Denver Investments®
Institutional

MUNICIPAL FIXED INCOME STRATEGY

Denver Investments' Municipal Fixed Income investment philosophy is based on the belief that consistently strong risk-adjusted returns are best achieved through an emphasis on tax-adjusted income rather than short-term market timing. Using a relative value strategy, the team seeks to deliver alpha primarily through security and sector selection and, secondarily, through portfolio level decisions. Using an approach grounded in proprietary research, the team constructs a diversified portfolio while adhering to its risk control measures.

HIGHLIGHTS

Relative value strategy focused on tax-exempt income
Over any reasonable investment horizon, the majority of return provided by fixed income investments comes from the income stream. The team believes it can add the most value by focusing on securities with attractive relative yields. While a controlled duration strategy is typically utilized, the team opportunistically uses top-down strategies when market conditions are compelling.

Proprietary fundamental research focus
Based on the belief that valuation anomalies between sectors and securities are most effectively captured through proprietary fundamental research and a long-term investment orientation, rigorous credit analysis defines the investment process.

Risk-managed investment approach
Risk management is an integral part of the team's approach. The team builds portfolios based on the quantification of risks using proprietary financial modeling and risk analytics. It seeks securities that will add value while broadly diversifying by issuer to minimize credit risk. The team also uses top-down strategies to manage risk when warranted by market conditions.

Collaborative team approach
While analysts drive the research process, the team thoroughly discusses and debates each investment idea before the analyst makes the final decision, subject to client guidelines and portfolio construction considerations. Decisions regarding duration and yield curve positioning are also discussed with the entire team. This approach is designed to take full advantage of both individual insights and the collective expertise of the group and helps ensure clients receive the team's best ideas.

INVESTMENT PROCESS

IDEA GENERATION

Identify securities with attractive tax-exempt yields and total return potential relative to their risk and to similarly-rated securities.

- The Fixed Income team evaluates the value framework of the market daily (security's spread relative to rating and spread relative to like securities).
- For new idea generation, the team also leverages relationships with its extensive network of market participants and industry contacts.
- Analysts opportunistically consider smaller issues that may be overlooked by other markets participants.

FUNDAMENTAL RESEARCH

Analyze a security to gain conviction in the quality and stability of income, and the assets that support the security.

- Analysts conduct rigorous, proprietary credit analysis with the goal of identifying undervalued or mispriced securities. Their research combines qualitative investigation and financial analysis, and typically focuses on (1) financial, (2) legal/structural, and (3) macro factors.
- Analysts go beyond traditional credit analysis and conduct in-depth, fundamental analysis that reflects a long-term investment horizon. At a security level, analysts assess the collateral, subordination, and covenants.

SECURITY SELECTION

Leveraging the expertise of the entire team, analysts select securities with the most attractive risk/return potential.

- The team identifies attractive securities by thoroughly researching the financial condition of various counties, public projects, school districts and taxing authorities ability to meet their obligations.
- The team has a collaborative discussion of the investment thesis.
- Analysts make the final decision, subject to client guidelines and portfolio construction consideration.
- Portfolio managers assess portfolio impact, including use of CMS BondEdge if necessary.
- Duration and sector allocation decisions are made by portfolio managers.

PORTFOLIO CONSTRUCTION

Construct diversified portfolio to achieve client objectives.

- The team constructs portfolios with bonds from a diversified geographic area in an effort to reduce the economic risk to the portfolio from any particular local economy.
- Security weighting is based on relative value assessment.
- Sector or industry targets are used to avoid an over-concentration of risk.
- Actively monitor portfolio durations.
- No credit derivatives or index swaps are used.
- Benchmark: Bloomberg Barclays Capital 7 Year Municipal Bond Index.

SELL DECISION

Approach sell decision with same rigor as buy decision.

- Fundamental research identifies a deteriorating financial situation.
- Debt is found to be fairly valued and a more attractive candidate for purchase has been identified.

INVESTMENT TEAM

Kenneth A. Harris, CFA
Partner, Director of Fixed Income Portfolio Management,
Portfolio Manager, Analyst

2000 to Present:	Denver Investments
1985 to 1999:	Blue Cross and Blue Shield of Colorado, Treasurer
Education:	BBA – University of Arizona; MBA – University of Colorado at Denver Member of CFA Institute and CFA Society Colorado

Nicholas J. Foley
Vice President, Portfolio Manager, Municipal Credit Analyst/Trader

2012 to Present:	Denver Investments
2010 to 2011:	Bank of the West / BNP Paribas Group, Associate Portfolio Manager, Lead Fixed Income Trader
2009 to 2010:	Janus Capital Group, Financial Analyst
2004 to 2008:	Washington Mutual Bank, Senior Analyst
Education:	BA – Gonzaga University

FIRM OVERVIEW

Denver Investments is a research-driven organization founded on the belief that independent research is the key driver of value-added management. Since the inception of our investment management services in 1958, proprietary fundamental research has been at the core of our investment approach. Our approach is implemented across value, core, growth, and international equities, as well as core and non-core fixed income strategies.

As a firm, we are in one business: serving our clients as a fiduciary in the management of their investment assets. This allows the firm to focus its resources on one goal: the pursuit of superior investment returns for our clients. We believe that our independence (100% employee-owned) helps align our interests with our clients which enhances our ability to promote their investment success.

FOR MORE INFORMATION ABOUT OUR INSTITUTIONAL OFFERING, PLEASE CONTACT:
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