

## 3Q21 STRATEGY FACT SHEET

# SMALL CAP VALUE

### PERFORMANCE (%)

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since 12/31/99
Portfolio (Gross)	-1.53	19.91	53.50	10.89	11.09	10.65	14.37	14.06
Portfolio (Net)	-1.78	19.04	52.08	9.80	9.99	9.56	13.24	12.97
Russell 2000® Value Index	-2.98	22.92	63.92	8.58	11.03	10.19	13.22	9.88

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

### MANAGER COMMENTARY

#### Market Overview

U.S. equity markets were led by larger capitalization stocks in the third quarter with the S&P 500 rising 0.58% and the Russell 2000 Value falling -2.98%. International equity markets were also mixed with the MSCI EAFE declining -1.03%. Returns were mixed in the third quarter as global equity markets grapple with slowing economic growth, rising energy prices, material supply chain disruptions offset by falling Covid cases and improving employment conditions. Global economic growth continues to moderate with particular weakness emanating from China. China has long been the engine of global growth, but with China's policy focused on rebalancing its domestic economy the world will have to look elsewhere for economic leadership.

As Covid cases began to decline late in the third quarter, markets embraced risk by boosting economically sensitive sectors and increasing sovereign interest rates globally. Economic growth continues to be hindered by supply chain disruptions, low inventories, and rising commodity prices. As we move into 2022, markets should start to get a glimpse of what the new "post Covid normal" looks like and to what extent inflation will be transitory. There is some solace in the fact the inflationary cycle is now in a growth downturn, but such a downturn is no guarantee that inflation will be as low as it was for the last decade. Globally, there are significant geopolitical, demographic, and industry shifts underway that will materially change supply chains, trade flows, inflationary pressures, and currency flows. These shifts will become more apparent as we move through 2022 and could materially impact asset prices.

#### Portfolio Positioning

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

#### Contributors to Performance

During the quarter, the portfolio experienced negative absolute and positive relative performance. Positive contributions from Healthcare, Communication Services, Industrials, Consumer Discretionary, and Energy offset by negative contributions from Materials, Real Estate, Information Technology, Financials, Consumer Staples, and Utilities.

## 3Q21 SMALL CAP VALUE PORTFOLIO

### MODEL PORTFOLIO ATTRIBUTION - 3Q21 (GROSS RETURNS)

S&P GICS SECTOR	Portfolio			Russell 2000® Value			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	3.17	0.65	0.04	4.08	-16.09	-0.76	-0.91	16.74	0.80	0.82	-0.07	0.76
Consumer Discretionary	8.81	-0.06	-0.13	8.17	-8.34	-0.69	0.63	8.28	0.56	0.75	-0.10	0.65
Consumer Staples	4.81	-7.35	-0.33	2.80	-4.45	-0.13	2.01	-2.90	-0.20	-0.07	-0.08	-0.15
Energy	4.56	5.50	0.25	6.18	2.91	0.16	-1.61	2.59	0.09	0.18	-0.14	0.04
Financials	15.69	4.26	0.68	25.91	1.96	0.52	-10.22	2.30	0.15	0.61	-0.76	-0.15
Health Care	8.78	4.08	0.37	11.17	-6.68	-0.75	-2.39	10.76	1.12	1.22	-0.30	0.92
Industrials	22.39	0.64	0.12	15.15	-3.46	-0.52	7.24	4.10	0.65	0.63	0.15	0.78
Information Technology	17.34	-4.59	-0.89	5.39	-4.79	-0.25	11.95	0.20	-0.64	0.00	-0.22	-0.22
Materials	7.65	-11.84	-1.04	4.71	-5.30	-0.26	2.95	-6.54	-0.78	-0.34	-0.23	-0.57
Real Estate	0.82	-8.45	-0.23	11.38	-0.92	-0.10	-10.57	-7.53	-0.12	-1.16	0.83	-0.33
Utilities	2.76	-6.48	-0.22	4.88	-4.46	-0.22	-2.12	-2.02	-0.00	-0.11	0.04	-0.07
[Cash]	3.23	0.01	0.00	--	--	--	3.23	0.01	0.00	--	-0.03	-0.03
<b>Total</b>	<b>100.00</b>	<b>-1.39</b>	<b>-1.39</b>	<b>100.00</b>	<b>-3.00</b>	<b>-3.00</b>	<b>--</b>	<b>1.61</b>	<b>1.61</b>	<b>2.53</b>	<b>-0.92</b>	<b>1.61</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. Source: FactSet.

### PORTFOLIO CHARACTERISTICS\*

	Portfolio	Russell 2000® Value Index
No. of Holdings	65	1,429
Wtd. Avg. Mkt. Cap (\$B)	6.0	2.9
Price/Book	2.47	1.47
Est. 3-5 Yr. EPS Growth	13.05	12.67
P/E NTM	13.75	12.95
ROA (%)	3.31	-1.58
ROE (%)	7.08	-1.02
Dividend Yield (%)	0.92	1.60

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

### RISK/REWARD\*

	Portfolio	Russell 2000® Value Index
Beta	0.85	1.00
Sharpe Ratio	0.51	0.45
Information Ratio	0.01	N/A
R-Squared	0.93	1.00
Standard Deviation (%)	19.51	22.20

\* Annualized 5-years ending 9/30/21. This information is provided as supplemental to the Small Cap Value GIPS Report. Source: eVestment.

### PORTFOLIO SECTOR WEIGHTINGS (%)\*

	Portfolio	Russell 2000® Value Index
Industrials	24.39	14.77
Financials	18.70	26.46
Information Technology	15.64	5.39
Health Care	8.77	11.19
Consumer Discretionary	8.57	7.99
Materials	7.02	4.53
Energy	5.57	7.05
Consumer Staples	5.05	2.77
Communication Services	3.51	4.25
Utilities	2.78	4.61
Real Estate	0.00	10.98

\* Excludes 1.67% cash. Due to rounding, totals may not equal 100%. This information is provided as supplemental to the Small Cap Value GIPS Report. Source: FactSet

### TOP TEN HOLDINGS\*

	% Total Portfolio
Insight Enterprises	3.30
Element Solutions	3.29
ExlService	2.84
Syneos Health Class A	2.72
LPL Financial	2.68
ASGN	2.65
Molina Healthcare	2.64
International Game Technology	2.53
CACI International Class A	2.23
Federal Signal	2.13

\* Excludes 1.67% cash. Performance holdings subject to change. This information is provided as supplemental to the Small Cap Value GIPS Report. Source: FactSet

### ADDITIONS TO PORTFOLIO

Advanced Energy Industries
Ichor
Landstar System
South State
Ultra Clean Technologies
United Bankshares
United Community Banks
Watsco
WNS Holdings

### DELETIONS FROM PORTFOLIO

Arconic	Spirit Airlines
Axalta Coating Systems	Sunstone Hotel Investors
ChampionX	Switch
DXC	Tower SemiConductor
Jabil	Trinity Industries

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**Chris Wallis, CFA, CPA**  
CEO and CIO, Lead Senior Portfolio Manager

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



**Stephen Davis, CFA**  
Portfolio Manager

- Began his investment career in 2005
- Joined Vaughan Nelson in 2010
- BA, Rice University, 2005, *cum laude*

### RESEARCH TEAM



**Benjamin Carrier, CFA**  
Equity Analyst

- Began financial and investment career in 2014
- Joined Vaughan Nelson in 2016
- BBA, Baylor University, 2014, *cum laude*



**Tyler Fry, CFA**  
Equity Analyst

- Began investment career in 2014
- Joined Vaughan Nelson in 2016
- BBA, Southern Methodist University, 2014
- BS, Southern Methodist University, 2014



**Sundeep Khanna, CFA**  
Vice President - Equity Investments

- Began investment career in 2004
- Joined Vaughan Nelson in 2020
- BS, The University of Texas, 2005



**Adam Rich, CFA**  
Vice President - Equity Investments

- Began investment career in 2010
- Joined Vaughan Nelson in 2016
- BS, Brigham Young University, 2010



**Corrine Richter**  
Equity Analyst

- Began financial and investment career in 2021
- Joined Vaughan Nelson in 2021
- MSA, Brigham Young University, 2021

## 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: \$15.2 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 49 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 \$1.8 billion as of 9/30/2021.

### VAUGHAN NELSON EQUITY STRATEGIES

#### Select

- Benchmark against the Russell 3000® Index and S&P 500 Index
- Generally 20 to 40 positions

#### Value Opportunity

- Benchmark against the Russell Midcap® Value Index and Russell 2500™ Value Index
- Generally 55 to 75 positions

#### Small Cap Value

- Benchmark against the Russell 2000® Value Index
- Generally 55 to 85 positions

#### International Small Cap

- Benchmark against the MSCI EAFE Small Cap Index
- Generally 60 to 80 positions

#### Emerging Markets

- Benchmark against the MSCI Emerging Markets SMID Index
- Generally 60 to 80 positions

#### Global SMID Cap

- 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.

## SMALL CAP VALUE PORTFOLIO COMPOSITE RETURNS (12/31/99 - 9/30/21)

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 Anizd)	Std Dev. (%) Benchmark 3-Yr Anizd
YTD 2021	19.91	19.04	22.92	66	N/A	2,276	13,398	15,154	23.68	26.61
2020	9.82	8.60	4.63	64	1.16%	2,571	12,690	14,052	23.18	26.12
2019	25.95	24.64	22.39	72	0.35%	2,712	11,346	13,064	14.18	15.68
2018	-13.59	-14.47	-12.86	87	0.38%	2,663	10,078	11,425	14.15	15.76
2017	7.77	6.71	7.84	101	0.21%	3,780	11,675	13,172	12.78	13.97
2016	21.37	20.18	31.74	109	0.86%	3,944	11,572	12,912	13.69	15.50
2015	0.99	-0.01	-7.47	102	0.18%	3,135	11,316	12,469	12.12	13.46
2014	10.12	9.02	4.22	95	0.16%	3,783	9,943	11,057	10.76	12.79
2013	40.39	39.02	34.52	100	0.36%	3,933	9,243	10,258	14.48	15.82
2012	16.26	15.16	18.05	96	0.28%	2,902	7,273	8,071	17.60	19.89
2011	-2.54	-3.48	-5.50	102	0.19%	2,801	6,876	7,667	20.89	26.05
2010	25.20	23.97	24.50	111	0.31%	3,133	7,050	7,965	22.91	28.37
2009	30.36	29.09	20.58	93	0.66%	2,491	6,757	7,690	20.31	25.62
2008	-21.57	-22.37	-28.92	95	0.52%	1,711	5,761	6,642	16.69	19.14
2007	7.31	6.25	-9.78	109	0.29	1,840	6,637	8,176	10.68	12.59
2006	20.00	18.82	23.48	35	0.47	580	5,218	6,711	11.26	12.33
2005	11.81	10.71	4.71	23	0.31	234	4,120	4,688	14.60	14.09
2004	20.11	18.93	22.25	12	0.12	73	3,446	3,617	18.12	17.51
2003	53.27	51.79	46.03	9	0.29	61	3,246	3,274	19.57	18.42
2002	-6.80	-7.74	-11.43	Fewer than 5	N/A	7	3,470	3,471	20.42	17.39
2001	5.93	4.99	14.03	Fewer than 5	N/A	8	N/A	4,247	18.37	14.65
2000	57.55	56.65	22.83	Fewer than 5	N/A	7	N/A	3,955	19.81	16.61

\* 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 9/30/2021. This information is supplemental to the Small Cap Value GIPS Report. Source: FactSet

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Small Capitalization Value portfolios in excess of \$1 million under management. Small Capitalization is defined as a company within the market capitalization range of Russell 2000® Value Index. The benchmark is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics. Frank Russell Company ("Russell") is the source and owner of Russell Index data contained herein. Any further dissemination of the data is strictly prohibited. Russell is not responsible for any inaccuracy in this presentation. The composite creation and inception date is April 1997.

**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.** Small Capitalization Value Fee Schedule: 1.00% on the first \$25 million, .85% on the next \$25 million, .75% on the remainder.

**OTHER NOTES.** 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 portfolios 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 Chris Wallis and Stephen Davis from 12/31/2018; Chris Wallis, Scott Weber, Dennis Alff and Chad Fargason from 9/30/2013; and Chris Wallis and Scott Weber from 6/30/2004; and Chris Wallis since 1999.

**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.

### DISCLOSURES - cont.

**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. No composite accounts hold foreign denominated securities. 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 6/30/2021. 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 Select composite has had a performance examination for the periods 1/1/1998 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: 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, 2012 - \$798 million, 2011 - \$791 million, 2010 - \$915 million, 2009 - \$933 million, 2008 - \$881 million, 2007 - 1,539 million, 2006 - \$1,493, 2005 - \$568 million, 2004 - \$171 million, 2003 - \$28 million, 2002 - \$1 million.



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