

# Core Bond Composite

As of March 31, 2018



## OBJECTIVE

Maximize total return consistent with the preservation of capital by investing in a diversified portfolio of intermediate and long-term fixed income securities.

## INVESTMENT STRATEGY

- Identify opportunities with a bottom-up, intrinsic value-focused approach to active investment management and disciplined risk control.
- Perform risk/reward analysis to evaluate credit risk, interest rate risk, prepayment risk, and security structure.
- Invest in securities we believe offer attractive prospects for income and/or capital appreciation relative to the risk borne.

## PORTFOLIO MANAGEMENT



Henry Song, CFA  
Portfolio Manager



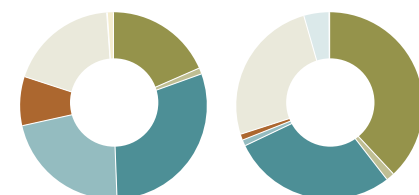
Mark Jackson, CFA  
Portfolio Manager

## PORTFOLIO GUIDELINES

The portfolio generally invests at least 80% of its assets in a diversified portfolio of investment grade, fixed income securities and may invest a significant portion or all of its assets in mortgage-related and mortgage-backed securities. The portfolio will typically maintain an average portfolio duration within 20% of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index.

## SECTOR ALLOCATION

Core Bond Composite vs. Bloomberg Barclays U.S. Aggregate Index



Core Bond Composite	Bloomberg Barclays U.S. Aggregate Index
Treasury 18.5%	Treasury 37.2%
Agency 1.3%	Agency 2.4%
Agency RMBS/CMBS <sup>2</sup> 29.4%	Agency RMBS/CMBS <sup>2</sup> 28.1%
Asset-Backed Securities 22.1%	Asset-Backed Securities 0.5%
Non-Agency RMBS/CMBS <sup>2</sup> 9.1%	Non-Agency RMBS/CMBS <sup>2</sup> 1.2%
Corporate Credit 18.9%	Corporate Credit 25.3%
Non-Corporate Credit (includes covered) 0.0%	Non-Corporate Credit (includes covered) 5.2%
Cash & Other <sup>3</sup> 0.7%	Cash & Other <sup>3</sup> 0.0%

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS

Inception Date: July 31, 2016

	SINCE INCEPTION	1-YR	YTD	1Q18
<b>CORE BOND COMPOSITE</b>				
Gross of Fees	0.85	2.68	-0.65	-0.65
Net of Fees	0.55	2.36	-0.74	-0.74
<b>BENCHMARK</b>				
Bloomberg Barclays U.S. Aggregate Index	-0.71	1.20	-1.46	-1.46

## CREDIT QUALITY<sup>1,4</sup>

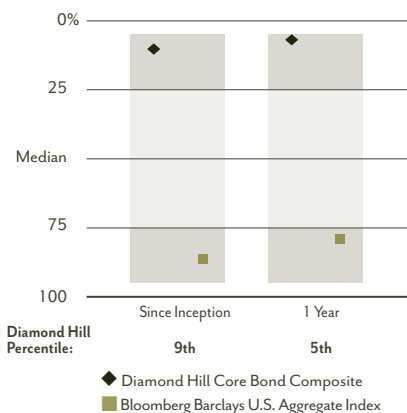
QUALITY RATING	% OF PORTFOLIO
AAA	58.2%
AA	5.2
A	12.9
BBB	22.4
BB	0.1
Not Rated	1.2

<sup>1</sup> Security quality ratings are derived from underlying portfolio securities by using the middle rating of Standard & Poor's, Moody's, and Fitch. If only two of Standard & Poor's, Moody's, and Fitch rates a security the higher of the two is selected. If only one of Standard & Poor's, Moody's, and Fitch rates a security the available rating is used. For securities that are not rated by Standard & Poor's, Moody's, or Fitch a rating from a secondary Nationally Recognized Statistical Rating Organization ("NRSRO") may be used. Ratings by any agency represent an opinion only, not a recommendation to buy or sell. Securities that are not rated by any agencies are reflected as Not Rated "NR".

## DURATION BREAKDOWN<sup>4</sup>

	CORE BOND COMPOSITE	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Less than one	16.7%	0.2%
1-3	16.2	22.5
3-5	21.4	30.4
5-7	17.3	24.8
7-10	17.1	7.6
10-20	10.4	14.2
20+	0.9	0.4

## PEER GROUP QUARTILE RANKING<sup>4</sup>

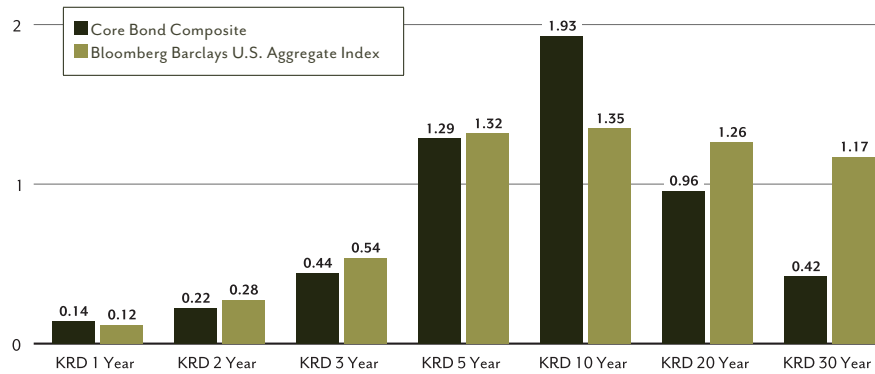


<sup>4</sup> Source: eVestment Analytics.

Ranking within eVestment U.S. Core Fixed Income universe based on monthly returns gross of fees. Ranking data calculated on 4/17/2018 (as of 3/31/18) and is subject to change as additional firms within the category submit data.

<sup>2</sup> Residential Mortgage-Backed Securities/Commercial Mortgage-Backed Securities.

<sup>3</sup> Cash & Other may include cash, money market funds, and short duration fixed income funds. Please review GIPS® performance disclosure on the reverse side.  
Side One. Not Valid Without Side Two.

KEY RATE DURATION<sup>5</sup>

<sup>5</sup> Key Rate Duration (KRD) measures the contribution to duration to the entire portfolio from each part of the yield curve.

## CALENDAR YEAR RETURNS (%)

	July 31, 2016 - December 31, 2016	2017
<b>CORE BOND COMPOSITE</b>		
Gross of Fees	2.45	4.64
Net of Fees	2.56	4.33
<b>BENCHMARK</b>		
Bloomberg Barclays U.S. Aggregate Index	-3.14	3.54

## PORTFOLIO CHARACTERISTICS

	CORE BOND COMPOSITE	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Number of holdings	309	9,868
Yield to Maturity (%)	3.52	3.12
Yield to Worst (%)	3.46	3.12
Effective Duration	5.40	6.08
Weighted Average Life (years)	6.91	8.42
Convexity	0.29	0.32
Option-Adjusted Spread	93	41

SINCE INCEPTION RISK STATISTICS<sup>6</sup>

	CORE BOND COMPOSITE	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Standard Deviation (%)	2.66	2.74
Sharpe Ratio	0.02	-0.55
Beta <sup>7</sup> (%)	0.95	—
R-squared (%)	97.28	—
Information Ratio	3.42	—

<sup>6</sup> Source: eVestment Analytics

<sup>7</sup> Relative to the Bloomberg Barclays U.S. Aggregate Index.

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AS OF YEAR-END	DHCM	CORE BOND COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
		Assets Under Management	Number of Accounts	Assets Under Management (Gross of Fees)	Dispersion (Gross of Fees)	Core Bond Composite
2017	\$22.3B	5 or fewer	\$43.8M	NA <sup>8</sup>	NA <sup>9</sup>	NA <sup>9</sup>
2016	19.4B	5 or fewer	39.7M	NA <sup>8</sup>	NA <sup>9</sup>	NA <sup>9</sup>

<sup>8</sup> NA = Not Applicable

<sup>9</sup> Statistics are not presented because 36 monthly returns are not available.

This composite was created in July 2016.

Side Two. Not Valid Without Side One.