

MID-CAP VALUE

FACT SHEET | March 31, 2018

STRATEGY

- Seek to invest in attractively-valued companies generating positive free cash flow and improving returns
- Use integrated investment approach that combines proprietary quantitative screen and original fundamental research
- Employ bottom-up, team-based stock selection process
- Emphasize strict adherence to our style and risk control measures

Top Ten Holdings^{2,3} (%)

Lamb Weston Holdings Inc (Consumer)	2.8
Public Service Enterprise Group Inc (Utilities)	2.7
Spire Inc (Utilities)	2.4
AmerisourceBergen Corp (Medical / Healthcare)	2.4
Xcel Energy Inc (Utilities)	2.3
Edison International (Utilities)	2.2
Investors Bancorp Inc (Interest Rate Sensitive)	2.2
Everest Re Group Ltd (Interest Rate Sensitive)	2.1
Genpact Ltd (Technology)	2.1
Grifols SA (Medical / Healthcare)	2.1
Total (% of portfolio)	23.4%

¹Data is based on firm's Mid-Cap Value 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 specific securities identified and described do not represent all the securities purchased, sold or recommended for clients in the composite and no assumption should be made that such securities or future recommendations will be profitable in the future.

⁴Source: FactSet

⁵Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

Performance¹

Periods Ended 3/31/18 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Mid-Cap Value (gross)	-1.64	-1.64	3.26	8.37	11.74	9.10
Mid-Cap Value (net)	-1.83	-1.83	2.49	7.57	10.91	8.33
Russell Midcap [®] Value Index ⁴	-2.50	-2.50	6.50	7.23	11.11	9.81
Calendar Year (%)	2017	2016	2015	2014	2013	2012
Mid-Cap Value (gross)	7.40	24.40	-0.28	14.08	32.17	13.75
Mid-Cap Value (net)	6.60	23.48	-1.03	13.24	31.21	12.97
Russell Midcap [®] Value Index ⁴	13.34	20.00	-4.78	14.75	33.46	18.51

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^{2,5}

	Mid-Cap Value	Russell Midcap [®] Value ⁴
Weighted Average Market Capitalization (\$ Mil)	\$11,887	\$13,947
Median Market Capitalization (\$ Mil)	\$9,282	\$7,297
Discount to Intrinsic Value	25.4%	-
Price/Book Value	2.4x	2.3x
Return on Assets	5.4%	4.6%
Long-Term Debt/Capital	42.0%	38.1%
Dividend Yield (1 year trailing)	2.1%	2.1%
Beta (3 Years)	0.98	-
Standard Deviation (3 Years)	10.96%	10.75%
Tracking Error (3 Years)	3.12%	-
Turnover (3 year average)	61%	-
Number of Holdings	59	

Sector Allocation²

	Mid-Cap Value	Russell Midcap [®] Value ⁴	Relative Weights
Basic Materials	8.2	5.7	2.5
Capital Goods	9.2	11.5	-2.3
Consumer	13.1	16.0	-2.9
Energy	8.2	8.3	-0.1
Interest Rate Sensitive	17.3	21.7	-4.4
Medical / Healthcare	9.4	6.4	3.0
REITs	11.5	13.0	-1.5
Technology	8.3	7.3	1.0
Utilities	11.6	10.2	1.4
Cash	3.1	0.0	3.1

FOR MORE INFORMATION ABOUT OUR INSTITUTIONAL OFFERING, PLEASE CONTACT:

Denver Investments | Republic Plaza | 370 17th Street | Suite 5000 | Denver, Colorado 80202
p: 303.312.5000 | f: 303.312.4900 | e: marketing@denvest.com | www.denvest.com

Market Overview

After nearly three years of subdued market volatility, inflationary concerns, rising interest rates, and growing tension over international trade drove a massive increase in volatility in the first quarter. This was evidenced by a nearly 80% increase in the VIX Index® (formerly the CBOE Volatility Index®), a widely used volatility barometer. The 80% increase was one of the highest ever quarterly increases. With tax reform benefits still being digested and economic data remaining strong, the market continued to favor companies with the best fundamental execution, which led growth indexes to once again outperform value indexes for the quarter.

Portfolio Commentary

Despite this backdrop, which favored growth strategies, the Denver Investments' Mid-Cap Value portfolio outperformed the -2.50% return of its benchmark, the Russell Midcap® Value Index, for the quarter. Importantly, we were pleased that, during the quarter, the portfolio preserved capital in a down market. This is consistent with our expectations, given our focus on dividend-paying stocks that are trading at what we believe are attractive valuation levels.

Contributors to Portfolio

The sectors that contributed most to the portfolio's return relative to its benchmark this quarter were energy, interest rate sensitive, and utilities. International exploration and production company Anadarko Petroleum Corp. was the portfolio's main contributor to outperformance within the energy sector. In an otherwise choppy quarter for oil prices, Anadarko's quarterly financial results bested consensus expectations. In addition to these solid results, management announced a substantial hike to both its dividend and share buyback programs. Specifically, its dividend payment was raised five-fold and its share buyback program was raised 20%, which equates to 10% of shares outstanding. Further, management also committed to paying down \$1 billion in debt. We believe the asset and management quality at Anadarko differentiates it from its peers and that the company currently remains undervalued by the market. Insurance and reinsurance underwriter Everest Re Group Ltd. contributed to the portfolio's strong returns within the interest rate sensitive sector during the quarter. After a disappointing second half of 2017, which was the result of a very active hurricane and fire season, Everest Re reported robust year-end results in February. The company has also showed signs of marginal premium and pricing improvement, which we believe should bode well for 2018.

Detractors from Portfolio

The portfolio's weakest sectors relative to the benchmark for the quarter were medical/healthcare, technology, and REITs. Dentsply Sirona Inc., a dental equipment maker and dental consumables producer, underperformed its mid-cap health care peers significantly in the first quarter. The quarter began with management turnover when the company's interim CEO was replaced by an external hire. This management change came as a surprise to the market and compounded existing concerns over continued low volume growth in the current dental supply market. Nonetheless, we see improving trends in the future as the company stands to realize merger-related cost savings and benefit from favorable demographics that should drive increased dental utilization. Real estate investment company Tanger Factory Outlet Centers Inc. was also among the portfolio's largest detractors. Tanger's sole focus is outlet mall space and its solid outlook for 2018 was driven by fewer store closures and upside from proactive leasing. However, this outlook was disrupted when management provided year-ahead guidance that was below consensus expectations due to short-term lease concessions. Given these developments, we have exited the portfolio's position. The portfolio's relative underperformance in the technology sector was not the result of poor performance by individual holdings. Rather, stocks that the portfolio did not hold—fast-growing stocks that benefited from price momentum, despite high valuations—led to the underperformance in this sector. Generally, these types of stocks are not consistent with our valuation-focused investment strategy.

Outlook and Positioning

As we head into the second quarter, the labor market remains tight, workforce participants are seeing real wage gains, and consumer and business confidence remain high. These data points bode well for what we believe will be a continuation of solid economic growth. However, these dynamics will likely leave the Federal Reserve steadfast in its plan to raise interest rates, which, combined with inflationary elements, could ultimately become a drag on corporate profit growth. Given the disparity between growth and value stock prices, we believe there will be a renewed focus on valuation and balance sheet quality. Given that these are key factors in our investment process, we believe we have positioned the portfolio well for this scenario.

Top 5 Contributors/Detractors (By Stock)^{2,6}

Top 5 Contributors	Average Weight	Absolute Contribution to Return
AmTrust Financial Services, Inc.	1.73	0.44
Everest Re Group, Ltd.	1.93	0.29
Dr Pepper Snapple Group, Inc.	1.24	0.22
Anadarko Petroleum Corporation	1.90	0.21
Marathon Petroleum Corporation	1.79	0.21

Top 5 Detractors	Average Weight	Absolute Contribution to Return
Tanger Factory Outlet Centers, Inc.	1.62	-0.30
Goodyear Tire & Rubber Company	1.46	-0.29
DENTSPLY SIRONA, Inc.	1.01	-0.26
Brixmor Property Group, Inc.	0.56	-0.26
EQT Corporation	1.51	-0.26

⁶The securities identified on this chart were determined after consistently calculating the weight of each holding in the representative account multiplied by the rate of return for that holding during the period. The securities identified do not represent all of the securities purchased, sold or recommended for advisory clients. You may obtain a complete list showing the contribution of each holding in the representative account to the overall account performance during the period presented by emailing marketing@denvest.com or calling 303.312.5000.

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will vary, and initial investments may be worth more or less than their original investment. To obtain current performance as of the most recent month-end and for important performance disclosures, please see the strategy's composite performance at www.denvest.com.

The Manager Commentaries contain certain forward-looking statements about the factors that may affect future performance. These statements are based on portfolio management's predictions and expectations concerning certain future events and their expected impact on the strategy, 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 strategy. Portfolio 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.

Performance Disclosure: Mid-Cap Value Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell Midcap® Value 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	80	1.1	1	24.40	23.48	20.00	11.10	11.46	-	7.476	7.169
2015	52	0.7	1	-0.28	-1.03	-4.78	10.14	10.86	-	7.606	7.382
2014	58	1.0	1	14.08	13.24	14.75	9.06	9.95	-	9.596	9.373
2013	53	1.0	1	32.17	31.21	33.46	11.99	13.89	-	10.009	9.794
2012	40	<1.0	1	13.75	12.97	18.51	15.01	17.00	-	9.565	9.343
2011	43	<1.0	1	1.19	0.51	-1.38	19.62	23.10	-	9.389	9.101
2010	46	1.0	1	21.59	20.85	24.75	-	-	-	8.989	8.711
2009	49	1.0	1	33.51	32.64	34.21	-	-	-	8.038	7.837
2008	41	1.0	2	-41.63	-42.02	-38.44	-	-	0.15	7.008	6.867
2007	105	1.1	3	2.82	1.60	-1.42	-	-	0.79	9.715	9.502
2006	88	1.1	1	13.59	12.25	20.22	-	-	-	8.396	8.368

*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 1998 (style inception was 1/1/1998). All returns are computed using a time-weighted total rate of return. The composite is defined to include all fee-paying, discretionary accounts managed according to the Mid-Cap Value strategy. The composite includes all actively managed equity accounts that are managed to the Russell Midcap® Value Index and primarily invest in mid-capitalization U.S. value equities. The Russell Midcap® Value Index is an unmanaged index that measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000® Value Index. FTSE Russell is the source and owner of the Russell Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. FTSE Russell is not responsible for the formatting or configuration of this material or for any inaccuracy in Denver Investments' presentation thereof. Index returns are not covered by the report of the independent verifiers.
- 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. From 1/1/98 – 9/30/98, net results are from a non-fee paying account, so a model fee, equivalent to the highest fee that could have been charged (0.65%), has been deducted. Thereafter, actual fees have been deducted.
- 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 Mid-Cap Value composite has been examined for the periods 12/31/03 – 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 0.75%. 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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