

SMALL-CAP VALUE

FACT SHEET | March 31, 2018

STRATEGY

- Focus on dividend-paying small-cap companies
- Seek to invest in companies generating positive free cash flow and improving returns
- Use integrated investment approach that combines proprietary quantitative screen and original fundamental research
- Emphasize strict adherence to our style and risk control measures

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

Enerplus Corp (Energy)	4.3
GEO Group Inc/The (REITs)	3.2
TiVo Corp (Technology)	3.0
Spire Inc (Utilities)	2.8
Ensign Group Inc/The (Medical / Healthcare)	2.7
Travelport Worldwide Ltd (Consumer)	2.6
Glacier Bancorp Inc (Interest Rate Sensitive)	2.6
Umpqua Holdings Corp (Interest Rate Sensitive)	2.5
Silicon Motion Technology Corp (Technology)	2.4
Phibro Animal Health Corp (Medical / Healthcare)	2.2
Total (% of portfolio)	28.3%

¹Data is based on firm's Small-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 these 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.

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Performance¹

Periods Ended 3/31/18 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Small-Cap Value (gross)	-1.06	-1.06	0.54	6.87	9.93	8.96
Small-Cap Value (net)	-1.29	-1.29	-0.37	5.85	8.87	7.89
Russell 2000 [®] Value Index ⁴	-2.64	-2.64	5.13	7.87	9.96	8.61
Calendar Year (%)	2017	2016	2015	2014	2013	2012
Small-Cap Value (gross)	-0.62	32.27	-6.80	7.61	38.08	10.97
Small-Cap Value (net)	-1.54	30.99	-7.73	6.55	36.74	9.88
Russell 2000 [®] Value Index ⁴	7.84	31.74	-7.47	4.22	34.52	18.05

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}

	Small-Cap Value	Russell 2000 [®] Value ⁴
Weighted Average Market Capitalization (\$ Mil)	\$2,640	\$2,019
Median Market Capitalization (\$ Mil)	\$2,372	\$719
Discount to Intrinsic Value	25.3%	-
Price/Book Value	2.1x	1.8x
Return on Assets	4.9%	2.9%
Long-Term Debt/Capital	34.3%	30.3%
Dividend Yield (1 year trailing)	2.2%	1.6%
Beta (3 Years)	0.93	-
Standard Deviation (3 Years)	13.77%	14.10%
Tracking Error (3 Years)	4.11%	-
Turnover (3 year average)	54%	-
Number of Holdings	61	-

Sector Allocation²

	Small-Cap Value	Russell 2000 [®] Value ⁴	Relative Weights
Basic Materials	4.2	4.3	-0.1
Capital Goods	11.4	11.7	-0.3
Consumer	13.3	14.2	-0.9
Energy	5.8	6.1	-0.3
Interest Rate Sensitive	28.7	32.0	-3.3
Medical / Healthcare	7.6	6.8	0.8
REITs	8.3	9.3	-1.0
Technology	12.9	9.2	3.7
Utilities	6.3	6.3	0.0
Cash	1.5	0.0	1.5

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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 and non-dividend-paying stocks, our solid stock selection overcame style headwinds, and the Denver Investments Small-Cap Value portfolio outperformed the -2.64% return posted by its benchmark, the Russell 2000® Value Index. 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 in the quarter were energy, consumer, and medical/healthcare. Enerplus Corp., an oil and gas exploration and production company, was the standout performer for both the portfolio and the energy sector. Enerplus grew production and controlled costs more effectively than had been anticipated. The company was also able to secure attractive acreage in the DJ Basin in Colorado, and late in the quarter, announced a large share buyback which we believe should create value for investors. Enerplus is one of the rare exploration and production companies that is currently growing production and generating free cash flow. At the same time, we believe the company's intrinsic value well exceeds its current share price. Ensign Group Inc., a provider of health care services across the post-acute care continuum, was another strong performer in the quarter. The company outpaced market expectations for occupancy and skilled nursing. Additionally, growth in ancillary segments was boosted by assisted living facility acquisitions and strength in the company's home health and hospice businesses. Ensign shares have also benefited from reduced health care policy uncertainty as well as its positive estimate revisions related to tax reform.

Detractors from Portfolio

The portfolio's weakest sectors relative to its benchmark for the quarter were technology, REITS, and basic materials. Big Lots Inc. is an operator of retail stores that sell a variety of merchandise, including consumables, seasonal items, furniture, housewares, toys, electronics, home decor, tools, and gifts. The company was among the portfolio's poorest performers in the quarter after reporting sluggish fourth quarter sales and providing first quarter guidance for earnings estimates that was below expectations. The company's furniture category, along with its lawn and garden category, were its main detractors. Inclement weather negatively impacted sales and, in the mattress segment, increased promotional activity diverted market share to a competitor. Despite this, management did an excellent job controlling costs and announced a dividend increase of 20%. We added to the portfolio's position on this pullback in the stock as we believe trends have already improved and that new store remodels have the potential drive same-store sales higher in the medium term. Leading mineral producer, Compass Minerals International Inc., was the portfolio's largest detractor within the basic materials sector. Share price underperformance followed a disappointing quarterly earnings call in which the company hinted at a challenging near-term outlook for its salt segment. Compass is facing both volume pressure from yet another mild winter in the company's salt markets and higher remediation costs associated with its key salt mine. Rising shipping costs also weighed on profitability. The company's plant nutrition segment has seen improving demand trends, but those advances were insufficient to overcome setbacks in the salt segment in the quarter.

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
Enerplus Corporation	4.08	0.51
Travelport Worldwide Ltd.	1.90	0.49
Ensign Group, Inc.	2.58	0.44
AmTrust Financial Services, Inc.	1.73	0.41
Phibro Animal Health Corporation Class A	2.05	0.36

Top 5 Detractors	Average Weight	Absolute Contribution to Return
TiVo Corp.	3.19	-0.41
Big Lots, Inc.	1.80	-0.41
SM Energy Company	1.75	-0.33
Compass Minerals International, Inc.	1.51	-0.25
Tanger Factory Outlet Centers, Inc.	1.35	-0.25

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: Small-Cap Value Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell 2000® 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	1,352	18.9	33	32.27	30.99	31.74	14.93	15.72	0.65	7.476	7.169
2015	1,146	15.5	39	-6.80	-7.73	-7.47	13.03	13.65	0.64	7.606	7.382
2014	1,589	17.0	50	7.61	6.55	4.22	11.26	12.98	0.39	9.596	9.373
2013	1,574	16.1	45	38.08	36.74	34.52	14.01	16.05	0.39	10.009	9.794
2012	1,323	14.2	55	10.97	9.88	18.05	16.91	20.17	0.34	9.565	9.343
2011	1,391	15.3	60	1.29	0.28	-5.50	23.49	26.42	0.54	9.389	9.101
2010	1,552	17.8	61	28.52	27.28	24.50	-	-	0.69	8.989	8.711
2009	1,035	13.2	65	23.87	22.67	20.58	-	-	1.15	8.038	7.837
2008	589	8.6	62	-32.90	-33.59	-28.92	-	-	0.85	7.008	6.867
2007	674	7.1	47	-2.12	-3.10	-9.78	-	-	0.47	9.715	9.502
2006	135	1.6	17	25.27	23.90	23.48	-	-	0.24	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 July 1999 (style inception was 7/1/1999). 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 Small-Cap Value strategy. The composite includes all actively managed equity accounts that are managed to the Russell 2000® Value Index and primarily invest in small-capitalization U.S. value equities. The Russell 2000® Value benchmark is an unmanaged index that measures the performance of companies within the Russell 2000® Index having lower price-to-book ratios and lower 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.
- 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. Effective October 1, 2012, for the composite, any cash flow which exceeds \$10 million and 25% of the account value prior to the cash flow, will result in the account transferring to the restricted composite for the month of the cash flow and then return to the unrestricted composite in the month following the cash flow.
- 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.
- 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 Small-Cap Value composite has been examined for the periods 1/1/04 – 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 0.90%. As of 1/31/2017, the maximum fee was decreased from 1.00% to 0.90%. 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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