



# WESTCORE FLEXIBLE INCOME FUND

FACT SHEET | June 30, 2017

## STRATEGY

- Emphasize high income-producing corporate bonds
- Focus on lower investment-grade and higher/below-investment grade rating categories
- Conduct proprietary, equity-like fundamental research
- Emphasize disciplined, risk-managed investment approach

*This Fund is subject to additional risk in that it may invest in high-yield/high-risk bonds and will be subject to greater levels of liquidity risk. Additionally, investing in bond funds entails interest rate risk and credit risk.*

## FUND INFORMATION

Class	Retail	Institutional
Ticker	WTLTX	WILTX
Cusip	957904709	957904519
Inception	6/1/1988	9/28/2007

## PORTFOLIO MANAGEMENT

Troy A. Johnson, CFA  
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## Performance<sup>1,2</sup>

Periods Ended 6/30/17 (%)	Annualized Returns						
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Retail Class	2.02	4.09	8.75	5.10	5.89	4.54	7.48
Institutional Class	2.18	4.19	9.15	5.36	6.09	4.69	7.53
BBgBarc U.S. Corp High Yield Ba Idx	2.68	4.79	9.83	5.21	6.80	8.20	8.72
<b>Calendar Year (%)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Retail Class	12.75	-1.64	5.01	4.31	10.49	8.13	12.71
Institutional Class	13.10	-1.51	5.21	4.45	10.74	8.14	12.79
BBgBarc U.S. Corp High Yield Ba Idx	12.78	-1.00	5.37	5.05	14.59	6.86	14.53

Retail Class 30-Day SEC Yield: With Fee/Expense Waivers: 3.87%; Without Fee/Expense Waivers: 3.74%  
Institutional Class 30-Day SEC Yield: With Fee/Expense Waivers: 4.04%; Without Fee/Expense Waivers: 3.94%

Retail Class Annual Expense Ratio<sup>2</sup>: 0.96% Gross, 0.86% Net  
Institutional Class Annual Expense Ratio<sup>2</sup>: 0.85% Gross, 0.64% Net

<sup>1</sup>Performance data quoted represents past performance and does not guarantee future results. Performance information for the institutional class shares prior to their inception is based on the performance of the retail class. Current performance may be lower or higher than the performance quoted. To obtain current performance as of the most recent month-end, visit [www.westcore.com](http://www.westcore.com). Average annual total returns reflect the reinvestment of dividends, capital gains distributions, all fee waivers and expense reimbursements. Without the fee waivers and expense reimbursements, total return figures would have been lower. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Westcore fund shares are not insured by the FDIC, the Federal Reserve Board or any other agency and are subject to investment risk.

<sup>2</sup>Denver Investments (the "Adviser") has contractually agreed to waive certain investment advisory and/or administration fees and/or to reimburse other expenses from April 30, 2017 until at least April 30, 2018. The first waiver/reimbursement applies so that the ratio of expenses to average net assets, as reported in the Fund's financial statements, will be no more than a fixed percentage for the Fund's Retail Class for such period. Please see the Fund's Prospectus for more information. The second waiver/reimbursement applies so that Fund level Other Expenses (as defined in the Fund's financial statements) for the Institutional Class will be in the same proportion as the Retail Class waivers/reimbursements. The third waiver/reimbursement applies so that the institutional class-specific Other Expenses are reimbursed. The Adviser has contractually agreed to waive/reimburse all of these class-specific Other Expenses, but only to the extent that the difference between the net Institutional Class and net Retail Class expense ratios, after applying the waiver/reimbursement, does not exceed 25 basis points. These agreements may not be terminated or modified prior to April 30, 2018 without the approval of the Board of Trustees.

## Top Ten Corporate Credit Exposure<sup>3</sup>

Goodyear Tire & Rubber Co.	2.9%
FMG Resources Aug	2.6%
Range Resources Corp.	2.6%
MPLX LP	2.5%
Potlatch Corp.	2.1%
Concho Resources Inc	2.1%
CCO Holdings LLC	2.1%
Tuckahoe Credit Lease Trust	2.0%
United Rental	2.0%
Tesoro Corp.	2.0%
<b>Total</b> (% of portfolio)	<b>22.9%</b>

<sup>3</sup>Percentages represent the Fund's aggregate holdings in the same corporate issuer and its affiliates. Top ten corporate credit exposures do not include any cash or cash equivalents and are subject to change. There are no guarantees that the Fund will continue to remain invested in any particular security or issuer and current and future holdings are subject to risk. For a complete list of holdings, please visit [www.westcore.com](http://www.westcore.com).

## Asset Allocation<sup>4</sup>

	Flexible Income	BBgBarc U.S. Corporate High Yield Ba	Relative Weights
Corporate Credit	92.5	100.0	-7.5
Residential Mortgage-Backed Securities	0.9	0.0	0.9
Commercial Mortgage-Backed Securities	3.7	0.0	3.7
Other	0.8	0.0	0.8
Cash & Equivalents	2.1	0.0	2.1

<sup>4</sup>Asset allocation classifications presented are based on the sector categorization methodology of the Adviser to the Funds.

## Portfolio Characteristics<sup>5</sup>

	Flexible Income	BBgBarc U.S. Corporate High Yield Ba
Total Fund Assets (\$ Mil)	\$78.4	-
Total Strategy Assets (\$ Mil)	\$78.4	-
Effective Duration	3.9 years	4.4 years
Effective Maturity	6.3 years	6.9 years
Standard Deviation	4.85%	5.09%
Turnover (12 month trailing)	46.10%	-

<sup>5</sup>Standard Deviation statistic versus the BBgBarc U.S. Corporate High Yield Ba Index and based on monthly data. Three years. Source: eVestment Alliance.

## Duration Distribution

% of portfolio	Flexible Income	BBgBarc U.S. Corporate High Yield Ba
0 - 1 year	9.2	6.4
1 - 3 years	22.5	25.8
3 - 4 years	22.9	15.6
4 - 6 years	31.7	31.6
6 - 8 years	10.8	12.4
8+ years	2.9	8.4

## Corporate Allocation<sup>6</sup>

	Flexible Income	BBgBarc U.S. Corporate High Yield Ba
Financial	5.7	15.1
Industrial	85.0	82.9
Utility	1.8	2.0

<sup>6</sup>Corporate allocation classifications presented are based on the categorization method of the Adviser to the Funds.

## Quality Detail<sup>7</sup>

% of portfolio	Flexible Income	BBgBarc U.S. Corporate High Yield Ba
AAA	2.1	0.0
BBB	17.2	0.0
BB & Below	77.2	100.0
Not Rated	3.5	0.0

<sup>7</sup>The ratings allocation reflects the Standard & Poor's equivalent ratings category for the higher credit quality rating assigned by either Standard & Poor's or Moody's. Credit quality does not remove market risk.

## Morningstar Ratings<sup>8</sup>

	Morningstar Ratings™ As of 6/30/17		Number of Funds in High Yield Bond Category
	Retail Class	Institutional Class	
Overall	★★★	★★★★	590
3 Year	★★★★★	★★★★★	590
5 Year	★★★	★★★★	474
10 Year	★★	★★	317

<sup>8</sup>Morningstar proprietary ratings reflect historical risk-adjusted performance as of 6/30/17 and are subject to change every month.

## Manager Commentary (as of 6/30/17)

### Market Overview

While the second quarter brought increased investor scrutiny and questions about whether economic expectations were too high, equities continued to ratchet even higher. The stock market, as measured by the Russell 3000<sup>®</sup> Index, was up 3.02% for the quarter. The Federal Reserve increased the Fed Funds rate by another 0.25% in June, as was widely anticipated. This rate hike was the fourth since December 2015. The interest rate market was seemingly less bullish than the Federal Reserve and equity investors. This was evidenced by the yield curve continuing to flatten as short-term rates (i.e. the Fed Funds rate) moved higher and long-term rates moved lower. For example, the 10-year U.S. Treasury was down from 2.39% on March 31, 2017 to 2.30% on June 30, 2017. Oil prices, which continue to be a barometer of the high-yield market, fell another 9.01% in the quarter. The trailing twelve-month high-yield default rate continued to move lower from 5.67% at March 31, 2017, to 4.43% as of June 30, 2017, indicative of improving issuer fundamentals and a supportive market for new high-yield issues. Against this backdrop, high-yield bonds posted a positive quarter, but lagged the investment-grade corporate market. Within high-yield, the energy sector was where the most negative pressure was felt during the quarter. Unlike last quarter, quality outperformed with the BBgBarc U.S. Corporate High Yield Ba Index up 2.68%, while the riskiest part of the market, the BBgBarc U.S. Corporate High Yield Caa Index, closed up 1.85%.

### Fund Performance

The Westcore Flexible Income Fund's 2.02% return for the quarter lagged the 2.68% return recorded by its benchmark, the BBgBarc U.S. Corporate High Yield Ba Index. The Fund benefited from positive actions by the rating agencies with several securities receiving upgrades from high-yield credit ratings to investment-grade credit ratings in the quarter. These benefits were more than offset by the Fund's shorter duration and energy positions, which ultimately led to its underperformance.

### Outlook and Positioning

High-yield credit spreads (the additional yield over Treasuries offered by high-yield bonds) continued to tighten during the quarter and again approached the post-2008 lows established in mid-2014. Issuer fundamentals showed improvement when first quarter results were finalized, but overall leverage levels in the high-yield market currently remain elevated. In our view, we've passed the peak in balance sheet improvement in high-yield securities, except for a few commodity sectors and one-off situations. Increased political uncertainty has had a mild positive impact on bond markets as corporate America has started to take a "wait and see" approach while awaiting details regarding tax reform, regulatory reform, etc. We believe the key drivers of market valuations from here will likely be (1) the speed with which the Federal Reserve normalizes policy, (2) global investor appetite for fixed income assets, (3) results out of Washington D.C., and (4) the pace at which corporate America re-leverages balance sheets. We generally expect moderate outcomes on each of these fronts, but are positioned appropriately to go on the offensive if dislocations occur and the situation warrants.

We position the Fund with a longer-term investment orientation and an emphasis on higher-quality high-yield bonds. The goal of which is reducing the Fund's volatility while providing solid risk-adjusted returns over time. Our process entails intensive credit analysis by which we evaluate yield versus risk through business cycles, and it follows that a larger weighting of higher-rated, high-yield issues is a logical result. Most importantly, we believe this strategy is suitable over the long term for shareholders who want comparative yield from a high-yield fund, but who are also more sensitive to volatility and more focused on capital preservation.

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

Source for BBlBarc U.S. Corporate High Yield Ba Index data, CMS Bond Edge.

The **Bloomberg Barclays (BBBarc) U.S. Corporate High Yield Ba Index** is an unmanaged index that measures the performance of intermediate (1 to 10 year) U.S. high yield issues. It includes fixed-rate, noninvestment grade debt issues rated Ba1 or lower by Moody's, BB+ or lower by S&P, below investment grade by Fitch Investor's Service or if unrated, previously held a high yield rating or have been associated with a high yield issuer and must trade accordingly.

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### **MANAGER COMMENTARY**

The Manager Commentaries contain certain forward-looking statements about the factors that may affect the performance of the Funds in the future. These statements are based on Fund management's predictions and expectations concerning certain future events and their expected impact on the Funds, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the Funds. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.

### **THOMSON REUTERS LIPPER FUND AWARD**

Source: Lipper, Inc. The Westcore Fixed Income Funds ranked first out of 74 eligible fund families in the Small Fund Group. These funds included the Westcore Flexible Income Fund (WILT), the Westcore Plus Bond Fund (WIIB), and the Westcore Colorado Tax-Exempt Fund (WTCOX). The Best Fixed Income—Small Fund Group award is granted to the fund family with the lowest average decile ranking for Consistent Return over the 3-year period. To qualify, a fund family must have at least three fixed income funds and less than \$63.5 billion in assets under management for 2016. Westcore Funds ranked 1 out of 74 eligible companies for 2016.

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### **DEFINITION OF TERMS**

**Credit Quality:** The credit quality of the investments in the Fund's portfolio does not apply to the safety and stability of the Fund and are subject to change. Ratings are assigned by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), such as Standard & Poor's, and typically range from AAA (highest) to D (lowest). When ratings from two NRSROs are available, the lowest rating is used. Bonds not rated by an NRSRO are included in the Not Rated category, which does not necessarily indicate low quality.

**Effective Maturity:** The date on which a bond, other debt or security is due to be repaid.

**Effective Duration:** A measure of price sensitivity resulting from changes in the yield of a bond.

**REIT:** A REIT is a real estate investment trust. REITs are securities that sell like a stock on a major exchange. REITs invest directly in real estate, either through properties or mortgages.

**Standard Deviation:** A statistical measure of the historical volatility of a fund.

### **BOND RATING CATEGORIES**

**AAA:** An obligation rated "AAA" (Aaa) has the highest rating assigned by Standard & Poor's (Moody's). The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA:** An obligation rated "AA" (Aa) differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment is very strong.

**A:** An obligation rated "A" (A) is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB:** An obligation rated "BBB" (Baa) exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**Below BBB:** Obligations rated "BB" (Ba), "B" (B), "CCC" (Caa), "CC" (Ca) and "C" (C) are regarded as having significant speculative characteristics. "BB" (Ba) indicates the least degree of speculation and "C" (C) the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Non-Rated:** These bonds are not rated.

FOR MORE INFORMATION ABOUT WESTCORE FUNDS, PLEASE CONTACT:

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An investor should consider investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. To obtain a prospectus, which contains this and other important information about the Fund(s), please call 800.392.CORE (2673) or visit [www.westcore.com](http://www.westcore.com). Please read the prospectus carefully before investing.

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