

# Short Duration Total Return Composite

As of September 30, 2018



## OBJECTIVE

Maximize total return consistent with the preservation of capital by investing in high, medium and low-grade 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. May invest in non-benchmark sectors, specifically structured product, to generate additional yield with a strong focus on security selection.

## PORTFOLIO MANAGEMENT



Henry Song, CFA  
Portfolio Manager



Mark Jackson, CFA  
Portfolio Manager

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS

Inception Date: July 31, 2016

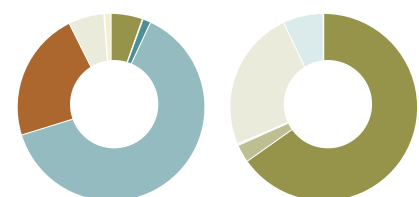
	SINCE INCEPTION	1-YR	YTD	3Q18
<b>SHORT DURATION TOTAL RETURN COMPOSITE</b>				
Gross of Fees	3.96	3.74	2.78	1.06
Net of Fees	3.59	3.37	2.51	0.97
<b>BENCHMARK</b>				
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index	0.40	0.20	0.41	0.33

## 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 asset-backed, mortgage-related, and mortgage-backed securities. The portfolio may invest up to 20% of its assets in below-investment grade securities at the time of purchase and will typically maintain an average portfolio duration of less than three.

## SECTOR ALLOCATION

Short Duration Total Return Composite vs. Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index



Category	Short Duration Total Return Composite	Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index
Treasury	6.1%	63.9%
Agency	0.0	4.0
Agency RMBS/CMBS <sup>2</sup>	2.3	0.0
Asset-Backed Securities	60.6	0.0
Non-Agency RMBS/CMBS <sup>2</sup>	22.1	0.0
Corporate Credit	6.8	24.5
Non-Corporate Credit	0.0	7.7
Cash & Other <sup>3</sup>	2.1	0.0

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

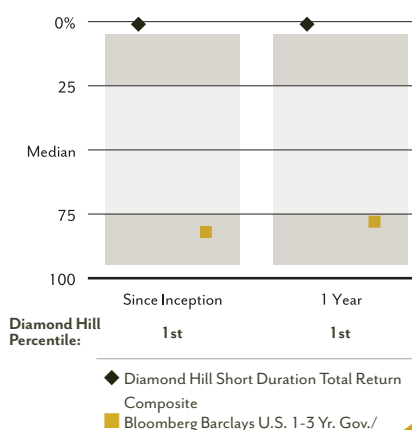
QUALITY RATING	% OF PORTFOLIO
AAA	20.0%
AA	5.4
A	15.3
BBB	43.0
BB	8.6
B	1.5
CCC & Lower	1.1
Not Rated	5.0

<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

	SHORT DURATION TOTAL RETURN COMPOSITE	BLOOMBERG BARCLAYS U.S. 1-3 YR. GOV./CREDIT INDEX
Less than one	43.8%	0.7%
1-3	45.1	99.3
3-5	9.4	0.0
5-7	0.6	0.0
7-10	0.7	0.0
10-20	0.3	0.0
20+	0.0	0.0

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



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

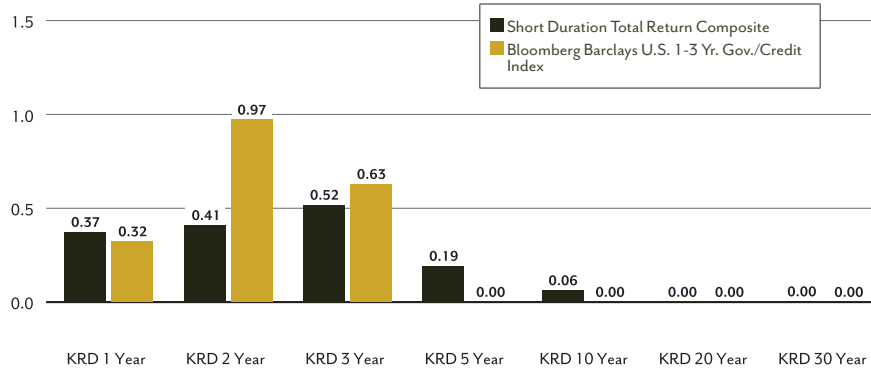
<sup>3</sup> Cash & Other may include cash, money market funds, and short duration fixed income funds.

<sup>4</sup> Source: eVestment Analytics. Ranking within eVestment U.S. Short Duration Fixed Income universe based on monthly returns gross of fees. Ranking data calculated on 10/18/18 (as of 9/30/18) 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.

**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>SHORT DURATION TOTAL RETURN COMPOSITE</b>		
Gross of Fees	0.88	4.89
Net of Fees	0.73	4.54
<b>BENCHMARK</b>		
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index	-0.38	0.84

**PORTFOLIO CHARACTERISTICS**

	SHORT DURATION TOTAL RETURN COMPOSITE	BLOOMBERG BARCLAYS U.S. 1-3 YR. GOV./CREDIT INDEX
Number of holdings	294	1,545
Yield to Maturity (%)	4.26	2.94
Yield to Worst (%)	4.02	2.94
Effective Duration	1.57	1.92
Weighted Average Life (years)	1.91	2.00
Convexity	0.03	0.05
Option-Adjusted Spread	155	13

**SINCE INCEPTION RISK STATISTICS**

	SHORT DURATION TOTAL RETURN COMPOSITE	BLOOMBERG BARCLAYS U.S. 1-3 YR. GOV./CREDIT INDEX
Standard Deviation (%)	0.63	0.64
Sharpe Ratio	3.31	-1.20
Beta <sup>6</sup> (%)	0.85	—
R-squared (%)	69.72	—
Information Ratio	7.99	—

<sup>6</sup> Relative to the Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index.

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AS OF YEAR-END	DHCM	SHORT DURATION TOTAL RETURN COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
		Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Short Duration Total Return Composite
2017	\$22.3B	5 or fewer	\$312.9M	NA <sup>7</sup>	NA <sup>8</sup>	NA <sup>8</sup>
2016	19.4B	5 or fewer	197.5M	NA <sup>7</sup>	NA <sup>8</sup>	NA <sup>8</sup>

<sup>7</sup> NA = Not Applicable

<sup>8</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.

