

INTERNATIONAL SMALL CAP 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	Since 11/30/2013
Portfolio (Gross)	-6.85	-4.15	8.54	-1.14	-0.16	4.37	3.78
Portfolio (Net)	-7.09	-4.87	7.46	-2.12	-1.21	3.19	2.55
MSCI EAFE Small Cap Net Index	-3.51	1.82	17.90	1.10	0.76	3.96	4.01

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

Manager Commentary

Market Overview

The third quarter saw negative equity returns with the MSCI EAFE Small Cap Index returning -3.51%. Global growth continues to slow as the impact of aggressive interest rate increases impact economic activity. The equity rally failed to broaden out as rising oil prices, firming inflationary conditions and further slowing in economic growth challenged the soft-landing narrative. Federal spending in the U.S. has likely peaked and will begin slowing along with industrial activity and consumer spending, which sets up potential recessionary conditions for the first half of 2024. This timing may coincide with enough disinflationary pressures which provide the Federal Reserve policy room to ease financial conditions.

Although an additional increase of rates in the U.S. is possible, it is less likely from the European Central Bank (ECB) and the Bank of England. Japan tries to balance its dovish rate stance with the limits of the weakening Japanese Yen (JPY), while the Bank of Japan hopes for signs of peaking rates in the United States.

After a buoyant tourist season that likely supported activity in Q3 in Europe, data look bleak. The European Union (EU) Commission economic sentiment indicator in the Eurozone was at 93.3 in September, well below the 2000-2022 average of 100. The weakness in manufacturing has spread to business-related services.

Notable was the strong appreciation of the USD, which mechanically detracts from absolute returns when measured in this currency. In 3Q23, the USD strength detracted around 270 bps from local currency returns.

Turning to portfolio activities, the quarter saw the addition of 12 new companies and 13 exits. We see significantly more mergers and acquisitions (M&A), and we consider that as a positive in general and a testimony of the attractive valuation that limited inflows and poor sentiment caused within our markets.

We see a further decline of economic activity within the next couple of quarters. With the destocking cycle ending and a change in direction of interest rates within our geographies approaching, the direction of the USD is of paramount importance along with the outcome of geopolitical events. We feel very enthusiastic about the opportunities that the universe and the portfolio offer within a medium to long term time horizon.

Portfolio Positioning

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

Contributors to Performance

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

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

3Q 2023 INTERNATIONAL SMALL CAP STRATEGY PORTFOLIO

Portfolio Characteristics

	Portfolio	MSCI EAFE Small Cap Net Index
Number of Holdings	76	2,227
P/E NTM	12.52	12.03
Price/Cash Flow	9.76	6.83
Wtd. Avg. Mkt. Cap (\$B)	2.94	2.56
Est. 3-5 Yr. EPS Growth (%)	12.51	11.26
Dividend Yield (%)	2.71	3.18
Net Debt/Equity	0.29	0.66

Source: FactSet

Risk Reward*

	Portfolio	MSCI EAFE Small Cap Net Index
Beta	0.95	1.00
Sharpe Ratio	-0.10	-0.05
Information Ratio	-0.26	N/A
R-Squared	0.97	1.00
Standard Deviation (%)	19.15	19.91

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

Source: eVestment

Top Ten Holdings* 1

	Country	Sector	% of Total Portfolio *
Marlowe PLC	United Kingdom	Industrials	3.07
TKC Corp	Japan	Industrials	2.44
Kato Sangyo Co Ltd	Japan	Consumer Staples	2.26
Beazley PLC	United Kingdom	Financials	2.10
Securitas AB	Sweden	Industrials	2.07
AIXTRON SE	Germany	Information Technology	2.07
JTC PLC	Jersey	Financials	2.00
Internet Initiative Japan Inc	Japan	Communication Services	1.94
Alten SA	France	Information Technology	1.92
Aker ASA	Norway	Industrials	1.92

* Excludes 1.80% cash.

1 Performance holdings subject to change.

Source: FactSet

Portfolio Sector Weightings (%)* 1

	Portfolio	MSCI EAFE Small Cap Net Index
Industrials	34.10	22.91
Information Technology	20.49	9.53
Consumer Discretionary	12.38	13.10
Financials	12.34	11.70
Health Care	5.23	6.58
Communication Services	4.56	4.28
Consumer Staples	4.34	6.61
Real Estate	3.21	10.20
Materials	2.54	9.38
Energy	0.81	3.24
Utilities	-	2.47

* Excludes 1.80% cash. Due to rounding, totals may not equal 100%.

1 Performance holdings subject to change.

Source: FactSet

Portfolio Geographic Weightings (%)*

	Portfolio	MSCI EAFE Small Cap Net Index
Japan	31.28	33.47
Europe ex. UK	27.52	23.36
United Kingdom	25.55	14.99
Nordic	9.97	10.50
Asia/Pacific ex. Japan	5.68	14.38
Other	-	2.17
United States	-	1.13

* Excludes 1.80% cash.

Source: FactSet

VAUGHAN NELSON EQUITY TEAM

PORTFOLIO MANAGERS



Marco Priani, CFA, CPA, FRM
Senior Portfolio Manager

- 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
Senior Portfolio Manager

- 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



Adam Rich, CFA
Vice President, Deputy CIO

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



Isabelle Long
Associate, Portfolio and Risk Analysis

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



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: \$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

International Small Cap

- Benchmark against the MSCI EAFE Small Cap Index
- Generally 60 to 80 positions

Global SMID Cap

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

Emerging Markets

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

Small Cap Value

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

Select

- Benchmark against the Russell 3000® Index and S&P 500 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.

INTERNATIONAL SMALL CAP COMPOSITE RETURNS

November 30, 2013 through September 30, 2023

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

Year	Compos. (Gross)	Compos. (Net)	MSCI EAFE Small Cap Net Index	Number of Ports.	Dispersion at End-of-Period (Std Dev)	Composite Assets at End-of-Period (\$MM-USD)	Total Firm Assets† (ex. model assets) (\$MM-USD)	Entity Assets**† (\$MM-USD)	Std Dev. Composite (3-Yr Annlzd)	Std Dev. MSCI EAFE Small Cap Net Index (3-Yr Annlzd)
YTD 2023	-4.15%	-4.87%	1.82%	5 or fewer	N/A	27	12,643	14,859	17.80%	18.56%
2022	-25.54%	-26.30%	-21.39%	5 or fewer	N/A	35	11,720	13,566	21.44%	22.54%
2021	13.98%	12.86%	10.10%	5 or fewer	N/A	40	13,490	15,481	18.44%	19.19%
2020	17.09%	15.95%	12.34%	5 or fewer	N/A	36	12,690	14,052	19.76%	20.27%
2019	25.39%	23.85%	24.96%	5 or fewer	N/A	27	11,346	13,064	12.48%	11.89%
2018	-14.86%	-16.01%	-17.89%	5 or fewer	N/A	28	N/A	N/A	12.48%	12.86%
2017	32.02%	30.31%	33.01%	5 or fewer	N/A	36	N/A	N/A	10.89%	11.60%
2016	6.54%	5.15%	2.18%	5 or fewer	N/A	486	N/A	N/A	11.28%	12.12%
2015	0.19%	-1.14%	9.59%	5 or fewer	N/A	672	N/A	N/A	N/A	N/A
2014	-1.28%	-2.57%	-4.95%	5 or fewer	N/A	481	N/A	N/A	N/A	N/A
2013*	1.81%	1.71%	2.34%	5 or fewer	N/A	476	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 International Small Capitalization 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 International Small Capitalization Value strategy at Advisory Research, Inc. Effective 10/1/19, the strategy name was changed to International Small Capitalization in order to appropriately reflect the characteristics of the strategy. The International Small Capitalization strategy primarily invests in non-U.S. equities and principally in developed markets with a market capitalization generally within the range of the MSCI EAFE Small Cap Index (Europe, Australasia, Far East). The index is a free-float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding U.S. and Canada. The index is reported net-of-dividends which indicates dividends are reinvested after the deduction for withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. 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.** International Small Capitalization Fee Schedule: 1.00% on the first \$25 million, .85% on the next \$75 million, .80% on the remainder. **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. The strategy is managed by Marco Priani and Kevin Ross from 11/30/13. 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. Additional information regarding policies for valuing portfolios, calculating performance, and preparing GIPS Reports 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 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 International Small Cap composite has had a performance examination for the periods 11/30/13 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. 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 \$2.2 billion as of 9/30/23. This information is supplemental to the International Small Cap 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.

