

## SMALL-CAP GROWTH

FACT SHEET | March 31, 2018

### STRATEGY

- Seek to invest in growth companies with enduring competitive advantages, improving fundamentals and potential for positive earnings revisions
- Use proprietary fundamental research to identify and understand key value-creating drivers
- Employ bottom-up decision-making process

### Top Ten Holdings<sup>2,3</sup> (%)

<b>Investnet Inc</b> (Information Technology)	2.6
<b>EPAM Systems Inc</b> (Information Technology)	2.6
<b>Zendesk Inc</b> (Information Technology)	2.5
<b>Globus Medical Inc</b> (Health Care)	2.4
<b>HealthEquity Inc</b> (Health Care)	2.1
<b>Tyler Technologies Inc</b> (Information Technology)	2.1
<b>Live Nation Entertainment Inc</b> (Consumer Discretionary)	2.0
<b>Eagle Bancorp Inc</b> (Financials)	2.0
<b>MGP Ingredients Inc</b> (Consumer Staples)	2.0
<b>Hexcel Corp</b> (Industrials)	1.9
<b>Total (% of portfolio)</b>	<b>22.1%</b>

<sup>1</sup>Data is based on firm's Small-Cap Growth 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.

<sup>2</sup>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.

<sup>3</sup>The 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.

<sup>4</sup>Source: FactSet

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

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### Performance<sup>1</sup>

Periods Ended 3/31/18 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Small-Cap Growth (gross)	5.92	5.92	22.72	11.77	14.84	-
Small-Cap Growth (net)	5.66	5.66	21.52	10.67	13.71	-
Russell 2000 <sup>®</sup> Growth Index <sup>4</sup>	2.30	2.30	18.63	8.77	12.90	-
Calendar Year (%)	2017	2016	2015	2014	2013	2012
Small-Cap Growth (gross)	28.74	9.81	-3.45	5.23	53.21	12.09
Small-Cap Growth (net)	27.48	8.72	-4.41	4.18	51.74	11.00
Russell 2000 <sup>®</sup> Growth Index <sup>4</sup>	22.17	11.32	-1.38	5.60	43.30	14.59

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<sup>2,5</sup>

	Small-Cap Growth	Russell 2000 <sup>®</sup> Growth <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$3,800	\$2,968
EPS Growth (3-5 year forecast)	15.7%	14.1%
Price/Earnings (1 year forecast)	29.5x	24.4x
Dividend Yield (1 year trailing)	0.3%	0.5%
Beta (3 Years)	0.96	-
Standard Deviation (3 Years) <sup>1,5</sup>	14.45%	14.48%
Tracking Error (3 Years) <sup>1,5</sup>	3.97%	-
Turnover (3 year average)	59%	-
Number of Holdings	73	-

### Sector Allocation<sup>2</sup>

	Small-Cap Growth	Russell 2000 <sup>®</sup> Growth <sup>4</sup>	Relative Weights
Consumer Discretionary	15.5	13.1	2.4
Consumer Staples	2.9	2.5	0.4
Energy	3.2	1.2	2.0
Financials	9.2	6.1	3.1
Health Care	21.8	25.2	-3.4
Industrials	10.8	17.8	-7.0
Information Technology	29.2	25.2	4.0
Materials	1.8	4.3	-2.5
Real Estate	1.1	3.2	-2.1
Telecommunication Services	1.6	0.7	0.9
Utilities	0.0	0.6	-0.6
Cash	2.8	0.0	2.8

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### Market Overview

Equity markets were mixed in the first quarter of the year. Growth stocks, however, were off to a decent start even after their significant outperformance in 2017. The Russell 2000® Growth Index was up 2.30% for the first quarter of 2018, compared to the Russell 2000® Value Index's -2.64% return. Volatility picked up significantly in the first quarter as interest rates rose and fears grew over a looming trade war.

### Portfolio Performance

For the first quarter of 2018, the Denver Investments' Small-Cap Growth portfolio outperformed its benchmark, the Russell 2000® Growth Index, which returned 2.30%.

### Contributors to Return

The three sectors that contributed most to the portfolio's performance relative to its benchmark in the quarter were information technology, industrials, and health care. The portfolio's best-performing stock in the quarter was Zendesk Inc., a provider of next-generation customer support software. Zendesk closed out 2017 with excellent results as it continued to show increased traction with larger enterprises due to its very robust product offering. Another strong performer in the quarter was HealthEquity Inc., a technology solutions provider for managing health savings accounts. The company is emerging as the leading independent provider to this market as its results have continued to show outsized growth versus its competitors. Globus Medical Inc., a medical device company focused on musculoskeletal disorders, was also an outperformer in the quarter as early adoption of its Excelsius GPS spinal surgery robot exceeded expectations. We believe longer-term market expectations for the opportunity in robotics are still too low.

### Detractors from Return

The three sectors that detracted most from the from the portfolio's performance relative to its benchmark in the quarter were real estate, financials, and telecommunication services. The portfolio's worst performing stock in the quarter was QTS Realty Trust Inc., a leading data center real estate investment trust company. Its underperformance in the quarter was due to a surprise restructuring announcement. QTS will exit its cloud-based business as the returns and growth profile of this segment have continued to disappoint. This should allow the company to focus on its wholesale and colocation product lines. We believe the transition will improve both growth prospects and return on capital for QTS over time. Pacira Pharmaceuticals Inc. was an underperformer in the quarter after it became clear that the FDA would likely require additional clinical studies before approving expanded use of its drug Exparel. This non-opioid drug is currently used to control post-surgical pain and Pacira was seeking approval to expand its uses to include nerve block applications. We believe nerve block is a relatively small opportunity and adoption of Exparel has continued to grow in other applications. Lions Gate Entertainment Corp. was also a significant detractor in the quarter. This entertainment content producer and distributor disappointed investors with a lower-than-expected film release schedule for 2018, as well as increased content investment costs at its Starz network. We believe focusing on growing proprietary content on Starz is a smart long-term strategy.

### Outlook and Positioning

As of the end of the first quarter of 2018, the portfolio was overweighted primarily in the information technology and financial sectors and underweighted primarily in the industrials and health care sectors.

The increasing market volatility market is actually a welcome sight from our perch. Since the portfolio's inception, stock selection has been the main driver of performance. Increased volatility often presents opportunities to find securities that may have been hurt by broad-based selloffs despite having very strong fundamentals and outlooks. As always, our focus is on finding unique companies that can control their own fates with disruptive products and services that do not necessarily need economic tailwinds to thrive. In our opinion, the current environment is increasingly conducive to finding the next leaders at attractive prices.

### Top 5 Contributors/Detractors(By Stock)<sup>2,6</sup>

Top 5 Contributors	Average Weight	Absolute Contribution to Return
Zendesk, Inc.	2.14	0.74
Microsemi Corporation	1.59	0.50
HealthEquity Inc	1.89	0.49
Twilio, Inc. Class A	0.95	0.46
Globus Medical, Inc. Class A	2.23	0.43

Top 5 Detractors	Average Weight	Absolute Contribution to Return
QTS Realty Trust, Inc. Class A	1.33	-0.55
MACOM Technology Solutions Holdings, Inc.	0.66	-0.40
Pacira Pharmaceuticals, Inc.	0.83	-0.34
IMAX Corporation	1.36	-0.26
Lions Gate Entertainment Corp Class A	0.91	-0.25

<sup>6</sup>The 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](mailto: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](http://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: Small-Cap Growth Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell 2000® Growth 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	10	<1.0	2	9.81	8.72	11.32	17.39	16.91	0.13	7.476	7.169
2015	13	<1.0	3	-3.45	-4.41	-1.38	15.96	15.16	0.05	7.606	7.382
2014	10	<1.0	2	5.23	4.18	5.60	15.31	14.02	0.15	9.596	9.373
2013	2	<1.0	2	53.21	51.74	43.30	18.04	17.52	-	10.009	9.794
2012	0.5	<1.0	1	12.09	11.00	14.59	-	-	-	9.565	9.343
2011	0.5	<1.0	1	-1.80	-2.74	-2.91	-	-	-	9.389	9.101

\*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) The Small-Cap Growth composite was created in January 2011. There was one non-fee paying account in the composite which represented 38.3% of total composite assets as of December 31, 2013.
- 3) 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 Small-Cap Growth strategy. The composite includes actively managed equity accounts that are managed to the Russell 2000® Growth Index and primarily invest in select small-capitalization U.S. growth equities. The Russell 2000® Growth benchmark is an unmanaged, market-capitalization weighted index of those firms in the Russell 2000 with higher price-to-book ratios and higher forecasted growth values than the threshold determined by FTSE Russell. 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.
- 4) 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.
- 5) 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; nor is it shown for periods where 36 months of returns are not available.
- 6) 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.
- 7) 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 period 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 Small-Cap Growth composite has been examined for the periods 1/1/11 – 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.
- 8) The maximum fee rate is 1.00%. Please reference Denver Investments' ADV for full fee schedule.
- 9) Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- 10) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.

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