

# SELECT STRATEGY



## 3Q 2023 Strategy Fact Sheet

### Performance (%)

Past performance is no guarantee of future results.

	3Q 2023	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since 6/30/2009
Portfolio (Gross)	-4.75	10.75	18.14	13.63	11.49	13.99	13.30	15.88
Portfolio (Net)	-5.00	9.94	16.98	12.51	10.38	12.86	12.17	14.74
Russell 3000 Index	-3.25	12.39	20.46	9.38	9.14	11.64	11.28	13.38
S&P 500 Index	-3.27	13.07	21.62	10.15	9.92	12.24	11.91	13.62

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

### Manager Commentary

#### Market Overview

During the third quarter, the S&P 500 fell 3.27% while the Russell 2000 Value declined 2.96%. International equity markets declined with the MSCI EAFE falling 4.04%.

Inflation peaked in the fourth quarter of 2022 and economic growth bottomed, which set the stage for the move higher in U.S. equity markets during the first seven months of 2023. The reacceleration in growth coupled with declining inflation allowed the market to begin pricing in a “soft landing” for the U.S. economy despite aggressive monetary policy tightening, the emergence of a banking crisis, and rising U.S. Treasury yields as the U.S. Treasury struggled to fund rising deficit spending. The Federal Reserve added fuel to the rally by aggressively pumping liquidity into the banking system to offset the material losses on bank balance sheets. For the quarter ending September 30, 2023, the equity rally has failed to broaden out and quickly corrected as rising oil prices, firming inflationary conditions, and a further slowing in economic growth challenged the “soft landing” thesis.

The reacceleration in economic growth that began in the fourth quarter of 2022 was driven by a surge in Federal spending that offset the developing industrial recession and continuing decline in real consumer spending. With the expiration of Covid stimulus in the third quarter of 2023, Federal spending has peaked and will begin slowing as industrial and consumer spending continue to slow, setting the stage for a potentially recessionary condition in the fourth quarter of 2023 through the first half of 2024. Fortunately, there are signs that disinflationary pressures are building which may provide the Federal Reserve sufficient policy flexibility to ease financial conditions should the economic fundamentals deteriorate materially.

#### Portfolio Positioning

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

#### Outlook

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

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

## 3Q 2023 SELECT STRATEGY PORTFOLIO

### Portfolio Characteristics

	Portfolio	Russell 3000 Index	S&P 500 Index
Number of Holdings	30	2,994	503
Wtd. Avg. Mkt. Cap (\$B)	412.98	545.65	631.04
Price/Book	5.15	3.50	3.85
Est. 3-5 Yr. EPS Growth (%)	11.95	13.83	13.81
P/E NTM	22.76	17.47	17.97
ROA (%)	11.22	10.65	11.99
ROE (%)	25.24	22.33	24.90
Dividend Yield (%)	0.96	1.57	1.61

Source: FactSet

### Risk Reward\*

	Portfolio	Russell 3000 Index	Portfolio	S&P 500 Index
Beta	0.96	1.00	1.00	1.00
Sharpe Ratio	0.50	0.38	0.50	0.43
Information Ratio	0.42	N/A	0.30	N/A
R-Squared	0.92	1.00	0.93	1.00
Standard Deviation (%)	19.46	19.40	19.46	18.81

\* Annualized 5-years ending 9/30/2023.

Source: eVestment

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

	Portfolio	Russell 3000 Index	S&P 500 Index
Information Technology	25.22	25.86	27.46
Health Care	14.25	13.30	13.36
Financials	12.01	13.32	12.81
Consumer Discretionary	9.08	10.70	10.60
Industrials	9.07	9.84	8.38
Materials	9.05	2.72	2.45
Energy	6.59	4.82	4.72
Communication Services	5.09	8.19	8.87
Real Estate	3.83	2.84	2.37
Consumer Staples	3.54	6.06	6.57
Utilities	2.26	2.34	2.41

\* Excludes 1.72% 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
Microsoft Corp	6.42	O'Reilly Automotive Inc	4.18
The Sherwin-Williams Co	5.15	Salesforce Inc	3.95
Amazon.com Inc	4.90	Wheaton Precious Metals	3.90
Intercontinental Exchange	4.73	Berkshire Hathaway Inc	3.89
Alphabet Inc	4.36	Zoetis Inc	3.71

\* Excludes 1.72% cash.

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

Source: FactSet

### Additions To Portfolio

Accenture Plc Class A	Crown Castle Inc.
DexCom, Inc.	Hess Corporation
O'Reilly Automotive, Inc.	Zoetis, Inc. Class A

Source: FactSet

### Deletions From Portfolio

Clorox Company	Dollar General Corporation
Motorola Solutions, Inc.	Vertex Pharmaceuticals Incorporated

Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**Scott Weber, CFA**  
**Senior Portfolio Manager**

- Began his financial and investment career in 1996
- Joined Vaughan Nelson in 2003
- MBA, Tulane University of the South, 1994
- BS, The University of the South, 1994

### DOMESTIC RESEARCH



**Tyler Fry, CFA**  
**Vice President, U.S. Equity Analyst**

- Began investment career in 2014
- Joined Vaughan Nelson in 2016
- BBA, Southern Methodist University, 2014
- BS, Southern Methodist University, 2014



**Adam Rich, CFA**  
**Vice President, Deputy CIO**

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



**Corrine Richter**  
**Associate, U.S. Equity Analyst**

- Began financial and investment career in 2021
- Joined Vaughan Nelson in 2021
- MSA, Brigham Young University, 2021



**Isabelle Long**  
**Associate, Portfolio and Risk Analysis**

- 1 year financial and analysis experience
- BS, Texas A&M University, 2022



**William Wojciechowski, PhD**  
**Chief Risk Officer**  
**Portfolio and Risk Analysis**

- 21 years investment management and financial analysis experience
- 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: \$14.9 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 49 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 \$2.2 billion as of 9/30/23.

## VAUGHAN NELSON EQUITY STRATEGIES

Select	<ul style="list-style-type: none"><li>• Benchmark against the Russell 3000® Index and S&amp;P 500 Index</li><li>• Generally 20 to 40 positions</li></ul>
Value Opportunity	<ul style="list-style-type: none"><li>• Benchmark against the Russell Midcap® Value Index and Russell 2500™ Value Index</li><li>• Generally 55 to 75 positions</li></ul>
Small Cap Value	<ul style="list-style-type: none"><li>• Benchmark against the Russell 2000® Value Index</li><li>• Generally 55 to 85 positions</li></ul>
International Small Cap	<ul style="list-style-type: none"><li>• Benchmark against the MSCI EAFE Small Cap Index</li><li>• Generally 60 to 80 positions</li></ul>
Emerging Markets	<ul style="list-style-type: none"><li>• Benchmark against the MSCI Emerging Markets SMID Index</li><li>• Generally 60 to 80 positions</li></ul>
Global SMID Cap	<ul style="list-style-type: none"><li>• Benchmark against the MSCI ACWI SMID Cap Index</li><li>• Generally 40 to 80 positions</li></ul>

## OUR MISSION

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

# SELECT PORTFOLIO COMPOSITE RETURNS

June 30, 2009 through September 30, 2023

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

Year	Compos.	Compos.	R3000 Index	SP500 Index	No. of Ports.	Disp. at EOP	Compos. Assets at EOP	Total Firm Assets (ex. model assets)	Entity Assets**	Std Dev. Compos.	Std Dev. R3000 Index	Std Dev. SP500 Index
	(Gross)	(Net)				(Std Dev)	(\$MM-USD)	(\$MM-USD)	(\$MM-USD)	(3-Yr Anlzd)	(3-Yr Anlzd)	(3-Yr Anlzd)
YTD 2023	10.75%	9.94%	12.39%	13.07%	103	N/A	3,629	12,643	14,859	17.55%	17.90%	17.60%
2022	-15.92%	-16.77%	-19.21%	-18.11%	99	0.31%	2,856	11,720	13,566	21.58%	21.48%	20.87%
2021	40.61%	39.26%	25.66%	28.71%	93	0.46%	3,388	13,490	15,481	17.88%	17.94%	17.17%
2020	20.32%	19.13%	20.89%	18.40%	87	0.70%	1,846	12,690	14,052	19.51%	19.41%	18.53%
2019	29.21%	27.94%	31.02%	31.49%	83	0.22%	1,617	11,346	13,064	12.46%	12.21%	11.93%
2018	-3.56%	-4.53%	-5.24%	-4.38%	80	0.24%	1,187	10,078	11,425	11.96%	11.18%	10.80%
2017	25.94%	24.69%	21.13%	21.83%	69	0.48%	997	11,675	13,172	10.54%	10.09%	9.92%
2016	7.99%	6.91%	12.74%	11.96%	53	0.23%	679	11,572	12,912	11.30%	10.88%	10.59%
2015	4.02%	2.97%	0.48%	1.38%	42	0.22%	448	11,316	12,469	11.81%	10.58%	10.47%
2014	12.04%	10.93%	12.56%	13.69%	41	0.11%	585	9,943	11,057	9.50%	9.29%	8.97%
2013	44.11%	42.73%	33.55%	32.39%	37	0.33%	410	9,243	10,258	12.24%	12.53%	11.94%
2012	10.91%	9.81%	16.42%	16.00%	27	0.29%	194	7,273	8,071	15.57%	15.73%	15.09%
2011	4.85%	3.80%	1.03%	2.11%	17	N/A	124	6,876	7,667	N/A	N/A	N/A
2010	31.28%	30.00%	16.93%	15.06%	Fewer than 5	N/A	26	7,050	7,965	N/A	N/A	N/A
2009*	19.37%	18.80%	23.17%	22.59%	Fewer than 5	N/A	23	6,757	7,690	N/A	N/A	N/A

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Select portfolios of at least \$1 million under management. Select portfolios are managed in a tactical manner predominately investing in 20-40 equity securities within the market capitalization range of the Russell 3000® Index at the time of purchase. The primary benchmark is the Russell 3000® Index. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The secondary benchmark is the S&P 500® Index. 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 June 2009. **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.** Select 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 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 Scott Weber and Chris Wallis from 12/31/18; Scott Weber, Chris Wallis, Dennis Alf and Chad Fargason from 9/30/13; and Scott Weber, Chris Wallis and Dennis Alf from inception. **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 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 6/30/23. 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 Select composite has had a performance examination for the periods 7/1/09 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: 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 6/30/09.

\*\* 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 \$2.2 billion as of 9/30/23. This information is supplemental to the Select GIPS Report.

