

# SMALL CAP VALUE STRATEGY



## 4Q 2024 Strategy Fact Sheet

### Performance (%)

Past performance is no guarantee of future results.

	4Q 2024	1 Year	3 Years	5 Years	7 Years	10 Years	Since 12/31/1999
Portfolio (Gross)	-1.82	6.48	7.00	12.26	9.93	9.87	13.50
Portfolio (Net)	-2.07	5.42	5.94	11.15	8.85	8.78	12.40
Russell 2000 Value Index	-1.06	8.05	1.94	7.29	6.13	7.14	8.98

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

### Manager Commentary

#### Market Overview

The U.S. Federal Reserve continued to cut interest rates despite rising near-term inflation expectations resulting in a steepening yield curve, higher longer-term interest rates, and reduced expectations of further interest rate cuts in 2025. During the fourth quarter, rising interest rates and a stronger U.S. dollar led to muted returns in equity markets with the S&P 500 increasing 2.41%, the Russell 2000 Value declining 1.06%, and the MSCI EAFE declining 8.11% for the quarter. Even with the muted fourth quarter returns, equity markets marched higher in 2024 with full year returns of 25.02%, 8.05%, and 3.82% for the S&P 500, Russell 2000 Value, and MSCI EAFE, respectively.

As we enter 2025, we anticipate U.S. economic growth will remain resilient despite a weak global industrial cycle and weak economic growth outside of the United States. Inflationary pressures will continue to build in the first quarter of 2025, but the longer-term outlook for inflation and economic growth will be highly dependent on any material shifts in fiscal and monetary policy by the new administration. Equity markets may prove vulnerable to corrections in the first half of 2025 as investors adjust to the heightened uncertainty of shifting monetary/fiscal policy, geopolitical countermeasures, and declining liquidity conditions.

#### Portfolio Positioning

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

#### Contributors to Performance

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

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

## 4Q 2024 SMALL CAP VALUE STRATEGY PORTFOLIO

### Portfolio Characteristics

	Portfolio	Russell 2000 Value Index
Number of Holdings	60	1,434
Wtd. Avg. Mkt. Cap (\$B)	6.24	2.82
Price/Book	1.96	1.26
Est. 3-5 Yr. EPS Growth (%)	10.65	7.76
P/E NTM	14.22	12.78
ROA (%)	5.89	1.92
ROE (%)	11.79	5.56
Dividend Yield (%)	2.03	2.14

Source: FactSet

### Risk Reward\*

	Portfolio	Russell 2000 Value Index
Beta	0.85	1.00
Sharpe Ratio	0.43	0.19
Information Ratio	0.68	N/A
R-Squared	0.92	1.00
Standard Deviation (%)	22.50	25.44

\* Annualized 5-years ending 12/31/2024.

Source: eVestment

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

	Portfolio	Russell 2000 Value Index
Financials	29.07	29.41
Industrials	22.72	12.65
Consumer Discretionary	9.45	9.36
Information Technology	8.88	6.64
Health Care	6.87	8.75
Energy	6.23	7.00
Materials	6.16	4.72
Real Estate	6.02	10.88
Consumer Staples	2.99	2.27
Utilities	1.63	5.09
Communication Services	-	3.25

\* Excludes 5.63% 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	3.59	First American Financial	2.69
Comerica Inc	3.19	Cushman & Wakefield	2.65
Western Alliance Bancorp	3.14	Celestica Inc	2.58
Zions Bancorp NA	2.84	Cullen/Frost Bankers Inc	2.35
Beacon Roofing Supply	2.83	Cadence Bank	2.21

\* Excludes 5.63% cash.

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

Source: FactSet

### Additions To Portfolio

Brucker Corporation	Capri Holdings Limited
Columbus McKinnon Corporation	GXO Logistics Inc
H&E Equipment Services, Inc.	Huntington Ingalls Industries, Inc.
John Bean Technologies Corporation	ManpowerGroup Inc.
Oshkosh Corp	

Source: FactSet

### Deletions From Portfolio

AMN Healthcare Services, Inc.	Axalta Coating Systems Ltd.
Chemours Co.	Evercore Inc. Class A
JELD-WEN Holding, Inc.	Janus International Group, Inc.
Kforce Inc.	Onto Innovation, Inc.
Patterson-UTI Energy, Inc.	Signet Jewelers Limited
Stride, Inc.	

Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### LEAD PORTFOLIO MANAGER



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

- 33 years investment management / financial analysis and accounting experience
- MBA, Harvard Business School, 1998
- BBA, Baylor University, 1991

### PORTFOLIO MANAGER



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

- 23 years financial services and accounting experience
- Masters in Accounting, Ohio State University, 2005
- BBA, Ohio State University, 2002, with Honors

### ANALYSTS



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

- 11 years financial analysis and accounting experience
- BBA, Baylor University, 2014, *cum laude*



**Earl Lee, CFA**  
**Vice President, U.S. Equity Analyst**

- 13 years investment management and financial analysis experience
- MBA, The University of Texas at Austin, 2012
- BS, Purdue University, 2007



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

- 2 year financial analysis experience
- BA, Vanderbilt University, 2023

### MACRO ANALYSIS



**Adam Rich, CFA**  
**Deputy CIO**  
**Portfolio Manager**

- 15 years investment management and research experience
- BS, Brigham Young University, 2010

### FACTOR ANALYSIS



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

- 3 years portfolio and risk analysis experience
- MBA, Texas A&M University, 2024
- BS, Texas A&M University, 2022



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

- 23 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: \$17.8 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 53 employees
- 25 investment team professionals
- 13 Chartered Financial Analyst designations
- 2 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 \$3.0 billion as of 12/31/24

## VAUGHAN NELSON EQUITY STRATEGIES

		Product Assets as of 12/31/2024
<b>Small Cap Value</b>	<ul style="list-style-type: none"> <li>• Benchmark against the Russell 2000® Value Index</li> <li>• Generally 55 to 85 positions</li> </ul>	\$4,507 MM
<b>Value Opportunity</b>	<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>	\$2,366 MM
<b>Select</b>	<ul style="list-style-type: none"> <li>• Benchmark against the S&amp;P 500 Index and Russell 3000® Index</li> <li>• Generally 20 to 40 positions</li> </ul>	\$6,996 MM
<b>Global SMID Cap</b>	<ul style="list-style-type: none"> <li>• Benchmark against the MSCI ACWI SMID Cap NR Index</li> <li>• Generally 40 to 80 positions</li> </ul>	\$191 MM
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>• Benchmark against the MSCI Emerging Markets NR Index</li> <li>• Generally 60 to 80 positions</li> </ul>	\$40 MM
<b>International</b>	<ul style="list-style-type: none"> <li>• Benchmark against the MSCI ACWI ex USA NR Index</li> <li>• Generally 25 to 35 positions</li> </ul>	\$26 MM

# SMALL CAP VALUE PORTFOLIO COMPOSITE RETURNS

December 31, 1999 through December 31, 2024

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

Year	Compos. Returns	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		Std. Dev.	MM-USD	\$MM-USD	\$MM-USD	3-Yr Anlzd	3-Yr Anlzd
2024	6.48%	5.42%	8.05%	62	0.18%	3,434	14,791	17,840	20.94%	23.44%
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. The three-year annualized standard deviation measures the variability of the composite (using gross-of-fee returns, and the benchmark returns over the preceding 36-month period). **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 12/31/24. 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 12/31/24. 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: 2024 - \$3.0 billion, 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 \$3.0 billion as of 12/31/24. This information is supplemental to the Small Cap Value GIPS Report.