

CORE PLUS FIXED INCOME

FACT SHEET | March 31, 2018

STRATEGY

- Use relative value strategy for security and sector selection
- Focus on income rather than market timing of interest rates
- Conduct proprietary, equity-like fundamental research
- Emphasize disciplined, risk-managed investment approach

Performance¹

Periods Ended 3/31/18 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Core Plus Fixed Income (gross)	-1.13	-1.13	2.59	2.28	2.82	4.46
Core Plus Fixed Income (net)	-1.20	-1.20	2.28	1.91	2.41	4.01
BBgBarc U.S. Aggregate Index ⁴	-1.46	-1.46	1.20	1.20	1.82	3.63
Calendar Year (%)	2017	2016	2015	2014	2013	2012
Core Plus Fixed Income (gross)	5.23	4.27	0.56	6.48	-0.74	6.24
Core Plus Fixed Income (net)	4.91	3.89	0.11	6.00	-1.18	5.77
BBgBarc U.S. Aggregate Index ⁴	3.54	2.65	0.55	5.97	-2.02	4.22

Segall Bryant & Hamill acquired Denver Investment Advisors LLC on 4/30/2018. Performance results before this date reflect returns generated by the portfolio managers at Denver Investment Advisors LLC.

Portfolio Characteristics²

	Core Plus Fixed Income	BBgBarc U.S. Aggregate ⁴
Effective Duration	5.8 years	6.1 years
Effective Maturity	8.3 years	8.4 years
Effective Yield	3.6%	3.1%
Coupon	4.3%	3.2%
Average Credit Quality	A	AA
Turnover (3 year average)	40%	-
Standard Deviation	2.65%	2.69%

Sector Allocation²

	Core Plus Fixed Income	BBgBarc U.S. Aggregate ⁴	Relative Weights
CLO	1.4	0.0	1.4
Treasury	13.9	37.2	-23.3
U.S. Agencies	0.0	3.3	-3.3
Other Government-Related	7.5	3.5	4.0
Corporate Credit	40.9	25.3	15.5
Agency Mortgage-Backed Securities	23.8	28.1	-4.3
Residential Mortgage-Backed Securities	3.3	0.0	3.3
Commercial Mortgage-Backed Securities	4.1	1.9	2.2
Asset-Backed Securities	4.2	0.5	3.7
Other	0.0	0.1	-0.1
Cash & Equivalents	0.7	0.0	0.7

Corporate Allocation²

	Core Plus Fixed Income	BBgBarc U.S. Aggregate ²	Relative Weights
Financial	16.9	8.1	8.8
Industrial	20.8	15.5	5.3
Utility	3.2	1.8	1.4

¹Data is based on firm's Core Plus Fixed Income composite. Past performance does not guarantee future results and future performance may be lower or higher than the performance presented. See Performance Disclosure for additional performance information.

²Information presented is for a representative portfolio which is an account in the composite that we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The information of the representative portfolio shown may differ from that of the composite and of the other accounts in the composite. Information on this page is considered supplemental information to the Performance Disclosure. Weights may not sum to 100% due to rounding.

³The rating information reflects the Standard & Poor's equivalent rating category for the highest credit-quality rating assigned by either Standard & Poor's or Moody's ratings.

⁴Source: CMS BondEdge

⁵Standard Deviation statistic based on monthly data. Three years. Source: eVestment Alliance.

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Quality Detail^{2,3}

% of portfolio	Core Plus Fixed Income	BBgBarc U.S. Aggregate ⁴
AAA	47.2	71.6
AA	6.6	3.7
A	13.3	11.2
BBB	20.7	13.5
BB & Below	10.3	0.0
Not Rated	1.9	0.0

Duration Distribution^{2,4}

% of securities	Core Plus Fixed Income	BBgBarc U.S. Aggregate ⁴
0 - 1 year	5.7	0.1
1 - 3 years	25.6	22.5
3 - 4 years	9.1	11.4
4 - 6 years	27.3	34.7
6 - 8 years	13.2	13.6
8+ years	19.2	17.8

Manager commentary for the quarter ended March 31, 2018²

Market Overview

As was widely expected, the Federal Reserve raised short-term interest rates again in March. This was the sixth increase in this rate hiking cycle, which began in December 2015. The new chairman of the Federal Reserve Board, Jerome Powell seems intent on continuing with measured rate increases over the next 12 to 18 months, based on declining unemployment and modestly rising inflationary pressures. The market appeared to agree with this world view as long-term interest rates rose during January and February before declining modestly in March. The net result for the quarter was further bear-market flattening of the yield curve as short- and intermediate-term rates rose more than long-term interest rates. A shift in market sentiment during the recent quarter drove corporate bonds and other credit-related securities to underperform. Elevated equity prices and compressed yield differentials between high-quality bonds and lower-quality bonds led investors to broadly reduce exposure to several classes of risk assets. With rising rates and widening risk spreads, bond market returns were sharply negative in the quarter for the first time since the election-related selloff in the fourth quarter of 2016.

After several years of solid outperformance, corporate bonds, mortgage backed securities, equities, and other risk assets all underperformed during the period, despite the generally positive environment of solid corporate profits, modestly positive economic growth, and low inflation.

Portfolio Performance

The Denver Investments' Core Plus portfolio outperformed the -1.46% quarterly return recorded by its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. Our efforts to enhance the portfolio's yield, through an overweighted position in corporate bonds, while also attempting to limit its exposure to volatility, through targeting higher-quality, shorter duration corporate bonds, proved beneficial throughout the quarter as risk assets underperformed. Emphasizing quality bond issues and managing the credit duration of the portfolio allowed the portfolio to benefit marginally as it was less sensitive to spread widening.

Outlook and Positioning

The economic outlook has been clouded by the counter-balancing effects of increased fiscal stimulus resulting from tax cuts and deficit spending feeding an already strong late cycle economy, as well as an increasingly active Federal Reserve that appears intent on controlling inflation through higher interest rates. At some point, those higher interest rates will likely bite into projected growth and the viability of new capital investment projects due to higher costs of capital. How the interplay between fiscal and monetary policy evolves will, in our opinion, be key to managing the increased volatility over the next several quarters. We believe that the current level of economic strength, considering a vigilant Federal Reserve, will not support meaningfully higher long-term interest rates and current growth rates will begin to moderate before inflation accelerates.

We have constructed the portfolio with overweighted positions in shorter maturity "spread" sectors offering what we believe are good yield opportunities and durations that are slightly shorter than the benchmark, reflecting the probability of further rate increases by the Federal Reserve. We have maintained exposure to longer maturity Treasuries that will likely perform well as the yield curve flattens further in this rate hiking cycle. This positioning is intended to capture higher income levels, while also being slightly more protective if we do see modest interest rate increases. Recognizing that we are late in an already extended credit cycle, we have positioned the portfolio with reduced risk exposure that should position it to take advantage of future opportunities, which we believe are likely to be greater than those available in current markets. We have increased our focus on quality and liquidity in the effort to mitigate negative credit events and market dislocations that could adversely impact the portfolio. We believe our rigorous bottom-up credit selection process is particularly valuable at this point in the credit cycle when it is critically important to assess valuations, as well as differentiate creditworthiness and long-term stability of each of the portfolio's holdings. While we are concerned about increased volatility and the recent rise in rates, we are still not convinced the market is quickly headed to significantly higher long-term interest rates.

Performance Disclosure: Core Plus Fixed Income Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	BBgBarc U.S. Aggregate Bond Index (%)	Composite 3 Year Standard Deviation (%)	Index 3 Year Standard Deviation (%)	Composite Dispersion (%)	Total Firm Assets (Incl. Model Portfolios)* (\$Bil)	Total Firm Assets (\$Bil)
	Dollars (\$ millions)	% of Firm Assets	Composite Accounts								
2016	1,215	17.0	3	4.27	3.89	2.65	2.99	3.02	0.28	7.476	7.169
2015	1,955	26.5	8	0.56	0.11	0.55	2.97	2.92	0.23	7.606	7.382
2014	1,767	18.9	6	6.48	6.00	5.97	2.80	2.66	0.19	9.596	9.373
2013	1,640	16.7	6	-0.74	-1.18	-2.02	2.77	2.75	0.35	10.009	9.794
2012	1,810	19.4	6	6.24	5.77	4.22	2.36	2.42	0.38	9.565	9.343
2011	1,712	18.8	6	8.21	7.73	7.84	2.60	2.82	0.55	9.389	9.101
2010	1,721	19.8	6	7.81	7.32	6.56	-	-	0.30	8.989	8.711
2009	1,570	20.0	6	10.71	10.22	5.93	-	-	1.94	8.038	7.837
2008	1,245	18.1	6	-0.90	-1.36	5.24	-	-	1.72	7.008	6.867
2007	1,266	13.3	6	6.07	5.53	6.96	-	-	0.29	9.715	9.502

*Number includes a portion of assets where Denver Investments does not have discretionary trading authority. This information is supplemental to fully compliant presentation.

- 1) Denver Investment Advisors LLC (dba Denver Investments) is an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Denver Investments provides fundamental investment management services to various institutional and private investors and mutual funds.
- 2) This composite was created in January 1992 (style inception was 1/1/1992). All returns are computed using a time-weighted total rate of return. The composite is defined to include all fee-paying, discretionary accounts that are managed according to the Core Plus strategy. From 1992-1997, the accounts in the Core Plus Fixed Income composite were also included in the Core Investment Grade Fixed Income and Core Fixed Income composites. The composite is being shown as a subset of the larger composite due to its being managed against a different benchmark. The composite includes all actively managed fixed income accounts that are managed to the Bloomberg Barclays U.S. Aggregate Bond Index and primarily invest in both investment and below-investment grade securities with maturities less than 30 years. The Bloomberg Barclays U.S. Aggregate Bond Index benchmark is an unmanaged, fixed income, market-value-weighted index generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities. Index returns are not covered by the report of the independent verifiers. The name of the composite was changed on 1/1/2007 from Core Plus Bond. Bloomberg Barclays is the source and owner of the Bloomberg Barclays Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. Bloomberg Barclays is not responsible for the formatting or configuration of this material or for any inaccuracy in Denver Investments' presentation thereof.
- 3) Gross of fee returns are calculated gross of management and custodial fees and net of transaction costs. Net of fee returns are calculated net of management fees and transaction costs and gross of custodian fees. As of 1/1/15, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a monthly basis. From 1/1/08 to 12/31/14, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a quarterly basis. Prior to this date, net of fees returns were calculated using actual annual client fees, pro-rated on a quarterly basis.
- 4) The dispersion of annual returns is measured by the standard deviation across unweighted portfolio gross returns represented within the composite for the full year. Dispersion is not shown for years in which only one account is present for the entire year.
- 5) Valuations and returns are computed and stated in U.S. dollars. Performance is calculated net of withholding taxes on foreign dividends and interest. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Total returns for accounts are presented using the accrual basis of accounting for all fixed income and equity investments and on a cash basis for all cash equivalents.
- 6) Denver Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Denver Investments has been independently verified for the periods 1/1/84 – 12/31/16. Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Core Plus Fixed Income composite has been examined for the periods 1/1/99 – 12/31/16. The verification and performance examination reports are available upon request. A complete list and description of all firm composites is available upon request.
- 7) The maximum fee rate is 0.30%. As of 3/31/2016, the maximum fee was decreased from 0.45% to 0.35%. Additionally, as of 1/31/17, the maximum fee was decreased from 0.35% to 0.30. Please reference Denver Investments' ADV for full fee schedule.
- 8) Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- 9) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.

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