

# Corporate Credit Composite

As of March 31, 2018



## OBJECTIVE

High current income, preservation of capital and total return over a five-year time horizon.

## INVESTMENT STRATEGY

- Our primary focus is on evaluating the underlying business fundamentals and credit risk of corporate securities.
- Securities are purchased when we believe the yield and total return potential are attractive relative to asset and interest coverage and relative to other securities with comparable risk.
- We are prepared to hold securities to maturity or until they are called. However, securities may be sold when price reaches our estimate of value, to raise proceeds for a more attractive opportunity or if the underlying fundamentals deteriorate.

## PORTFOLIO MANAGEMENT



Bill Zox, CFA  
Portfolio Manager



John McClain, CFA  
Portfolio Manager



Suken Patel, CFA  
Asst. Portfolio Manager

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS

Inception Date: September 30, 2002

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	1Q18
<b>CORPORATE CREDIT COMPOSITE</b>							
Gross of Fees	7.69	7.33	6.25	6.88	5.98	0.49	0.49
Net of Fees	7.19	6.82	5.76	6.41	5.52	0.38	0.38
<b>BENCHMARKS</b>							
ICE BofAML U.S. Corporate & High Yield Index	6.02	5.88	3.39	2.86	2.85	-1.98	-1.98
ICE BofAML U.S. High Yield Index	8.94	8.12	5.01	5.18	3.69	-0.91	-0.91

## PORTFOLIO GUIDELINES

The portfolio generally invests at least 80% of its assets in investment grade and below-investment grade (high yield) corporate bonds, and will typically maintain an effective duration of less than five.

## TOP TEN ISSUES AS OF 1/31/2018

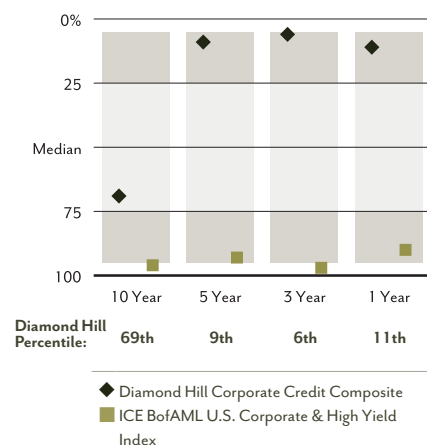
Popular, Inc.	7.00%	07/01/19	6.2%
Alliance Data Systems Corp.	5.38%	08/01/22	4.8
Century Communities, Inc.	6.88%	05/15/22	4.5
Cimpress N.V.	7.00%	04/01/22	4.5
Conduent, Inc.	10.50%	12/15/24	3.2
Nationstar Mortgage/Capital Corp.	9.63%	05/01/19	3.2
Cogent Communications, Inc.	5.63%	04/15/21	2.9
NCI Building Systems, Inc.	8.25%	01/15/23	2.7
Energen Corp.	7.13%	02/15/28	2.4
Arch Merger Sub, Inc.	8.50%	09/15/25	2.3
<b>Total as % of Net Assets</b>			<b>36.8%</b>

## SECTOR ALLOCATION

	CORPORATE CREDIT COMPOSITE	ICE BOFAML U.S. CORPORATE & HIGH YIELD INDEX
<b>Corporate Bonds</b>	<b>89.3%</b>	<b>100.0%</b>
Financial Services	17.1	2.6
Media	9.8	4.8
Basic Industry	9.4	5.6
Energy	9.1	11.9
Telecom	7.2	5.6
Retail	6.8	3.8
Banking	6.3	19.0
Consumer Goods	5.8	5.7
Real Estate	3.9	2.0
Leisure	3.6	0.9
Insurance	2.9	3.8
Technology & Electronics	2.8	7.4
Healthcare	2.6	8.9
Services	2.1	1.8
Transportation	0.1	1.9
Utility	0.0	6.9
Capital Goods	0.0	4.8
Automotive	0.0	2.7
<b>Cash &amp; Other<sup>1</sup></b>	<b>10.7</b>	<b>0.0</b>

<sup>1</sup> Cash & Other may include cash, treasuries, money market funds, collateralized debt obligations, and short duration fixed income funds.

## PEER GROUP QUARTILE RANKINGS<sup>2</sup>



<sup>2</sup> Source: eVestment Analytics. Ranking within eVestment U.S. High Yield Fixed Income universe based on monthly returns gross of fees. Ranking data calculated on 4/18/2018 (as of 3/31/18) and is subject to change as additional firms within the category submit data.

Please review GIPS® performance disclosure on the reverse side.

Side One. Not Valid Without Side Two.

## CREDIT QUALITY

QUALITY RATING	% OF PORTFOLIO
Investment Grade <sup>3</sup>	8.3%
BB	24.6
B	50.4
CCC & Lower	3.9
Not Rated	12.8

<sup>3</sup> Investment Grade is a Bond Quality Rating of AAA, AA, A, or BBB. 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".

FIVE-YEAR RISK STATISTICS<sup>5</sup>

Standard Deviation (%)	3.37
Beta (%) <sup>4</sup>	0.62
Sharpe Ratio	1.76

<sup>4</sup> Relative to the ICE BofAML U.S. Corporate & High Yield Index.

<sup>5</sup> Source: eVestment Analytics.

## PORTFOLIO CHARACTERISTICS

Number of Issues	77
Number of Issuers	66
Option-Adjusted Spread	313
Effective Duration	3.24
Spread Duration	3.08
Weighted Average Maturity (bonds only)	5.35
Yield to Maturity (%)	5.86
Current Yield (%)	5.92

DURATION BREAKDOWN<sup>6</sup>

	% OF BONDS HELD
Less than one	8.9%
1-3	38.1
3-5	34.3
5-7	14.7
7-10	3.5
10-20	0.4

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

## CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CORPORATE CREDIT COMPOSITE										
Gross of Fees	-16.55	30.78	14.52	6.30	10.65	6.12	3.17	2.18	12.90	8.55
Net of Fees	-16.96	30.09	13.96	5.78	10.11	5.60	2.65	1.72	12.40	8.08
BENCHMARKS										
ICE BofAML U.S. Corporate & High Yield Index	-10.93	26.00	10.76	6.80	11.37	0.34	6.43	-1.37	7.97	6.66
ICE BofAML U.S. High Yield Index	-26.39	57.51	15.19	4.38	15.58	7.42	2.50	-4.64	17.49	7.48

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AS OF YEAR-END	DHCM	CORPORATE CREDIT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Corporate Credit Composite	ICE BofAML U.S. Corporate & High Yield Index
2017	\$22.3B	5 or fewer	\$652.4M	NA	3.78%	3.63%	5.60%
2016	19.4B	5 or fewer	533.5M	NA	3.96	3.93	6.03
2015	16.8B	5 or fewer	299.0M	NA	2.91	3.82	5.27
2014	15.7B	5 or fewer	220.0M	NA	2.37	3.79	4.44
2013	12.2B	5 or fewer	186.7M	NA	3.32	4.34	6.42
2012	9.4B	5 or fewer	178.4M	NA	3.80	4.00	7.03
2011	8.7B	5 or fewer	146.0M	NA	7.10	5.73	11.00
2010	8.6B	5 or fewer	145.8M	NA	NA	NA	NA
2009	6.3B	5 or fewer	127.6M	NA	NA	NA	NA
2008	4.5B	5 or fewer	112.8M	NA	NA	NA	NA

NA = Not applicable

This composite was created in April 2015.

Side Two. Not Valid Without Side One.