

# GLOBAL LARGE-CAP RISING DIVIDEND

FACT SHEET | September 30, 2017

## STRATEGY

- Seek to invest in high-quality dividend-paying companies that have historically shown the ability to grow their dividends over time
- Seek cash-generative companies with stable earnings and operations that can deliver consistent returns on capital over full market cycle
- Employ bottom-up, team-based stock selection process

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

<b>CSX Corp</b> (Industrials)	4.3
<b>AbbVie Inc</b> (Health Care)	4.0
<b>Apple Inc</b> (Information Technology)	4.0
<b>Bayer AG</b> (Health Care)	3.9
<b>Broadridge Financial Solutions Inc</b> (Information Technology)	3.6
<b>Koninklijke DSM NV</b> (Materials)	3.6
<b>US Bancorp</b> (Financials)	3.6
<b>McDonald's Corp</b> (Consumer Discretionary)	3.6
<b>Lowe's Cos Inc</b> (Consumer Discretionary)	3.6
<b>Sage Group PLC/The</b> (Information Technology)	3.5
<b>Total (% of portfolio)</b>	<b>37.7%</b>

<sup>1</sup>Data is based on firm's Global Large-Cap Rising Dividend 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>Beta statistic based on monthly data. Three years. Source: FactSet

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## Performance<sup>1</sup>

Periods Ended 9/30/17 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Global Large-Cap Rising Dividend (gross)	2.31	13.39	13.31	8.61	-	-
Global Large-Cap Rising Dividend (net)	2.14	12.84	12.58	7.91	-	-
Russell Developed Large-Cap Index <sup>4</sup>	4.88	16.03	18.28	7.83	-	-

  

Calendar Year (%)	2016	2015	2014	2013	2012	2011
Global Large-Cap Rising Dividend (gross)	9.71	0.36	5.49	9.72	-	-
Global Large-Cap Rising Dividend (net)	9.01	-0.29	4.81	9.25	-	-
Russell Developed Large-Cap Index <sup>4</sup>	7.70	-0.87	5.78	14.96	-	-

2013 performance represents the period from 5/1/2013 through 12/31/2013.

## Portfolio Characteristics<sup>2,5</sup>

	Global Large-Cap Rising Dividend	Russell Developed Large-Cap <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$113,859	\$116,741
Median Market Capitalization (\$ Mil)	\$66,339	\$7,921
5 Year Dividend Growth	9.0%	13.9%
Price/Book Value	3.9x	3.6x
Return on Assets	7.9%	6.3%
Long-Term Debt/Capital	44.1%	39.0%
Dividend Yield (1 year trailing)	2.9%	2.3%
Beta (3 Years)	0.76	-
Turnover (3 year average)	52%	-
Number of Holdings	29	-

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

	Global Large-Cap Rising Dividend	Russell Developed Large-Cap <sup>4</sup>	Relative Weights
Consumer Discretionary	13.9	12.0	1.9
Consumer Staples	13.3	8.8	4.5
Energy	9.4	6.1	3.3
Financials	12.9	18.1	-5.2
Health Care	14.5	12.0	2.5
Industrials	10.5	12.2	-1.7
Information Technology	13.5	16.0	-2.5
Materials	3.6	5.3	-1.7
Real Estate	0.0	3.7	-3.7
Telecommunication Services	2.2	2.8	-0.6
Utilities	3.2	3.2	0.0
Cash	3.1	0.0	3.1

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## Market Overview

After a weak start to the quarter, domestic value stocks experienced a bounce as the potential for tax reform fueled optimism that lower corporate and individual taxes would boost economic growth. In addition, the Federal Reserve left rates unchanged and, despite recent inflation data remaining low, did not appear to alter its policy rate plans, which include at least one more rate hike in 2017. The continuation of gradual economic growth and the Fed's normalization of monetary policy were additional drivers of economically sensitive domestic stocks. From a global perspective, improving growth outside of the United States and a weaker U.S. dollar drove returns in developed markets. One exception was the United Kingdom, where an uncertain political outlook has been suppressing the market. Importantly, the market's historically high valuation levels, combined with the backdrop of weak earnings growth, has appeared to increase investors' skittishness. This has resulted in a lack of tolerance for companies that fail to hit financial targets or reduce earnings estimates. While stocks that disappointed were hit hard, stocks that met expectations were bid up, regardless of valuation levels.

## Portfolio Commentary

Although value stocks began a rebound in September, the Denver Investments' Global Large-Cap Rising Dividend portfolio's return for the third quarter lagged the 4.88% return of its benchmark, the Russell Developed Large-Cap Index. Our strategy tends to lag in momentum-driven markets such as we've seen recently. This quarter's return was consistent with that pattern and, unfortunately, we exacerbated the downside with mistakes in fundamental projections for a handful of stocks.

## Contributors to Portfolio

Those sectors that contributed most to the portfolio's return relative to its benchmark in the quarter were health care, real estate, and materials. From an individual stock perspective, portfolio's holding AbbVie Inc. added most to the portfolio's performance. During the quarter, this global biopharmaceutical company reported solid financial results and favorable product pipeline news. AbbVie also received a successful legal decision on its largest product and reached a favorable agreement with Amgen Inc. regarding a patent dispute. Motor vehicle and parts manufacturer Toyota Motor Corp. contributed to performance in the quarter on better-than-expected fundamentals. Sales, shipments, and production have accelerated this year as the company continues to take market share from Hyundai and Kia. Strength has been evident across the organization, with Europe and Asia being the strongest geographic areas. Royal DSM NV, a manufacturer of nutritional and pharmaceutical ingredients, as well as industrial chemicals, contributed positively to the portfolio's performance in the quarter. Continued benefits from restructuring in its nutrition segment and strength in its performance materials segment led to an upside earnings surprise. Mobile device and personal computer manufacturer Apple Inc. was another top performer. Strong iPad sales and continued strength in its services segment led to better-than-expected financial results and positive guidance for earnings estimates. Power Financial Corp., a management holding company, also outperformed in the third quarter. The company reported strong second quarter results after its holdings in Great West Life and IGM Financial both exceeded expectations.

## Detractors from Portfolio

The portfolio's weakest sectors relative to the benchmark for the quarter were consumer staples, information technology, and industrials. From an individual stock perspective, Mattel Inc., a manufacturer and marketer of a broad variety of toy products, was the portfolio's largest detractor. Poor financial performance led Mattel's management to reduce earnings estimates along with its quarterly dividend payout. Global tobacco company British American Tobacco PLC underperformed in the quarter after the FDA announced a new U.S. tobacco regulation plan aimed at reducing nicotine addiction. While the plan is currently for discussion only, tobacco stocks pulled back on the potential for increased regulations. Kimberly-Clark Corp., a paper-based consumer products and cleaning solutions manufacturer, was another drag on the portfolio's performance in the quarter. The company was negatively impacted by increased competition and a shift to consumers purchasing more items online. This resulted in a more promotional retail environment which has pressured both sales and profitability. Royal Vopak NV, a Dutch operator of global petroleum storage, underperformed in the third quarter. The lower oil price environment and OPEC's inventory rebalancing initiatives resulted in volume and pricing pressure for Vopak. Insurance and financial services company Helvetia Holding AG was also a detractor in the quarter. Despite meeting market expectations in its half-year financial report, its results failed to excite the market.

## Outlook and Positioning

Historically, valuation has been the largest factor that dictates stock performance over time. However, in shorter periods, that is often not the case, and this year has, so far, been an example. We believe it is important to take a longer-term view as these types of momentum-driven markets tend to be relatively short lived. In the current market, which may be overdue for a correction, we believe our strategy is positioned well for the future. In the meantime, we remain focused on our value-oriented, dividend-focused process. We continue to work on sharpening our execution and seeking opportunities that are being created by the short-term mentality of the market.

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

Top 5 Contributors	Average Weight	Absolute Contribution to Return	Top 5 Detractors	Average Weight	Absolute Contribution to Return
AbbVie, Inc.	3.44	0.78	Mattel, Inc.	0.86	-0.38
Toyota Motor Corp.	3.21	0.47	British American Tobacco PLC Sponsored ADR	3.41	-0.29
Royal DSM NV	3.35	0.45	Kimberly-Clark Corporation	3.07	-0.26
Apple Inc.	4.09	0.30	Royal Vopak NV	3.08	-0.18
Power Financial Corporation	3.17	0.29	Helvetia Holding Ltd	3.09	-0.16

<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: Global Large-Cap Rising Dividend Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell Developed Large Cap 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	48	0.7	1	9.71	9.01	7.70	9.86	11.07	-	7.476	7.169
2015	41	0.6	1	0.36	-0.29	-0.87	-	-	-	7.606	7.382
2014	51	1.0	1	5.49	4.81	5.78	-	-	-	9.596	9.373
2013 (5/1/13)	60	1.0	1	9.72	9.25	14.96	-	-	-	10.009	9.794

\*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) 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 Global Large-Cap Rising Dividend strategy. The composite includes all actively managed equity accounts that are managed to the Russell Developed Large Cap Index and primarily invest in large-capitalization U.S. and foreign equities. 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) The performance presented is that of the Global Large-Cap Rising Dividend composite that was created on 5/1/13.
- 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 Russell Developed Large Cap Index offers investors access to the large-cap segment of the developed equity universe. The Russell Developed Large Cap Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time. Index returns are not covered by the report of the independent verifiers. The team changed the index from the S&P 500® Index to the Russell Developed Large-Cap Index on 9/1/13 to better reflect the global nature of the product. This change to the index was made retroactively for all periods.
- 6) The three-year standard deviation value is not presented because the product does not have 36 monthly returns available. The value will be presented when three years of data points are available.
- 7) 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.
- 8) 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.
- 9) 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 Global Large-Cap Rising Dividend Composite has been examined for the periods 5/1/13 – 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.
- 10) The maximum fee rate is 0.65%. Please reference Denver Investments' ADV for full fee schedule.
- 11) Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- 12) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.

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