

## SMALL-CAP VALUE

FACT SHEET | June 30, 2017

### STRATEGY

- Focus on dividend-paying small-cap companies
- Seek to invest in companies generating positive free cash flow and improving returns
- Use integrated investment approach that combines proprietary quantitative screen and original fundamental research
- Emphasize strict adherence to our style and risk control measures

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

<b>Enerplus Corp</b> (Energy)	2.8
<b>Dean Foods Co</b> (Capital Goods)	2.8
<b>AmTrust Financial Services Inc</b> (Interest Rate Sensitive)	2.6
<b>CBL &amp; Associates Properties Inc</b> (REITs)	2.6
<b>TiVo Corp</b> (Technology)	2.6
<b>Spire Inc</b> (Utilities)	2.4
<b>Sinclair Broadcast Group Inc</b> (Consumer)	2.4
<b>Realty Holdings Corp</b> (Interest Rate Sensitive)	2.2
<b>Radian Group Inc</b> (Interest Rate Sensitive)	2.2
<b>Umpqua Holdings Corp</b> (Interest Rate Sensitive)	2.1
<b>Total (% of portfolio)</b>	<b>24.7%</b>

<sup>1</sup>Data is based on firm's Small-Cap Value 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 these 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>Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

### Performance<sup>1</sup>

Periods Ended 6/30/17 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Small-Cap Value (gross)	0.46	-1.75	22.08	8.04	13.41	6.80
Small-Cap Value (net)	0.23	-2.22	20.91	6.98	12.30	5.75
Russell 2000 <sup>®</sup> Value Index <sup>4</sup>	0.67	0.54	24.86	7.02	13.39	5.92
Calendar Year (%)	2016	2015	2014	2013	2012	2011
Small-Cap Value (gross)	32.27	-6.80	7.61	38.08	10.97	1.29
Small-Cap Value (net)	30.99	-7.73	6.55	36.74	9.88	0.28
Russell 2000 <sup>®</sup> Value Index <sup>4</sup>	31.74	-7.47	4.22	34.52	18.05	-5.50

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

	Small-Cap Value	Russell 2000 <sup>®</sup> Value <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$2,500	\$1,830
Median Market Capitalization (\$ Mil)	\$2,259	\$681
Discount to Intrinsic Value	36.9%	-
Price/Book Value	2.0x	1.7x
Return on Assets	4.8%	2.8%
Long-Term Debt/Capital	38.4%	33.2%
Dividend Yield (1 year trailing)	2.4%	1.7%
Beta (3 Years)	0.92	-
Standard Deviation (3 Years)	14.80%	15.35%
Tracking Error (3 Years)	4.44%	-
Turnover (3 year average)	53%	-
Number of Holdings	65	-

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

	Small-Cap Value	Russell 2000 <sup>®</sup> Value <sup>4</sup>	Relative Weights
Basic Materials	4.1	4.2	-0.1
Capital Goods	12.7	12.3	0.4
Consumer	13.3	13.3	0.0
Energy	4.2	5.6	-1.4
Interest Rate Sensitive	29.1	31.4	-2.3
Medical / Healthcare	6.8	5.6	1.2
REITs	10.3	10.8	-0.5
Technology	13.6	10.2	3.4
Utilities	4.8	6.6	-1.8
Cash	1.2	0.0	1.2

## Performance Disclosure: Small-Cap Value Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell 2000® 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	1,352	18.9	33	32.27	30.99	31.74	14.93	15.72	0.65	7.476	7.169
2015	1,146	15.5	39	-6.80	-7.73	-7.47	13.03	13.65	0.64	7.606	7.382
2014	1,589	17.0	50	7.61	6.55	4.22	11.26	12.98	0.39	9.596	9.373
2013	1,574	16.1	45	38.08	36.74	34.52	14.01	16.05	0.39	10.009	9.794
2012	1,323	14.2	55	10.97	9.88	18.05	16.91	20.17	0.34	9.565	9.343
2011	1,391	15.3	60	1.29	0.28	-5.50	23.49	26.42	0.54	9.389	9.101
2010	1,552	17.8	61	28.52	27.28	24.50	-	-	0.69	8.989	8.711
2009	1,035	13.2	65	23.87	22.67	20.58	-	-	1.15	8.038	7.837
2008	589	8.6	62	-32.90	-33.59	-28.92	-	-	0.85	7.008	6.867
2007	674	7.1	47	-2.12	-3.10	-9.78	-	-	0.47	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 1999 (style inception was 7/1/1999). 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 Small-Cap Value strategy. The composite includes all actively managed equity accounts that are managed to the Russell 2000® Value Index and primarily invest in small-capitalization U.S. value equities. The Russell 2000® Value benchmark is an unmanaged index that measures the performance of companies within the Russell 2000® Index having lower price-to-book ratios and lower 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.
- 3) 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.
- 4) The dispersion of annual returns is measured by the standard deviation across unweighted portfolio gross returns represented within the composite for the full year.
- 5) 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.
- 6) 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 Small-Cap Value composite has been examined for the periods 1/1/04 – 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.
- 7) The maximum fee rate is 0.90%. As of 1/31/2017, the maximum fee was decreased from 1.00% to 0.90%. Please reference Denver Investments' ADV for full fee schedule.
- 8) Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- 9) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.

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