

# VALUE OPPORTUNITY 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 6/30/2006
Portfolio (Gross)	11.70	29.43	9.67	13.36	10.46	8.83	9.96
Portfolio (Net)	11.47	28.36	8.75	12.41	9.52	7.91	9.01
Russell Midcap Value Index	8.23	20.40	6.80	9.94	8.41	8.57	8.51
Russell 2500 Value Index	6.07	21.33	5.36	9.38	7.74	7.68	7.71

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 Consumer Discretionary, Energy, Information Technology, Materials, Financials, Health Care, and Industrials and while underweight Real Estate, Utilities, Communication Services, and Consumer Staples.

#### Contributors to Performance

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

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

# 1Q 2024 VALUE OPPORTUNITY STRATEGY PORTFOLIO

## Portfolio Characteristics

	Portfolio	Russell Midcap Value Index	Russell 2500 Value Index
Number of Holdings	58	699	1,854
Wtd. Avg. Mkt. Cap (\$B)	27.17	26.04	8.11
Price/Book	3.82	2.34	1.83
Est. 3-5 Yr. EPS Growth (%)	13.76	10.56	10.54
P/E NTM	19.81	16.29	14.36
ROA (%)	7.00	6.06	4.56
ROE (%)	17.99	13.77	10.48
Dividend Yield (%)	0.95	1.83	1.82

Source: FactSet

## Risk Reward\*

	Portfolio	Russell Midcap Value Index	Portfolio	Russell 2500 Value Index
Beta	0.90	1.00	0.81	1.00
Sharpe Ratio	0.56	0.36	0.56	0.31
Information Ratio	0.63	N/A	0.53	N/A
R-Squared	0.94	1.00	0.91	1.00
Standard Deviation (%)	20.13	21.73	20.13	23.69

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

Source: eVestment

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

	Portfolio	Russell Midcap Value Index	Russell 2500 Value Index
Industrials	21.53	20.70	20.93
Financials	19.99	18.11	20.23
Consumer Discretionary	13.04	9.09	12.93
Information Technology	11.85	9.23	8.32
Materials	10.01	7.58	6.47
Energy	9.20	5.49	5.61
Health Care	8.08	6.51	7.43
Real Estate	3.83	9.76	9.14
Consumer Staples	1.40	3.66	2.85
Utilities	1.06	7.02	3.47
Communication Services	-	2.83	2.61

\* Excludes 2.12% 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
DoorDash Inc	4.46	IQVIA Holdings Inc	3.04
TechnipFMC PLC	3.39	Diamondback Energy Inc	3.01
Constellation SE	3.32	Monolithic Power Systems	2.98
Royal Caribbean Cruises	3.21	Vulcan Materials Co	2.65
Nasdaq Inc	3.09	The Allstate Corp	2.65

\* Excludes 2.12% cash.

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

Source: FactSet

## Additions To Portfolio

Corteva Inc	DoorDash, Inc. Class A
Kemper Corp	Kosmos Energy Ltd.
Royal Caribbean Group	TFI International Inc.

Source: FactSet

## Deletions From Portfolio

Axalta Coating Systems Ltd.	Bank of N.T. Butterfield & Son Limited (The)
Crown Holdings, Inc.	Fabrinet
First American Financial Corporation	Laboratory Corporation of America Holdings
MAXIMUS, Inc.	Nexstar Media Group, Inc.
Rithm Capital Corp.	

Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**Dennis Alff, CFA**  
**Senior Portfolio Manager**

- Began investment and research career in 1996
- Joined Vaughan Nelson in 2006
- MBA, Harvard Business School, 1998
- BS, United States Military Academy, 1993



**Chad Fargason, PhD**  
**Senior Portfolio Manager**

- Began investment and research career in 1998
- Joined Vaughan Nelson in 2013
- PhD, Duke University, 1998
- MA, Duke University, 1996
- BA, Rice University, 1994

### DOMESTIC RESEARCH



**Sundeep Khanna, CFA**  
**Vice President, U.S. Equity Analyst**

- Began investment career in 2005
- Joined Vaughan Nelson in 2020
- BS, The University of Texas, 2005

### 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

### Value Opportunity

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

### 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.

# VALUE OPPORTUNITY PORTFOLIO COMPOSITE RETURNS

June 30, 2006 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		RMV Index	R2500V Index	No. of Ports.	Disp. at EOP	Compos. Assets at EOP	Total Firm Assets (ex. model assets)	Entity Assets**	Std Dev. Compos.	Std Dev. RMV Index	Std Dev. R2500V Index
	Gross	Net	PRIM	SEC		Std Dev	\$MM-USD	\$MM-USD	\$MM-USD	3-Yr Anlzd	3-Yr Anlzd	3-Yr Anlzd
2024 YTD	11.70%	11.47%	8.23%	6.07%	20	N/A	2,036	15,225	18,351	16.93%	19.07%	20.33%
2023	17.59%	16.61%	12.71%	15.98%	19	0.09%	1,866	13,811	16,351	16.92%	19.31%	20.70%
2022	-9.34%	-10.11%	-12.03%	-13.08%	20	0.45%	1,597	11,720	13,566	23.36%	24.44%	26.46%
2021	22.40%	21.38%	28.34%	27.78%	20	0.61%	1,958	13,490	15,481	21.18%	21.95%	24.15%
2020	11.86%	10.91%	4.96%	4.88%	23	0.22%	1,676	12,690	14,052	22.82%	22.62%	25.05%
2019	31.98%	30.89%	27.06%	23.56%	24	0.11%	1,695	11,346	13,064	13.33%	12.79%	14.23%
2018	-14.82%	-15.56%	-12.29%	-12.36%	36	0.14%	1,952	10,078	11,425	14.01%	11.96%	13.58%
2017	14.31%	13.33%	13.34%	10.36%	49	0.27%	2,612	11,675	13,172	12.30%	10.32%	11.81%
2016	7.12%	6.22%	20.00%	25.20%	62	0.26%	2,895	11,572	12,912	13.53%	11.30%	13.17%
2015	-2.35%	-3.21%	-4.78%	-5.49%	62	0.24%	2,631	11,316	12,469	12.48%	10.71%	12.02%
2014	12.26%	11.32%	14.75%	7.11%	58	0.58%	1,477	9,943	11,057	11.21%	9.81%	11.25%
2013	43.03%	41.84%	33.46%	33.32%	46	0.39%	965	9,243	10,258	15.65%	13.69%	15.07%
2012	17.56%	16.57%	18.51%	19.21%	41	0.18%	586	7,273	8,071	18.81%	16.76%	18.41%
2011	-2.37%	-3.17%	-1.38%	-3.36%	27	0.17%	433	6,876	7,667	21.46%	22.78%	24.23%
2010	21.92%	20.91%	24.75%	24.82%	19	0.36%	356	7,050	7,965	24.09%	27.11%	26.97%
2009	34.11%	32.87%	34.21%	27.68%	7	0.49%	127	6,757	7,690	21.42%	25.01%	24.61%
2008	-31.33%	-32.01%	-38.44%	-31.99%	7	0.19%	80	5,761	6,642	N/A	N/A	N/A
2007	10.48%	9.39%	-1.42%	-7.27%	6	N/A	90	6,637	8,176	N/A	N/A	N/A
2006*	7.73%	7.20%	12.33%	11.62%	Fewer than 5	N/A	18	5,218	6,711	N/A	N/A	N/A

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Value Opportunity portfolios with a minimum of \$1 million under management. Value Opportunity is defined as a security having a market capitalization within the capitalization range of \$1 billion to \$20 billion at time of initial purchase. The primary benchmark is the Russell Midcap® Value Index. The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market. The secondary benchmark is Russell 2500® Value Index. The Russell 2500® Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500® Value Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-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. Composite creation and inception date is June 2006. **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. **FEES.** Value Opportunity Fee Schedule: .85% on the first \$10 million, .75% on the next \$15 million, .70% on the next \$25 million, .65% on assets over \$50 million. **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 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. The strategy is managed by Dennis Alf, Chad Fargason, and Chris Wallis from 12/31/18; Dennis Alf, Chad Fargason, Chris Wallis, and Scott Weber from 9/30/13; and Dennis Alf, Chris Wallis, and Scott Weber since 6/30/06. **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 the GIPS Report 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 Value Opportunity composite has had a performance examination for the periods 7/1/06 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.

\* Partial year return. Inception date of 6/30/06.

\*\* 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 Value Opportunity GIPS Report.

