

# SMALL CAP VALUE 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 12/31/1999
Portfolio (Gross)	6.71	25.04	12.87	14.32	11.02	10.71	13.95
Portfolio (Net)	6.45	23.82	11.76	13.19	9.92	9.61	12.85
Russell 2000 Value Index	2.90	18.75	2.22	8.17	6.55	6.87	9.06

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

### Manager Commentary

#### Market Overview

During the first quarter, the S&P 500 Index rose 10.56% while the Russell 2000 Value Index gained 2.90%. International equity markets also increased with the MSCI EAFE rising 5.07%.

Equity markets continued to rally in the first quarter as the increase in global liquidity boosted equity valuations and firmed underlying inflationary pressures. After more than six quarters of contraction, the global industrial economy is set to stabilize and begin expanding in the second quarter of 2024. Firming commodity prices and broadening equity market participation are confirming indicators that the industrial economy is beginning to improve.

As inflation is beginning to firm, fixed-income markets began reversing the easing in financial conditions experienced in the prior quarter. Despite the higher interest rates, the economic cycle and liquidity conditions will likely remain supportive of risk assets through the November election. Post the November 2024 election, the investment outlook should become less certain, as capital markets will again need to confront the outsized federal deficits and accelerating cost of servicing large public and private debt balances.

#### Portfolio Positioning

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

#### Contributors to Performance

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

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

# 1Q 2024 SMALL CAP VALUE STRATEGY PORTFOLIO

## Portfolio Characteristics

	Portfolio	Russell 2000 Value Index
Number of Holdings	67	1,419
Wtd. Avg. Mkt. Cap (\$B)	6.16	2.93
Price/Book	2.33	1.35
Est. 3-5 Yr. EPS Growth (%)	11.02	7.37
P/E NTM	14.98	12.56
ROA (%)	8.70	1.76
ROE (%)	16.59	5.05
Dividend Yield (%)	1.63	2.11

Source: FactSet

## Risk Reward\*

	Portfolio	Russell 2000 Value Index
Beta	0.84	1.00
Sharpe Ratio	0.57	0.25
Information Ratio	0.85	N/A
R-Squared	0.92	1.00
Standard Deviation (%)	21.68	24.70

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

Source: eVestment

## Portfolio Sector Weightings (%)<sup>1</sup>

	Portfolio	Russell 2000 Value Index
Industrials	29.51	14.73
Financials	20.71	25.94
Consumer Discretionary	11.71	11.23
Materials	9.04	4.95
Energy	8.55	10.05
Information Technology	7.99	5.97
Real Estate	4.94	9.58
Health Care	3.79	9.17
Consumer Staples	3.76	2.24
Communication Services	-	2.32
Utilities	-	3.82

\* Excludes 3.96% cash.

Due to rounding, totals may not equal 100%.

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

Source: FactSet

## Top Ten Holdings\*<sup>1</sup>

	% Total Portfolio		% Total Portfolio
Element Solutions Inc	3.24	Core & Main Inc	2.30
Installed Building Products	2.64	Janus International Group	2.25
Insight Enterprises Inc	2.58	Western Alliance Bancorp	2.16
Kirby Corp	2.36	Comerica Inc	2.13
First American Financial	2.32	Beacon Roofing Supply	2.11

\* Excludes 3.96% cash.

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

Source: FactSet

## Additions To Portfolio

BWX Technologies, Inc.	Encore Wire Corporation
Evercore Inc. Class A	HealthEquity Inc
JELD-WEN Holding, Inc.	Onto Innovation, Inc.
RXO, Inc.	Skechers U.S.A., Inc. Class A
Warby Parker, Inc. Class A	

Source: FactSet

## Deletions From Portfolio

Advanced Energy Industries, Inc.	Amedisys, Inc.
Avantor, Inc.	Comstock Resources, Inc.
Equity Commonwealth	Foot Locker, Inc.
International Game Technology PLC	Moelis & Co. Class A
National Storage Affiliates Trust	PennyMac Mortgage Investment Trust
RH	Spire Inc.
Watts Water Technologies, Inc. Class A	

Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**Chris Wallis, CFA, CPA**  
**CEO and CIO**  
**Senior Portfolio Manager**

- Began his financial and investment career in 1991
- Joined Vaughan Nelson in 1999
- MBA, Harvard Business School, 1998
- BBA, Baylor University, 1991



**James Eisenman, CFA, CPA**  
**Portfolio Manager**

- Began his financial and accounting career in 2002
- Joined Vaughan Nelson in 2005
- Masters in Accounting, Ohio State University, 2005
- BBA, Ohio State University, 2002, with Honors

### DOMESTIC RESEARCH



**Benjamin Carrier, CFA**  
**Vice President, U.S. Equity Analyst**

- Began financial and investment career in 2014
- Joined Vaughan Nelson in 2016
- BBA, Baylor University, 2014, *cum laude*



**Earl Lee, CFA**  
**Associate, U.S. Equity Analyst**

- Began investment career in 2012
- Joined Vaughan Nelson in 2022
- MBA, The University of Texas at Austin, 2012
- BS, Purdue University, 2007



**William Lee**  
**Associate, U.S. Equity Analyst**

- Began investment career in 2023
- BA, Vanderbilt University, 2023

### 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

### 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

### 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

### Emerging Markets

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

## OUR MISSION

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

# SMALL CAP VALUE PORTFOLIO COMPOSITE RETURNS

December 31, 1999 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		R2000V Index	No. of Ports.	Disp. at EOP	Compos. Assets at EOP		Total Firm Assets (ex. model assets)	Entity Assets*	Std Dev. Compos.	Std Dev. R2000V Index
	Gross	Net	PRIM			MM-USD	\$MM-USD	\$MM-USD	3-Yr Anlzd	3-Yr Anlzd	
2024 YTD	6.71%	6.45%	2.90%	62	N/A	3,375	15,225	18,351	19.27%	21.19%	
2023	26.55%	25.31%	14.65%	56	0.31%	2,712	13,811	16,351	19.59%	21.75%	
2022	-9.09%	-10.01%	-14.48%	61	0.19%	1,909	11,720	13,566	23.96%	27.27%	
2021	32.54%	31.26%	28.27%	67	0.26%	2,340	13,490	15,481	21.82%	25.00%	
2020	9.82%	8.73%	4.63%	64	1.16%	2,571	12,690	14,052	23.18%	26.12%	
2019	25.95%	24.72%	22.39%	72	0.35%	2,712	11,346	13,064	14.18%	15.68%	
2018	-13.59%	-14.47%	-12.86%	87	0.38%	2,663	10,078	11,425	14.15%	15.76%	
2017	7.77%	6.71%	7.84%	101	0.21%	3,780	11,675	13,172	12.78%	13.97%	
2016	21.37%	20.18%	31.74%	109	0.86%	3,944	11,572	12,912	13.69%	15.50%	
2015	0.99%	-0.01%	-7.47%	102	0.18%	3,135	11,316	12,469	12.12%	13.46%	
2014	10.12%	9.02%	4.22%	95	0.16%	3,783	9,943	11,057	10.76%	12.79%	
2013	40.39%	39.02%	34.52%	100	0.36%	3,933	9,243	10,258	14.48%	15.82%	
2012	16.26%	15.16%	18.05%	96	0.28%	2,902	7,273	8,071	17.60%	19.89%	
2011	-2.54%	-3.52%	-5.50%	102	0.19%	2,801	6,876	7,667	20.89%	26.05%	
2010	25.20%	23.97%	24.50%	111	0.31%	3,133	7,050	7,965	22.91%	28.37%	
2009	30.36%	29.09%	20.58%	93	0.66%	2,491	6,757	7,690	20.31%	25.62%	
2008	-21.57%	-22.37%	-28.92%	95	0.52%	1,711	5,761	6,642	16.69%	19.14%	
2007	7.31%	6.25%	-9.78%	109	0.29%	1,840	6,637	8,176	10.68%	12.59%	
2006	20.00%	18.82%	23.48%	35	0.47%	580	5,218	6,711	11.26%	12.33%	
2005	11.81%	10.71%	4.71%	23	0.31%	234	4,120	4,688	14.60%	14.09%	
2004	20.11%	18.93%	22.25%	12	0.12%	73	3,446	3,617	18.12%	17.51%	
2003	53.27%	51.79%	46.03%	9	0.29%	61	3,246	3,274	19.57%	18.42%	
2002	-6.80%	-7.74%	-11.43%	Fewer than 5	N/A	7	3,470	3,471	20.42%	17.39%	
2001	5.93%	4.99%	14.03%	Fewer than 5	N/A	8	N/A	4,247	18.37%	14.65%	
2000	57.55%	56.65%	22.83%	Fewer than 5	N/A	7	N/A	3,955	19.81%	16.61%	

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Small Capitalization Value portfolios in excess of \$1 million under management. Small Capitalization is defined as a company within the market capitalization range of Russell 2000® Value Index. The benchmark is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics. Frank Russell Company ("Russell") is the source and owner of Russell Index data contained herein. Any further dissemination of the data is strictly prohibited. Russell is not responsible for any inaccuracy in this presentation. The composite creation and inception date is April 1997. **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.** Small Capitalization Value Fee Schedule: 1.00% on the first \$25 million, .85% on the next \$25 million, .75% on the remainder. **OTHER NOTES.** 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 portfolios 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. The strategy is managed by Chris Wallis and Jim Eisenman from 3/31/22; Chris Wallis, Scott Weber, Dennis Alff, and Chad Fargason from 9/30/13; Chris Wallis and Scott Weber from 6/30/04; Chris Wallis since 1999. **COMPOSITE NOTES.** 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. **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. Additional information regarding policies for valuing portfolios, calculating performance, and preparing GIPS® Reports are available upon request. No composite accounts hold foreign denominated securities. 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 Small Cap Value composite has had a performance examination for the periods 1/1/98 to 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.

\* 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. This information is supplemental to the Small Cap Value GIPS Report.