

# INTERMEDIATE MUNICIPAL BOND STRATEGY



## 3Q 2023 Strategy Fact Sheet

### Investment Objective

To provide tax-free current income and consistent, long-term performance with less risk through active, risk averse management.

### Performance (%)

Past performance is no guarantee of future results.

| Annualized Returns                   | 3Q2023 | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|--------------------------------------|--------|--------|---------|---------|---------|----------|
| Int. Muni Bond (Gross)               | -1.08  | 1.94   | -0.75   | 1.40    | 1.09    | 1.69     |
| Int. Muni Bond (Net)                 | -1.17  | 1.58   | -1.10   | 1.05    | 0.73    | 1.33     |
| ICE BofA/ML 1-10 Yr A-AAA Muni Index | -1.88  | 2.10   | -1.48   | 1.01    | 0.77    | 1.36     |

All periods longer than 12 months are annualized. Source: OP-os

### Product Composition (%)

|                        |    |
|------------------------|----|
| AAA - Pre-refunded*    | 0  |
| AAA - Credit Support** | 24 |
| AAA                    | 6  |
| AA                     | 70 |

\* Escrowed with U.S. Governments

\*\* Credit support from permanent school fund, bond insurance companies or other entities

|            |    |
|------------|----|
| < 1 Year   | 17 |
| 1-3 Years  | 32 |
| 3-5 Years  | 30 |
| 5-7 Years  | 15 |
| 7-10 Years | 6  |

Data source: Bloomberg, GPS

### Taxable Equivalent Yields

|       | AA G.O. Municipals | Taxable Equivalent 37% | Taxable Equivalent 35% | Treasuries | Industrial A Corporates |
|-------|--------------------|------------------------|------------------------|------------|-------------------------|
| 1 YR  | 3.85               | 6.11                   | 5.93                   | 5.46       | 5.66                    |
| 2 YR  | 3.78               | 6.01                   | 5.82                   | 5.05       | 5.46                    |
| 3 YR  | 3.66               | 5.81                   | 5.63                   | 4.80       | 5.33                    |
| 4 YR  | 3.60               | 5.71                   | 5.54                   | 4.69       | 5.28                    |
| 5 YR  | 3.57               | 5.67                   | 5.49                   | 4.61       | 5.27                    |
| 7 YR  | 3.60               | 5.72                   | 5.54                   | 4.62       | 5.31                    |
| 10 YR | 3.70               | 5.87                   | 5.69                   | 4.57       | 5.44                    |
| 15 YR | 4.29               | 6.81                   | 6.60                   | 4.74       | 5.73                    |
| 20 YR | 4.52               | 7.17                   | 6.95                   | 4.90       | 5.89                    |

Data source: Bloomberg

Vaughan Nelson's fixed income management is based on the premise that active, risk-controlled management, founded on research-driven analysis, can uncover relative values that over the long-term produce returns with less risk.

- Headquarters: Houston, TX
- Founded: 1970
- Firm assets: \$14.9 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 \$2.2 billion as of 9/30/2023.

#### Investment Team

##### Matt Caire, CFA, CMT, CFP®

- Portfolio Manager
- Began investment career in 2010; joined Vaughan Nelson in 2021; MSF, Tulane University; BA, Texas State University, cum laude

##### Blanca Garza

- Portfolio Manager
- Began investment career in 1993; joined Vaughan Nelson in 1998; MBA, University of St. Thomas, 1996; BA, University of Houston-University Park, 1989

##### Michael Hanna

- Director
- Senior Portfolio Manager
- Began investment career in 1998; joined Vaughan Nelson in 2005; MBA, Rice University, 2005; BA, University of Texas, 1997

## Expand Your Fixed Income Horizons

| Core Fixed Income  | Avg. Effective Duration | Avg. YTM |
|--|-------------------------|----------|
| • Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income.                               | 5.9                     | 5.4%     |
| Intermediate Fixed Income  |                         |          |
| • Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income: Maturity range 0 to 10 years. | 3.4                     | 5.3%     |
| Limited Maturity Fixed Income  |                         |          |
| • Maximize total return while preserving capital through investments in U.S. Treasury and government agency fixed income securities: Maturity range 0 to 5 years.                | 1.4                     | 5.4%     |

Data source: Bloomberg

# INTERMEDIATE MUNICIPAL BOND COMPOSITE RETURNS, NOTES AND DISCLOSURES

January 1, 2012 through September 30, 2023

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

| Year     | Composite<br>(Gross) | Composite<br>(Net) | ICE BofA<br>ML 1-10 Yr.<br>A-AAA Muni Index | Number of<br>Portfolios | Dispersion<br>(Std Dev) | Composite Assets<br>at End-of-Period<br>(\$MM-USD) | Ttl. Firm Assets<br>(ex. model assets)<br>(\$MM-USD) | Entity<br>Assets*<br>(\$MM-USD) | Std Dev<br>Composite<br>(3-Yr Annlzd) | Std Dev<br>Benchmark<br>(3-Yr Annlzd) |
|----------|----------------------|--------------------|---|-------------------------|-------------------------|--|--|---------------------------------|---------------------------------------|---------------------------------------|
| YTD 2023 | -0.10%               | -0.36%             | -0.74%                                      | 8                       | N/A                     | 43   | 12,643   | 14,859                          | 2.69%                                 | 3.95%                                 |
| 2022     | -2.67%               | -3.01%             | -4.51%                                      | 9                       | 1.51%                   | 51   | 11,720   | 13,566                          | 2.83%                                 | 3.93%                                 |
| 2021     | 0.19%                | -0.17%             | 0.17%                                       | 9                       | 0.08%                   | 66   | 13,490   | 15,481                          | 1.93%                                 | 2.37%                                 |
| 2020     | 3.59%                | 3.24%              | 3.82%                                       | 8                       | 1.05%                   | 73   | 12,690   | 14,052                          | 2.08%                                 | 2.41%                                 |
| 2019     | 4.69%                | 4.31%              | 5.08%                                       | 8                       | 0.72%                   | 76   | 11,346   | 13,064                          | 1.67%                                 | 1.72%                                 |
| 2018     | 1.17%                | 0.80%              | 1.60%                                       | 8                       | 0.13%                   | 80   | 10,078   | 11,425                          | 2.49%                                 | 2.23%                                 |
| 2017     | 3.67%                | 3.31%              | 2.58%                                       | 7                       | 0.37%                   | 84   | 11,675   | 13,172                          | 2.61%                                 | 2.22%                                 |
| 2016     | -0.31%               | -0.68%             | -0.05%                                      | 6                       | 0.16%                   | 81   | 11,572   | 12,912                          | 2.58%                                 | 2.15%                                 |
| 2015     | 3.05%                | 2.69%              | 2.10%                                       | 6                       | 0.38%                   | 81   | 11,316   | 12,469                          | 2.45%                                 | 1.89%                                 |
| 2014     | 3.36%                | 2.99%              | 3.43%                                       | 7                       | 0.53%                   | 54   | 9,943  | 11,057                          | 2.33%                                 | 1.93%                                 |
| 2013     | -1.67%               | -2.01%             | 0.28%                                       | 6                       | N/A                     | 42   | 9,243  | 10,258                          | 2.69%                                 | 2.18%                                 |
| 2012     | 2.99%                | 2.63%              | 2.89%                                       | 5 or fewer              | N/A                     | 6  | 7,273  | 8,071                           | 2.30%                                 | 2.19%                                 |

## GIPS NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, 100% fixed income, discretionary Intermediate Municipal Bond accounts consisting of municipal bond securities with a maturity range of 1-10 years and a duration band of 3.5 to 5.5 years having a minimum of \$2 million under management. The primary benchmark is the ICE Bank of America/Merrill Lynch 1-10 Year A-AAA Muni Index. This index is a subset of the ICE Bank of America/Merrill Lynch U.S. Municipal Index, including all securities with a remaining term to final maturity less than 10 years and rated AAA-A3, inclusive. The composite creation date is December 2008. The inception date is January 2004. **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.** Intermediate Municipal Bond Fee Schedule: .35% on the first \$25 million, .25% on amounts over \$25 million, \$20,000 minimal annual fee. **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. Michael Hanna, Director, Senior Portfolio Manager and Matthew Caire, Portfolio Manager have managed the Intermediate Municipal Bond strategy from June 2021, Michael Hanna has managed the Intermediate Municipal Bond strategy from April 2021, and Blanca Garza has managed the Intermediate Municipal Bond strategy since 2004. **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 complete 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 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 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 Intermediate Municipal Bond composite has had a performance examination for the periods 4/1/04 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, 2012 - \$798 million.

\* 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 Intermediate Municipal Bond GIPS Report.

