




Activa *Value Fund*

ALPS Portfolio Solutions

Views from the Top

*A Conversation with Wellington Management Company's
Mammen Chally*

If nothing else, the Activa Value Fund's history might be a little more interesting than many of its '40-Act counterparts. After all, how many mutual funds can say they were set up to manage the retirement assets for Amway? And now, nearly forty years from its inception, the Activa Value Fund is the only mutual fund available on the street that uses Wellington Management Company's Value Intersection investment approach.



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The Fund, always a large-cap value offering, can indeed trace its history all the way back to August of 1971 when it came to life as the Amway Mutual Fund. Activa Asset Management, the Fund's adviser from the outset, turned over portfolio management duties to Wellington in 1999. The Activa Value Fund has been managed in the Value Intersection style ever since.

Towards the end of 2008, another interesting thing happened: Activa Asset Management decided to get out of the fund manager advisory business altogether. So it goes, Wellington, in a desire to keep both fund and its track record going, introduced the Activa team to the folks at ALPS. In due time—September 2, 2009, to be exact—the Fund's shareholders approved the replacement of Activa Asset Management with ALPS Advisors, Inc as the Fund's adviser. The Fund was at the same time merged into a newly created offering of the ALPS-sponsored Financial Investors Trust.

The so-called "fund adoption" at once allowed Wellington to stay at the helm of the Fund and provided investors unbroken access to the firm's Value Intersection investment approach. In terms of day-to-day portfolio management, Mammen Chally, CFA, maintained his role on the Fund for ALPS. Mr. Chally, who works in Wellington's Quantitative Investment Group, is a member of the portfolio management team for the firm's intersection and quantitative portfolios.

And, true enough, the Activa Value Fund remains the only publicly-offered mutual fund to use Wellington's Value Intersection investment approach. Essentially, the Fund attempts to combine fundamental research and quantitative analysis to build a portfolio of Wellington's best ideas in the large-cap value universe. The strategy's design gives Mr. Chally a fair degree of room to adapt to market conditions while remaining consistent on style and results.

Today, Mr. Chally is overseeing north of \$60 million in assets for the Fund, representing share classes for retail investors (AMWYX) and the institutional audience (AMWIX). We recently sat down with the Wellington manager to chat about the Activa Value Fund and the Value Intersection investment approach he takes to its management.

Fund Objective: The Activa Value Fund seeks long-term capital appreciation.

Fund Performance as of 6.30.10

	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio [^]	Net Expense Ratio [†]
Class A (NAV)	-13.04%	10.65%	-12.55%	-2.22%	1.95%	9.03%	1.95%	1.40%
Class A (MOP)	-17.84%	4.57%	-14.18%	-3.33%	1.37%	8.87%		
Russell 1000 Value Index	-11.14%	16.92%	-12.32%	-1.64%	2.38%	N/A		
S&P 500 Total Return Index	-11.43%	14.43%	-9.81%	-0.79%	-1.59%	N/A		

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. For the most current month-end performance data please call 1-800-346-2670. Performance includes reinvested distributions and capital gains.

Maximum Offering Price (MOP) for Class A shares includes the Fund's maximum sales charge of 5.50%.

On August 28, 2009 the Activa Value Fund (the "Predecessor Fund") was reorganized into the Activa Value Fund, a series of Financial Investors Trust (the "Fund"). The historical performance shown for periods prior to August 28, 2009 reflects the historical information for the Predecessor Fund.

* Class A inception date of 8/10/71.

[^] Gross Expense Ratio is the fund's total operating expense ratio from the fund's most recent prospectus.

[†] ALPS Advisors, Inc. (the "Adviser") has given a contractual agreement to limit the Fund's total annual expenses through August 31, 2011.

ALPS Advisors: Most of us in retail world haven't heard of 'Value Intersection'. Can you give us a rundown on the approach and what it means to you as the Fund's portfolio manager?

Chally: Sure. The word intersection comes from the discipline that's used in selecting stocks. Simply put, we use two quite distinct sources of research—Wellington's quantitative research group and the firm's central research group—to find names for the portfolio. Essentially, the quantitative screen narrows our universe, which is the Russell 1000 Value Index plus 100 or so issues out of the S&P 500 Value Index, for the fundamental team to review and make recommendations. I then make the final decision on what stocks go in and out and what weight each has in the portfolio. Let me expand on all of that a bit.

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– Mamman Chally

What the Wellington quantitative research group does is track fundamental company information and design models they think will be good predictors of the company's stock's returns. The process is actually very fundamentally derived. For example, we have a cash-flow model that uses publicly available information to try to figure out how cheap a stock is. The

model itself is very complicated, but the outcome is really Finance 101. There are elements of this all through the quantitative model. In the end, the work gives us a set of criteria to take our universe of value stocks and separate it into buckets that are deemed to be attractive and unattractive. It takes our universe down to a much more manageable level.

Once we've quantitatively identified the sort of names we want to focus on, then the central research group does the fundamental work on those stocks. There are about 50 people in that group, which translates very roughly to 60 stocks or so per analyst. At Wellington, being an analyst is a career, so these are extremely experienced analysts who've covered their particular industry for a long time. All in, the group is an incredible resource.

The fundamental work allows us to completely understand the individual details of each and every company. And there's a human being actually looking at all of the information being used to judge the stock. We base our decisions on what to buy and what to sell on that valuation.

So, how many stocks does the research group usually have on its short list to pitch you for addition to the portfolio?

Chally: That's a good question. Remember, this is a central research group that's providing research for a whole bunch of portfolio managers here at Wellington. And different portfolio managers have different approaches and different criteria for picking stocks for their portfolio. So, while the group covers close to 3,000 stocks globally, I'm only interested in the large-cap value U.S. component of that list.

How many stocks does the Activa Value Fund end up owning on average?

Chally: Between 90 and 100. I think we might have been as high as 120.

Fairly equally weighted, we presume?

Chally: That's correct. But just because there are 100 stocks doesn't mean the average weight of an individual name is 1%. We pay a lot of attention to our benchmark and the purity of our approach. In other words, we want to look and feel like a value portfolio all the time, not be value one day and then change it the next. As you can probably imagine, our benchmark is very top heavy so a lot of our weight in the portfolio is in the mega-cap stocks in the U.S.

In the end, how does the Value Intersection approach add alpha versus its benchmark?

Chally: I'd say that it's probably more similar to a pure fundamental approach than it is dramatically different, at least when it comes to stock selection. Where the differences start to come about versus other fundamental managers around the company and around

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the industry, is, one, we're relatively diversified, two, we pay more attention to our benchmark, and three, I think we're a little more style pure because we pay so much attention to the benchmark. Over time, I think that means the Fund will be closer to benchmark

style than the average fundamental manager.

More to your question, though, we believe the quantitative work represents a potentially significant source of our alpha. I believe the process of cutting down our universe down to something that's more manageable is by itself alpha producing. The quantitative model is independently giving us a universe that should be better than the average Russell 1000 universe.

We'd have to be curious, then, how the Value Intersection approach did across the brutal market at the end of '08. Do you think the combination of fundamental and quantitative work gives you an edge through difficult markets?

Chally: I'm hesitant to say the approach by itself necessarily helps in a down market. I'm more likely to say the Fund potentially benefits from its longer-term outlook and low turnover. That attitude generally leads us to more stable earnings companies, which tend to outperform in weak markets. So while we still lost money across the selloff in 2008, we did well relative to our benchmark.

On the other hand, if you think about the rapid rally across the latter part of 2009, the run-up was concentrated in some of the more leveraged, more volatile earnings companies. The Fund in this kind of market, while it produced solid returns, lagged the benchmark a bit.

Since no one stock is going to add any meaningful performance, does the Fund's success come from sectors performing well or a handful of stocks doing extraordinarily well?

Chally: This is a fair point and I should have addressed it when I was talking about my process. It's very much intentional that we do not like to have a single stock be a significant component of the Fund's alpha. When we construct the portfolio, we generally remain sector neutral relative to benchmark. And when I say neutral, I mean plus or minus three percent. There will be some noise but it generally cancels out over time. We are willing to take industry bets within a sector—overweighting pharmaceuticals and underweighting device companies in healthcare, for example—but we'll always be neutral overall.

So, the real source of value-add for the portfolio comes back to how well we do in our fundamental and quantitative work. From that perspective, it's our intention to diversify the batch across all ten sectors. Of course, four sectors make up 60% plus of our benchmark and therefore the portfolio. So, let me put it this way—when I have contribution from 50% of the analysts, I can add value in this portfolio. That's the central reason why we have relatively smaller bets than the average fundamental value manager.

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But if one or two sectors are really outperforming, you would have to be paring those back and allocating the money to the other sectors. Is that true?

Chally: Actually it doesn't have to happen that way. Think about like this: Say Financials are 25% of the value benchmark. The portfolio, then, will hold roughly 25% of its assets in the sector. If Financials run up to 30% of the benchmark, then most likely they've run up to 30% of the portfolio as well. So the portfolio is still sector neutral relative to the benchmark. Of course, if I

have financial stocks that outperform and I get to 35%, and the benchmark is still 30%, then. I would be paring back.

Interesting. When you see ideas coming from the analyst team, do they start to come to you in bunches? Likewise, are there times when they're not bringing anything to you at all?

Chally: Remember, there are 50 or so analysts covering 10 sectors, so most are covering just a portion of a sector. There are long periods of times where an analyst or a number of the analysts don't have anything attractive for us, but it generally tends to be pretty diffused in terms of the broad set of ideas that come on a daily or weekly basis.

So, you've always got plenty in front of you to be considering?

Chally: Definitely. There's always plenty to be considered. Now, there will be pockets of time, like during the financial crisis, when the analysts are probably asking you to step away for some time. But those are short periods.

Do you spend much time thinking about what's going on in the broad market?

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five years. What the market's going to do in the next six to nine months is just a random guess, quite honestly.

Chally: I do, but I don't think it's that relevant, honestly, for the Fund. The makeup of the portfolio is primarily dependent on what comes in from the bottom. Remember, there are 50 of us spending our time on individual companies and those companies' prospects over the next

You mentioned you have a cyclical bias now. What led you to that? Is it a couple of stocks or a few industries that have caught your attention?

Chally: Some of the names we own will stand to benefit from a cyclical recovery. Ford and TRW, for example. Auto companies and auto parts companies would benefit from a recovery in auto production volume around the world. The same can be said of some of our holdings in Industrials. It could also be said of some of our holdings in Energy. Financials may be the only space where we're probably a little more defensive. For the most part, the earnings prospects for the companies we own in the portfolio would benefit a lot more from a cyclical recovery than not. A double-dip recession would not be the ideal scenario for us with the current portfolio.

If you're looking at 90 to 100 stocks, do you tend to have a handful of names you really like a lot?

Chally: I like to think I'm fond of each and every one of these stocks, but, yes, I do have certain favorites. Clearly there are some that are at points where the valuation just makes the story so compelling that I believe you're going to make money over the next three years. You just have to be patient.

Do you have to fight the urge to not want to go above the 1% or 2% weighting?

Chally: No. That's part of our discipline. I want to create a portfolio that's very much distributed in the number of names and the number of bets we're taking. That's intentional because human beings simply have a tendency to overload on individual names. Once you start bringing that human element to it, your discipline gets out of hand. It's important to maintain discipline in my mind.

Thanks for your time Mammen.

*Not FDIC Insured • No Bank Guarantee • May Lose Value
The Activa Value Fund is a series of Financial Investors Trust.
The Activa Value Fund is distributed by ALPS Distributors,
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Top Ten Holdings* as of 6.30.10

Wells Fargo & Co.	3.6%
AT&T, Inc.	3.5%
JPMorgan Chase & Co.	3.4%
Bank of America Corp.	3.0%
Pfizer, Inc.	2.9%
Chevron Corp.	2.9%
ConocoPhillips	2.6%

Occidental Petroleum Corp.	1.9%
Marathon Oil Corp.	1.9%
The Goldman Sachs Group, Inc.	1.8%
Top Ten Holdings	27.5%
Total Number of Holdings	94

* Holdings are subject to change.

Disclosure

Not insured or guaranteed by the FDIC or by any other government agency or government sponsored agency of the federal government or any state. Not deposits, obligations, or guaranteed by any bank or its affiliates.

Subject to investment risks, including possible loss of the principal amount invested.

Derivatives generally are more sensitive to changes in economic or market conditions than other types of investments; this could result in losses that significantly exceed the fund's original investment.

The value of the Fund's investments will vary from day to day in response to the activities of individual companies and general market and economic conditions.

Past performance does not guarantee future results.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1-800-346-2670 or visit www.activafunds.com. Read the prospectus carefully before investing.

Definitions

Russell 1000 Value Index - Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

S&P 500 Index - The Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices.

S&P 500 Value Index - Seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of U.S. large-cap value stocks, as represented by the S&P 500/Citigroup Value Index.

Alpha - A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market.

Mega-Cap Stock - Companies having a market capitalization greater than \$200 billion.

