

GLOBAL SMID CAP STRATEGY



1Q 2023 Strategy Fact Sheet

PERFORMANCE (%)

Past performance is no guarantee of future results.

	1Q 2023	1 Year	Since 6/30/2020
Portfolio (Gross)	7.12	-8.72	15.42
Portfolio (Net)	6.88	-9.54	14.39
MSCI ACWI SMID Cap Net Index	4.28	-9.44	9.54

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

Manager Commentary

Market Overview

Global equity markets generally produced positive returns during the 1st quarter, with the MSCI ACWI SMID Cap Index up 4.28% for the period. The top performing markets during the quarter were Mexico, Greece, the Czech Republic, and Taiwan. All but 12 of the markets represented in the ACWI SMID Cap index produced a positive return for the quarter.

Sequential growth is set to slow dramatically through the first half of 2023, with an earnings recession in the U.S. already underway. We are now seeing the typical banking stress that emerges at this point in the cycle, as borrowers' ability to service debt comes into question after a rapid increase in interest rates. With credit losses starting to rise and inflation decelerating, we believe the U.S. Federal Reserve hiking cycle is nearing its end; however, we will continue to see the incremental lagged effects of past rate hikes. In Europe, the European Central Bank will likely moderate the pace of interest rate hikes, but stubbornly high inflation may limit their ability to change paths, unless banking stress increases.

In the U.S., fiscal and monetary policy responses could at least partially offset negative impacts on profits from recessionary economic conditions, declining liquidity, and rising credit losses. However, the ability of policy responses to offset these challenges remains to be seen. Overall, the largest risk to the portfolio is a systemic credit event. Although that is not our base case at this time, we continue to watch global credit metrics closely to ensure the portfolio is positioned appropriately should such an event become more likely.

Portfolio Positioning

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

Contributors to Performance

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

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

1Q 2023 GLOBAL SMID CAP STRATEGY PORTFOLIO

Portfolio Characteristics

	Portfolio	MSCI ACWI SMID Cap Net Index
Number of Holdings	71	7,787
Wtd. Avg. Mkt. Cap (\$B)	6.66	8.97
Price/Book	2.57	1.71
Price/Cash Flow	9.66	7.39
P/E NTM	14.49	13.37
ROA (%)	7.70	6.08
ROE (%)	17.80	13.83
Dividend Yield (%)	1.57	2.29
Net Debt/Equity	0.53	0.90

Source: FactSet

Portfolio Sector Weightings (%)^{* 1}

	Portfolio	MSCI ACWI SMID Cap Net Index
Industrials	33.89	19.01
Financials	17.58	13.31
Information Technology	15.80	12.37
Consumer Discretionary	10.33	11.77
Materials	7.22	9.02
Health Care	7.19	9.19
Energy	3.25	4.06
Real Estate	2.92	7.47
Communication Services	1.82	4.32
Consumer Staples	-	4.96
Utilities	-	4.52

^{*} Excludes 5.92% cash. Due to rounding, totals may not equal 100%.

¹ Performance holdings subject to change.

Source: FactSet

Top Ten Holdings^{* 1}

	Country	Sector	% of Total Portfolio [*]
Insight Enterprises Inc	United States	Information Technology	3.13
Cboe Global Markets Inc	United States	Financials	2.94
Brown & Brown Inc	United States	Financials	2.91
WNS Holdings Ltd	India	Industrials	2.88
Element Solutions Inc	United States	Materials	2.82
FactSet Research Systems Inc	United States	Financials	2.29
Marlowe PLC	United Kingdom	Industrials	2.04
Avantor Inc	United States	Health Care	1.88
ExlService Holdings Inc	United States	Industrials	1.84
Diamondback Energy Inc	United States	Energy	1.79

^{*} Excludes 5.92% cash.

¹ Performance holdings subject to change.

Source: FactSet

Portfolio Geographic Weightings (%)^{*}

	Portfolio	MSCI ACWI SMID Cap Net Index
North America	61.50	55.12
Western Europe	19.76	17.58
Pacific Rim	14.67	21.73
Central Asia	2.88	2.07
South America	1.19	0.80
Africa	-	0.65
Eastern Europe	-	0.53
Middle East	-	1.52

^{*} Excludes 5.92% cash.

Source: FactSet

VAUGHAN NELSON EQUITY TEAM

PORTFOLIO MANAGERS



James Eisenman, CFA, CPA
Portfolio Manager

- Began his financial and accounting career in 2002
- Joined Vaughan Nelson in 2005
- Masters in Accounting, Ohio State University, 2005
- BBA, Ohio State University, 2002, with Honors



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
- LL.M., 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



Chris Wallace, CFA, CPA
CEO and CIO, Senior Portfolio Manager

- Began his financial, investment and accounting career in 1991
- Joined Vaughan Nelson in 1999
- MBA, Harvard Business School, 1998
- BBA, Baylor University, 1991

INTERNATIONAL RESEARCH



Masa Matsumura, Ph.D.
Vice President

- Began his financial and investment career in 2010
- Joined Vaughan Nelson in 2020
- MBA, The University of Chicago Booth School of Business, 2014
- Ph.D., University of Alabama at Birmingham, 2007
- MS, University of Alabama at Birmingham, 2005
- BS, University of Alabama at Birmingham, 2001



Zhongjie (Matt) Wang
Associate

- Began his financial analysis career in 2019
- MBA, Northwest University, 2022
- BA, University of Manitoba, 2016

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: \$14.2 Billion*
- Domestic equity, international equity, and fixed income strategies
- 48 employees
- 21 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 \$2.1 billion as of 3/31/23.*

VAUGHAN NELSON EQUITY STRATEGIES

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

OUR MISSION

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

GLOBAL SMID CAP PORTFOLIO COMPOSITE RETURNS

June 30, 2020 through March 31, 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 ACWI SMID Cap Net Index	No. of Ports.	Disp. At EOP (Std. Dev.)	Compos. Assets at EOP (MM-USD)	Total Firm Assets (ex. model assets) (\$MM-USD)	Entity Assets** (\$MM-USD)	Std Dev. Compos. (3-Yr Anlzd)	Std Dev. MSCI ACWI SMID Cap Net Index (3-Yr Anlzd)
YTD 2023	7.12%	6.88%	4.28%	5 or fewer	N/A	120	12,187	14,244	N/A	N/A
2022	-20.87%	-21.59%	-18.72%	5 or fewer	N/A	112	11,720	13,566	N/A	N/A
2021	29.31%	28.16%	16.24%	5 or fewer	N/A	114	13,490	15,481	N/A	N/A
2020*	35.34%	34.76%	30.41%	5 or fewer	N/A	9	12,690	14,052	N/A	N/A

NOTES AND DISCLOSURES

NOTES:

COMPOSITE DESCRIPTION. This composite is comprised of all fee paying, discretionary Global SMID portfolios in excess of \$1 million under management. Global SMID is defined as a company within the market capitalization range of the MSCI ACWI SMID Cap Net Index at the time of initial purchase. The benchmark is the MSCI ACWI SMID Cap Index. The index is a free-float-adjusted market capitalization index that is designed to measure small and mid cap equity market performance across 23 Developed and 26 Emerging Markets, as defined by MSCI. 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 6/30/20. **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.** Global SMID Cap Fee Schedule: .90% on the first \$10 million, .85% on the next \$15 million, .80% on the next \$25 million, .75% on the next \$50 million, .65% on amounts over \$100 million. **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 James Eisenman, Marco Priani, Kevin Ross, and Chris Wallis from 6/30/20. **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 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 12/31/22. 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 Global SMID Cap composite has had a performance examination for the periods 6/30/20 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.

* Partial year return. Inception date of 6/30/20.

** 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 \$2.1 billion as of 3/31/23. This information is supplemental to the Global SMID Cap GIPS Report.

