

# EMERGING MARKETS OPPORTUNITIES STRATEGY

4Q 2021 Strategy Fact Sheet



## Performance (%)

|                            | 1 Year | 3 Years | 5 Years | 7 Years | Since 11/30/2013 |
|----------------------------|--------|---------|---------|---------|------------------|
| Portfolio (Gross)          | 12.36  | 11.28   | 8.40    | 6.15    | 5.41             |
| Portfolio (Net)            | 10.90  | 9.83    | 6.99    | 4.76    | 4.03             |
| MSCI EM SMID Cap Net Index | 12.33  | 13.00   | 10.32   | 6.17    | 5.11             |

All periods longer than 12 months are annualized. Performance data shown represents past performance and is not a guarantee of future results. See disclosures on last page. Source: GPS.

## Manager Commentary

### Market Overview

The Fourth quarter saw divergent performance within the emerging markets universe with notable underperformance coming from Turkey, Brazil, Russia, and Hong Kong. On the positive side, improvement was seen in the SE Asia market of the Philippines and Thailand as well as Taiwan.

With rising inflationary pressures becoming a political issue, the U.S. Federal Reserve began modestly reducing Quantitative Easing purchases and indicated interest rate increases are on the horizon. Inflationary pressures have peaked in the U.S. and emerging markets but continue to rise in Europe. Although upward pressure on inflation is easing, inflation remains at elevated levels and may limit monetary policy support going forward.

### Portfolio Positioning

As a result of buys, sells, and market action, from a country perspective, the portfolio is overweight the United Kingdom, Mexico, South Korea, Philippines, and Hong Kong. The portfolio is underweight China, Malaysia, Thailand, Saudi Arabia, and Turkey.

Through the fourth quarter, the portfolio is overweight Consumer Discretionary, Information Technology, Real Estate, and Industrials while underweight Financials, Materials, Health Care, Consumer Staples, Utilities, Communication Services, and Energy.

### Contributors to Performance

The portfolio delivered modest positive returns while marginally outperforming the benchmark. The fund increased by 0.88% compared to the MSCI Emerging Markets Small Mid Index's modest decrease of -0.02%. The best performing countries (total effect) were Mexico, Saudi Arabia, China, and India. The portfolio underperformed in the Philippines, South Korea, Thailand, and the UAE.

### Outlook

We anticipate increased opportunity in the Southeast Asia region, as economies are open and vaccination progress improves. Companies will benefit from industry supply chain improvement and a reduction in component tightness. We continue to avoid those companies that require an acceleration in global economic growth in order to generate our targeted return of 50%. We remain towards the top end of our targeted number of holdings (60-80) given the attractive opportunity set and compelling valuations that we see in many of our countries. Economic growth continues to slow, and we expect supporting data to become visible as we exit the first quarter and through the second quarter of 2022. As monetary policy becomes incrementally more restrictive it is important for inflationary pressures to ease faster than economic growth so that real growth can remain supportive of equity markets. Should economic growth slow faster than inflationary pressures, earnings estimates and equity valuations may come under pressure in the first half of 2022.

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

# 4Q 2021 EMERGING MARKETS OPPORTUNITIES STRATEGY STRATEGY PORTFOLIO

## Model Portfolio Attribution - 4Q 2021 (Gross Returns)

| S&P GICS SECTOR        | Portfolio     |             |                | MSCI EM SMID Cap Net Index |             |                | Variation |             |                | Attribution Analysis |                         |              |
|------------------------|---------------|-------------|----------------|----------------------------|-------------|----------------|-----------|-------------|----------------|----------------------|-------------------------|--------------|
|                        | Avg Wt        | Tot Ret     | Contrib to Ret | Avg Wt                     | Tot Ret     | Contrib to Ret | Avg Wt    | Tot Ret     | Contrib to Ret | Selection Effect     | Allocation+ Interaction | Total Effect |
| Communication Services | 4.79          | -1.19       | -0.06          | 4.92                       | 0.07        | -              | -0.12     | -1.25       | -0.05          | -0.04                | -                       | -0.04        |
| Consumer Discretionary | 16.72         | -2.45       | -0.51          | 11.64                      | -4.53       | -0.52          | 5.08      | 2.08        | 0.01           | 0.25                 | -0.16                   | 0.09         |
| Consumer Staples       | 6.06          | -7.09       | -0.37          | 7.21                       | -4.87       | -0.34          | -1.16     | -2.23       | -0.03          | -0.14                | 0.07                    | -0.06        |
| Energy                 | 1.17          | -2.81       | -0.03          | 2.63                       | -5.06       | -0.12          | -1.46     | 2.25        | 0.10           | 0.15                 | -0.06                   | 0.09         |
| Financials             | 7.50          | -2.64       | -0.22          | 13.28                      | 1.94        | 0.25           | -5.78     | -4.57       | -0.46          | -0.59                | 0.15                    | -0.44        |
| Health Care            | 4.67          | -1.35       | 0.01           | 7.85                       | -6.46       | -0.55          | -3.18     | 5.11        | 0.56           | 0.52                 | 0.01                    | 0.53         |
| Industrials            | 13.71         | -2.65       | -0.34          | 14.05                      | -1.09       | -0.13          | -0.34     | -1.56       | -0.21          | -0.20                | -                       | -0.20        |
| Information Technology | 24.71         | 9.46        | 2.19           | 16.66                      | 14.02       | 2.15           | 8.05      | -4.55       | 0.04           | -0.63                | 0.61                    | -0.02        |
| Materials              | 9.22          | -2.31       | -0.18          | 12.76                      | -2.45       | -0.32          | -3.54     | 0.14        | 0.14           | 0.03                 | 0.10                    | 0.13         |
| Real Estate            | 5.77          | 7.66        | 0.38           | 5.48                       | -5.75       | -0.33          | 0.29      | 13.41       | 0.70           | 0.75                 | -0.04                   | 0.71         |
| Utilities              | 3.17          | 5.83        | 0.19           | 3.50                       | 0.60        | 0.03           | -0.33     | 5.23        | 0.16           | 0.17                 | -0.02                   | 0.16         |
| Cash                   | 2.50          | 0.26        | 0.01           | -                          | -           | -              | 2.50      | 0.26        | 0.01           | -                    | 0.01                    | 0.01         |
| <b>Total</b>           | <b>100.00</b> | <b>1.06</b> | <b>1.06</b>    | <b>100.00</b>              | <b>0.11</b> | <b>0.11</b>    | <b>-</b>  | <b>0.95</b> | <b>0.95</b>    | <b>0.29</b>          | <b>0.66</b>             | <b>0.95</b>  |

The above information is intended to provide a summary of how Vaughan Nelson's strategy model performed over the referenced period. Client-specific portfolios may differ meaningfully from this summary due to client-directed portfolio constraints that may include, but are not limited to, tax considerations, socially responsible restrictions and sector/position limitations. See additional disclosures on last page. Factset Total Portfolio performance is holdings based and therefore the performance noted in attribution may differ slightly from reported performance. Source: FactSet.

## Portfolio Characteristics\*

|                             | Portfolio | MSCI EM SMID Cap Net Index |
|-----------------------------|-----------|----------------------------|
| Number of Holdings          | 81        | 2,482                      |
| P/E NTM                     | 11.52     | 12.16                      |
| Price/Cash Flow             | 1.99      | 6.72                       |
| Wtd. Avg. Mkt. Cap (\$B)    | 4.32      | 4.04                       |
| Est. 3-5 Yr. EPS Growth (%) | 24.52     | 23.95                      |
| Dividend Yield (%)          | 2.56      | 2.40                       |
| Net Debt/Equity             | 0.68      | 0.09                       |

\* This information is provided as supplemental to the Emerging Markets Opportunities Strategy GIPS Report. Source: FactSet

## Top Ten Holdings\* 1

|                                     | Country     | Sector          | % of Total Portfolio * |
|-------------------------------------|-------------|-----------------|------------------------|
| KB Financial Group Inc              | South Korea | Financials      | 1.84                   |
| WHA Corp PCL                        | Thailand    | Real Estate     | 1.83                   |
| Sobha Ltd                           | India       | Real Estate     | 1.66                   |
| Doosan Bobcat Inc                   | South Korea | Industrials     | 1.62                   |
| Genomma Lab Internacional SAB de CV | Mexico      | Health Care     | 1.60                   |
| ENN Natural Gas Co Ltd              | China       | Utilities       | 1.59                   |
| Media Nusantara Citra Tbk PT        | Indonesia   | Comm Svcs       | 1.57                   |
| SIS Ltd                             | India       | Industrials     | 1.57                   |
| Pakuwon Jati Tbk PT                 | Indonesia   | Real Estate     | 1.57                   |
| Powertech Technology Inc            | Taiwan      | Info Technology | 1.56                   |

1 This information is provided as supplemental to the Emerging Markets Opportunities Strategy GIPS Report.

\* Excludes 1.22% cash. Source: FactSet

## Risk Reward \*

|                          | Portfolio | MSCI EM SMID Cap Net Index |
|--------------------------|-----------|----------------------------|
| eta                      | 92        | 1.00                       |
| U@æ: ] ^\Uæcá [          | 0.41      | 0.50                       |
| Q)- [! { æcá [ } ÁUæcá [ | -0.39     | N/A                        |
| Ü-Ü~ ~æ!^á               | 0.93      | 1.00                       |
| Üæ } áæ!á!Ö^çæcá [ } (%) | 17.71     | 18.52                      |

\* Annualized -years ending 12/ 1/21. This information is provided as supplemental information to the International Small Cap GIPS Report. Source: FactSet

## Portfolio Sector Weightings (%)\* 1

|                        | Portfolio | MSCI EM SMID Cap Net Index |
|------------------------|-----------|----------------------------|
| Information Technology | 23.59     | 17.19                      |
| Consumer Discretionary | 18.89     | 11.73                      |
| Industrials            | 15.15     | 14.29                      |
| Materials              | 8.41      | 12.24                      |
| Real Estate            | 6.60      | 5.37                       |
| Financials             | 6.29      | 12.62                      |
| Consumer Staples       | 6.15      | 7.13                       |
| Health Care            | 5.65      | 8.15                       |
| Communication Services | 4.24      | 5.03                       |
| Utilities              | 2.84      | 3.66                       |
| Energy                 | 2.20      | 2.57                       |

\* Excludes 1.22% cash. Due to rounding, totals may not equal 100%.

1 Performance holdings subject to change. This information is provided as supplemental to the Emerging Markets Opportunities Strategy GIPS Report. Source: FactSet

## Portfolio Geographic Weightings (%)\*

|                      | Portfolio | MSCI EM SMID Cap Net Index |
|----------------------|-----------|----------------------------|
| Taiwan               | 17.77     | 19.04                      |
| India                | 16.18     | 17.10                      |
| South Korea          | 16.02     | 13.58                      |
| China/Hong Kong      | 12.56     | 13.51                      |
| Europe               | 9.41      | 6.25                       |
| Other Africa         | 5.25      | 5.56                       |
| Brazil               | 5.00      | 5.56                       |
| Other Asia           | 4.74      | 9.22                       |
| Mexico               | 4.65      | 2.27                       |
| Other Americas       | 3.43      | 1.17                       |
| Indonesia            | 3.14      | 1.93                       |
| Thailand             | 1.83      | 3.74                       |
| United Arab Emirates | -         | 1.07                       |

\* This information is provided as supplemental to the Emerging Markets Opportunities Strategy GIPS Report. Excludes 1.22% cash. Source: FactSet

## VAUGHAN NELSON INTERNATIONAL SMALL CAP EQUITY TEAM

### PORTFOLIO MANAGERS



**Marco Priani, CFA, CPA, FRM**  
**Senior Portfolio Manager - International Equity**

- 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 - International Equity**

- 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

### RESEARCH



**Masa Matsumura, Ph.D.**  
**Senior Equity Analyst - International Equity**

- 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

## 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: \$15.5 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 52 employees
- 19 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 \$2.0 billion as of 12/31/2021.

## VAUGHAN NELSON EQUITY STRATEGIES

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

## OUR MISSION

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

## Emerging Markets Opportunities Composite Returns (11/30/2013 - 12/31/2021)

| Year  | Composite (%)<br>(Gross) | Composite (%)<br>(Net) | Benchmark (%) | Number of Portfolios | Dispersion at End-of-Period<br>(Std Dev) | Composite Assets at End-of-Period<br>(\$MM-USD) | Total Firm Assets†<br>(ex. model assets)<br>(\$MM-USD) | Entity Assets***†<br>(\$MM-USD) | Std Dev. Composite (%)<br>(3-Yr Annlzd) | Std Dev. Benchmark (%)<br>(3-Yr Annlzd) |
|-------|--------------------------|------------------------|---------------|----------------------|--|---|--|---------------------------------|---|---|
| 2021  | 12.36                    | 10.90                  | 12.33         | 5 or fewer           | N/A                                      | 31  | 13,490   | 15,481                          | 20.20                                   | 21.37                                   |
| 2020  | 12.37                    | 10.89                  | 14.31         | 5 or fewer           | N/A                                      | 28  | 12,690   | 14,052                          | 21.78                                   | 22.75                                   |
| 2019  | 9.14                     | 7.72                   | 12.37         | 5 or fewer           | N/A                                      | 25  | 11,346   | 13,064                          | 13.39                                   | 13.08                                   |
| 2018  | -17.90                   | -19.01                 | -15.83        | 5 or fewer           | N/A                                      | 129   | N/A  | N/A                             | 13.97                                   | 14.12                                   |
| 2017  | 32.34                    | 30.63                  | 34.53         | 5 or fewer           | N/A                                      | 161   | N/A  | N/A                             | 13.74                                   | 14.53                                   |
| 2016  | 11.87                    | 10.41                  | 3.51          | 5 or fewer           | N/A                                      | 28  | N/A  | N/A                             | 14.40                                   | 14.72                                   |
| 2015  | -9.31                    | -10.52                 | -10.12        | 5 or fewer           | N/A                                      | 28  | N/A  | N/A                             | N/A                                     | N/A                                     |
| 2014  | 1.39                     | 0.07                   | -0.87         | 5 or fewer           | N/A                                      | 25  | N/A  | N/A                             | N/A                                     | N/A                                     |
| 2013* | -0.58                    | -0.69                  | -0.75         | 5 or fewer           | N/A                                      | 12  | N/A  | N/A                             | N/A                                     | N/A                                     |

\* Partial year.

\*\* 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 \$2.0 billion as of 12/31/2021. This information is presented as supplemental information to the Emerging Markets Opportunities 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.

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** Effective 10/1/2019, this composite is comprised of all fee-paying, discretionary Emerging Markets Opportunities 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 Emerging Markets Opportunities strategy at Advisory Research, Inc. The Emerging Markets Opportunities strategy primarily invests in non-U.S. equities and principally in emerging markets with a market capitalization generally within the range of the MSCI Emerging Markets SMID Cap Net Index. The MSCI Emerging Markets SMID Cap Net Index captures mid and small cap representation across 26 Emerging Markets countries. With 2,276 constituents, the index covers approximately 29% of the free float-adjusted market capitalization in each country. Emerging Markets Opportunities countries include Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. 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.** Emerging Markets Opportunities Fee Schedule: 1.10% on the first \$25 million, 1.00% on amounts over \$25 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 Marco Priani and Kevin Ross from 11/30/2013. Performance prior to 10/1/19 was generated by Messrs. Priani and Ross while employed by Advisory Research Inc.

**COMPOSITE NOTES.** Effective 10/1/19, 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 portfolio 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 12/31/1997 through 9/30/2021. 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 portfolio 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 11/30/2013 to 12/31/2020. 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, 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.



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