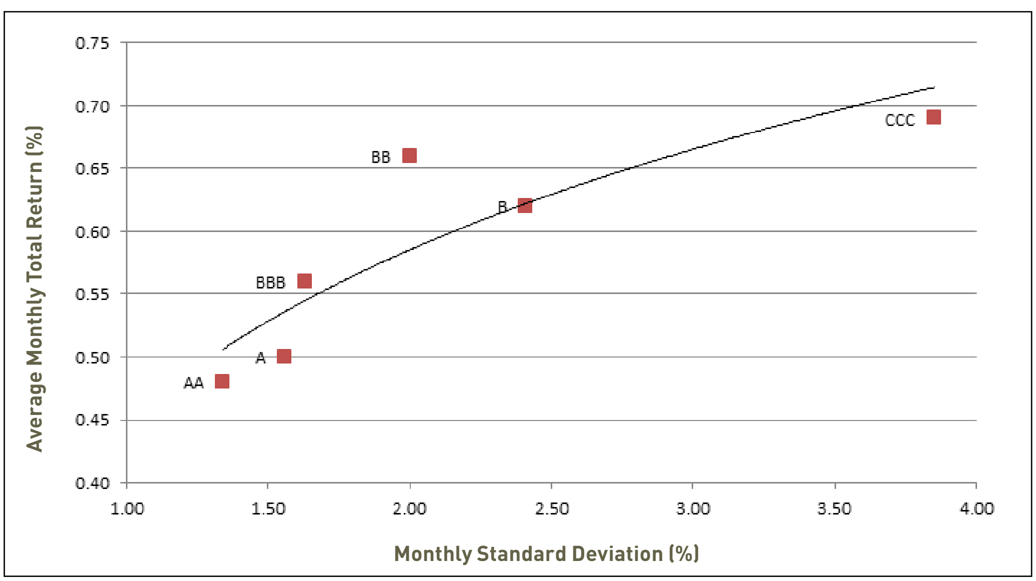
Westcore Funds®
Denver Investments

High Quality Junk Bonds – An Oxymoron or Opportunity?

When high-yield markets are performing well and outsized returns have been achieved within lower rating categories, investors are often lulled into continuing to take on more risk. Since 2009, the accommodative policies of global central banks, low rates of inflation, and a relatively benign default rate environment steered investors to "reach for yield" within their bond allocation, perhaps taking on more susceptibility to high-yield market volatility. While the timing of market volatility may be difficult to project, it is readily apparent that such disadvantageous periods have occurred often and that investors are prone to forget the lesson that such volatility provides time and time again. As the graph below illustrates, acceptance of high-yield market volatility is not just a "necessary evil" associated with targeting the return opportunity that is available within the high-yield market. At various times in history, shifts in risk appetite and the accompanying sudden change in valuations throughout the high-yield market cause a differentiation of returns across rating categories, and the favoring of higher rated securities within the high-yield asset class. A focus on BB-rated credits has historically provided investors with a risk/return profile that sits in a differentiated position relative to other rated segments of the corporate bond market while exhibiting significantly less volatility than the rest of the high-yield market.

Corporate Bond Performance
1/1/93-12/31/16

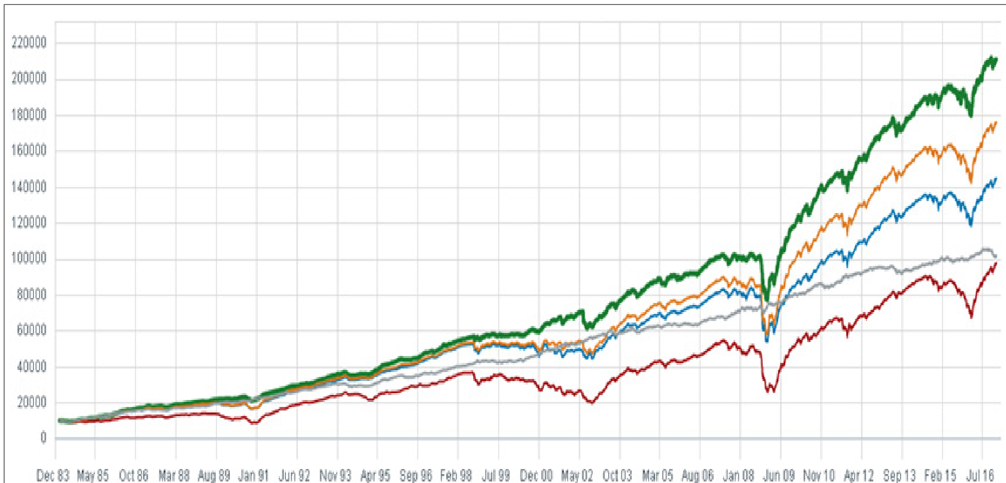


Source: BofA Merrill Lynch. Performance is not indicative of fund performance. ***Past performance does not guarantee future results.***

Certainly during periods of extremely hospitable credit environments, lower rated or lower quality credits would be anticipated to outperform the higher rated, less volatile BB-rated issues within the high-yield market, as seen during 2016. However, an investor needs the skill to actively sell the more speculative securities to avoid underlying default risk and rely on correctly timing their trade activity, as well as the suspect benevolence of increasingly absent high-yield market makers to consistently outperform over time.

For those that realize the inherent challenges of skillfully trading the high-yield asset class, or even those that prefer to emphasize long term returns more-so than worry about the volatility of their bond portfolio, preference for BB's can still be found by examining the total return data by credit rating over the last 33 years. The below graph illustrates that higher quality issues, as represented by Barclays Ba Corporate Credit Index, have provided a compelling total return advantage relative to lower rated segments of the high-yield market, as well as the overall fixed income market, as represented by the Barclays U.S. Aggregate Bond Index.

Barclays Index Performance – High Yield Comparison
Growth of 10,000 (1/1/84 – 12/31/16)



Key	Axis	Name	Last	Minimum	Maximum	Mean	SD	SD Chg
	Left	Ba U.S. High Yield	211,171.881	9,650.788 05/31/1984	212,158.508 10/25/2016	111,353.818	50,198.343	306.317
	Left	B U.S. High Yield	144,877.164	9,639.254 05/31/1984	144,877.164 12/30/2016	82,192.026	32,082.201	270.357
	Left	Caa U.S. High Yield	97,856.770	9,011.515 10/31/1990	97,856.770 12/30/2016	51,027.876	21,704.886	228.467
	Left	U.S. Corporate High Yield	176,240.172	9,655.060 05/31/1984	176,240.172 12/30/2016	93,410.318	41,470.015	293.973
	Left	U.S. Aggregate	102,381.418	9,707.833 05/31/1984	105,887.967 07/08/2016	57,480.760	26,380.892	148.906

Source: Barclays Capital, Barclays Live – Time Series Plotter. Index performance is not indicative of fund performance.
Past performance does not guarantee future results.

The Westcore Flexible Income Fund's (WTLTX, WILTX) investment philosophy is supported by the historical data set, which suggests quality-oriented high-yield investments offer a stronger risk/return profile. Westcore's approach entails intensive credit analysis by which the team evaluates yield versus risk through business cycles, and the logical result is a larger weighting of higher-rated, high-yield issues (as represented by BB-rated issuers) offering a competitive yield with more limited downside price volatility compared to traditional high-yield investment options.

Over the last few years, the high-yield market has experienced only a few distinct but limited periods of weakness, and an overall positive return profile dominated by the market rally throughout the majority of 2016. The Westcore Flexible Income Fund's performance, within the relatively hospitable credit environment of the last five years, has met the team's expectations through exhibiting a comparable relative return versus peers with more limited volatility, as illustrated below.

Return & Volatility Measures 5 Years Ended 12/31/2016	Annualized Return	Standard Deviation	Sharpe Ratio	Sortino Ratio
Westcore Flexible Income Fund	6.06%	4.35%	1.35	2.61
Morningstar High Yield Bond Category	6.17%	5.28%	1.19	2.12

Morningstar Risk/return statistics are calculated based on the Fund's retail class performance. ***Past performance does not guarantee future results. See standardized performance at the end of the article.***

Most importantly, the team believes that a high quality, high-yield investment strategy works over the long term for shareholders who want comparative yield from a high-yield product, but who are more sensitive to volatility and are more focused on capital preservation.

To learn more about Westcore Funds approach to high-yield investing, please contact 800.734.WEST (9378).

The views expressed herein are those of the Fixed Income team and do not pertain to all investment strategies offered by Denver Investments or Westcore Funds. The views expressed are general in nature and actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.

	Annualized Performance as of 12/31/16 (%)				
	1 Year	3 Years	5 Years	10 Years	Expense Ratio Gross/Net
Westcore Flexible Income Fund (WTLTX)	12.75	5.21	6.06	4.48	0.98% / 0.85%
Westcore Flexible Income Fund – Inst Class (WILTX)	13.10	5.43	6.28	4.61	1.03% / 0.72%
Barclays U.S. Corporate High Yield Ba Index	12.78	5.56	7.20	7.83	—
Morningstar High-Yield Bond Category	13.30	3.23	6.17	5.90	—

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, please call 800.734.WEST (9378). Average annual total returns reflect the reinvestment of dividends, capital gains distributions, all fee waivers and expense reimbursements. 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.

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, 2016 until at least April 30, 2017. Please see the Fund's Prospectus for more information.

INVESTMENT OBJECTIVE: The Westcore Flexible Income Fund seeks to achieve long-term total rate of return, primarily through investments in bonds, and to a less extent through convertible securities and high-yielding equities consistent with preservation of capital.

RISKS:
The Westcore Fixed Income Funds are subject to additional risk in that they may invest in high-yield/high-risk bonds and generally will be subject to greater levels of liquidity risk. Additionally, investing in bond funds entails interest-rate risk and credit risk.

INDEX DESCRIPTIONS:
All indices are unmanaged and index performance figures do not reflect any fees, expenses or taxes. Investors cannot invest directly in an index.

The **Barclays U.S. Corporate High Yield Bond Index** measures the performance of the high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Barclays is the source and owner of the Barclays Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. Barclays is not responsible for the formatting or configuration of this material or for any inaccuracy in Denver Investments' presentation thereof.

The **Morningstar High Yield Bond Category** consists of mutual funds classified by Morningstar as high-yield bond portfolios that concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolio generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

DEFINITION OF TERMS:

Standard Deviation: A statistical measure of the historical volatility. It is calculated as the square root of the variance.

Sharpe Ratio: A measure of risk-adjusted excess return and is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Sortino Ratio: This statistic is very similar to the Sharpe Ratio except that it is concerned only with downside volatility (unfavorable) versus total volatility (both favorable, upside volatility and unfavorable, downward volatility). This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or other cash index) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the downside risk of the manager. A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sortino measures how well the manager "spends" that risk, while not penalizing them for upside volatility (outperformance). The higher the Sortino Ratio, the better; a Sortino Ratio of 1 is better than a ratio of 0.5 – higher excess return and/or lower downside risk.

BOND RATING CATEGORIES:

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

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

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

A: An obligation rated "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" 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," "B," "CCC," "CC" and "C" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "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. Bonds rated "BB" or below are commonly referred to as "junk" bonds.

Non-Rated: These bonds are not rated.

WES003315 12312017