

# GLOBAL SMID CAP STRATEGY



## 4Q 2021 Strategy Fact Sheet

### PERFORMANCE (%)

	1 Year	Since 6/30/2020
Portfolio (Gross)	29.31	45.22
Portfolio (Net)	28.16	43.95
MSCI ACWI SMID Cap Net Index	16.24	31.96

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

Global equity markets generally produced positive returns during the fourth quarter with the MSCI ACWI SMID Cap index up 3.3%. During the quarter, large cap equities outperformed small cap equities in most regions. With rising inflationary pressures becoming a political issue, the U.S. Federal Reserve began modestly reducing their Quantitative Easing and provided forward guidance that 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.

Global 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.

#### Portfolio Positioning

As a result of buys, sells, and market action, from a country perspective, the portfolio is overweight the United Kingdom, Norway, Belgium, Germany, and the United States. The portfolio is underweight Taiwan, Canada, Switzerland, Sweden, and Japan.

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

#### Contributors to Performance

For the quarter, the portfolio produced a positive absolute return and outperformed the ACWI SMID benchmark. At the country level, the largest positive contributor to performance was the United States, where our holdings in Information Technology/Semiconductor related names performing particularly well. In addition, a large buildings products company significantly outperformed and drove Industrial sector outperformance. The largest country level detractor from relative performance was Germany, where a negative research report was issued on one of our IT Services Holdings, which resulted in a significant sell-off in the name.

Overall, we believe the portfolio is well positioned for the current environment, with a strong base of growthier companies with long term secular tailwinds balanced with holdings in companies that are well positioned to benefit from a normalization in economic activity levels over time.

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

## 4Q 2021 GLOBAL SMID CAP STRATEGY PORTFOLIO

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

S&P GICS SECTOR	Portfolio			MSCI ACWI 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	1.63	-2.46	-0.03	4.19	-3.70	-0.15	-2.57	1.25	0.11	0.08	0.13	0.21
Consumer Discretionary	8.79	13.47	1.06	12.00	-0.12	-0.03	-3.22	13.59	1.09	1.63	-0.38	1.25
Consumer Staples	3.06	-4.07	-0.11	4.31	-0.50	-0.01	-1.26	-3.56	-0.10	-0.12	0.02	-0.10
Energy	1.72	11.41	0.21	3.48	0.80	0.05	-1.76	10.61	0.16	0.37	-0.14	0.22
Financials	13.49	11.16	1.57	13.08	4.11	0.54	0.40	7.05	1.02	0.92	0.03	0.95
Health Care	14.98	2.07	0.30	9.82	-2.70	-0.23	5.15	4.77	0.54	0.51	-0.10	0.41
Industrials	21.92	14.51	3.08	17.33	4.86	0.81	4.59	9.66	2.27	1.61	0.49	2.10
Information Technology	20.47	11.88	2.35	15.24	7.42	1.06	5.23	4.46	1.29	0.67	0.50	1.17
Materials	7.48	11.36	0.86	8.29	5.08	0.42	-0.80	6.28	0.44	0.51	-0.05	0.46
Real Estate	3.75	-2.55	-0.04	8.41	7.26	0.61	-4.66	-9.82	-0.65	-0.83	0.27	-0.56
Utilities	-	-	-	3.72	8.13	0.31	-3.72	-8.13	-0.31	-	-0.18	-0.18
Cash	2.72	0.16	-	-	-	-	2.72	0.16	-	-	-0.09	-0.09
<b>Total</b>	<b>100.00</b>	<b>9.24</b>	<b>9.24</b>	<b>100.00</b>	<b>3.40</b>	<b>3.40</b>	<b>-</b>	<b>5.85</b>	<b>5.85</b>	<b>5.35</b>	<b>0.49</b>	<b>5.85</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 ACWI SMID Cap Net Index
Number of Holdings	71	7,887
Wtd. Avg. Mkt. Cap (\$B)	7.72	11.51
Price/Book	2.80	2.15
Price/Cash Flow	15.56	11.53
P/E NTM	16.95	15.76
ROA (%)	4.42	4.28
ROE (%)	8.58	8.54
Dividend Yield (%)	0.84	1.61
Net Debt/Equity	0.47	0.48

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

### Top Ten Holdings\*<sup>1</sup>

	Country	Sector	% of Total Portfolio *
Marlowe PLC	United Kingdom	Industrials	2.97
Insight Enterprises Inc	United States	Information Technology	2.86
Brown & Brown Inc	United States	Financials	2.83
Avantor Inc	United States	Health Care	2.82
Syneos Health Inc	United States	Health Care	2.74
Element Solutions Inc	United States	Materials	2.57
ExlService Holdings Inc	United States	Information Technology	2.55
Atea ASA	Norway	Information Technology	2.36
LPL Financial Holdings Inc	United States	Financials	2.24
Performance Food Group Co	United States	Consumer Staples	2.19

<sup>1</sup> This information is provided as supplemental to the Global SMID Cap GIPS Report. \* Excludes 2.19% cash. Source: FactSet

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

	Portfolio	MSCI ACWI SMID Cap Net Index
Industrials	22.95	17.44
Information Technology	21.72	14.68
Health Care	15.08	10.06
Financials	12.79	13.03
Consumer Discretionary	9.50	11.88
Materials	8.58	8.48
Real Estate	3.18	8.64
Consumer Staples	2.93	4.38
Energy	1.68	3.33
Communication Services	1.61	4.15
Utilities	-	3.92

\* Excludes 2.19% cash. Due to rounding, totals may not equal 100%.  
<sup>1</sup> 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	55.92	56.52
Western Europe	27.84	19.03
Pacific Rim	13.25	19.16
Middle East	1.88	1.47
Central Asia	1.12	1.93
Africa	-	0.58
Eastern Europe	-	0.55
South America	-	0.76

\* This information is provided as supplemental to the Global SMID Cap GIPS Report. Excludes 2.19% cash. Source: FactSet

## VAUGHAN NELSON GLOBAL SMID CAP EQUITY TEAM

### PORTFOLIO MANAGERS



**James Eisenman, CFA, CPA**  
**Lead Portfolio Manager - Global Equity Investments**

- 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 - International Equity Investments**

- Began his financial and investment career in 2001
- Joined Vaughan Nelson in 2019
- MBA, The University of Chicago-Graduate School of Business, 2005
- LLM, 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 Investments**

- 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 Wallis, CFA, CPA**  
**CEO and CIO**

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

### RESEARCH



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

- 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: 197
- 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.

## GLOBAL SMID CAP COMPOSITE RETURNS (6/30/2020 - 12/31/21)

Year	Composite (%) (Gross)	Composite (%) (Net)	Benchmark (%)	Number of Portfolios	Dispersion at End-of-Period (Std Dev)	Composite Assets at End-of-Period (\$MM-USD)	Total Firm Assets (ex. model assets) (\$MM-USD)	Entity Assets** (\$MM-USD)	Std Dev. Composite (3-Yr Annlzd)	Std Dev. Benchmark (3-Yr Annlzd)
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

\* 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 \$2.0 billion as of 12/31/2021. This information is supplemental to the Global SMID Cap GIPS Report.

### 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 6/30/2020.

**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 6/30/2020.

**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 12/31/1997 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 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 6/30/2020 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.