

GLOBAL SMID CAP STRATEGY



2Q 2023 Strategy Fact Sheet

PERFORMANCE (%)

Past performance is no guarantee of future results.

	2Q 2023	YTD	1 Year	Since 6/30/2020
Portfolio (Gross)	2.64	9.94	11.48	15.04
Portfolio (Net)	2.41	9.45	10.49	14.02
MSCI ACWI SMID Cap Net Index	3.34	7.76	12.49	9.91

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

Manager Commentary

Market Overview

Global equity markets produced mixed results for the second quarter, with a large spread between the best performing markets, some of which were up over 25% and the worst performing, with some markets down more than 10% for the quarter. The benchmark MSCI ACWI SMID Cap Index produced positive results, up 3.52% for the quarter.

Global growth continues to deteriorate as aggressive rate increases negatively impact economic fundamentals. In the U.S., the manufacturing and transport sectors are in a recession and the service sector is set to slow further. The level of increase in the unemployment rate will be a key factor influencing the depth and breadth of the economic slowdown. Offsetting the deteriorating economic environment are continued liquidity injections by the major non-U.S. central banks as well as the U.S. Federal Reserve's reverse repo facility, which has become the primary source of liquidity for rebuilding the U.S. Treasury's general account. This flood of liquidity has boosted equity markets and dampened fixed income volatility while compressing fixed income spreads.

Interest rate increases impact the economy with a lag of twelve months or more. As such, the global economy is still very early in adjusting to the current higher interest rate environment. Stress in the U.S. banking system continues to build and without a cut in interest rates, or suspension of quantitative tightening, we expect an increase in troubled banks and continued tightening in credit availability. To cut interest rates or suspend quantitative tightening, the Federal Reserve will need a better line of sight to reach their 2% inflation target. Inflation is set to stabilize at approximately 3.5% to 4.0% in the next few months, however the disinflationary conditions that have rapidly reduced inflation are abating. Leading inflation indicators are now signaling the possibility of rising inflation in early 2024. We expect the Federal Reserve to maintain the current tight monetary conditions until there is a material decline in financial conditions or the inflationary trend breaks through 3% with visibility to reaching the inflation objective.

Portfolio Positioning

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

Contributors to Performance

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

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

2Q 2023 GLOBAL SMID CAP STRATEGY PORTFOLIO

Portfolio Characteristics

	Portfolio	MSCI ACWI SMID Cap Net Index
Number of Holdings	72	7,827
Wtd. Avg. Mkt. Cap (\$B)	8.20	9.56
Price/Book	2.59	1.78
Price/Cash Flow	10.81	7.61
P/E NTM	15.31	13.77
ROA (%)	8.29	5.78
ROE (%)	18.13	13.17
Dividend Yield (%)	1.44	2.24
Net Debt/Equity	1.38	1.64

Source: FactSet

Top Ten Holdings* 1

	Country	Sector	% of Total Portfolio *
Brown & Brown Inc	United States	Financials	3.38
Insight Enterprises Inc	United States	Information Technology	3.09
Element Solutions Inc	United States	Materials	2.90
Cboe Global Markets Inc	United States	Financials	2.50
Fabrinet	Thailand	Information Technology	2.40
Tyler Technologies Inc	United States	Information Technology	2.22
Verisk Analytics Inc	United States	Industrials	2.17
FactSet Research Systems Inc	United States	Financials	2.14
Marlowe PLC	United Kingdom	Industrials	1.96
Bureau Veritas SA	France	Industrials	1.95

* Excludes 4.79% cash.

¹ Performance holdings subject to change.

Source: FactSet

Portfolio Sector Weightings (%)* 1

	Portfolio	MSCI ACWI SMID Cap Net Index
Industrials	30.97	19.27
Information Technology	20.90	12.87
Financials	15.18	13.39
Consumer Discretionary	11.24	11.75
Materials	6.85	8.47
Health Care	6.39	9.25
Energy	3.55	3.99
Real Estate	2.94	7.34
Communication Services	1.97	4.17
Consumer Staples	-	4.91
Utilities	-	4.58

* Excludes 4.79% cash. Due to rounding, totals may not equal 100%.

¹ Performance holdings subject to change.

Source: FactSet

Portfolio Geographic Weightings (%)*

	Portfolio	MSCI ACWI SMID Cap Net Index
North America	62.90	56.31
Western Europe	18.62	16.57
Pacific Rim	16.34	20.99
South America	1.10	0.96
Central Asia	1.05	2.44
Africa	-	0.56
Eastern Europe	-	0.52
Middle East	-	1.65

* Excludes 4.79% cash.

Source: FactSet

VAUGHAN NELSON EQUITY TEAM

PORTFOLIO MANAGERS



James Eisenman, CFA, CPA
Portfolio Manager

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

RESEARCH



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

- Began financial analysis and accounting career in 2014
- BBA, Baylor University, 2014, *cum laude*



Sundeep Khanna, CFA
Vice President, U.S. Equity Analyst

- Began investment management and financial analysis career in 2005
- BS, The University of Texas at Austin, 2005



Earl Lee, CFA
Associate, U.S. Equity Analyst

- Began investment management and financial career in 2012
- MBA, The University of Texas at Austin, 2012
- BS, Purdue University, 2007



Masa Matsumura, Ph.D.
Vice President

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

RESEARCH



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
Chief Risk Officer

- 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: \$15.2 Billion*
- Domestic equity, international equity, and fixed income strategies
- 49 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 \$2.3 billion as of 6/30/23.

VAUGHAN NELSON EQUITY STRATEGIES

Global SMID Cap

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

International Small Cap

- Benchmark against the MSCI EAFE Small Cap Index
- Generally 60 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

GLOBAL SMID CAP PORTFOLIO COMPOSITE RETURNS

June 30, 2020 through June 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 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	9.94%	9.45%	7.76%	5 or fewer	N/A	134	12,897	15,185	18.75%	18.16%
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 3/31/23. 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 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 \$2.3 billion as of 6/30/23. This information is supplemental to the Global SMID Cap GIPS Report.

