

SMALL-CAP GROWTH

FACT SHEET | September 30, 2017

STRATEGY

- Seek to invest in growth companies with enduring competitive advantages, improving fundamentals and potential for positive earnings revisions
- Use proprietary fundamental research to identify and understand key value-creating drivers
- Employ bottom-up decision-making process

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

Monolithic Power Systems Inc (Information Technology)	2.7
Envestnet Inc (Information Technology)	2.5
Evercore Inc (Financials)	2.4
Live Nation Entertainment Inc (Consumer Discretionary)	2.3
Generac Holdings Inc (Industrials)	2.1
EPAM Systems Inc (Information Technology)	2.1
Vail Resorts Inc (Consumer Discretionary)	2.0
Cogent Communications Holdings Inc (Telecommunication Services)	2.0
PolyOne Corp (Materials)	1.9
Tyler Technologies Inc (Information Technology)	1.9
Total (% of portfolio)	21.9%

¹Data is based on firm's Small-Cap Growth 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. 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 9/30/17 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Small-Cap Growth (gross)	6.51	24.29	25.35	13.00	16.26	-
Small-Cap Growth (net)	6.25	23.38	24.13	11.88	15.11	-
Russell 2000 [®] Growth Index ⁴	6.22	16.81	20.98	12.17	14.28	-
Calendar Year (%)	2016	2015	2014	2013	2012	2011
Small-Cap Growth (gross)	9.81	-3.45	5.23	53.21	12.09	-1.80
Small-Cap Growth (net)	8.72	-4.41	4.18	51.74	11.00	-2.74
Russell 2000 [®] Growth Index ⁴	11.32	-1.38	5.60	43.30	14.59	-2.91

Portfolio Characteristics^{2,5}

	Small-Cap Growth	Russell 2000 [®] Growth ⁴
Weighted Average Market Capitalization (\$ Mil)	\$3,482	\$2,430
EPS Growth (3-5 year forecast)	16.8%	14.2%
Price/Earnings (1 year forecast)	29.6x	26.9x
Dividend Yield (1 year trailing)	0.4%	0.5%
Beta (3 Years)	0.95	-
Standard Deviation (3 Years) ^{1,5}	14.84%	15.11%
Tracking Error (3 Years) ^{1,5}	3.91%	-
Turnover (3 year average)	61%	-
Number of Holdings	77	-

Sector Allocation²

	Small-Cap Growth	Russell 2000 [®] Growth ⁴	Relative Weights
Consumer Discretionary	17.6	13.6	4.0
Consumer Staples	2.6	2.5	0.1
Energy	4.1	1.2	2.9
Financials	9.8	6.0	3.8
Health Care	18.7	24.8	-6.1
Industrials	10.2	17.9	-7.7
Information Technology	28.6	24.1	4.5
Materials	2.2	4.6	-2.4
Real Estate	1.7	3.4	-1.7
Telecommunication Services	2.0	1.1	0.9
Utilities	0.0	0.7	-0.7
Cash	2.5	0.0	2.5

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Market Overview

Equity markets performed well in the third quarter of 2017 and small-cap growth stocks performed particularly well. The Russell 2000® Growth Index was up 6.22% for the quarter, leaving it up 16.81% year-to-date. This compares to the Russell 2000® Value Index's 5.11% return for the quarter and 5.68% return year-to-date. The economy continued to exhibit steady, albeit sluggish, growth while at the same time, volatility in the equity market has collapsed.

Portfolio Commentary

For the third quarter of 2017, the Denver Investments' Small-Cap Growth portfolio slightly underperformed its benchmark, the Russell 2000® Growth Index, which returned 6.22%.

Contributors to Portfolio

The three sectors that contributed most to the portfolio's performance relative to its benchmark in the quarter were consumer discretionary, information technology, and financials. The portfolio's best-performing stock in the quarter was Envestnet Inc., a leading financial software and services company that focuses on providing platforms for registered investment advisors. The company has experienced traction in advisor growth and benefited from investments in its platform. We are encouraged by the Envestnet's growth opportunity and believe the recently announced transaction to acquire FolioDynamix should further enhance the product suite for advisors and brokers. Live Nation Entertainment Inc., a leading concert and ticketing company, was also a significant contributor in the quarter as the company reported very strong results. Live Nation has continued to execute its strategy of improving the profitability of each event through better monetization of patrons, strong advertising sponsorships, and integrating its primary and secondary ticketing platform. Cogent Communications Holdings Inc., a leading provider of low-cost, high-speed Internet and communication services for enterprises, was also a strong performer in the quarter. The company reported results that showed stabilization in its core business after a period of weakness. Video streaming services and cloud computing growth continued to provide a solid backdrop for consistent demand growth. Cogent's total return potential remains attractive, in our opinion, as the greater than 3% dividend yield, stock repurchases, and significant free cash flow all provide valuation support with an end market that has grown fairly consistently.

Detractors from Portfolio

Just two sectors detracted from the from the portfolio's performance relative to its benchmark in the quarter – health care and materials. The portfolio's worst-performing stock in the quarter was Flotek Industries Inc., a specialty chemicals provider for the oil and gas industry. The company has struggled to gain the markets' confidence in the long-term growth outlook for its products. Flotek's fluid additives, designed for the oil and gas well completion process, have remained under scrutiny regarding their efficacy and investors have grown increasingly concerned about the potential for demand deterioration, despite current growth rates that are ahead of the industry. Huron Consulting Group Inc., a leading provider of operation and financial consulting services to both the health care and higher education markets, was also a significant drag to performance in the quarter. The company's health care segment continued to experience choppy end demand; however, we believe that the recent weakness is transient in nature and that health care providers, now more than ever, require the help of consulting services to successfully navigate the increasingly complex reimbursement landscape. MACOM Technology Solutions Holdings Inc., a leading provider of semiconductors for the communications industry, was also a detractor in the quarter. Weakness in demand for chips used for networks in China drove a material reduction in future earnings estimates. The slowdown appears to be industry wide, as many peers reported similarly weak results. Ultimately, we believe the company maintains a strong competitive position and should benefit over the long term as networks are upgraded to next-generation technologies.

Outlook and Positioning

As of the end of the third quarter of 2017, the portfolio was overweighted primarily in the consumer discretionary, information technology, and financial sectors and underweighted primarily in the industrials, health care, and materials sectors.

Despite the chaotic political news cycle, the economic backdrop appears to remain steady and the market is keenly focused on the potential for tax reform. We continue to believe we are in the later stages of the economic cycle; however, any significant tax reform could improve the short-term outlook for growth. Conversely, potential hiccups from the unwinding of quantitative easing and rising interest rates present real risks to the economy and equity markets. While equity volatility has remained low, valuations have expanded and we are focused on managing the risk within the portfolio. As such, we continue to invest in companies that, we believe, have strong competitive positions and can weather economic volatility better than their peers.

Top 5 Contributors/Detractors(By Stock)^{2,6}

Top 5 Contributors	Average Weight	Absolute Contribution to Return
Envestnet, Inc.	2.25	0.62
LendingTree, Inc.	1.50	0.52
Live Nation Entertainment, Inc.	2.15	0.51
Generac Holdings Inc.	1.82	0.48
Cogent Communications Holdings Inc	1.92	0.43

Top 5 Detractors	Average Weight	Absolute Contribution to Return
Flotek Industries, Inc.	0.59	-0.40
Huron Consulting Group Inc.	1.37	-0.37
Glaukos Corp	1.53	-0.35
MACOM Technology Solutions Holdings, Inc.	1.12	-0.19
Party City Holdco, Inc.	1.08	-0.17

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 Growth Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell 2000® Growth 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	10	<1.0	2	9.81	8.72	11.32	17.39	16.91	0.13	7.476	7.169
2015	13	<1.0	3	-3.45	-4.41	-1.38	15.96	15.16	0.05	7.606	7.382
2014	10	<1.0	2	5.23	4.18	5.60	15.31	14.02	0.15	9.596	9.373
2013	2	<1.0	2	53.21	51.74	43.30	18.04	17.52	-	10.009	9.794
2012	0.5	<1.0	1	12.09	11.00	14.59	-	-	-	9.565	9.343
2011	0.5	<1.0	1	-1.80	-2.74	-2.91	-	-	-	9.389	9.101

*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) The Small-Cap Growth composite was created in January 2011. There was one non-fee paying account in the composite which represented 38.3% of total composite assets as of December 31, 2013.
- 3) All returns are computed using a time-weighted total rate of return. The composite is defined to include all fee-paying, discretionary accounts that are managed according to the Small-Cap Growth strategy. The composite includes actively managed equity accounts that are managed to the Russell 2000® Growth Index and primarily invest in select small-capitalization U.S. growth equities. The Russell 2000® Growth benchmark is an unmanaged, market-capitalization weighted index of those firms in the Russell 2000 with higher price-to-book ratios and higher 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.
- 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 the inception of the product, net returns were calculated by deducting the maximum applicable advisory fee for this strategy of 1.0% annually, pro-rated on a quarterly basis.
- 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; nor is it shown for periods where 36 months of returns are not available.
- 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 period 1/1/84 – 12/31/15. 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 Growth composite has been examined for the periods 1/1/11 – 12/31/15. The verification and performance examination reports are available upon request. A complete list and description of all firm composites is available upon request.
- 8) Fees for separate account management for the Small-Cap Growth strategy are 1.0% on the first \$20 million and 0.75% on the balance of assets.
- 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.

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