

INTERNATIONAL SMALL-CAP

FACT SHEET | June 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}

Corporate Travel Management Ltd Australia	4.1
Constellation Software Inc/Canada Canada	3.6
Webjet Ltd Australia	3.3
Boyd Group Income Fund Canada	3.3
Qualicorp SA Brazil	3.3
Tsuruha Holdings Inc Japan	3.1
Azimut Holding SpA Italy	3.1
SMS Co Ltd Japan	3.1
China Medical System Holdings Ltd China	3.0
Credit Corp Group Ltd Australia	2.9
Total (%of portfolio)	32.8%

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 6/30/17 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
International Small-Cap (gross)	8.47	15.86	17.85	1.08	6.89	5.30
International Small-Cap (net)	8.14	15.15	16.40	-0.18	5.55	4.03
MSCI ACWI ex-USA Small-Cap Index-Net ⁴	6.24	15.56	20.32	3.31	10.02	2.91
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)	\$2,451	\$2,219
Median Market Capitalization (\$ Mil)	\$1,338	\$1,798
Price/Earnings (1 year forecast)	22.8x	19.0x
Price/Book Value	4.6x	2.4x
Enterprise Value/Free Cash Flow (forward)	19.7x	19.5x
Earnings Growth (5 year forecast)	16.1%	16.0%
Return on Invested Capital (forward)	44.6%	47.4%
Dividend Yield (1 year trailing)	1.8%	2.2%
Beta (3 Years) ^{1,6}	1.01	-
Standard Deviation (3 Years) ^{1,6}	14.06%	12.30%
Tracking Error (3 Years) ^{1,6}	6.65%	-
Turnover (3 year average)	38%	-
Number of Holdings	39	-
Forward Currency Contracts	0.2%	-

Regional Allocation²

	International Small-Cap	MSCI ACWI ex-USA Small-Cap ⁴	Relative Weights
Asia/Pacific Ex Japan	13.2%	8.0%	5.2%
Emerging Markets	15.3%	21.8%	-6.5%
Europe	20.5%	28.8%	-8.3%
Japan	18.9%	21.3%	-2.4%
United Kingdom	20.6%	13.1%	7.5%
North America	11.6%	6.8%	4.8%

Market Overview

Global equity markets, both developed and emerging, were generally strong in the second quarter. Despite headwinds created by geopolitical uncertainty in specific regions, earnings growth appeared to be leading stocks higher. Interestingly, volatility remained low, even as the risk of media coverage having an adverse impact on markets was highlighted on an almost daily basis. Stocks were exceptionally strong at the beginning of the quarter, but were showing weakness by quarter-end. This may be an indication that global geopolitical headlines are beginning to factor into investors' appetite for global equities.

Portfolio Commentary

The Denver Investments' International Small-Cap portfolio participated in the favorable global equity environment and outpaced its benchmark, the MSCI ACWI ex USA Index, which was up 6.24% for the quarter ended June 30, 2017. From a geographic perspective, companies in Japan and Brazil were the strongest contributors to the portfolio's performance for the quarter, while stocks in the United Kingdom and Israel were its most significant detractors.

Contributors to Portfolio

At the company level, the largest contributors to performance were Arcland Service Holdings Co. Ltd. and Quailcorp SA. Arcland is a Japan-based operator of mostly fast casual deep-fried tonkatsu (pork cutlet) restaurants. Profits have been growing at a double-digit rate as it offers quality meals at a reasonable price through its low-cost operating structure. Using state-of-the-art deep fryers, Arcland can produce consistent quality tonkatsu at a fast rate with fewer employees than its competitors. We anticipate that store openings, same-store sales growth, and new restaurant formats should continue to drive growth. Brazil-based Qualicorp, an intermediary between health and dental insurers and companies offering these benefits to employees, was another contributor to performance. It benefited from being one of the first companies to serve the affinity market, which are companies or organizations that have common interests and have partnered to create a larger consumer base. This has given Qualicorp scale that can benefit its clients when negotiating with insurers. We believe that the company will continue to prosper from the growing affinity market.

Detractors from Portfolio

Stocks that detracted from the portfolio's performance for the quarter include Sapiens International Corp. and Utilitywise Plc. Sapiens, headquartered in Israel, is a global provider of software solutions for the insurance industry. In addition to software development, Sapiens has distinguished itself from major competitors by also managing the delivery and implementation of its software. During the quarter, Sapiens trimmed its guidance for 2017 earnings estimates following the loss of a major client. We have spoken to management about this client loss and have conducted additional research. The company's business model remains intact and we believe demand for its software and services should continue to grow over the medium to long term. Utilitywise is a United Kingdom-based consultant to businesses regarding energy and water consumption. It focuses on helping small and medium-sized enterprise businesses procure better utility rates as its negotiating power with the utility companies is often stronger than these companies could get on their own. Recently, shares have been under pressure due to management changes and the prospect of weakening consumption by some clients. The management changes, along with deteriorating working capital, led us to exit the position.

Outlook and Positioning

Despite the negative news from a couple of detractors, we are quite optimistic about the portfolio's positioning based on the number of holdings that have grown revenue and earnings over the past quarter. In our experience, companies rarely grow consistently quarter after quarter or year after year. We monitor the revenue and earnings evolution of all of the portfolio's holdings and are encouraged that the majority are experiencing meaningful growth in both areas. Our hope is that the portfolio's holdings will continue to post operational strength, which we expect will translate into performance success.

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

Top 5 Contributors	Average Weight	Absolute Contribution to Return
Qualicorp S.A.	3.03	0.94
ARCLAND SERVICE HOLDINGS CO., LTD.	3.12	0.86
Azimut Holding Spa	3.06	0.62
CellaVision AB	2.39	0.59
Corporate Travel Management Limited	3.82	0.56

Top 5 Detractors	Average Weight	Absolute Contribution to Return
Sapiens International Corp. NV	2.53	-0.37
Utilitywise Plc	0.12	-0.28
M&A Capital Partners Co. Ltd.	1.14	-0.16
MTY Food Group Inc.	2.47	-0.13
G8 Education Limited	1.79	-0.09

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 (%)	Composite Benchmark ² (%)	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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