

INTERNATIONAL SMALL-CAP

FACT SHEET | December 31, 2017

STRATEGY

- Seek to deliver alpha through a high conviction, bottom-up approach grounded in independent fundamental research
- Focus on international small-cap companies with market capitalizations typically within the range of the MSCI ACWI ex-USA Small-Cap Index, primarily in foreign developed markets
- Seek to invest in attractively valued, cash-generative companies with strong secular growth characteristics

Top Ten Holdings^{2,3}

Keywords Studios PLC	4.7
United Kingdom	
Webjet Ltd	4.4
Australia	
Sanne Group PLC	4.1
United Kingdom	
China Medical System Holdings Ltd	3.8
China	
Corporate Travel Management Ltd	3.7
Australia	
Fu Shou Yuan International Group Ltd	3.5
China	
Constellation Software Inc	3.3
Canada	
Vertu Motors PLC	3.1
United Kingdom	
Just Eat PLC	3.1
United Kingdom	
Boyd Group Income Fund	3.1
Canada	
Total (% of portfolio)	36.8%

¹Data is based on firm's International Small-Cap 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.

³The specific securities and/or countries identified and described do not represent all the securities or all of the countries 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: eVestment Alliance.

⁵Source: FactSet.

⁶Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

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Performance¹

Periods Ended 12/31/17 (%)	Annualized Returns					
	QTD	YTD	1 Year	3 Years	5 Years	10 Years
International Small-Cap (gross)	7.34	36.05	36.05	12.52	7.98	7.80
International Small-Cap (net)	7.02	34.40	34.40	11.14	6.64	6.51
MSCI ACWI ex-USA Small-Cap Index-Net ⁴	6.56	31.65	31.65	11.96	10.03	4.69
Calendar Year (%)	2017	2016	2015	2014	2013	2012
International Small-Cap (gross)	36.05	1.70	2.96	-17.07	24.23	26.78
International Small-Cap (net)	34.40	0.44	1.68	-18.12	22.70	25.17
MSCI ACWI ex-USA Small-Cap Index-Net ⁴	31.65	3.91	2.60	-4.03	19.73	18.52

Portfolio Characteristics^{2,4}

	International Small-Cap	MSCI ACWI ex-USA Small-Cap ⁴
Weighted Average Market Capitalization (\$ Mil)	\$2,799	\$2,452
EPS Growth (3-5 year forecast)	19.0%	11.2%
Price/Earnings (1 year forecast)	30.3x	21.3x
Dividend Yield (1 year trailing)	1.4%	2.1%
Beta (3 Years)	0.99	-
Standard Deviation (3 Years) ^{1,5}	13.01%	11.69%
Tracking Error (3 Years) ^{1,5}	5.85%	-
Turnover (3 year average)	56%	-
Number of Holdings	39	-

Regional Allocation²

	International Small-Cap	MSCI ACWI ex-USA Small-Cap ⁴	Relative Weights
Asia/Pacific Ex Japan	10.9	8.1	2.8%
Emerging Markets	16.4	22.2	-5.8%
Europe	25.7	27.9	-2.2%
Japan	17.5	21.7	-4.2%
United Kingdom	18.8	13.2	5.6%
North America	10.7	6.9	3.8%

Market Overview

Global earnings growth appears to have continued fueling equity market returns and the fourth quarter proved positive for most markets. Continued low interest rates, the effects of monetary easing over the past handful of years, and stubbornly low market volatility, have seemed to keep investors content, despite equity valuations continuing to increase. Although geopolitical concerns ebb and flow, markets do not appear to be overly concerned. Investors have generally been rewarded for taking on the risk of staying fully invested.

Portfolio Commentary

Although the Denver Investments' International Small-Cap portfolio's return for the fourth quarter slightly trailed the 6.56% return of its benchmark, the MSCI ACWI ex USA Small Cap Index, the portfolio outperformed it's the 31.64% return of its benchmark for the full year. Geography played a role in underlying performance, as companies domiciled in the United Kingdom and Japan contributed to the portfolio's performance, while stocks in Australia and Brazil detracted. However, we believe that overall geographic allocations were less critical in 2017 than the underlying performance of individual stocks.

Contributors to Portfolio

The portfolio's largest contributor over the quarter was M&A Capital Partners Co. Ltd. Domiciled in Japan, M&A Capital Partners is the second largest mergers and acquisitions advisory firm for local small- and medium-sized enterprises (SME). In Japan, SMEs are facing succession issues due largely to the aging population. M&A Capital Partners is a leader in providing advice to SME business owners in selling their business and transitioning ownership. China Medical System Holdings Ltd. was another strong contributor to performance. The company distributes pharmaceutical products, primarily in China. It focuses on forming exclusive partnerships with Western drug manufacturers looking to enter the Chinese market. China Medical has a sales team of hundreds of professionals and targets thousands of hospitals in more than thirty provinces. Through robust growth in existing products and the in-licensing of new drugs, China Medical has achieved rapid growth and profitability.

Detractors from Portfolio

Brazil-based Qualicorp SA was the portfolio's most significant detractor over the quarter. Qualicorp engages in the provision of insurance and healthcare services through two segments, 'Affinity' and 'Corporate'. Within the Affinity segment, the company negotiates contracts with health plan operators on behalf of professional associations to structure tailored solutions for members. The Corporate segment consists of activities related to brokerage insurance and brokerage plans. Qualicorp experienced challenging business conditions in the fourth quarter. Over the longer term, however, Qualicorp has proven to have a resilient business model, and we believe that it is positioned well for the future. Another detractor from the portfolio's performance was Japan-based Firstlogic Inc. Firstlogic operates the largest web portal for investment real estate in Japan. The listing of real estate investments online remains an underpenetrated market in Japan, and Firstlogic has been growing its listing base. This, in turn, is driving website traffic and, we believe, increasing the value of the service for all users. We remain confident in Firstlogic as the online listing market is supported by increasing online advertising penetration, and demographic factors, such as declining marriage rates, are supporting demand.

Outlook and Positioning

We have been encouraged by the portfolio's performance since making adjustments to our portfolio construction process towards the end of 2015. The major components of these adjustments apply to risk controls, such as the size of individual portfolio holdings. While each holding continues to be an important component of the portfolio, generally, we are no longer maintaining outsized positions that may, on an individual basis, dramatically affect overall performance. Another positive is that the portfolio outperformed despite continued headwinds from low market volatility in 2017. We are optimistic that even if volatility remains low, we will continue to find attractive investments in fundamentally sound, fast-growing companies that we believe are undervalued.

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

Top 5 Contributors	Average Weight	Absolute Contribution to Return	Top 5 Detractors	Average Weight	Absolute Contribution to Return
M&A Capital Partners Co. Ltd.	4.03	1.15	Qualicorp S.A.	2.24	-0.57
China Medical System Holdings Ltd.	3.48	1.05	Azimut Holding Spa	2.91	-0.39
Fu Shou Yuan International Group Ltd.	3.17	0.85	FIRSTLOGIC INC.	1.21	-0.39
IBJ, Inc.	3.06	0.75	CellaVision AB	1.73	-0.37
Softcat Plc	2.57	0.74	Sapiens International Corp. NV	2.80	-0.35

⁴The 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: International Small-Cap 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	151	2.1	2	1.70	0.44	3.91	14.04	12.31	0.03	7.476	7.169
2015	282	3.8	3	2.96	1.68	2.60	13.60	11.49	0.44	7.606	7.382
2014	507	5.4	3	-17.07	-18.12	-4.95	14.08	13.51	1.30	9.596	9.373
2013	686	7.0	3	24.23	22.70	29.30	15.65	16.37	1.70	10.009	9.794
2012	354	3.8	2	26.78	25.17	20.00	18.74	20.12	-	9.565	9.343
2011	134	1.5	1	-4.26	-5.45	-15.94	20.95	23.33	-	9.389	9.101
2010	61	1.0	1	37.30	35.87	22.04	-	-	-	8.989	8.711
2009	32	<1.0	1	66.53	64.96	46.78	-	-	-	8.038	7.837
2008	18	<1.0	1	-48.04	-48.59	-47.01	-	-	-	7.008	6.867
2007	41	<1.0	1	4.49	2.94	1.45	-	-	-	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 July 2006. Accounts in the composite include all fee paying, discretionary actively managed equity accounts that are managed to the MSCI ACWI ex USA Small Cap Index - Net and an investment mandate of diversified International Small-Cap. The MSCI ACWI ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Market countries (excluding the U.S.) and 23 Emerging Market countries. The index covers approximately 14% of the global equity opportunity set outside the U.S. Prior to 1/1/2015 the MSCI EAFE Small-Cap Index-Net was used. MSCI is the source and owner of the MSCI Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. MSCI 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 team may use forward contracts to achieve currency exposure comparable to the benchmark in order to minimize tracking error caused by currency movements.
- 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. 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.
- 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.
- 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 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 International Small-Cap composite has been examined for the periods 7/1/06 – 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 1.25%. 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.

FOR MORE INFORMATION ABOUT OUR INSTITUTIONAL OFFERING, PLEASE CONTACT:

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