

EMERGING MARKETS OPPORTUNITIES



PERFORMANCE (%)

	YTD	1 Year	3 Years	5 Years	7 Years	Since 11/30/13
Portfolio (Gross)	16.79	53.39	9.62	10.38	5.28	6.32
Portfolio (Net)	16.05	51.45	8.19	8.95	3.90	4.93
MSCI Emerging Markets SMID Cap Net Index	16.30	53.48	10.70	11.15	5.45	5.94

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

The recovery in financial markets continued into the second quarter for our Emerging Markets universe driven by progress on vaccination rollouts and economic reopening, improvement in economic activities, particularly on the goods and manufacturing side, and supportive fiscal policies. The recovery in the services sector is lagging with renewed virus concerns related to the Delta Variant impacting travel and leisure sectors across our markets. Several EM countries launched new mobility restrictions including South Africa, Indonesia, Thailand, and Malaysia and more advanced economies including Japan and South Korea similarly increased their social distancing policies which in general will delay the second half recovery. The strategy remains underweight to SE Asia, which includes Thailand, Malaysia, Indonesia, and the Philippines, as we are seeing slow progress in vaccine rollouts. In addition, these countries are showing weak credit growth and have limited capacity for an aggressive fiscal response. The drag from no international inbound travel (which in the case of Thailand accounts for 12% of GDP) is also impacting growth and will continue to impede the recovery this year. We may see opportunities to deploy capital within these markets as we get closer to a full reopening and as the vaccine implementation progresses later this year and into 2022.

We have seen inflation in raw materials and logistics; however, end-consumer demand continues to be strong and there appears to be little resistance to passing through additional costs. From a portfolio standpoint, we have heard from companies across the board about supply shortages and rising raw material prices during the most recent earnings season. This extends from agricultural commodities to industrial metals, and from building products & housing materials to energy. Our focus has been to own the companies that have competitive advantages and strong market positions with cost plus pricing models so that they can maintain margins and take market share from smaller players with more exposure to rising cost pressures.

As we mentioned in prior quarterly communications, our longest leading indicators were starting to signal a potential slowdown in economic growth. During the most recent quarter, the long- and short-term leading indicators have confirmed a downturn in the growth rate. This downturn in the industrial cycle is underway globally, with China and the U.S. leading the slowdown. Our internal expectation is for economic growth to decline from the current unsustainably high levels and begin to moderate into the second half of the year. As industrial activity slows, the services side of the economy should remain healthy as the economy fully reopens, employment growth accelerates, and consumers continue to reduce their excess savings rate. Should the economic slowdown become too pronounced, the growth in the services economy may also slow, but this is a risk equity markets would not likely begin to discount until late 2021 to early 2022.

Portfolio Positioning

As a result of buys and sells and market action, our weightings in India, China, Brazil, South Africa increased during the quarter. The portfolio's weightings in Hong Kong, Taiwan, and Singapore decreased during the quarter.

From a sector perspective, our weightings in Health Care, Industrials, and Materials increased during the quarter. The portfolio's weightings in Information Technology, Real Estate, and Utilities decreased during the period.

Contributors to Performance

During the quarter, the portfolio experienced strong absolute performance which was 8.35% compared to the MSCI Emerging Markets Small Mid Index's increase of 10.38%. The best performing countries (total effect) were Brazil, India, Malaysia (our underweight position contributed), and Thailand (our underweight position contributed). The portfolio underperformed in Taiwan, Hong Kong, Mexico, and Indonesia. In Taiwan specifically, which detracted ~200bps, the strategy suffered from an under allocation to container shipping and steel companies which are experiencing record high container shipping rates and steel spreads in the short term. However, we do not see these elevated levels being sustained for our targeted time horizon of three years, particularly considering the slowdown in growth mentioned earlier. The portfolio continues to be overweight information technology and consumer discretionary while underweight to health care, financials, utilities, and consumer staples.

Outlook

We added 12 new companies and fully exited 11 during the quarter, which was busier than the first quarter. Most of the new names in the portfolio are Category A companies (undervalued earnings growth) which have structural growth tailwinds and self-help drivers which can ride through any economic volatility that may come in the quarters ahead. With reduced risk from the Coronavirus in Brazil and India, we have added several names after a sell-off during the early part of the quarter. In general, we think that it is becoming a bit more challenging for the Category B companies (undervalued assets) until we have more clarity that the economic slowdown is ending, and activities are reaccelerating again.

On the political front, we continue to be concerned about the rise of market adverse governments in Latin America. The Peru election, in which left wing candidate Pedro Castillo is leading in the vote count (although the official outcome is yet to be certified), is one example where the politics can cause immense volatility in the FX and equity markets. In Mexico, we did see the ruling coalition lose seats in the midterm elections which should make it more difficult to pass major legislative and constitutional reforms without the help of opposition parties. Turning to Brazil, Bolsonaro's popularity rating remains very low, and the recent scandal related to the purchase of COVID vaccines has caused an uptick in protests and unrest across the country ahead of an election which is taking place next year in October.

We remain towards the top end of our targeted number of names (60-80) given the attractive opportunity set and compelling valuations that we are seeing in many of our countries. Our portfolio should demonstrate improving earnings this year given the low COVID base from last year and cost reduction programs that have been implemented to improve the medium-term profitability levels. We are excited about the prospects for the portfolio for the second half of the year and believe it is well positioned for the uncertain months ahead, when the cumulative effects of the sizable stimulus measures will start being withdrawn.

"Investing is about offsetting future obligations, not just having market exposure."

2Q21 EMERGING MARKETS OPPORTUNITIES PORTFOLIO

MODEL PORTFOLIO ATTRIBUTION - 2Q21 (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	4.30	4.49	0.19	3.73	7.31	0.28	0.57	-2.82	-0.10	-0.12	-0.04	-0.16
Consumer Discretionary	15.51	8.05	1.26	12.34	10.89	1.35	3.18	-2.86	-0.09	-0.29	-0.13	-0.41
Consumer Staples	5.67	12.83	0.70	5.81	9.47	0.55	-0.14	3.38	0.15	0.19	-0.01	0.18
Energy	0.51	14.02	0.08	2.05	6.09	0.13	-1.53	7.93	-0.04	0.28	-0.17	0.11
Financials	6.97	7.89	0.54	10.38	8.56	0.91	-3.41	-0.67	-0.37	-0.06	0.09	0.02
Health Care	3.47	16.26	0.55	9.23	15.70	1.44	-5.76	0.55	-0.89	0.07	-0.30	-0.23
Industrials	14.52	14.08	1.97	15.33	18.63	2.75	-0.81	-4.50	-0.77	-0.60	-0.09	-0.70
Information Technology	23.37	7.54	1.67	17.63	6.67	1.22	5.74	0.91	0.44	0.12	-0.35	-0.22
Materials	15.17	14.95	2.20	12.70	15.79	1.96	2.47	-0.83	0.24	-0.02	0.01	-0.02
Real Estate	5.71	-7.66	-0.48	6.68	2.93	0.21	-0.96	-10.64	-0.69	-0.73	0.18	-0.56
Utilities	1.52	11.43	0.14	4.13	10.75	0.44	-2.61	1.95	-0.30	0.12	-0.18	-0.06
[Cash]	3.27	0.27	0.01	--	--	--	3.27	0.28	0.01	--	-0.36	-0.36
Total	100.00	8.83	8.83	100.00	11.25	11.25	--	-2.41	-2.41	-1.04	-1.36	-2.41

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. Source: FactSet. See additional disclosures on last page.

PORTFOLIO CHARACTERISTICS*

	Portfolio	MSCI EM SMID Cap Net Index
Number of Holdings	83	2,494
P/E NTM	11.45	12.54
Price/Cash Flow	8.25	7.21
Wtd. Avg. Mkt. Cap (\$B)	5.1	4.4
Est. 3-5 Yr. EPS Growth (%)	16.09	21.38
Dividend Yield (%)	2.44	2.00
Net Debt/Equity	0.01	0.95

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

RISK/REWARD*

	Portfolio	MSCI EM SMID Cap Net Index
Beta	0.92	1.00
Sharpe Ratio	0.52	0.54
Information Ratio	-0.15	N/A
R-Squared	0.93	1.00
Standard Deviation (%)	17.67	18.58

* Annualized 5-years ending 6/30/21. This information is provided as supplemental to the Emerging Markets Opportunities GIPS Report. Source: eVestment

TOP TEN HOLDINGS¹

	Country	Sector	% of Total Portfolio*
Yuanta Financial	Taiwan	Financials	1.68
KB Financial Group	South Korea	Financials	1.67
Fila Holdings	South Korea	Consumer Discretionary	1.61
Powertech Technology	Taiwan	Information Technology	1.56
Fairfax India Holdings	Canada	Financials	1.55
Hindalco Industries	India	Materials	1.54
Redington India	India	Information Technology	1.52
WH Group	Hong Kong	Consumer Staples	1.51
Elite Material	Taiwan	Information Technology	1.51
Finolex Industries	India	Materials	1.48

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

* Excludes 1.75% cash. Source: FactSet

PORTFOLIO SECTOR WEIGHTINGS (%)¹

	Portfolio	MSCI EM SMID Cap Net Index
Information Technology	24.95	15.58
Consumer Discretionary	15.34	12.26
Industrials	15.14	15.38
Materials	14.08	12.58
Financials	6.98	12.42
Consumer Staples	6.00	7.29
Real Estate	4.60	5.26
Communication Services	4.50	4.69
Health Care	4.32	8.79
Utilities	2.30	3.24
Energy	1.78	2.50

* Excludes 1.75% cash. Due to rounding, totals may not equal 100%.

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

PORTFOLIO GEOGRAPHIC WEIGHTINGS (%)^{*}

	Portfolio	MSCI EM SMID Cap Net Index
South Korea	17.63	14.46
Taiwan	16.91	18.79
China/Hong Kong	16.41	14.68
India	14.63	13.64
Europe*	10.61	6.87
Brazil	9.94	7.34
Other Africa*	3.81	5.44
Mexico	3.72	2.77
Other Americas*	2.93	1.61
Indonesia	2.36	1.47
Other Asia*	1.04	8.75
Thailand	0.00	3.48
United Arab Emirate	0.00	0.68

* This information is provided as supplemental information to the Emerging Markets Opportunities GIPS Report. Excludes 1.75% cash. Source: FactSet

VAUGHAN NELSON 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
- LLM, Northwestern University School of Law, 2006
- MSF, Universidad Del CEMA, 1999
- JD, Universidad De Buenos Aires-School of Law, *magna cum laude*, 1987



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: \$15.1 Billion*
- Domestic equity, international equity, and fixed income strategies
- 48 employees
- 20 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 \$1.7 billion as of June 30, 2021.

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.

Emerging Markets Opportunities Composite Returns (11/30/13 - 6/30/21)

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)
YTD 2021	16.79%	16.05%	16.30%	5 or fewer	N/A	34	13,410	15,114	20.75%	22.21%
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 \$1.7 billion as of June 30, 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.

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 11/30/13. 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 3/31/21. 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 12/31/20. 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.



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