Exposure

	% of Portfolio
Capitalizations > \$50 Billion	43.08%
Capitalizations \$25 Billion to \$50 Billion	7.14%
Capitalizations \$10 Billion to \$25 Billion	28.81%
Capitalizations \$5 Billion to \$10 Billion	14.41%
Capitalizations < \$5 Billion	6.56%

Source: Factset

\*Annualized

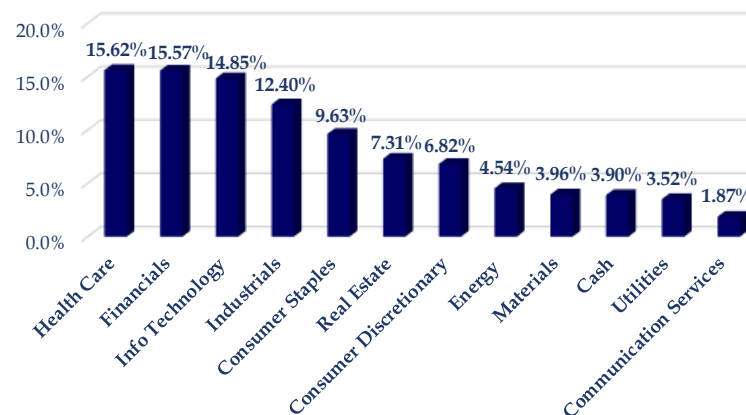
### Top 10 Equity Holdings

	% of Net Assets
Microsoft Corporation	3.11%
Apple Inc.	2.96%
Snap-on Incorporated	2.78%
Medtronic Public	2.46%
Abbott Laboratories	2.45%
PNC Financial Services Group, Inc.	2.27%
Pfizer Inc.	2.26%
Johnson & Johnson	2.23%
Northern Trust Corporation	2.18%
Chevron Corporation	2.16%

% of Top Ten Holdings 24.87%

Total Holdings 66

### Sector Weights - % of Portfolio



Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Due to rounding, numbers presented may not total.

# Top 10 Holdings by Dividend Yield

<b>Company</b>	<b>Yield*</b>
<b>EnLink Midstream Partners LP</b>	8.37%
<b>Cedar Fair, L.P.</b>	6.57%
<b>W.P. Carey Inc.</b>	6.34%
<b>AT&amp;T Inc.</b>	5.96%
<b>Enterprise Products Partners</b>	5.85%
<b>Philip Morris International</b>	5.59%
<b>Williams Companies, Inc. (The)</b>	5.00%
<b>General Mills, Inc.</b>	4.57%
<b>Kraft Heinz Company (The)</b>	4.54%
<b>Six Flags Entertainment</b>	4.47%
<b><i>S&amp;P 500 Indicated Dividend Yield</i></b>	<b>1.89%</b>

\*Source: Factset, S&P Dow Jones as of 9/30/2018

Dividend Yield is the securities annual dividends per share for the fiscal year-end as of the report date divided by the securities closing price as of the report date.

S&P 500 Indicated Dividend Yield reflects the Dividend Yield of the S&P 500 Index. One cannot invest directly in an index.

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.



# Nicholas High Income Fund

## NCINX

Portfolio Manager: Lawrence J. Pavelec, CFA

**The Fund invests in debt securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.**

Must be preceded or accompanied by a prospectus.

**Mutual fund investing involves risk. Principal loss is possible.**

Please refer to Glossary for index definitions.

Quasar Distributors, LLC, Distributor



# Nicholas High Income Fund

**Objective:** The Fund seeks high current income as its primary investment objective. Capital appreciation is a secondary objective that is sought only when consistent with the Fund's primary investment objective.

**Security Selection Process:** The Fund generally invests in high yield corporate securities, including corporate bonds, dividend paying stocks and convertible bonds. A disciplined philosophy and process guides the portfolio manager to identify securities of companies with key characteristics, including the following:

- Securities generally hold a below investment grade credit rating between Baa and Caa at the time of purchase.
- An attractive yield as adjusted for financial strength, leverage and credit rating.
- Balance sheet strength to service and reduce the current level of debt.
- History of sustainable earnings to allow management to reduce leverage and reinvest in the business.
- A competitive advantage to protect and grow its market share.
  - Low cost.
  - Intangible such as a patent or brand.
  - Switching costs.
  - Identifiable moat.
- Sustainable business model.
  - Recurring sales from subscriptions or consumable products.
- History of increasing sales and earnings.
- A competent management team with proven experience and knowledge of their business and industry.
- The security trading at valuation that offers an above level of yield and potential capital growth that is commensurate with the expected earnings growth and credit risk.

**Portfolio Structure:** The Fund generally will own a diversified portfolio of between 75 and 100 securities. The position sizes may vary from a minimum of 0.50% to upwards of 2.00% for a high conviction holding. Cash positions will be a residual based on recent trading, fund flows and security valuations.



# Nicholas High Income Fund Performance History

<u>Performance as of September 30, 2018</u>	<u>Expense Ratio</u>	<u>Assets (millions)</u>	<u>3 Month</u>	<u>Year to Date</u>	<u>Average Annual</u>				
					<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>
Nicholas High Income Fund Class I - NCINX	0.69%	\$ 99.9	1.91%	0.50%	-0.24%	3.99%	2.80%	6.14%	5.33%
BofA ML US HY Constrained			2.44%	2.52%	2.94%	8.20%	5.55%	9.40%	7.65%
BofA ML BB US HY			2.36%	0.55%	0.89%	6.81%	5.58%	8.98%	7.35%
Morningstar High Yield Bond Category	1.00%		2.02%	1.84%	2.36%	6.41%	4.31%	7.62%	6.42%

Nicholas High Income Fund Class I 30-Day SEC Yield = 4.49%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-544-6547.

Morningstar rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total fund return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees.



# Nicholas High Income Fund Characteristics

## Nicholas High Income Fund

As of 9/30/2018

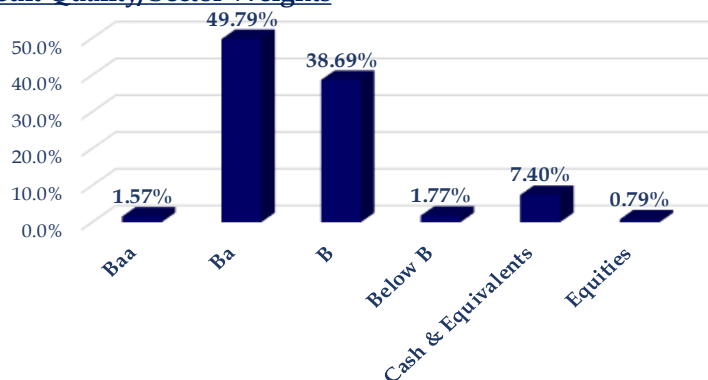
### Characteristics

Net Assets	\$103.7 million
Weighted Average Maturity	5.82 years
Weighted Average Duration	3.58 years
Turnover Rate (6/30/18)*	52.21%
Typical Position Size	0.5% - 3.0%

### Top 10 Holdings

	% of Net Assets
Allison Transmission, Inc.	1.92%
LPL Holdings, Inc.	1.88%
GEO Group, Inc.	1.85%
CyrusOne LP	1.77%
Teleflex Incorporated	1.71%
Koppers Inc.	1.68%
Valvoline Inc.	1.62%
Pinnacle Foods Inc.	1.62%
Dell Inc.	1.55%
Tesoro Logistics LP	1.53%

### Credit Quality/Sector Weights



\*Annualized

% of Top Ten Holdings	17.13%
Total Holdings	89

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Due to rounding, numbers presented may not total.



# Investment Team

## **David O. Nicholas, CFA – Chief Executive Officer, President and Portfolio Manager**

- Nicholas Company, Inc., 1986 – Present
- First Wisconsin National Bank, Milwaukee, 1983 – 1986
- University of Wisconsin – Milwaukee, M.S. 1987
- University of Wisconsin, B.B.A. 1983

## **David L. Johnson, CFA – Executive Vice President and Portfolio Manager**

- Nicholas Company, Inc., 1980 – Present
- Newton & Company/Heritage Investment Advisors, 1973 – 1980
- Milwaukee Company/Wisconsin Investment Management, 1967 – 1973
- University of Wisconsin, B.B.A. 1964, M.B.A. 1967

## **Lawrence J. Pavelec, CFA – Executive Vice President and Portfolio Manager**

- Nicholas Company, Inc., 2003 – Present
- Brandes Investment Partners, LLC, 1999 – 2003
- Heartland Advisors, 1998 – 1999
- M&I Investment Management Inc., 1984 – 1998
- University of Wisconsin – La Crosse, B.S. 1980

## **Michael L. Shelton, CFA, CPA – Senior Vice President and Portfolio Manager**

- Nicholas Company, Inc., 2006 – Present
- U.S. Department of Defense, 2004 – 2006
- Robert W. Baird, 1997 – 2000
- McDonald Investments, 1996 – 1997
- Ernst & Young, LLP, 1994 – 1996
- Ohio State University, M.B.A. 2004
- Miami University, B.S. 1994





# Investment Team

## **Neal Dihora, CFA – Senior Vice President and Co-Portfolio Manager**

- Nicholas Company, Inc., 2003 – 2005, 2015 – Present
- Morningstar, 2010 – 2015
- Wasatch Advisors, Inc., 2002 – 2003, 2005 – 2008
- Milliman Inc., 1997 – 2000, 2009 – 2010
- University of Wisconsin, B.B.A. 1997, M.S. 2002

## **Brian J. Janowski, CFA, CPA – Senior Research Analyst and Co-Portfolio Manager**

- Nicholas Company, Inc., 2016 – Present
- BMO Financial Group, 2008 – 2016
- American Family Insurance, 2002 – 2008
- State of Wisconsin Investment Board, 1997 – 2002
- BDO Seidman, LLP, 1995 – 1997
- University of Wisconsin, B.B.A. 1995

## **Mark A. Zikeli, CFA – Research Analyst**

- Nicholas Company, Inc., 2016 – Present
- Longbow Research, 2012 – 2016
- NuKu Asset Management, 2011 – 2012
- University of Wisconsin – Milwaukee, B.B.A. 2011

## **Joseph Hodes, CFA – Research Analyst**

- Nicholas Company, Inc., 2017 – Present
- William Blair, 2015 – 2017
- Marquette University, B.S. 2015

## **Alex Powell – Portfolio Analyst**

- Nicholas Company, Inc., 2016 – Present
- Capital Market Consultants, Inc., 2011 – 2016
- University of Wisconsin – Milwaukee, B.B.A. 2012



# Glossary of Terms

- **Annualized Return** - Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month period. See Rate of Return.
- **Average Credit Quality** – Gives a snapshot of the portfolio’s overall credit quality. It is an average of each bond’s credit rating, adjusting for its relative weighting in the portfolio.
- **Average Effective Duration** - A measure of a fund's interest-rate sensitivity - the longer a fund's duration the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a 5-year duration.
- **Average Effective Maturity** - Used for taxable fixed-income funds only, this figure takes into consideration all mortgage prepayments, puts, and adjustable coupons; it does not, however, account for call provisions. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security.
- **Basis Point** - One-hundredth of a percentage point. For example, 50 basis points equals .50%.
- **Beta** - A stock's (or portfolio's) beta measures its volatility versus an index. A stock (or portfolio) with a beta higher than 1 has tended to exhibit more volatility than the index, while a stock (or portfolio) with a beta between 0 and 1 has tended to exhibit less volatility than the index.
- **BofA ML US HY Index** - The Index tracks the performance of below investment grade corporate debt publicly issued in the US domestic market. Securities must have at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million.
- **BofA ML BB US HY Index** - The Index is a subset of BofA ML US HY Index including all securities rated BB1 through BB3, inclusive.
- **BofA ML US HY Constrained Index** - The index contains securities in the BofA Merrill Lynch US High Yield Index, but caps issuer exposure at 2%. Constituents are cap-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. You cannot invest directly in an index.
- **Bond** - Interest-bearing certificates of indebtedness or IOU's. While bonds' rates of return remain fixed, bond prices change in relation to interest rates - when interest rates go up, bond prices go down, and vice versa. However, bond funds are variable funds and fluctuate with market conditions.

# Glossary of Terms

- **Bond Ratings** - A and above - Obligations deemed to be of high quality, with low credit risk. Baa - Obligations subject to moderate credit risks. Ba - Considered speculative, subject to substantial credit risk. B - Considered speculative, subject to high credit risk. Below B - Very high credit risk, likely in or very near default. Not Rated - Indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that the rating agency does not rate a particular type of obligation as a matter of policy.
- **Common Equity** - A security that represents ownership in a corporation. Owners of the security are generally entitled to vote on the selection of directors and other important matters.
- **Current Yield** - Annualized income from the investment (dividends, interest, etc.) divided by the current market price of the investment.
- **Diversification** - Spreading your money over many different types of investments. This does not guarantee against loss of value in your investments.
- **Debt to Capital** - The ratio is the long-term debt of a company divided by the company's total capital. A company's capital is defined as long-term debt plus preferred stock plus common stock expressed as a percentage.
- **Dividends** - The distribution of earnings to stockholders by a company. Dividends are usually paid out from current earnings.
- **Dividend Yield** - The annual dividends per share divided by the price per share expressed as a percentage.
- **Earnings growth** - The annual rate of growth of earnings from investments.
- **Earnings Per Share (EPS)** - The net income available to common shareholders less dividends on preferred stock divided by the weighted average number of shares outstanding. The growth rate is a measure of the annual percentage growth rate of EPS over the stated period of time.
- **EBITDA** - Earnings Before Interest, Taxes, Depreciation and Amortization.
- **Equal Weighted** - Performance data or other data calculated by weighting all of a composite's or index's components equally.
- **Fiscal Year** - Business year. Assumed to be the calendar year, unless otherwise designated.



# Glossary of Terms

- **Free Cash Flow** - It is generally defined as cash flow from operating activities minus total capital expenditures. It may be specifically defined as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) less Capital Expenditures and Interest Expense.
- **Fundamental Information** - Benchmark and portfolio fundamentals are, in general, unadjusted figures based on published historical information. Portfolio fundamentals may be adjusted by the firm in cases where unadjusted information would materially misrepresent the company or the aggregate portfolio information.
- **Geometric Avg. Market Cap** - A measure of the mean market capitalization of the portfolio. It is calculated by raising the market capitalization of each company to a power equal to that holdings weight in the portfolio. The resulting numbers are then multiplied by each other.
- **Gross of Fees** - Prior to subtraction of management fees.
- **Harmonic Average** - A way to average a set of data. This function ignores NA and zero (0) data points. Negative values are included in the calculation. The harmonic average is useful when averaging series with abnormal spikes or dips. The harmonic average by itself does not exclude extreme values (positive or negative). It simply reduces the impact of outliers on the aggregate calculation.
- **Long-Term Debt/Capital** - Long-term debt of a corporation divided by the corporation's common equity.
- **Large Cap** - Large Capitalization refers to those companies with a market capitalization generally greater than \$10 billion.
- **Lipper Equity Income Funds Objective** - Funds that by prospectus language and portfolio practice, seek relatively high current income and growth of income through investing 65% or more of their portfolio in equities.
- **Market Capitalization** - The number of common shares outstanding multiplied by the current market price per common share.
- **Market Price** - Price of the investment as of the appraisal date.
- **Medium/Mid Cap** - Medium Capitalization - refers to those companies with a market capitalization generally between \$2 billion and \$10 billion.
- **Morningstar™ Category Averages** - Each Morningstar™ Average represents a universe with similar investment objectives.
- **NASDAQ Composite** - The NASDAQ Composite Index is an unmanaged, capitalization-weighted index of all stocks traded on the NASDAQ Stock Market and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing. One cannot invest directly in an index.
- **Net of Fees** - After subtraction of management fees.
- **Price/Book** - Price per share divided by book value per share. The harmonic function reduces the impact of outliers in the denominator on the aggregate calculation.



# Glossary of Terms

- **Price/Sales Ratio** - The common stock price at a specific point in time divided by the revenue per share. The harmonic function reduces the impact of outliers in the denominator on the aggregate calculation.
- **Price/Earnings** - PE is a valuation ratio of a company's current share price compared to its per-share earnings or in the case of REITs (real estate investment trusts), their funds from operations. PTPs (Publicly Traded Partnerships) have been excluded from the calculation. These weighted average values are limited in a range between 0 and 60.
- **Rate of Return** - Percentage change in the market value of the account over the specified time frame, including realized and unrealized gains or losses, dividends, and income.
- **Return on Assets (ROA)** - A measure of a company's profitability determined by dividing the net income of a company for a stated period divided by the total assets.
- **Return on Equity (ROE)** - Net income divided by common equity.
- **Realized Gain/Loss** - Profit or loss resulting from the sale or other disposal of a security.
- **Russell 1000® Index** - The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. One cannot invest directly in an index.
- **Russell 1000® Growth Index** - The Russell 1000® Growth Index measures the performance of the largest companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.
- **Russell 2000® Index** - Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. One cannot invest directly in an index.
- **Russell 2000® Growth Index** - Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.
- **Russell Midcap® Index** - Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. One cannot invest directly in an index.



# Glossary of Terms

- **Russell Midcap® Growth Index** - Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. One cannot invest directly in an index.
- **Russell Midcap® Value Index** - Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios or price-to-earnings ratios. The stocks are also members of the Russell 1000 Growth index. One cannot invest directly in an index.
- **Sales Growth** - The amount a company derives from sales compared to a previous, corresponding period of time.
- **Sharpe Ratio** - A risk-adjusted measure developed by Professor William F. Sharpe, which measures reward per unit of risk. The higher the Sharpe Ratio, the better. The numerator is the difference between the portfolio's annualized return and the annualized return of the risk-free instrument (T-Bills). The denominator is the portfolio's annualized standard deviation.
- **Small Cap** - Refers to those companies with a market capitalization of generally less than \$3 billion.
- **S&P 500** - The S&P 500 Index consists of 500 stocks and is designed to form a representative sample of the United States stock market. This index is often used as a benchmark for U.S. equity portfolios and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing. One cannot invest directly in an index.
- **Total Return (Cumulative Return)** - Rate of return of the account over the specified time period. See Rate of Return.
- **Turnover Rate** - The percentage of investment holdings that have been replaced in a given period of time.
- **Typical Position** - A position most likely to be held in the portfolio.
- **Unit Cost** - Average cost per share.
- **Unrealized Gain/Loss** - A tentative gain or loss on an investment that has not been realized. A gain or loss becomes realized once the investment is sold.
- **Yield** - Annual income from the investment (dividends, interest, etc.) divided by the current market price of the investment.
- **Weighted Average Market Cap** - A measure of the mean size of a portfolio's holdings. It is a sum calculated by multiplying the weight of each security in a portfolio by their respective market capitalizations.

