

Micro-Cap Investing

The Market's Smallest Stocks Offer Big Potential for Long-Term Investors

Micro-cap stocks, the smallest publicly traded companies, present a unique opportunity for long-term investors. Yet most investors overlook and misunderstand these stocks. Herein lies the opportunity.

The market capitalization range for micro-cap stocks is approximately \$6 million to \$2,338¹ million, which is substantially smaller than the \$10 billion+ market capitalization of large-cap stocks. Companies this small often fall under investors' radar screens and generally don't attract the attention or research focus of Wall Street's analysts. But what these companies lack in size, we believe they make up for in potential, including:

- Compelling risk-adjusted returns over the long term
- A tendency to respond to market movements differently than larger company's stocks
- An effective tool for portfolio diversification
- An opportunity to invest early in companies that may be in the beginning stages of their growth cycle

At Westcore Funds, we seek to capitalize on misunderstood and potentially mispriced micro-cap stocks through a research methodology that the Fund's advisor, Denver Investments, has refined and applied for over 25 years. At the core of this methodology are statistical modeling and measurement, also known as quantitative research. This research is then supplemented with qualitative analysis, which involves evaluating factors that are not purely numbers-driven, such as the quality of company management or customer and supplier relationships. Through this very thorough approach to research, the portfolio manager seeks to identify micro-cap stocks he believes are attractively valued.

¹Index membership and rankings for the Russell Microcap® Index determined using total market capitalizations as of December 31, 2015.

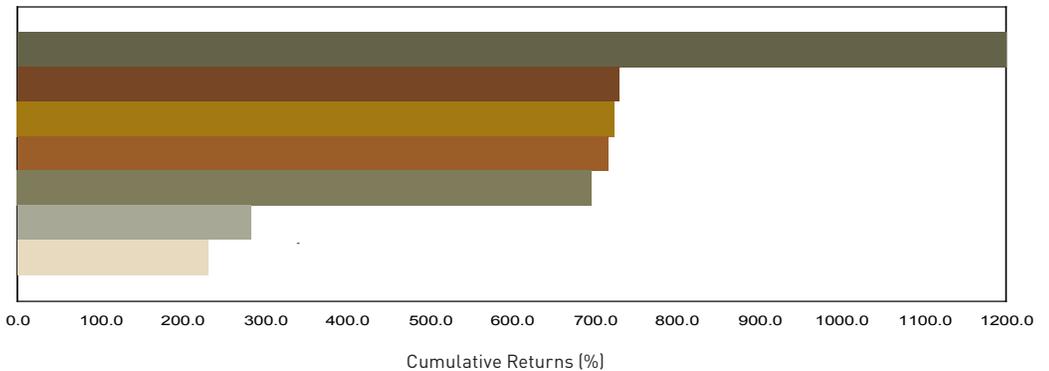
Opportunity in Under-Researched Stocks

Given the unique characteristics of micro-cap stocks, we believe they offer an expanded opportunity set that goes beyond the traditional equity universe of large-, mid- and small-capitalization companies. Like their larger counterparts, micro-caps trade on major stock exchanges and are subject to applicable SEC regulations, which require disclosure of important information about business, financial condition and management. Unlike large-cap stocks, however, they generally are under-researched. While an average of 26 analysts covers each large-cap stock, an average of only two analysts cover each micro-cap stock.²

We believe this lower coverage may lead to misunderstood and potentially mispriced stocks that, over time, have the potential to provide greater risk-adjusted returns than more heavily researched companies.

The historical long-term performance of micro-cap stocks illustrates that they outperformed other market indices since the inception of the Dow Jones U.S. Micro Cap Index on 1/1/1992.

**Micro-Caps Outperformed Over Time
Cumulative Returns 1/1/1992 - 12/31/2015**



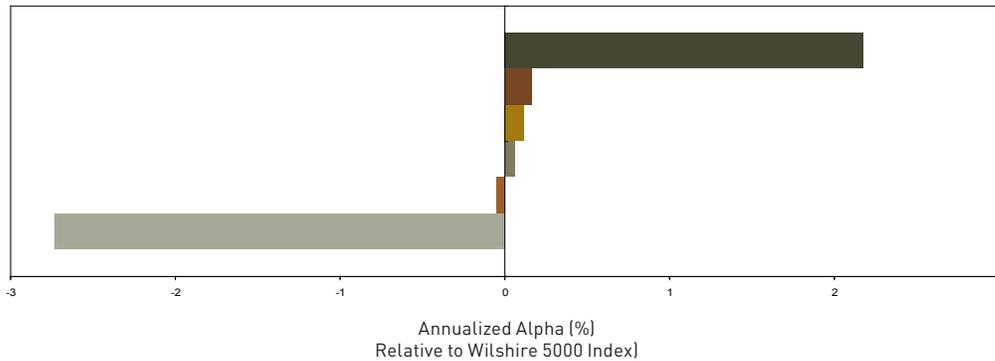
	Cumulative Returns
■ Dow Jones U.S. Micro Cap Index	1,199.7%
■ Russell 2000® Index	731.5
■ Russell 1000® Index	723.9
■ Russell 3000® Index	716.7
■ S&P 500® Index	696.8
■ Barclays U.S. Aggregate Bond Index	283.5
■ MSCI EAFE-GD Index	231.7

Source: Morningstar. Performance data quoted represents past performance and does not guarantee future results.

² Source: Capital IQ. Data is as of December 31, 2014. Capital IQ, a Standard & Poor's business, is a leading provider of data and analytics for global financial firms. The firm is headquartered at 55 Water Street, New York, New York.

Nonetheless, a common criticism of micro-cap stocks is that their relatively low liquidity and trading volumes make them too risky. The following table may cause investors to think twice before dismissing micro-caps for their perceived higher risk. It shows that Alpha³, which is a measure of risk-adjusted performance, is actually higher for micro-caps than it is for other equity asset classes when compared to the overall market.

**Micro-Caps Delivered Strong Risk-Adjusted Returns
Annualized Alpha 1/1/1992 - 12/31/2015**



Annualized Alpha	
■ Dow Jones U.S. Micro Cap Index	2.18%
■ Russell 1000® Index	0.16
■ Russell 2000® Index	0.12
■ S&P 500® Index	0.06
■ Russell 3000® Index	-0.05
■ MSCI EAFE-GD Index	-2.73

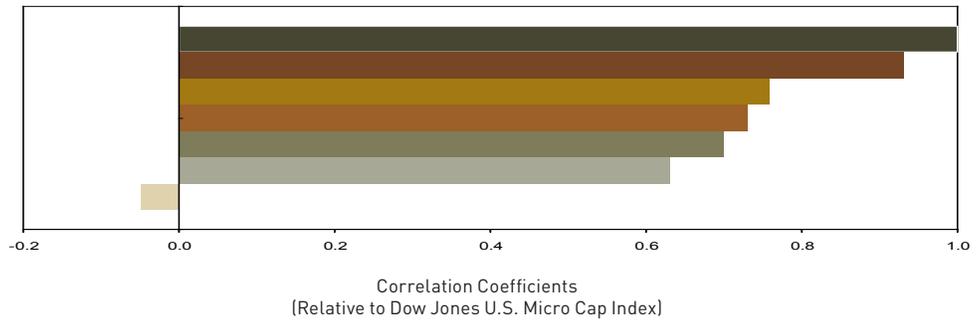
Source: Morningstar. Performance data quoted represents past performance and does not guarantee future results.

Small Stocks Can Play a Large Role in Portfolio Diversification

Micro-cap stocks can also help investors diversify their portfolios, with the goal of improving overall return while reducing risk. They possess unique risk and performance characteristics that may allow them to react to market forces differently than other asset classes.

³Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a portfolio and compares its risk-adjusted performance to a benchmark index. The excess return of the portfolio relative to the return of the benchmark index is a portfolio's alpha.

Micro-Caps Offer Low Correlation to Other Equity Asset Classes⁴
Correlation Coefficients 1/1/1992 - 12/31/2015



■ Dow Jones U.S. Micro Cap Index	1.00
■ Russell 2000® Index	0.93
■ Russell 3000® Index	0.76
■ Russell 1000® Index	0.73
■ S&P 500® Index	0.70
■ MSCI EAFE-GD Index	0.63
■ Barclays U.S. Aggregate Bond Index	-0.06

Source: Morningstar. Performance data quoted represents past performance and does not guarantee future results.

Disciplined Analysis for Dynamic Stocks

Of course, before investing in attractively valued micro-cap stocks, one must first be able to identify them. Within the micro-cap universe, where the continuous evolution of small companies and arrival of new companies make it challenging to keep up with the changing dynamics, time-intensive, qualitative research can be inefficient. It is frequently the case that, by the time an analyst finally understands a company’s business model, the model has changed. By contrast, the disciplined and repeatable processes of quantitative analysis can offer consistent, long-term clarity and focus. It can also remove biases from the research process, evaluating companies strictly on hard facts versus human opinion.

The Westcore Advantage

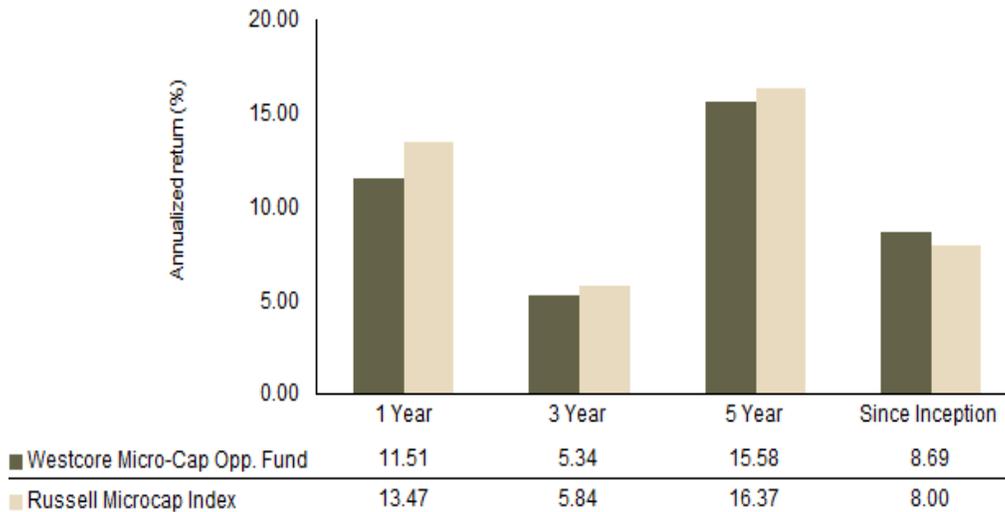
The Westcore Micro-Cap Opportunity Fund draws upon the more than 25-year history of quantitative equity analysis of the Fund’s advisor, Denver Investments. With this as our foundation, we’ve developed a rigorous and structured investment process that relies on multi-factor, sector-specific quantitative modeling, with the objective of capitalizing on inefficiencies in the micro-cap market.

⁴Correlation is a statistical measure of how two securities or indices move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction.

The quantitative strength behind the Westcore Micro-Cap Opportunity Fund lies in the 16 uniquely defined sector models that the Fund’s manager built and relies on for stock selection. Each model utilizes proprietary factors that are distinct to a particular industry. The portfolio manager believes these models allow him to gain an information advantage in finding micro-cap stocks with attractive risk/reward potential.

To learn more about our approach to micro-cap investing, please contact us at 800.392.CORE (2673).

**Westcore Micro-Cap Opportunity Fund
Investment Results (%)
Periods Ending September 30, 2016**



⁵Inception date: 6/23/2008.

Performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted. To obtain current performance as of the most recent month-end, visit www.westcore.com. Average annual total returns reflect the reinvestment of dividends, capital gains distributions, all fee waivers and expense reimbursements. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Westcore fund shares are not insured by the FDIC, the Federal Reserve Board or any other agency and are subject to investment risk.

The Funds’ Adviser and Administrators have contractually agreed to waive a portion of the investment advisory and/or administration fees and/or to reimburse other expenses for the retail class until at least April 30, 2017. Without fee waivers and expense reimbursements, total return and yield figures would have been lower.

Westcore Micro-Cap Opportunity Fund (WTMIX)⁶

Quick Facts

- Diversified stock portfolio of 150 - 200 names
- Quantitative approach to stock picking
- Multi-factor, sector-specific models developed in conjunction with fundamental analyst team
- Sector weights of +/- 3% of Russell Microcap[®] Index weights
- Strong relative performance since inception

Portfolio Management

- Paul Kuppinger, CFA
Quantitative Analyst
- 26 years of experience

CFA is a trademark owned by the CFA Institute.

The above portfolio construction guidelines represent typical investment parameters.

MICRO-CAP INVESTING

INVESTMENT OBJECTIVE: The Westcore Micro-Cap Opportunity Fund seeks to achieve long-term capital appreciation by investing in micro-cap companies whose stocks appear to be undervalued.

RISKS: Investing in micro-cap funds generally will be more volatile and loss of principal could be greater than investing in large-cap funds.

An investor should consider investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. To obtain a prospectus, which contains this and other important information about the Funds(s), please call 800.392.CORE (2673) or visit www.westcore.com. Please read the prospectus carefully before investing.

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INDEX DESCRIPTIONS

All indices are unmanaged and investors cannot invest directly in an index.

Russell 1000[®] Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000[®] Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

Russell 2000[®] Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000[®] Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 3000[®] Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell Microcap[®] Index measures the performance of the microcap segment of the U.S. equity market. Micro-cap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000[®] Index, plus the next smallest eligible securities by market cap.

Dow Jones U.S. Micro Cap Index is a subset of the Dow Jones U.S. Total Stock Market Index, which measures all U.S. equity securities with readily available prices. It represents stocks ranked below 2,500 by size. It is float market-cap weighted.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 22 developed markets, excluding the U.S. & Canada.

S&P 500[®] Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States. It represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data.

Barclays U.S. Aggregate Bond Index is a fixed income, market-value-weighted index generally representative of investment grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year.

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FOR MORE INFORMATION ABOUT WESTCORE FUNDS, PLEASE CONTACT:

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