

GLOBAL SMID CAP STRATEGY



3Q 2022 Strategy Fact Sheet

PERFORMANCE (%)

Past performance is no guarantee of future results.

	3Q 2022	YTD	1 Year	Since 6/30/2020
Portfolio (Gross)	-7.73	-28.00	-21.34	10.82
Portfolio (Net)	-7.95	-28.50	-22.06	9.83
MSCI ACWI SMID Cap Net Index	-6.04	-26.85	-24.44	4.70

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

Manager Commentary

Market Overview

Global equity markets generally produced negative returns during the third quarter, with the MSCI ACWI SMID Cap index down 6.04%. Every developed market within the benchmark was negative for the quarter, while several emerging markets managed to produce positive returns, led by Turkey, India, and Brazil.

Equity markets were driven by exceptional U.S. dollar strength as the Federal Reserve tightens financial conditions by aggressively increasing interest rates and shrinking their Balance Sheet. Risk assets faced pressure from accelerating inflation, decelerating economic growth, and tightening financial conditions. The U.S. dollar accelerated the exportation of U.S. inflation to the rest of the world, forcing nearly all global central banks to follow the U.S. Federal Reserve in raising interest rates. To date, equity markets have repriced valuation multiples in line with the higher cost of capital but have not yet priced a potential earnings recession.

Markets will be influenced by the ongoing energy and capital shortages, which disproportionately impact Europe. There are no short-term solutions, but only tradeoffs driven by the political calendar and responses to crises. As these crises confront a developing global recession, with major central banks continuing to tighten, equity investors' underlying premise must be countries do not choose bankruptcy via austerity. Pivots by the Bank of England, the European Union Bank, the Bank of Japan, and the Bank of Korea support this premise as they reimplemented liquidity support.

Portfolio Positioning

Given the likelihood of recessions in Europe, the U.S., and others, we hold elevated levels of cash. Liquidity metrics continue to weaken and as companies face a deteriorating earnings environment for the next several quarters. Given the recent pivots by global central banks and the unsustainable interest rates in the U.S., it would not surprise us to see the Fed pivot as well. As such, we started to selectively deploy cash into new positions.

The strategy is overweight the United States, United Kingdom and underweight Canada, Switzerland, Sweden, and the Emerging Market countries. Positioning is primarily a function of bottom-up fundamental analysis and the most attractive risk adjusted returns.

Our largest overweight positions are Information Technology, Industrial and Financial sectors. Greatest underweights are in Real Estate, Utilities and Consumer Staples.

Contributors to Performance

For the quarter, the fund produced a negative absolute return and underperformed the ACWI SMID benchmark. At the country level, the largest detractor from the fund's performance was the United States, with the underperformance driven by stock selection within Health Care. The largest country level contributors to relative performance were France and Japan, with general stock selection as the driver.

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

3Q 2022 GLOBAL SMID CAP STRATEGY PORTFOLIO

Portfolio Characteristics*

	Portfolio	MSCI ACWI SMID Cap Net Index
Number of Holdings	67	7,873
Wtd. Avg. Mkt. Cap (\$B)	6.10	8.48
Price/Book	2.33	1.62
Price/Cash Flow	10.03	7.78
P/E NTM	12.03	11.34
ROA (%)	8.49	6.24
ROE (%)	18.41	13.98
Dividend Yield (%)	1.41	2.42
Net Debt/Equity	0.44	0.78

* This information is provided as supplemental to the Global SMID Cap GIPS Report. Source: FactSet

Top Ten Holdings* 1

	Country	Sector	% of Total Portfolio *
Brown & Brown Inc	United States	Financials	3.66
Insight Enterprises Inc	United States	Information Technology	3.31
Element Solutions Inc	United States	Materials	3.11
Cboe Global Markets Inc	United States	Financials	3.07
Tower Semiconductor Ltd	Israel	Information Technology	3.06
Marlowe PLC	United Kingdom	Industrials	3.04
FactSet Research Systems Inc	United States	Financials	2.81
WNS Holdings Ltd	India	Information Technology	2.55
Avantor Inc	United States	Health Care	2.28
FMC Corp	United States	Materials	2.10

¹ This information is provided as supplemental to the Global SMID Cap GIPS Report.

* Excludes 7.57% cash. Source: FactSet

Portfolio Sector Weightings (%)* 1

	Portfolio	MSCI ACWI SMID Cap Net Index
Industrials	26.58	17.43
Information Technology	22.01	12.87
Financials	18.77	13.97
Health Care	8.63	9.74
Materials	8.60	8.53
Consumer Discretionary	7.34	10.66
Energy	3.11	5.13
Communication Services	2.52	4.13
Real Estate	1.65	8.05
Consumer Staples	0.80	4.85
Utilities	-	4.64

* Excludes 7.57% cash. Due to rounding, totals may not equal 100%.

¹ Performance holdings subject to change. This information is provided as supplemental to the Global SMID Cap GIPS Report. Source: FactSet

Portfolio Geographic Weightings (%)*

	Portfolio	MSCI ACWI SMID Cap Net Index
North America	63.07	58.11
Western Europe	18.75	15.49
Pacific Rim	15.63	20.37
Central Asia	2.55	2.36
Africa	-	0.61
Eastern Europe	-	0.37
Middle East	-	1.77
South America	-	0.92

* This information is provided as supplemental to the Global SMID Cap GIPS Report. Excludes 7.57% 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: \$12.7 Billion*
- Domestic equity, international equity, and fixed income strategies
- 54 employees
- 22 investment team professionals
- 13 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 \$1.7 billion as of 9/30/22.

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 (6/30/2020 - 9/30/2022)

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 2022	-28.00%	-28.50%	-26.85%	5 or fewer	N/A	102	10,950	12,656	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 6/30/22. 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 12/31/21. 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: 2021 - \$2.0 billion, 2020 - \$1.4 billion.

* Partial year return. Inception date of June 30, 2020.

** 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 \$1.7 billion as of 9/30/22. This information is supplemental to the Global SMID Cap GIPS Report.

