

INTERNATIONAL SMALL-CAP

FACT SHEET | September 30, 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 Ireland	4.3
Corporate Travel Management Ltd Australia	4.2
Webjet Ltd Australia	3.9
Constellation Software Inc/Canada Canada	3.5
Arcland Service Co Ltd Japan	3.4
M&A Capital Partners Co Ltd Japan	3.2
Azimut Holding SpA Italy	3.1
Boyd Group Income Fund Canada	3.0
IBJ Inc Japan	3.0
Vertu Motors PLC United Kingdom	2.8
Total (%of portfolio)	34.4%

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 9/30/17 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
International Small-Cap (gross)	9.39	26.74	19.30	6.50	7.68	6.48
International Small-Cap (net)	9.06	25.59	17.84	5.18	6.35	5.20
MSCI ACWI ex-USA Small-Cap Index-Net ⁴	6.90	23.54	19.19	8.14	9.68	3.58
Calendar Year (%)	2016	2015	2014	2013	2012	2011
International Small-Cap (gross)	1.70	2.96	-17.07	24.23	26.78	-4.26
International Small-Cap (net)	0.44	1.68	-18.12	22.70	25.17	-5.45
MSCI ACWI ex-USA Small-Cap Index-Net ⁴	3.91	2.60	-4.03	19.73	18.52	-18.50

Portfolio Characteristics^{2,4}

	International Small-Cap	MSCI ACWI ex-USA Small-Cap ⁴
Weighted Average Market Capitalization (\$ Mil)	\$2,486	\$2,459
EPS Growth (3-5 year forecast)	14.0%	10.7%
Price/Earnings (1 year forecast)	24.3x	19.8x
Dividend Yield (1 year trailing)	1.4%	2.2%
Beta (3 Years)	1.00	-
Standard Deviation (3 Years) ^{1,5}	13.65%	11.84%
Tracking Error (3 Years) ^{1,5}	6.77%	-
Turnover (3 year average)	39%	-
Number of Holdings	41	-

Regional Allocation²

	International Small-Cap	MSCI ACWI ex-USA Small-Cap ⁴	Relative Weights
Asia/Pacific Ex Japan	10.8	7.8	-3.0%
Emerging Markets	15.6	21.4	-5.8%
Europe	24.1	29.9	-5.8%
Japan	18.2	21.2	-3.0%
United Kingdom	19.7	13.1	6.6%
North America	11.4	6.8	4.6%

Market Overview

Most international equity markets continued their rally through the third quarter, driven by growth in global earnings. Emerging markets led the rise followed by developed and U.S. markets, respectively. We have seen signals that developed markets are moving toward the tapering of quantitative easing policies, and the United States is already moving toward the normalization of interest rates, with the Federal Reserve having raised interest rates three times in the last 10 months. For now, global equity markets have largely brushed off natural disasters and posturing from North Korea, as well as various other geopolitical issues, and have stayed focus on the prospects for further global growth.

Portfolio Commentary

For the quarter, the Denver Investments' International Small-Cap portfolio outpaced its benchmark, the MSCI ACWI ex USA Index, which returned 6.90%. Stock selection in the United Kingdom and Japan added to performance, while stock selection in China and Germany detracted. Despite U.S. interest rate hikes this year, the U.S. dollar has continued to weaken, which in turn, has bolstered returns for non-U.S. dollar-based companies.

Contributors to Portfolio

Over the quarter, portfolio outperformance was driven by a handful of holdings that continued to grow quickly with reasonable valuations relative to that growth. For instance, new holding Keywords Studios PLC, based in the United Kingdom, was up significantly during the quarter. Keywords is a technical service provider for the video game industry. Its services include sound and art production, as well as localization, which assists in linguistic translation and cultural adaptation of text and audio for video games. It is the largest consolidator in the sector and has benefited from video game manufacturers' proclivity to outsource these important functions. Japan-based company Nihon M&A Center Inc. was another contributor to performance. Nihon M&A helps small- and medium-sized private companies in Japan find new owners to take over as existing business owners want to retire. The company has grown earnings quickly as it has benefited from Japan's aging society, in which 50% of companies have a president who is over 60 years of age and an estimated 150,000 companies lack a qualified successor.

Detractors from Portfolio

Australia-based Internet travel booking company Webjet Ltd. detracted from performance over the quarter. Webjet has grown earnings rapidly as it has taken market share in Australia and has successfully expanded its business to business hotel operations globally. As a result, Webjet has been a positive contributor to portfolio performance over the longer term. However, despite continuing to grow, this quarter Webjet announced a disagreement with its auditors on a technical accounting matter. In our opinion, the matter does not affect cash flows of the company and we believe the selloff of the stock based on this news was overdone. Another detractor, PAX Global Technology Ltd., is a leading manufacturer of electronic funds transfer point of sales (EFT-POS) terminals. This is the formal term for what many recognize as the handheld machine that your restaurant server processes your dinner bill payment with. The move to higher security in credit card payments has helped global growth over time in the industry. Unfortunately, PAX's earnings were negatively affected by weaker sales growth in China, due in part to a product launch delay and higher-than-expected costs.

Outlook and Positioning

We continue to find opportunities in fast-growing companies with strong fundamentals that are trading at discounts to our projected value. We specifically look for companies that we believe can prosper in most economic environments; however, we are hopeful that the tailwinds of continued global growth will provide a positive environment for all of the portfolio's holdings.

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
Keywords Studios plc	3.55	2.42	Webjet Limited	3.54	-0.40
Qualicorp S.A.	3.62	1.29	PAX Global Technology Limited	1.81	-0.33
Nihon M&A Center Inc.	2.46	0.81	Logo Yazilim Sanayi ve Ticaret A.S.	2.05	-0.21
Mortgage Advice Bureau (Holdings) Ltd	2.36	0.64	Econocom Group SA Class D	2.26	-0.17
ARCLAND SERVICE HOLDINGS CO., LTD.	2.87	0.51	BGF Retail Co., Ltd.	0.70	-0.14

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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