Denver Investments®
Institutional

Segall Bryant & Hamill acquired Denver Investment Advisors LLC on April 30, 2018.

LONG-TERM 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

Performance[1]

			Annualized Returns			
Periods Ended 3/31/18 (%)	**QTD**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Long-Term Fixed Income (gross)	-3.67	-3.67	5.78	2.73	4.43	7.11
Long-Term Fixed Income (net)	-3.74	-3.74	5.46	2.38	4.03	6.66
BBgBarc U.S. Long G/C Index[4]	-3.58	-3.58	5.09	2.13	4.09	6.79

Calendar Year (%)	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Long-Term Fixed Income (gross)	11.63	7.52	-3.13	17.99	-8.05	8.03
Long-Term Fixed Income (net)	11.29	7.17	-3.57	17.47	-8.47	7.53
BBgBarc U.S. Long G/C Index[4]	10.71	6.67	-3.30	19.31	-8.83	8.78

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 Characteristics[2]

	Long-Term Fixed Income	**BBgBarc U.S. Long G/C[4]**
Effective Duration	15.7 years	15.2 years
Effective Maturity	24.7 years	24.2 years
Effective Yield	3.8%	3.8%
Coupon	4.1%	4.6%
Average Credit Quality	AA	A
Turnover (3 year average)	53%	-
Standard Deviation	7.28%	7.39%

Sector Allocation[2]

	Long-Term Fixed Income	**BBgBarc U.S. Long G/C[4]**	**Relative Weights**
Treasury	24.7	39.4	-14.7
U.S. Agencies	0.0	2.8	-2.8
Other Government-Related	4.7	6.8	-2.1
Corporate Credit	70.4	51.0	19.5
Cash & Equivalents	0.3	0.0	0.3

Corporate Allocation[2]

	Long-Term Fixed Income	**BBgBarc U.S. Long G/C[4]**	**Relative Weights**
Financial	17.9	8.6	9.3
Industrial	34.4	36.2	-1.8
Utility	18.1	6.1	12.0

[1]Data is based on firm's Long-Term 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.

[2]Information 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.

[3]The 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.

[4]Source: CMS BondEdge

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

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Quality Detail[2,3]

% of portfolio	Long-Term Fixed Income	BBgBarc U.S. Long G/C[4]
AAA	30.7	43.2
AA	21.6	5.4
A	41.8	22.7
BBB	5.2	28.7
BB & Below	0.6	0.0

Duration Distribution[2,4]

% of securities	Long-Term Fixed Income	BBgBarc U.S. Long G/C[4]
0 - 1 year	0.3	0.0
1 - 3 years	0.0	0.1
3 - 4 years	0.0	0.0
4 - 6 years	0.0	0.0
6 - 8 years	2.0	0.8
8+ years	97.7	99.0

Manager commentary for the quarter ended March 31, 2018[2]

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 flattening of the yield curve, as short- and intermediate-term interest 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 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.

Outlook and Positioning

The economic outlook has been clouded by the counterbalancing 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 that current growth rates will begin to moderate before inflation accelerates.

We have constructed the portfolios with overweighted positions in shorter maturity “spread” sectors offering what we believe are good yield opportunities and durations that are slightly shorter than their benchmarks, 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 portfolios with reduced risk exposures that should allow them 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 an effort to mitigate negative credit events and market dislocations that could adversely impact portfolios. 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 our 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: Long-Term Fixed Income Composite

Year	— Composite Assets— Dollars ($ millions)	% of Firm Assets	Composite Accounts	Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	BBgBarc U.S. Long Gov/Credit 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)
2016	168	2.4	2	7.52	7.17	6.67	8.49	8.71	0.44	7.476	7.169
2015	300	4.1	3	-3.13	-3.57	-3.30	8.56	8.71	0.66	7.606	7.382
2014	326	3.5	3	17.99	17.47	19.31	8.19	8.18	0.25	9.596	9.373
2013	219	2.2	4	-8.05	-8.47	-8.83	8.77	9.12	0.98	10.009	9.794
2012	165	1.8	3	8.03	7.53	8.78	8.05	8.30	0.77	9.565	9.343
2011	110	1.2	3	20.59	20.08	22.49	8.21	9.11	-	9.389	9.101
2010	19	<1.0	1	12.80	12.30	10.16	-	-	-	8.989	8.711
2009	17	<1.0	1	7.30	6.81	1.92	-	-	-	8.038	7.837
2008	16	<1.0	1	3.92	3.46	8.44	-	-	-	7.008	6.867
2007	15	<1.0	1	5.80	5.33	6.60	-	-	-	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 1983 (style inception was 5/1/1977). 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 Long-Term Fixed Income strategy. The composite includes all actively managed fixed income accounts that are managed to the Bloomberg Barclays U.S. Long Govt/Credit Bond Index and primarily invest in investment-grade securities with maturities more than 10 years. The Bloomberg Barclays U.S. Long Govt/Credit Bond Index benchmark is an unmanaged index that includes fixed rate debt issues rated investment grade or higher by Moody's Investors Services, Standard & Poor's Corporation or Fitch Investor's Service. Long-term indices include bonds with maturities of ten years or longer. Index returns are not covered by the report of the independent verifiers. The name of the composite was changed from Long Term Bond to Long-Term Fixed Income on 1/1/2007.
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 Long-Term Fixed Income composite has been examined for the periods 1/1/84 – 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 0.30%. 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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