

# EMERGING MARKETS STRATEGY



## 1Q 2024 Strategy Fact Sheet

### Performance (%)

Past performance is no guarantee of future results.

	1Q 2024	1 Year	3 Years	5 Years	7 Years	10 Years	Since 11/30/2013
Portfolio (Gross)	0.00	12.56	3.28	6.37	5.31	4.65	4.77
Portfolio (Net)	-0.28	11.34	2.15	5.18	4.08	3.38	3.49
MSCI Emerging Markets Index Net	2.37	8.15	-5.05	2.22	3.72	2.99	2.70

All periods longer than 12 months are annualized. See disclosures on last page. Source: GPS.

### Manager Commentary

#### Market Overview

The first quarter saw modest equity returns with the MSCI Emerging Markets Net Index returning 2.37% for the quarter following a strong fourth quarter rally. The increase in global liquidity combined with firming underlying inflationary pressures supported the positive returns. In addition, the global industrial cycle is set to stabilize and begin expanding in the 2Q24, which we have witnessed with the recent uptick in country level PMIs. Firming commodity prices and broadening equity market participation are confirming indicators that the industry economy is beginning to improve.

Within the quarter, there was a notable divergence within the relevant GICS sectors. The best performing sectors were Information Technology (+10%) and Energy (+7%) as the semi cycle is bottoming out and energy prices moved higher. Sector laggards included Real Estate (-6%) and Health Care (-5%).

Turning to portfolio activities, the quarter saw the addition of nine new companies. The additions include companies in the resources sector which will benefit from the global industrial cycle recovery. We reduced our exposure to India where we see some short-term risk from higher oil prices (India is a notable oil importer) and better risk-reward opportunities in other geographies.

Despite the higher interest rates, the economic cycle and liquidity conditions will likely remain supportive of risk assets through the November election in the U.S. We are monitoring the economic situation in China, where economic activity seems to be bottoming and there is room for an increase in stimulus from the Government.

#### Portfolio Positioning

As a result of buys and sells and market action, the portfolio is overweight Consumer Discretionary, Industrials, Real Estate, Information Technology, Materials, and Energy while underweight Financials, Communication Services, Health Care, Utilities, and Consumer Staples.

#### Contributors to Performance

During the quarter, the portfolio experienced positive absolute and negative relative performance. Positive relative performance from Consumer Discretionary, Health Care, Utilities, Communication Services, and Materials was offset by underperformance in Information Technology, Real Estate, Industrials, Financials, Consumer Staples, and Energy.

"We believe investing is about **offsetting future obligations**, not just having market exposure."

# 1Q 2024 EMERGING MARKETS STRATEGY PORTFOLIO

## Portfolio Characteristics

	Portfolio	MSCI Emerging Markets Index Net
Number of Holdings	67	1,376
P/E NTM	12.72	11.93
Price/Cash Flow	9.29	7.69
Wtd. Avg. Mkt. Cap (\$B)	6.61	125.44
Est. 3-5 Yr. EPS Growth (%)	14.05	17.86
Dividend Yield (%)	2.09	2.81
Net Debt/Equity	0.26	0.31

Source: FactSet

## Risk Reward\*

	Portfolio	MSCI Emerging Markets Index Net
Beta	0.93	1.00
Sharpe Ratio	0.22	0.01
Information Ratio	0.51	N/A
R-Squared	0.82	1.00
Standard Deviation (%)	19.28	18.89

\* Annualized 5-years ending 3/31/2024.

Source: eVestment

## Top Ten Holdings\* 1

	Country	Sector	% of Total Portfolio *
ANTA Sports Products Ltd	China	Consumer Discretionary	2.62
Ennoconn Corp	Taiwan	Information Technology	2.53
Kosmos Energy Ltd	United States	Energy	2.34
Samsung Electro-Mechanics Co Ltd	South Korea	Information Technology	2.31
Yageo Corp	Taiwan	Information Technology	2.27
KIWOOM Securities Co Ltd	South Korea	Financials	2.21
PRIO SA/Brazil	Brazil	Energy	2.19
Tongcheng Travel Holdings Ltd	China	Consumer Discretionary	2.18
Nanya Technology Corp	Taiwan	Information Technology	2.05
Focus Media Information Technology Co Ltd	China	Communication Services	2.05

\* Excludes 1.47% cash.

<sup>1</sup> Performance holdings subject to change.

Source: FactSet

## Portfolio Sector Weightings (%)\* 1

	Portfolio	MSCI Emerging Markets Index Net
Information Technology	24.85	23.73
Consumer Discretionary	22.29	12.41
Industrials	12.82	6.96
Financials	9.86	22.35
Materials	7.92	7.20
Real Estate	5.93	1.52
Energy	5.54	5.32
Consumer Staples	4.69	5.64
Communication Services	3.67	8.62
Utilities	1.58	2.78
Health Care	0.86	3.47

\* Excludes 1.47% cash. Due to rounding, totals may not equal 100%.

<sup>1</sup> Performance holdings subject to change.

Source: FactSet

## Portfolio Geographic Weightings (%)\*

	Portfolio	MSCI Emerging Markets Index Net
China/Hong Kong	20.53	23.96
Taiwan	18.80	17.63
South Korea	14.22	12.81
India	12.84	17.70
Brazil	7.52	5.23
Europe	5.40	3.53
Other Asia	4.41	7.90
Other Americas	3.55	1.28
Indonesia	3.19	1.86
Thailand	2.95	1.52
Mexico	2.61	2.70
Other Africa	2.50	2.72
United Arab Emirates	1.47	1.17

\* This information is provided as supplemental to the Emerging Markets GIPS Report. Excludes 1.47% cash. Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### LEAD PORTFOLIO MANAGER



#### Adam Rich, CFA

- Began investment career in 2010
- Joined Vaughan Nelson in 2016
- BS, Brigham Young University, 2010

### CO-PORTFOLIO MANAGERS



#### Marco Priani, CFA, CPA, FRM

- Began his financial and investment career in 2001
- Joined Vaughan Nelson in 2019
- MBA, The University of Chicago-Graduate School of Business, 2005
- LLM, Northwestern University School of Law, 2006
- MSF, Universidad Del CEMA, 1999
- JD, Universidad De Buenos Aires-School of Law, 1987, *cum laude*



#### Kevin Ross, CFA

- Began his financial and investment career in 2006
- Joined Vaughan Nelson in 2019
- MBA, The University of Chicago Booth School of Business, 2014
- BSBA, Washington University, 2006

### INTERNATIONAL RESEARCH



#### Masa Matsumura, PhD

##### Vice President, International Equity Analyst

- Began his financial and investment career in 2010
- Joined Vaughan Nelson in 2020
- MBA, The University of Chicago Booth School of Business, 2014
- PhD, University of Alabama at Birmingham, 2007
- MS, University of Alabama at Birmingham, 2005
- BS, University of Alabama at Birmingham, 2001



#### Zhongjie (Matt) Wang

##### Associate, International Equity Analyst

- Began his financial analysis career in 2019
- MBA, Northwest University, 2022
- BA, University of Manitoba, 2016

### MACRO AND FACTOR ANALYSIS



#### Isabelle Long

##### Associate, Portfolio and Risk Analysis

- Began portfolio and risk analysis career in 2022
- BS, Texas A&M University, 2022



#### Adam Rich, CFA

##### Deputy CIO Portfolio Manager

- Began investment career in 2010
- Joined Vaughan Nelson in 2016
- BS, Brigham Young University, 2010



#### William Wojciechowski, PhD

##### Chief Risk Officer Portfolio and Risk Analysis

- Began investment management and financial analysis career in 2001
- PhD, Rice University, 2001
- MA, Rice University, 1999
- MS, West Virginia University, 1996
- BS, Carnegie Mellon University, 1992

## ABOUT VAUGHAN NELSON

Vaughan Nelson Investment Management specializes in value equity investing with a focus on a targeted return. The firm employs a bottom-up, fundamental research process that seeks to capitalize on information and liquidity inefficiencies in the equity universe. The firm's long-term, consistent investment approach draws on its in-depth research capabilities.

- Headquarters: Houston, Texas
- Founded: 1970
- Firm Assets: \$18.4 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 50 employees
- 24 investment team professionals
- 12 Chartered Financial Analyst designations
- 3 PhDs

\* Number includes assets where Vaughan Nelson Investment Management does not have full unconditional trading authority. The assets consist of model portfolio relationships with third-party platforms and totaled \$3.1 billion as of 3/31/24.

## VAUGHAN NELSON EQUITY STRATEGIES

### Emerging Markets

- Benchmark against the MSCI Emerging Markets NR Index
- Generally 60 to 80 positions

### International

- Benchmark against the MSCI ACWI ex USA NR Index
- Generally 25 to 35 positions

### Global SMID Cap

- Benchmark against the MSCI ACWI SMID Cap NR Index
- Generally 40 to 80 positions

### Small Cap Value

- Benchmark against the Russell 2000® Value Index
- Generally 55 to 85 positions

### Select

- Benchmark against the S&P 500 Index and Russell 3000® Index
- Generally 20 to 40 positions

### Value Opportunity

- Benchmark against the Russell Midcap® Value Index and Russell 2500™ Value Index
- Generally 55 to 75 positions

## OUR MISSION

To provide for the **financial wellbeing** of our **clients** and **employees** through **superior performance** consistent with our values.

# EMERGING MARKETS COMPOSITE RETURNS

November 30, 2013 through March 31, 2024

Performance data shown represents past performance and is not a guarantee of, and not indicative of, future results.

Year	Compos. Returns	Compos. Returns	MSCI Emerging Markets Net Index	No. of Ports.	Disp. at EOP	Compos. Assets at EOP	Total Firm Assets† (ex. model assets)	Entity Assets***†	Std Dev. Compos.	Std Dev. MSCI Emerging Markets Net Index
	Gross	Net			Std Dev				\$MM-USD	\$MM-USD
2024 YTD	0.00%	-0.28%	2.37%	5 or fewer	N/A	42	15,225	18,351	15.49%	17.51%
2023	18.51%	17.23%	18.58%	5 or fewer	N/A	38	13,811	16,351	15.37%	15.44%
2022	-10.81%	-11.79%	-17.11%	5 or fewer	N/A	32	11,720	13,566	21.17%	23.11%
2021	12.36%	11.14%	12.33%	5 or fewer	N/A	31	13,490	15,481	20.20%	21.37%
2020	12.37%	11.13%	14.31%	5 or fewer	N/A	28	12,690	14,052	21.78%	22.75%
2019	9.14%	7.77%	12.37%	5 or fewer	N/A	25	11,346	13,064	13.39%	13.08%
2018	-17.90%	-19.01%	-15.83%	5 or fewer	N/A	129	N/A	N/A	13.97%	14.12%
2017	32.34%	30.63%	34.53%	5 or fewer	N/A	161	N/A	N/A	13.74%	14.53%
2016	11.87%	10.41%	3.51%	5 or fewer	N/A	28	N/A	N/A	14.40%	14.72%
2015	-9.31%	-10.52%	-10.12%	5 or fewer	N/A	28	N/A	N/A	N/A	N/A
2014	1.39%	0.07%	-0.87%	5 or fewer	N/A	25	N/A	N/A	N/A	N/A
2013*	-0.58%	-0.69%	-0.75%	5 or fewer	N/A	12	N/A	N/A	N/A	N/A

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** Effective 10/1/2019, this composite is comprised of all fee-paying, discretionary Emerging Markets portfolios in excess of \$1 million under management. Prior to 10/1/19, the composite consisted of all non-restricted, fully discretionary, taxable and tax-exempt accounts which were managed in accordance with the Emerging Markets strategy at Advisory Research, Inc. The Emerging Markets strategy primarily invests in non-U.S. equities and principally in emerging markets. The primary benchmark is the MSCI Emerging Markets Index. The secondary benchmark is the MSCI Emerging Markets SMID Cap Index. The primary benchmark was changed from the MSCI Emerging Markets SMID Cap Index to the MSCI Emerging Markets Index effective 04/01/24. The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries\*. With 1,376 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. MSCI is the source and owner of MSCI Index data contained herein. Any further dissemination of the data is strictly prohibited. MSCI is not responsible for any inaccuracy in this presentation. The composite creation and inception date is 11/30/13. **FIRM DEFINITION.** Vaughan Nelson Investment Management ("Vaughan Nelson") is an equity, fixed-income and balanced portfolio investment manager. Vaughan Nelson is defined as an independent investment advisory firm and is affiliated with Natixis Investment Managers, LLC. **FEES.** Emerging Markets Fee Schedule: 1.10% on the first \$25 million, 1.00% on amounts over \$25 million. **OTHER NOTES.** Performance results are presented before management fees. Results for the full historical period are time-weighted. Accounts have been valued daily and portfolio returns have been weighted by using beginning-of-month market values plus daily weighted cash flow. The dispersion calculation is based on a dollar-weighted average of gross portfolio returns within the composite for the entire period. The dispersion percent of N/A indicates that the number of portfolios for the entire year were equal to five or fewer or periods of less than one year. The benchmark source is FactSet. The valuation source is Intercontinental Exchange (ICE). Benchmark returns are not covered by the report of independent verifiers.

### DISCLOSURES

**BASIS OF PRESENTATION.** The attached information and index performance has been developed internally and/or obtained from sources, which Vaughan Nelson believes to be reliable; however, Vaughan Nelson does not guarantee the accuracy, adequacy or completeness of such information, nor does it guarantee the appropriateness of any strategy referred to for any particular investor. This document is provided for informational purposes only and should not be construed as advice or a recommendation for purchase or sale of securities. Past performance is not indicative of future results. Effective 4/1/24, the strategy is managed by Adam Rich, Marco Priani, and Kevin Ross. From 11/30/13 to 3/31/24 the strategy was managed by Marco Priani and Kevin Ross. Performance prior to 10/1/19 was generated by Messrs. Priani and Ross while employed by Advisory Research Inc. **COMPOSITE NOTES.** Effective 10/1/2019, the composite for each investment strategy has specific criteria in terms of minimum portfolio size, tax status, and discretion. Portfolios meeting the stated criteria are added to the composite as of the first full quarter of investment in that composite's style. Similarly, accounts are removed from the composite after the last full quarter of management under the composite style. A list of all composites and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. The U.S. dollar is the currency used to express performance. **CALCULATION METHODOLOGY.** The composite performance results are time-weighted total returns net of commissions and transaction costs. Valuations and returns are expressed in U.S. dollars. Vaughan Nelson consistently values all portfolios each month on a trade date basis. Policies for valuing investments, calculating performance, and preparing GIPS® Report are available upon request. Net-of-fee returns are calculated utilizing the highest annual fee paid by a client in the strategy. This fee is divided by 12 and subtracted from the gross composite return on a monthly basis to calculate monthly net-of-fee returns. Quarterly and annual net-of-fee returns are calculated by geometrically linking these monthly returns. **COMPLIANT STATEMENT.** Vaughan Nelson claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Vaughan Nelson has been independently verified for the periods 12/31/97 through 9/30/23. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Emerging Markets has had a performance examination for the periods 11/30/13 through 12/31/22. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Model year-end portfolio totals were as follows: 2023 - \$2.5 billion, 2022 - \$1.8 billion, 2021 - \$2.0 billion, 2020 - \$1.4 billion, 2019 - \$1.7 billion, 2018 - 1.3 billion, 2017 - 1.5 billion, 2016 - \$1.3 billion, 2015 - \$1.2 billion, 2014 - \$1.1 billion, 2013 - \$1.0 billion.

\* Partial year. Inception date of 11/30/13.

\*\* Number includes assets where Vaughan Nelson Investment Management does not have full unconditional trading authority. The assets consist of model portfolio relationships with third-party platforms and totaled \$3.1 billion as of 12/31/23. This information is presented as supplemental information to the Emerging Markets GIPS Report.

† Total Firm Assets and Entity Assets are shown as N/A as the strategy was previously managed at Advisory Research, Inc. These disclosures for the predecessor firm would not be meaningful and, the strategy did not contribute to Vaughan Nelson's assets historically.

