

# EMERGING MARKETS OPPORTUNITIES STRATEGY



## 4Q 2022 Strategy Fact Sheet

### Performance (%)

Past performance is no guarantee of future results.

	4Q 2022	1 Year	3 Years	5 Years	7 Years	Since 11/30/2013
Portfolio (Gross)	9.30	-10.81	4.04	0.18	5.90	3.49
Portfolio (Net)	9.01	-11.79	2.90	-1.00	4.62	2.21
MSCI EM SMID Cap Net Index	10.25	-17.11	2.10	0.14	4.95	2.39

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

### Manager Commentary

#### Market Overview

Global equity markets staged a rally during the fourth quarter driven by peaking inflationary conditions and the decline in the US dollar, a reversal from the bearish trends experienced during the year. Overall, annual decline in equity prices reflect the impact of higher interest rates increasing the cost of capital and depressing equity valuations. The next challenge is digesting declining earnings expectations for 2023, which we expect will occur during 1H23. The inflection point and recovery will be contingent on the interplay between the decline in inflation and whether the higher interest rates we have seen lead to excessive economic slowdown and ultimately a recession.

In November, following protests across China along with poor economic data for the month, China began loosening COVID restrictions in place for nearly three years. Beijing is signaling to Government officials that priority should be placed on improving economic activity. We believe there is material pent up demand in China which will boost consumption activity into 2023 and 2024. Further loosening of home purchase restrictions (lower down payment requirement and reduce Hukou permit), further reduction of mortgage rates and liquidity support for property developers to complete projects should support an improvement in consumer sentiment moving forward.

The concerns and macro themes discussed during the last several quarters remain relevant today and we do not yet see an inflection point in global economic activity in the foreseeable future. That said, we have strong conviction in the asymmetric payoffs of the names that we are adding to the portfolio on a medium-term multi-year time horizon. Starting valuations for EM equities are below historical levels and combined with undervalued currencies, we expect an improvement in EM equity returns in 2023.

#### Portfolio Positioning

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

#### Contributors to Performance

During the quarter, the Vaughan Nelson Emerging Markets SMID portfolio had a positive absolute and negative relative returns. Positive contributions from Consumer Discretionary, Consumer Staples, Materials, Energy, Health Care, and Communication Services were offset by Financials, Real Estate, Utilities, Information Technology, and Industrials.

## 4Q 2022 EMERGING MARKETS OPPORTUNITIES STRATEGY PORTFOLIO

### Portfolio Characteristics

	Portfolio	MSCI EM SMID Cap Net Index
Number of Holdings	84	2,521
P/E NTM	10.96	10.85
Price/Cash Flow	8.13	6.24
Wtd. Avg. Mkt. Cap (\$B)	3.82	3.44
Est. 3-5 Yr. EPS Growth (%)	12.74	15.72
Dividend Yield (%)	2.61	3.22
Net Debt/Equity	0.82	0.46

Source: FactSet

### Risk Reward\*

	Portfolio	MSCI EM SMID Cap Net Index
Beta	0.92	1.00
Sharpe Ratio	-0.06	-0.06
Information Ratio	0.01	N/A
R-Squared	0.94	1.00
Standard Deviation (%)	19.06	20.14

\* Annualized 5-years ending 12/31/2022.

Source: eVestment

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

	Country	Sector	% of Total Portfolio *
Ennoconn Corp	Taiwan	Information Technology	1.87
Osstem Implant Co Ltd	South Korea	Health Care	1.84
Samsonite International SA	Hong Kong	Consumer Discretionary	1.84
Tingyi Cayman Islands Holding Corp	China	Consumer Staples	1.81
Orion Corp/Republic of Korea	South Korea	Consumer Staples	1.72
WHA Corp PCL	Thailand	Real Estate	1.67
China Mengniu Dairy Co Ltd	Hong Kong	Consumer Staples	1.63
Tongcheng Travel Holdings Ltd	China	Consumer Discretionary	1.56
Chroma ATE Inc	Taiwan	Information Technology	1.55
Samsung Electro-Mechanics Co Ltd	South Korea	Information Technology	1.52

\* Excludes 3.07% cash.

<sup>1</sup> Performance holdings subject to change.

Source: FactSet

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

	Portfolio	MSCI EM SMID Cap Net Index
Information Technology	23.72	14.07
Industrials	15.31	15.06
Consumer Discretionary	12.93	12.34
Consumer Staples	12.28	7.72
Real Estate	8.60	5.31
Materials	5.81	12.00
Communication Services	5.18	4.77
Financials	5.17	13.21
Health Care	4.98	8.38
Energy	4.54	3.35
Utilities	1.49	3.73

\* Excludes 3.07% cash. Due to rounding, totals may not equal 100%.

<sup>1</sup> Performance holdings subject to change.

Source: FactSet

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

	Portfolio	MSCI EM SMID Cap Net Index
China/Hong Kong	20.91	15.38
India	16.57	17.42
South Korea	14.84	11.89
Taiwan	13.32	16.75
Europe	7.84	5.75
Brazil	7.29	5.34
Mexico	4.28	2.53
Other Africa	4.18	5.80
Other Americas	2.85	1.15
Indonesia	2.55	2.29
Other Asia	2.27	10.05
Thailand	1.67	4.34
United Arab Emirates	1.40	1.30

\* This information is provided as supplemental to the Emerging Markets Opportunities GIPS Report. Excludes 3.07% cash. Source: FactSet

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**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

### 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: \$13.6 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 53 employees
- 21 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 \$1.8 billion as of 12/31/22.

## 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

November 30, 2013 through December 31, 2022

Performance data shown represents past performance and is not a guarantee of, and not indicative of, future results.

Year	Composite		MSCI EM SMID Cap Net Index	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. MSCI EM SMID Cap Net Index (3-Yr Annlzd)
	(Gross)	(Net)								
2022	-10.81%	-11.79%	-17.11%	5 or fewer	N/A	32	11,720	13,566	21.17%	23.11%
2021	12.36%	11.14%	12.33%	5 or fewer	N/A	31	13,490	15,481	20.20%	21.37%
2020	12.37%	11.13%	14.31%	5 or fewer	N/A	28	12,690	14,052	21.78%	22.75%
2019	9.14%	7.77%	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

## 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 12/31/97 through 9/30/22. 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 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 11/30/13 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, 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.

\* Partial year. Inception date of 11/30/13.

\*\* 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 \$1.8 billion as of 12/31/22. 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.

