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# Plymouth County Retirement Association

**January 25, 2022**

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# WHY VAUGHAN NELSON

# WHY VAUGHAN NELSON

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What Makes Us Different

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



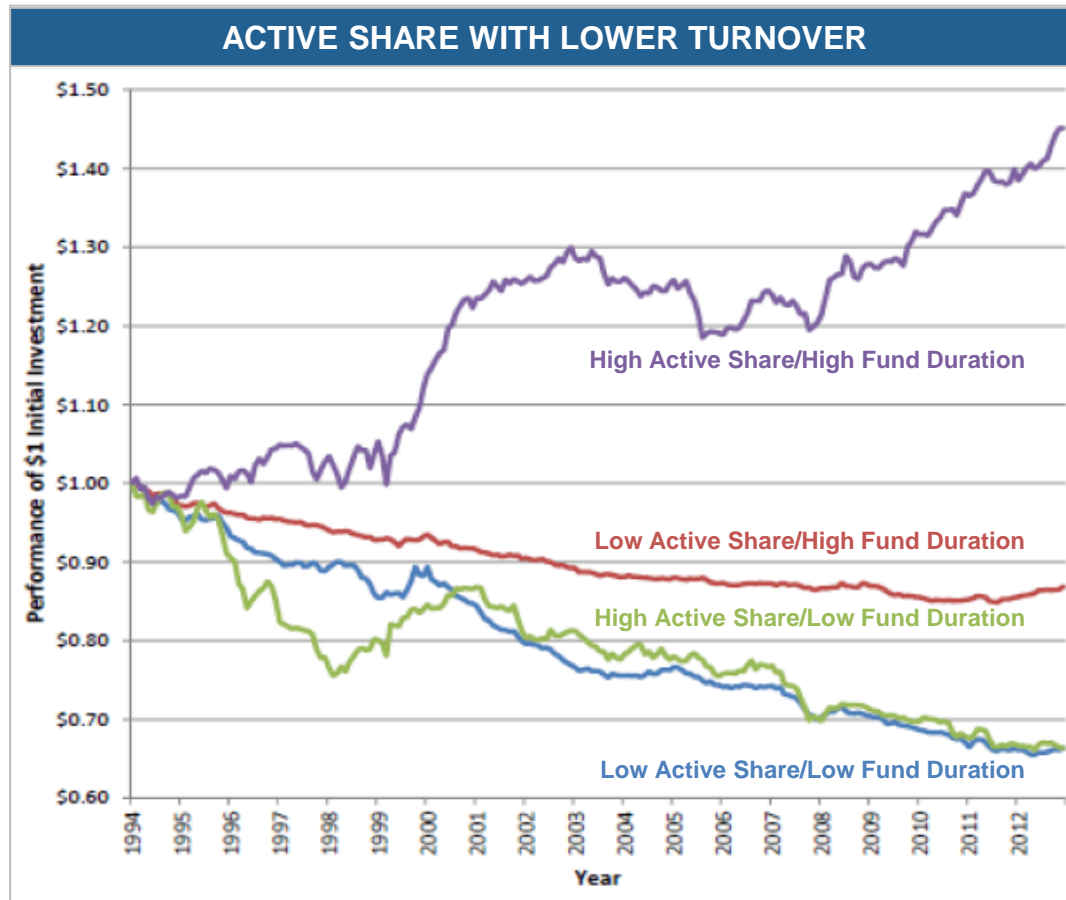
We focus on a targeted return. We seek investments which we believe to have the ability to generate a 50% return over three years.



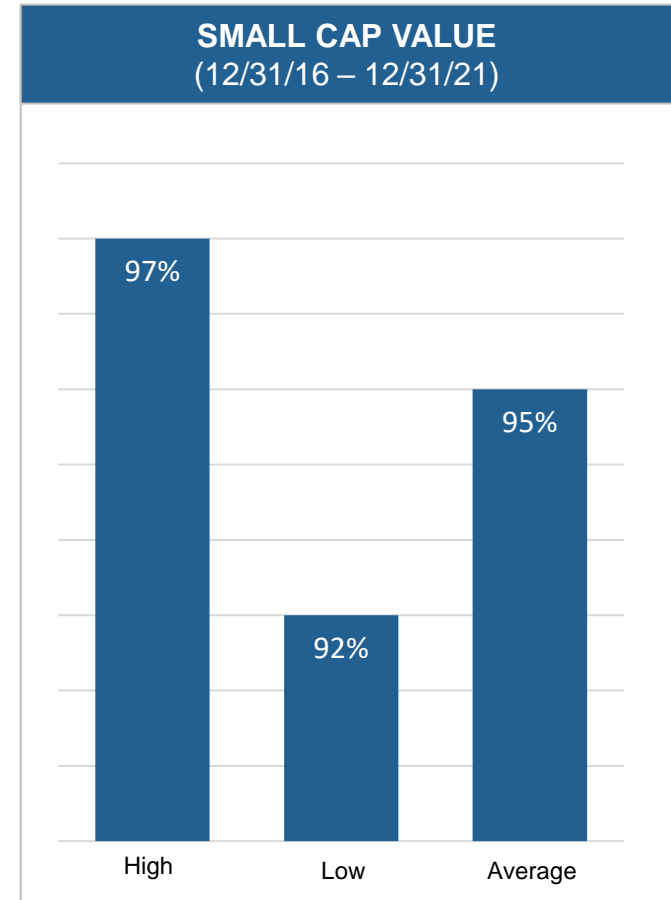
We trade time for value. A longer time horizon allows us to exploit short term volatility and poor short-term price discovery.

# WHY VAUGHAN NELSON

## High Active Share Portfolios



Source: Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently, by Martijn Cremers, University of Notre Dame and Ankur Pareek Rutgers Business School, September 2014.

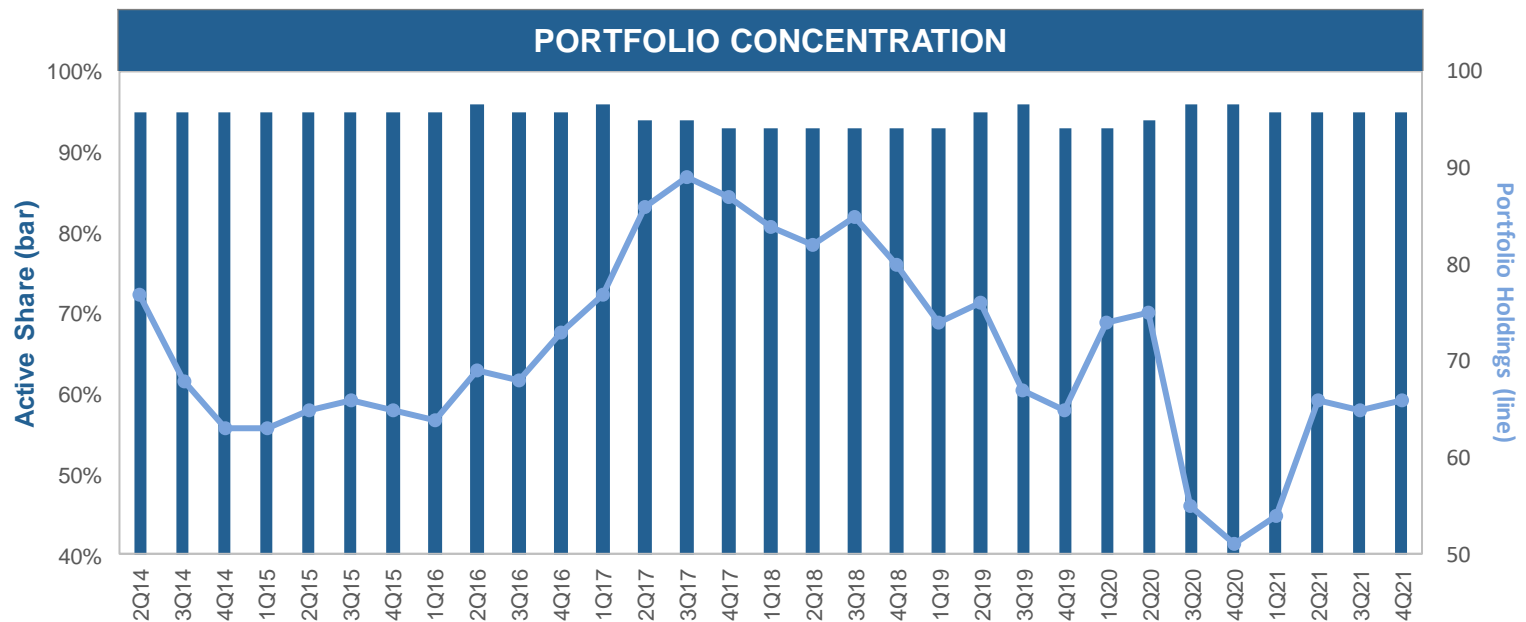


Source: FactSet

# WHY VAUGHAN NELSON

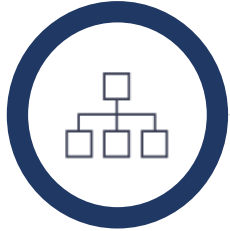
## Small Cap Value Concentration and Active Share

- ▶ **Small Cap Value typically holds between 55 and 85 names**
  - Risk procedures ensure Small Cap Value's factor diversification is comparable to broad market indices
- ▶ **Benefits of concentration**
  - Portfolio reflects high conviction idea generation
  - Companies with strong positive risk/reward asymmetry
  - What you own is as important as what you do not
  - High active share is an output of the process



# FIRM OVERVIEW

# FIRM OVERVIEW



## ORGANIZATION

Founded 1970

\$15.5\* billion under management as of 12/31/2021

Domestic equity, international equity, and fixed income strategies



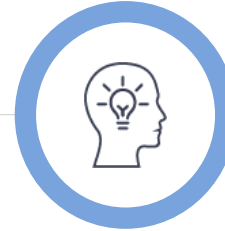
## PEOPLE

52 employees

19 investment team professionals

12 Chartered Financial Analyst designations

3 Ph.D.s



## PHILOSOPHY

Temporary inefficiencies create long-term opportunities

Flexible, holistic, disciplined approach



## PROCESS

Stock selection driven by targeted return objective, not benchmark construction

Rigorous, bottom-up fundamental analysis

Construct of the macro environment in effort to minimize macro uncertainty

\* 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.



# FIRM OVERVIEW

## 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

# FIRM OVERVIEW

## Representative List of Institutional Clients

NON-PROFIT	Board of Higher Education, United Methodist Church Hamill Foundation Methodist Hospital Roman Catholic Diocese of Orange Texas Medical Association The Community Foundation of Louisville Trull Foundation University of Dallas Wortham Foundation
PUBLIC	Austin Fire Fighters Relief and Retirement Fund Cobb County Employees' Retirement System Florida State Board of Administration Gwinnett County Public Employees Retirement System Teacher Retirement System of Texas
CORPORATE	Baxter International Bristol-Myers Squibb Hess Corporation Principal Global Investors Stewart Title

*It is not known whether the listed clients approve or disapprove of the advisor or the advisory services provided. This is a list of institutional clients whose investment management is a matter of public record, selected because it was believed that their names would be recognized by prospective clients, without regard to performance-based criteria.*

# FIRM OVERVIEW

## Equity Investment Team

Portfolio Manager	Title	Primary Strategy	Investment Experience	Joined Firm
Scott Weber, CFA	Lead Senior Portfolio Manager	Select	26 Years	2003
Dennis Alff, CFA	Lead Senior Portfolio Manager	Value Opportunity	25 Years	2006
Chad Fargason, Ph.D.	Senior Portfolio Manager	Value Opportunity	22 Years	2013
Chris Wallis, CFA, CPA	CEO, CIO, Lead Senior Portfolio Manager	Small Cap Value	30 Years	1999
Stephen Davis, CFA	Portfolio Manager	Small Cap Value	17 Years	2010
James Eisenman, CFA, CPA	Lead Portfolio Manager	Global SMID	20 Years	2005
Marco Priani, CFA, CPA	Senior Portfolio Manager	International Small Cap, Emerging Markets	21 Years	2019
Kevin Ross, CFA	Senior Portfolio Manager	International Small Cap, Emerging Markets	16 Years	2019

Research	Title	Investment Experience	Joined Firm
Benjamin Carrier, CFA	Equity Analyst	8 Years	2016
Tyler Fry, CFA	Equity Analyst	8 Years	2016
Sundeep Khanna, CFA	Vice President, Equity Investments	17 Years	2020
Masa Matsumura, Ph.D.	Senior International Equity Analyst	12 Years	2020
Adam Rich, CFA	Vice President, Equity Investments	12 Years	2016
Corrine Richter	Equity Analyst	1 Year	2021
William Wojciechowski, Ph.D.	Manager, Portfolio & Risk Analytics	20 Years	2007

Trading	Title	Investment Experience	Joined Firm
Allyson Percy	Head Equity Trader	24 Years	1999
J. D. Michael	Senior Equity Trader	29 Years	2006

# INVESTMENT PROCESS

# INVESTMENT PROCESS

## Three Ways to Achieve 50% Return Over Three Years

### 1 Undervalued Earnings Growth

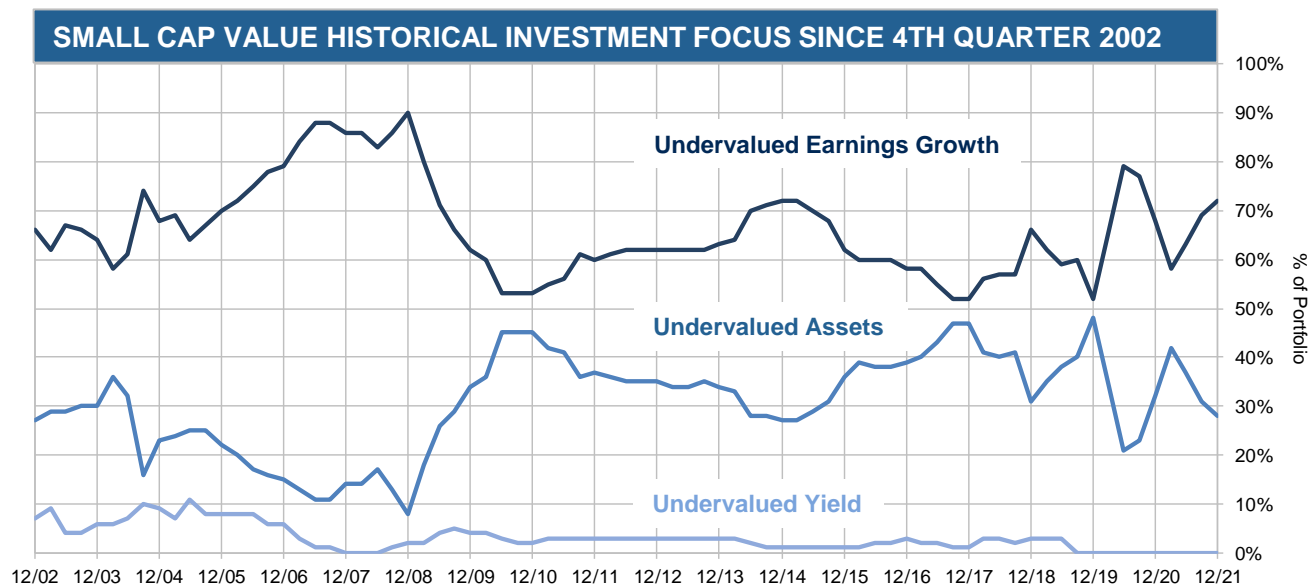
- Future redeployment of capital is not reflected in current valuation

### 2 Undervalued Asset

- Asset priced at a significant discount
- Identified catalyst to close valuation gap

### 3 Undervalued Dividend Yield

- High secure dividend yield, typically +10%



Weightings as of 12/31/21.

# INVESTMENT PROCESS

## Undervalued Earnings Growth

### ▶ Undervalued Earnings Growth observed characteristics

- Earnings growth from prior investments and redeployment of future earnings is not reflected in the current valuation
  - Management team with strong capital allocation track record
  - Earn same to higher rate of return on redeployed earnings avoiding multiple compression
  - Redeployment can be organic or inorganic
  - End markets have sufficient growth to absorb capital deployed without escalating competitive pressures
  - Management understands limit of reinvestment and has other means and willingness to return excess cash to shareholders
  - Corporate hurdle rates for projects are not in conflict with Vaughan Nelson's return objective

### ▶ Identifying Undervalued Earnings Growth

- Maintain a database of target companies across sectors
- Track insider buying and management changes

### ▶ Buy signals

- Downside price volatility creates attractive entry point relative to future intrinsic value
- Stock price has been "marking time" as earnings grow and compress multiple
- Structural change in end market or supply chain dynamics creating positive inflection in ROIC, earnings growth, or reinvestment opportunities
- New management team alters capital allocation strategy

### ▶ Sell signals

- Market prices in excessive growth
- Increasing competitive pressures
- Poor capital allocation decisions

# INVESTMENT PROCESS

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## Undervalued Assets

### ▶ **Undervalued Assets observed characteristics**

- Cyclical industries at trough valuations with identifiable industry inflection
- Corporate asset and/or balance sheet restructuring
- End markets are stable to improving across cycles, not in secular decline
- Underlying return characteristics and competitive dynamics are stable to improving avoiding “value traps”

### ▶ **Identifying Undervalued Assets**

- Track spin-offs, insider buying, and large shareholder return plans
- Track cyclical sectors to identify downturns and ultimate recoveries
- Track management changes
- Track structural shifts in supply changes and industry dynamics

### ▶ **Buy signals**

- Confidence in catalyst and valuation support

### ▶ **Sell signals**

- Catalyst realized
- Thesis invalidated

# INVESTMENT PROCESS

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## Undervalued Yield

### ▶ Undervalued Yield observed characteristics

- Dividend Yield is approximately 10% or greater
- Dividend is stable and recurring
- Balance sheet not being liquidated to pay the dividend
- Stable industry dynamics
- Typically occur in a deteriorating credit environment where levered investors are forced to de-risk portfolio and liquidate holdings. Typical examples are Mortgage REITs, Business Development Company (“BDC”), and corporate MLP

### ▶ Identifying Undervalued Yield

- Monitor companies with yields in excess of 10%

### ▶ Buy signals

- Valuations reach return hurdle and fundamentals are stabilizing

### ▶ Sell signals

- Valuation has recovered
- Thesis was invalidated



# INVESTMENT PROCESS

## Valuation Model

### Key Considerations

- ▶ Competitive Position
- ▶ Capital Discipline
- ▶ Sources of Cash
  - From Operations
  - Debt Financing
  - Equity Financing
- ▶ Uses of Cash
  - Reinvestment
  - Expansion
  - Debt Reduction
  - Share Repurchase
  - Dividends
  - Compare valuations with historic levels

XYZ	Historical							Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Balance Sheet Inputs</b>												
1	Operating Cash	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
1	DSOs	43.7	44.1	54.2	47.9	49.9	57.0	67.3	67.3	67.3	67.3	67.3
1	Days Inventory	3.3	6.4	7.4	6.5	6.4	13.4	9.3	9.3	9.3	9.3	9.3
1	Other current assets	5.8%	6.0%	7.7%	6.5%	3.9%	6.1%	4.5%	4.5%	4.5%	4.5%	4.5%
1	Capex	9,402.0	9,076.0	9,813.0	11,488.0	13,548.0	12,795.0	13,313.0	13,313.0	13,313.0	13,313.0	13,313.0
	Maintenance Capex											
	Historical Growth of Gross PPE											
	Depreciation	2,600.0	5,800.0	6,900.0	9,200.0	8,300.0	8,200.0	9,300.0	9,893.2	10,443.3	10,953.3	11,426.3
	Asset Life	8.4	4.9	5.7	5.4	7.4	9.2	9.7	9.7	9.7	9.7	9.7
	Acquisition Capex											
	Percentage Split											
	Multiple of Sales											
	Year split											
	Intangibles		397.0	3,002.0	251.0	(389.0)	(605.0)	(8,015.0)	0.0	0.0	0.0	0.0
	Other Assets	62.6%	65.2%	73.1%	73.3%	83.6%	89.6%	72.6%	72.6%	72.6%	72.6%	72.6%
1	Days Payable	87.9	76.1	97.9	91.1	103.5	126.3	124.5	124.5	124.5	124.5	124.5
1	Other Current Liabilities	11.1%	12.5%	14.7%	14.8%	14.1%	14.6%	15.1%	15.1%	15.1%	15.1%	15.1%
1	Other Liabilities	3.5%	3.7%	4.1%	5.6%	6.1%	5.1%	17.9%	17.9%	17.9%	17.9%	17.9%
1	Deferred taxes		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Capital Structure</b>												
	Net Cash Flow	0.0	18,177.0	(7,469.0)	27,024.0	35,354.0	16,426.0	1,420.0	0.0	0.0	0.0	0.0
1	ST Debt (paydown)/issuance		0.0	6,308.0	4,691.0	606.0	6,868.0	2,275.0	0.0	0.0	0.0	0.0
1	LT Debt (paydown)/issuance		16,960.0	12,027.0	24,476.0	21,964.0	21,780.0	(3,472.0)	0.0	0.0	0.0	0.0
	Common share (buy back)/issuance								0.0	0.0	0.0	0.0
	Average Price								189.1	0.0	0.0	0.0
	Number of Shares								0.0	0.0	0.0	0.0
	Cost of Capital								15.0%	15.0%	15.0%	15.0%
	Preferred (buy back)/issuance								0.0	0.0	0.0	0.0
<b>Income Statement Inputs</b>												
	Revenues	155,971	170,866	183,244	231,283	214,226	228,572	265,809	279,099	293,054	307,707	323,093
	Overall Revenue growth		9.5%	7.2%	26.2%	(7.4%)	6.7%	16.3%	5.0%	5.0%	5.0%	5.0%
	Organic growth								5.0%	5.0%	5.0%	5.0%
	Acquired Growth								0.0%	0.0%	0.0%	0.0%
	COGS % of Revenues	54.3%	58.8%	57.1%	57.0%	56.8%	57.9%	58.1%	58.1%	58.1%	58.1%	58.1%
	SG&A % of Revenues	6.5%	6.1%	6.2%	5.9%	5.9%	6.2%	5.8%	5.8%	5.8%	5.8%	5.8%
	R&D	2.2%	2.6%	3.3%	3.5%	4.7%	5.1%	5.4%	5.4%	5.4%	5.4%	5.4%
	Rent	0.3%	0.4%	0.4%	0.3%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
	Interest expense	0.0%	1.6%	1.5%	1.5%	1.9%	2.3%	2.8%	2.8%	2.8%	2.8%	2.8%
	Interest earned								0.0%	0.0%	0.0%	0.0%
	Non-operating Inc/Exp	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Tax Rate	26.0%	27.4%	26.7%	29.0%	27.2%	27.3%	19.7%	25.0%	25.0%	25.0%	25.0%
	Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Preferred Dividends	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Common Dividends	6.2%	30.4%	29.0%	24.7%	29.0%	30.4%	25.2%	25.2%	25.2%	25.2%	25.2%
	Gross Margin	43.6%	37.2%	38.6%	38.5%	38.6%	38.0%	38.4%	38.3%	38.3%	38.3%	38.4%
	Operating Margin	34.6%	28.1%	28.7%	28.8%	27.6%	26.3%	26.7%	26.7%	26.7%	26.7%	26.7%
	EBITDA Margin	36.7%	32.1%	33.1%	33.3%	32.1%	30.4%	30.2%	30.2%	30.2%	30.2%	30.2%
	EPS	6.04	5.25	5.87	7.64	7.23	7.99	10.89	10.69	11.24	11.82	12.45
<b>Reality Checks</b>												
		EPS Excluding Share Repurchases \$ 10.69 \$ 11.24 \$ 11.82 \$ 12.45 \$ 13.12										
	Asset efficiency	0.89	0.83	0.79	0.80	0.67	0.61	0.73	0.68	0.63	0.60	0.57
	Operating asset efficiency	1.07	1.03	0.90	0.94	0.85	0.76	0.86	0.86	0.86	0.86	0.86
	Debt to equity	0.0%	13.7%	31.6%	54.0%	67.9%	86.3%	106.8%	77.8%	60.5%	49.1%	40.9%
	Net to Gross	70.6%	58.2%	52.9%	45.6%	44.1%	45.0%	45.7%	46.5%	46.9%	46.9%	46.7%
	Net PPE growth		7.4%	31.4%	7.1%	13.2%	17.3%	(1.2%)	8.3%	6.4%	5.0%	3.8%
<b>Operating Margin (segments basis)</b>												
	EPS Growth		-13.0%	11.8%	30.1%	-5.4%	10.5%	36.2%	-1.8%	5.1%	5.2%	5.3%
	Incremental/Decremental		-40.0%	37.4%	29.1%	44.6%	7.0%	29.6%	25.8%	26.3%	26.7%	27.2%

All positions and data are hypothetical.

# INVESTMENT PROCESS

## Sample DuPont Analysis

XYZ Dupont Analysis	Forecast											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>ROE</b>	<b>10.7%</b>	<b>16.9%</b>	<b>34.8%</b>	<b>50.0%</b>	<b>43.5%</b>	<b>35.4%</b>	<b>28.8%</b>	<b>24.8%</b>	<b>21.5%</b>	<b>18.6%</b>	<b>17.2%</b>	<b>19.0%</b>
<b>ROA</b>	<b>7.5%</b>	<b>12.4%</b>	<b>24.9%</b>	<b>38.3%</b>	<b>31.8%</b>	<b>27.4%</b>	<b>22.3%</b>	<b>19.6%</b>	<b>17.3%</b>	<b>15.2%</b>	<b>14.3%</b>	<b>16.0%</b>
<b>Net Margin</b>	<b>3.3%</b>	<b>5.4%</b>	<b>11.3%</b>	<b>18.0%</b>	<b>16.2%</b>	<b>16.5%</b>	<b>13.9%</b>	<b>13.3%</b>	<b>12.7%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>13.0%</b>
Gross Margin	36.7%	40.2%	46.7%	52.6%	52.5%	52.0%	48.7%	47.8%	46.8%	45.6%	45.6%	46.0%
EBIT	5.7%	8.9%	18.8%	29.6%	26.2%	15.5%	22.2%	21.1%	20.1%	18.9%	18.8%	19.0%
Interest Burden	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.3%	-0.4%	-0.6%	-0.7%	1.0%
Tax Burden	2.2%	3.5%	7.5%	12.0%	10.6%	10.0%	8.5%	8.1%	7.8%	7.4%	7.4%	75.0%
<b>Asset Efficiency</b>	<b>2.27</b>	<b>2.30</b>	<b>2.20</b>	<b>2.13</b>	<b>1.90</b>	<b>1.66</b>	<b>1.61</b>	<b>1.48</b>	<b>1.36</b>	<b>1.26</b>	<b>1.18</b>	<b>1.20</b>
Days Sales Outstanding	20.54	18.72	18.24	21.66	25.12	27.47	30.15	31.67	31.96	32.23	32.11	33.10
Days Inventory Outstanding	73.18	80.21	75.39	59.01	68.42	73.24	72.95	78.13	78.74	79.24	79.65	80.20
Sales to Net PPE	48.34	47.29	62.56	104.08	130.16	128.00	91.92	66.27	55.41	49.56	47.09	48.50
Sales to Net PPE + Intangible	4.78	5.47	8.50	15.80	24.42	30.45	30.26	28.07	26.73	25.80	25.68	26.90
Days Payables Outstanding	26.83	30.82	39.65	45.14	38.48	38.10	42.23	45.29	45.69	46.03	46.30	46.80
<b>Assets to Equity</b>	<b>142.6%</b>	<b>136.9%</b>	<b>140.0%</b>	<b>130.6%</b>	<b>137.0%</b>	<b>129.0%</b>	<b>129.0%</b>	<b>126.3%</b>	<b>124.0%</b>	<b>122.1%</b>	<b>120.4%</b>	<b>122.4%</b>
Debt to Equity	13.5%	1.7%	1.0%	0.4%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%
Borrowing cost	6.0%	12.1%	7.2%	14.7%	16.5%	7.5%	-331.6%	-457.7%	-769.3%	-1122.1%	-1500.2%	-1300.8%

All positions and data are hypothetical.

# RISK MANAGEMENT

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Sector allocation offers an insufficient window into a portfolio's diversification and risk profile. Vaughan Nelson focuses on factor exposure, which provides a granular view of a portfolio's positioning and biases.

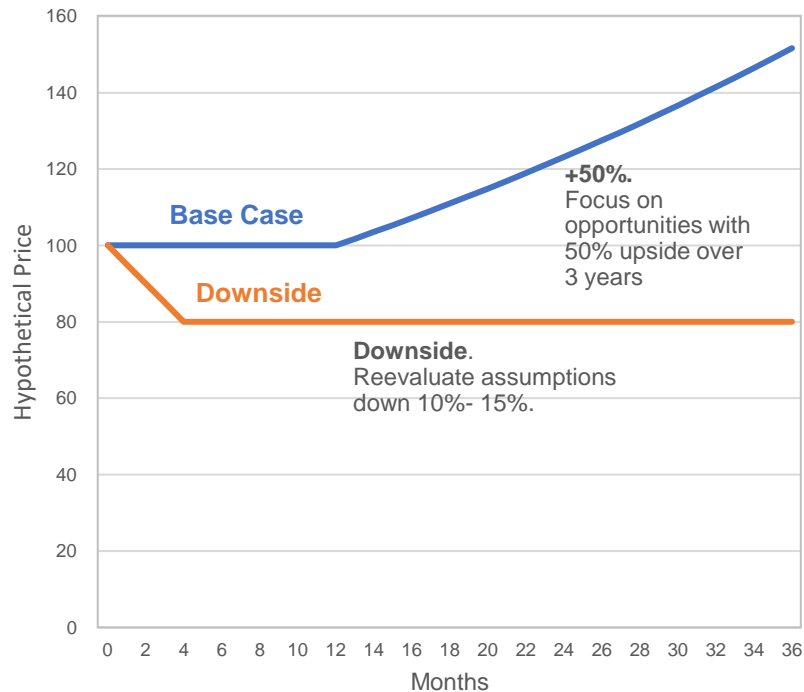
Vaughan Nelson's factor-based risk analysis demonstrates our very high active share portfolios maintain a factor mosaic similar to the universes against which we compete.



# RISK MANAGEMENT

## Security Level

### Asymmetric Investment Profile



#### ► Opportunities with asymmetric returns

- Generally seek securities with 50% upside with no greater than 10%-15% downside
- Construct downside scenarios
- Reevaluate assumptions if stock reaches downside scenario

#### ► Incorporating opposing views

- Integrate differing articles/research on the company
- Pre-assigned team member to present short investment thesis (red team process)

#### ► Quick to recognize mistakes

- Avoid anchoring bias
  - Openness and willingness to recognize a misstep and move forward

# RISK MANAGEMENT

## Target Price Monitoring

### ► Purpose and Benefits

- Allows real time monitoring of market performance against expectations
- Serves as a visual tool to highlight when companies should be added to or sold
- Assists in allocating capital to best opportunities
- Captures individual company risk via upside/downside metric
- Provides a real-time assessment of potential upside to the portfolio
- Resides with trading bringing that group more into the investment process
- Similar tool exists for names not in the portfolio. Creates an effective way to watch names while waiting for a more favorable entry point

# Tickers		Value	\$ 15.85	\$ 17.78	\$ 19.22	\$ 20.82	\$ 22.44										
30		Percent to Current	12.2%	21.3%	31.3%	53.4%											
TIC	Company	Tgt Entry Price	Market Price	Dividend Yield	Delta	Upside/D	Year 1	Dist	Year 2	Dist	Year 3	Dist	Year 4	Dist	Weight	Downside	Decile
AAA	Company A	28.58	35.14	0.32%	-18.7%	0.46	31.74	-9.4%	34.94	0.1%	38.42	10.3%	42.50	22.2%	0.6	19.00	9
BBB	Company B	19.39	22.55	0.00%	-14.0%	1.44	23.83	5.7%	25.40	12.6%	27.16	20.4%	29.08	29.0%	1.4	18.00	3
CCC	Company C	30.66	41.79	0.00%	-26.6%	0.28	38.26	-8.4%	41.00	-1.9%	43.60	-4.3%	45.99	18.1%	1.8	27.00	2
DDD	Company D	32.74	34.63	1.76%	-5.5%	1.84	34.02	0.0%	37.31	11.3%	41.79	26.0%	46.81	42.4%	0.6	28.00	3
EEE	Company E	50.99	51.55	0.00%	-1.1%	3.30	55.78	8.2%	62.29	20.8%	69.21	34.3%	76.48	48.4%	0.4	44.00	1
FFF	Company F	24.75	27.70	0.00%	-10.7%	1.41	27.12	-2.1%	30.16	8.9%	33.47	20.8%	37.12	34.0%	1.1	21.00	4
GGG	Company G	29.89	30.98	0.00%	-3.5%	2.78	34.16	10.3%	37.50	21.0%	41.05	32.5%	44.83	44.7%	1.8	26.00	1
HHH	Company H	8.94	7.77	2.54%	15.1%	2.67	8.50	11.9%	10.00	33.9%	11.00	49.4%	12.50	71.4%	1.2	6.00	1
III	Company I	40.43	41.65	1.62%	-2.9%	2.90	45.31	10.4%	49.23	21.5%	53.46	33.3%	58.02	45.9%	1.7	36.00	2
JJJ	Company J	63.17	77.52	1.49%	-18.5%	0.49	74.86	-1.9%	79.91	6.1%	85.27	14.5%	90.98	23.5%	1.1	50.00	2
LLL	Company L	34.51	31.72	1.28%	8.8%	4.91	38.00	21.1%	43.00	38.1%	47.00	52.1%	50.00	62.9%	1.5	28.00	1
MMM	Company M	46.12	49.11	1.48%	-6.1%	1.71	54.51	12.5%	57.91	20.9%	61.92	30.6%	66.44	41.4%	2.2	39.00	4
NNN	Company N	30.72	31.29	1.71%	-1.8%	1.12	34.12	10.8%	37.14	22.2%	40.42	34.4%	43.97	47.6%	2.7	20.00	2
OOO	Company O	22.00	18.45	0.00%	19.2%	2.26	23.00	24.7%	26.00	40.9%	28.00	51.8%	33.00	78.3%	0.7	12.00	2
PPP	Company P	40.91	43.81	0.47%	-6.6%	2.47	49.80	14.1%	53.46	23.0%	56.99	31.5%	60.60	40.2%	1.1	37.00	2
QQQ	Company Q	26.67	28.96	0.00%	-7.9%	1.23	30.00	3.6%	33.00	14.0%	36.00	24.3%	40.00	38.1%	0.6	20.00	1
RRR	Company R	82.80	84.26	1.26%	-1.7%	2.51	100.41	20.4%	106.28	28.7%	112.81	37.7%	120.04	47.6%	1.7	70.00	2
SSS	Company S	58.75	49.56	1.76%	18.6%	2.37	70.27	43.5%	74.00	52.9%	79.00	64.8%	84.00	76.7%	1.3	35.00	3
TTT	Company T	19.78	22.47	0.00%	-12.0%	1.11	22.54	0.3%	24.63	9.6%	27.06	20.4%	29.67	32.0%	0.0	16.00	5
UUU	Company U	32.26	33.48	0.90%	-3.6%	2.12	39.18	17.9%	41.83	26.8%	44.88	36.8%	47.22	44.7%	1.3	27.00	3
VVV	Company V	40.80	38.76	0.00%	5.3%	5.97	51.33	32.4%	54.50	40.6%	57.70	48.9%	61.20	57.9%	2.1	35.00	8
WWW	Company W	57.64	66.93	1.71%	-13.9%	0.92	67.78	3.0%	72.36	11.6%	77.27	20.7%	82.53	30.3%	1.1	50.00	4
XXX	Company X	60.00	60.51	0.00%	-0.8%	2.81	70.00	15.7%	75.00	23.9%	82.00	35.5%	90.00	48.7%	1.1	50.00	2
YYY	Company Y	93.33	82.50	0.00%	13.1%	4.60	105.00	27.3%	120.00	45.5%	130.00	57.6%	140.00	69.7%	0.9	70.00	5
ZZZ	Company Z	22.59	23.63	0.00%	-4.4%	1.06	25.07	6.1%	27.66	17.1%	30.59	29.5%	33.88	43.4%	0.3	14.00	1
AAB	Company AB	26.10	28.38	1.85%	-8.0%	0.85	27.70	-0.6%	30.61	11.6%	33.82	24.8%	37.23	38.8%	1.6	18.00	3
AAC	Company AC	68.55	64.00	0.00%	7.1%	1.85	67.48	5.4%	75.58	18.1%	93.24	45.7%	102.83	60.7%	1.0	43.00	1
AAD	Company AD	26.77	26.78	3.77%	0.0%	1.95	25.84	0.3%	28.98	15.9%	32.39	32.7%	36.12	50.8%	1.0	22.00	6
AAE	Company AE	32.06	35.25	1.14%	-9.0%	1.57	38.09	9.2%	40.78	18.0%	43.63	27.2%	46.63	36.9%	2.0	28.00	4
AAF	Company AF	88.51	84.91	1.84%	4.2%	2.44	106.85	27.7%	112.00	35.5%	119.10	45.9%	126.25	56.2%	1.0	68.00	1

All positions and data are hypothetical.

# RISK MANAGEMENT

## Performance Tracking

### ► Purpose and Benefits

- Calculates the total shareholder return (appreciation and dividends) for the holding period
- Helps to highlight names that are not achieving our targeted 15% annual return expectation
- Very useful in forcing focus on names that are outside the best/worst performers in the portfolio

TIC	Company	Entry Date	Hold Period (Yr)	Entry Price	Yesterday Close	Div Yield	UnAdj Rtn	Total Unadj Rtn	Annualized TSR	LT Holds
ABC	Company 1	8/27/03	3.80	9.10	12.31	6.50%	35.3%	61.70%	16.3%	16.3%
BCD	Company 2	4/20/06	1.15	81.13	81.00	0.00%	-0.2%	-0.16%	-0.1%	-0.1%
CDE	Company 3	10/4/04	2.69	22.49	33.44	0.00%	48.7%	48.69%	18.1%	18.1%
DEF	Company 4	10/17/06	0.65	21.92	31.05	0.00%	41.7%	41.65%	63.8%	
EFG	Company 5	5/3/06	1.11	92.01	125.63	0.00%	36.5%	36.54%	32.9%	32.9%
FGH	Company 6	6/7/06	1.01	82.95	87.28	1.74%	5.2%	6.68%	6.6%	6.6%
GHI	Company 7	4/20/06	1.15	28.60	37.61	0.00%	31.5%	31.52%	27.5%	27.5%
HIJ	Company 8	6/16/05	1.99	21.74	23.86	0.00%	9.8%	9.75%	4.9%	4.9%
IJK	Company 9	3/2/05	2.28	23.10	28.60	2.10%	23.8%	27.26%	12.0%	12.0%
JKL	Company 10	12/3/02	4.53	9.47	28.19	0.00%	197.8%	197.78%	43.7%	43.7%
KLM	Company 11	4/20/06	1.15	33.80	31.23	1.28%	-7.6%	-6.72%	-5.9%	-5.9%
LMN	Company 12	12/3/02	4.53	5.60	28.92	1.94%	416.4%	449.85%	99.4%	99.4%
MNO	Company 13	12/16/03	3.49	10.65	15.88	5.54%	49.1%	71.43%	20.5%	20.5%
NOP	Company 14	1/27/06	1.37	15.70	26.03	0.00%	65.8%	65.80%	47.9%	47.9%
OPQ	Company 15	1/31/06	1.36	22.50	31.55	0.00%	40.2%	40.22%	29.5%	29.5%
PQR	Company 16	10/14/05	1.66	5.88	7.44	3.23%	26.5%	31.57%	19.0%	19.0%
QRS	Company 17	10/13/04	2.66	19.02	30.63	2.09%	61.1%	69.38%	26.0%	26.0%
RST	Company 18	4/20/06	1.15	63.26	82.80	0.00%	30.9%	30.89%	26.9%	26.9%
STU	Company 19	12/5/06	0.52	39.12	42.94	0.47%	9.8%	9.91%	19.1%	
TUV	Company 20	6/28/02	4.96	33.10	48.93	1.76%	47.8%	61.24%	12.3%	12.3%
UVW	Company 21	9/3/03	3.78	35.30	41.79	0.38%	18.4%	19.93%	5.3%	5.3%
VWX	Company 22	12/8/06	0.51	35.36	37.10	2.80%	4.9%	5.66%	11.1%	
WXY	Company 23	9/17/04	2.74	15.50	34.15	0.00%	120.3%	120.32%	44.0%	44.0%
XYZ	Company 24	9/6/05	1.77	8.24	13.90	0.00%	68.7%	68.69%	38.9%	38.9%
YZA	Company 25	2/12/04	3.33	15.28	23.97	1.17%	56.9%	62.98%	18.9%	18.9%
ZAB	Company 26	10/19/06	0.65	66.25	60.72	0.00%	-8.3%	-8.35%	-12.9%	
AA	Company 27	10/27/05	1.63	31.89	43.57	0.00%	36.6%	36.63%	22.5%	22.5%
AB	Company 28	9/1/06	0.78	81.56	91.43	1.88%	12.1%	12.65%	16.2%	
AC	Company 29	4/20/06	1.15	66.42	51.02	1.96%	-23.2%	-22.00%	-19.2%	-19.2%
AD	Company 30	6/28/02	4.96	52.10	84.82	1.84%	62.8%	77.78%	15.7%	15.7%

All positions and data are hypothetical.



# RISK MANAGEMENT

## Noise Versus Information

### ► Purpose and Benefits

- Helps distinguish between normal price behavior and statistically significant price moves
- Highlights when the market is potentially reacting to new information as opposed to noise
- Serves as a guide for how to allocate research during day-to-day operations

Triggers	
Daily	2.00
Weekly	2.00

Ticker	Real Time Price	Price Flag	Volume Flag	Close Price	-1 week CI Price	Pricing					
						Daily			Weekly		
						STDEV	Sigma	Current	STDEV	Sigma	Current
ABA	37.31	-W		37.32	39.67	1.4%	2.8%	(0.0%)	2.7%	5.5%	(5.9%)
ACA	70.26			69.50	69.58	1.5%	3.0%	1.1%	2.9%	5.8%	1.0%
ADA	126.14			124.04	122.51	1.5%	3.0%	1.7%	3.4%	6.7%	3.0%
AEA	51.04	++		49.31	48.58	1.5%	3.1%	<b>3.5%</b>	2.3%	4.6%	<b>5.1%</b>
AFA	21.39			21.18	21.01	3.6%	7.2%	1.0%	8.0%	15.9%	1.8%
AGA	40.58			41.09	40.30	1.4%	2.7%	(1.2%)	2.8%	5.7%	0.7%
AHA	44.23			43.82	43.64	1.7%	3.4%	0.9%	4.0%	7.9%	1.4%
AIA	54.01			53.75	53.47	1.9%	3.9%	0.5%	3.9%	7.9%	1.0%
AJA	50.89			52.25	49.52	1.5%	2.9%	(2.6%)	4.0%	8.0%	2.8%
AKA	28.79			29.14	28.48	1.0%	2.0%	(1.2%)	2.8%	5.5%	1.1%
ALA	46.99			46.70	46.88	2.7%	5.4%	0.6%	6.0%	11.9%	0.2%
AMA	40.15	-D		42.86	40.96	2.1%	4.2%	<b>(6.3%)</b>	4.0%	7.9%	(2.0%)
ANA	33.84	+D		32.15	31.97	1.5%	3.1%	<b>5.3%</b>	3.2%	6.5%	5.8%
AOA	85.34			84.83	82.79	1.3%	2.6%	0.6%	3.5%	7.0%	3.1%
APA	26.98			27.06	27.22	1.1%	2.1%	(0.3%)	2.0%	4.0%	(0.9%)
AQA	102.49			103.00	102.40	1.8%	3.6%	(0.5%)	3.6%	7.3%	0.1%
ARA	29.53	--		31.92	30.90	0.9%	1.7%	<b>(7.5%)</b>	1.6%	3.1%	<b>(4.4%)</b>
ASA	41.70			41.64	41.20	1.3%	2.5%	0.1%	2.9%	5.7%	1.2%
ATA	33.93			33.57	34.28	1.6%	3.3%	1.1%	3.7%	7.5%	(1.0%)
AUA	77.25	+W		75.80	70.20	1.1%	2.1%	1.9%	2.2%	4.5%	<b>10.0%</b>
AVA	40.19			39.91	39.91	0.9%	1.8%	0.7%	1.8%	3.6%	0.7%
AWA	66.12			64.52	63.95	1.3%	2.6%	2.5%	3.4%	6.9%	3.4%
AXA	39.11			38.26	39.61	2.0%	4.1%	2.2%	4.1%	8.2%	(1.3%)
AYA	85.64			83.33	84.82	2.0%	4.0%	2.8%	3.1%	6.3%	1.0%
AZA	64.59			64.65	64.23	1.5%	2.9%	(0.1%)	2.9%	5.9%	0.6%
BAB	58.37			58.35	58.18	1.0%	1.9%	0.0%	2.3%	4.5%	0.3%

All positions and data are hypothetical.

# **ANALYTICS AND PERFORMANCE**

# ANALYTICS AND PERFORMANCE

## Top Ten Holdings as of 12/31/2021

Company	Portfolio Weight (%)*
Insight Enterprises Inc	3.54
Element Solutions Inc	3.46
ExlService Holdings Inc	3.02
Syneos Health Inc	2.89
Molina Healthcare Inc	2.81
ASGN Inc	2.62
LPL Financial Holdings Inc	2.48
Performance Food Group Co	2.43
Capri Holdings Ltd	2.38
The Chemours Co	2.12

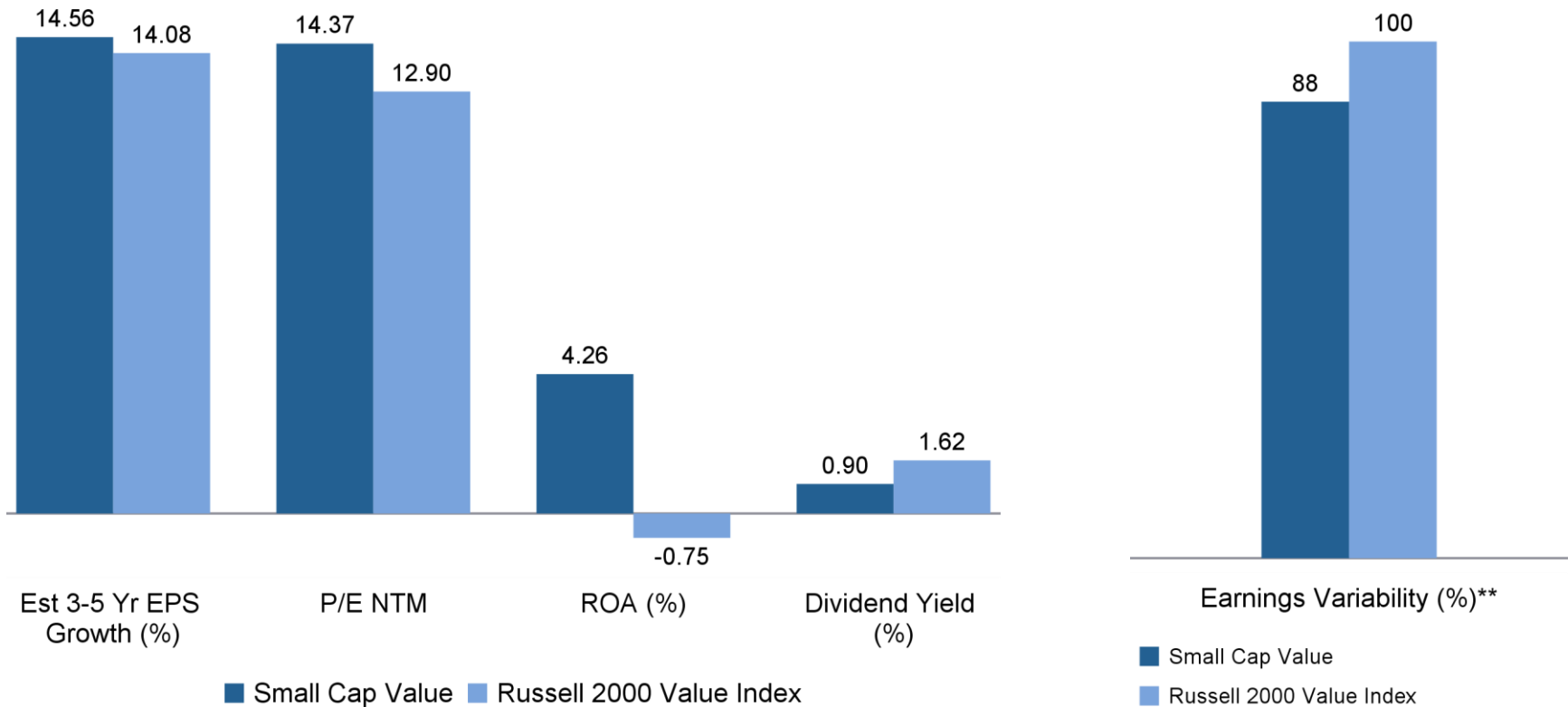
\* Excludes 1.70% cash.

There is no assurance that any securities discussed herein will remain in an account portfolio at the time you review this Profile or securities sold have not been re-purchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the security transactions or holdings discussed were or will prove to be profitable or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the securities discussed herein. These holdings are supplemental information to the Small Cap Value GIPS Report.

Source: FactSet

# ANALYTICS AND PERFORMANCE

## Portfolio Characteristics as of 12/31/2021



These portfolio characteristics are supplemental information to the Small Cap Value GIPS Report.

\*\* The numerical value one minus the R-squared statistic for a trend line of the most recent five years of fiscal year earnings per share. Earnings variability of the Small Cap Value portfolio is 0.51 versus 0.57 for the Russell 2000 Value Index (12/31/2016 to 12/31/2021).

Source: FactSet

# ANALYTICS AND PERFORMANCE

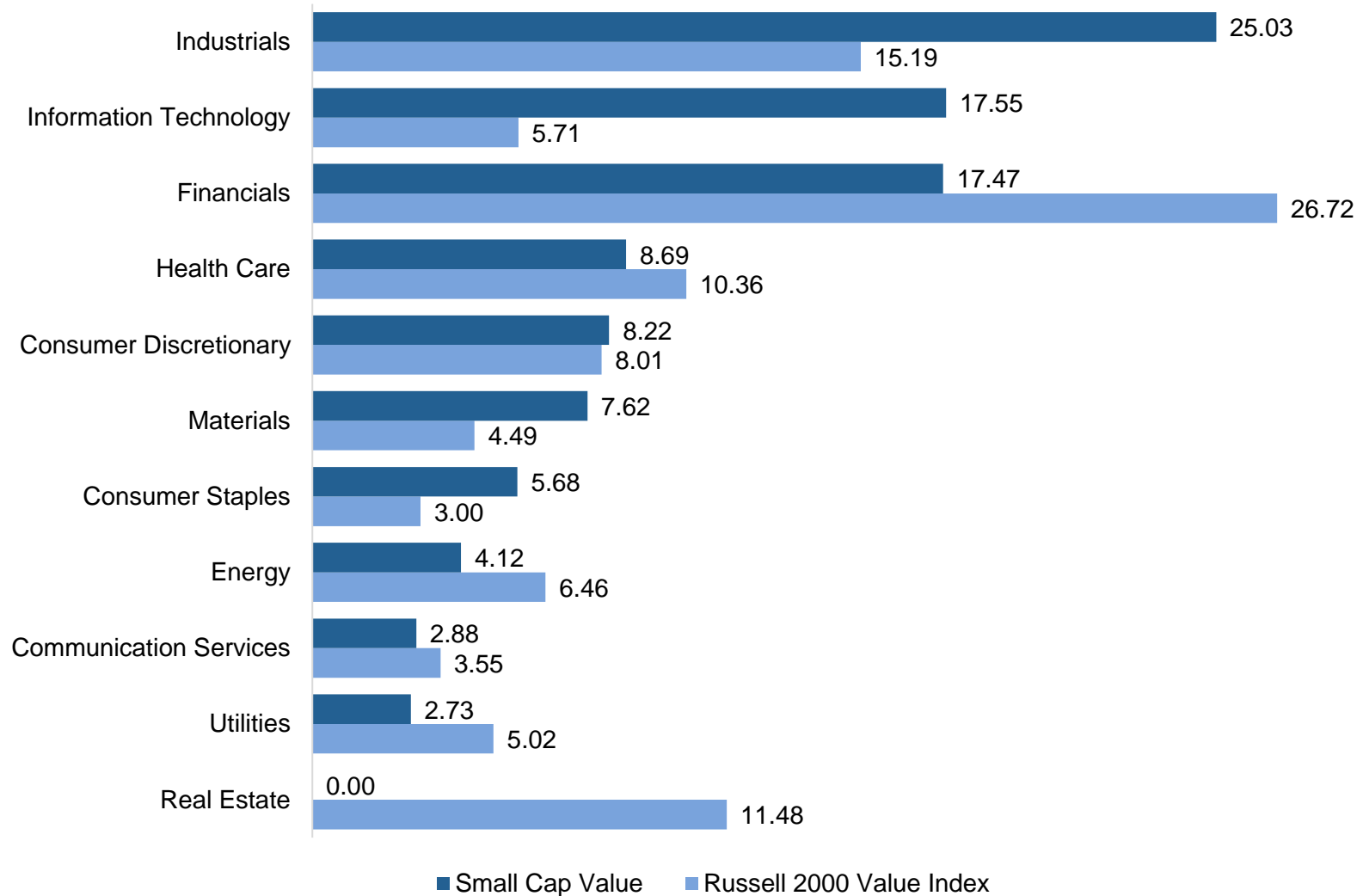
Portfolio Characteristics as of 12/31/2021

	Small Cap Value	Russell 2000® Value
Beta*	0.85	1.00
Sharpe Ratio*	0.53	0.37
Information Ratio*	0.35	N/A
R-Square*	0.92	1.00
Std. Deviation* (%)	19.11	21.55

\* Annualized 5-years ending 12/31/2021.  
These portfolio characteristics are supplemental information to the Small Cap Value GIPS Report.  
Source: eVestment

# ANALYTICS AND PERFORMANCE

Sector allocation as of 12/31/2021 (%)



These sector allocations are supplemental information to the Small Cap Value GIPS Report. Due to rounding, totals may not equal 100%. Excludes 2.70% cash. Source: FactSet

# ANALYTICS AND PERFORMANCE

## Monetary Policy and the “Pull Forward” of Returns

When evaluating rolling ten year returns through time there are clear cycles that influence returns of the broad indices. As liquidity is plentiful and fundamentals are strong equity markets typically expand valuation multiples boosting near term returns at the expense of future performance. This can be seen in analyzing 10yr annualized returns through time. Ten-year returns peaked in 2000 before troughing in the 2008/2009 period. Ten-year returns have been in an upward trajectory since the great financial crisis reaching the low to mid-teens as of 12/31/2021.

One key factor in the returns is the relationship with the commodity cycle. Commodity prices ended a secular decline in 1998-2000 before entering their next upcycle that peaked in 2008-2011. Commodities then fell reaching a recent trough during the initial stages of the pandemic. The commodity cycle has recently embarked on a new upcycle. Commodity upcycles are driven by a lack of capital investment which has been exacerbated by the shift to renewables. The adoption of renewables is incredible commodity intensive and inflationary which will only add to the upward trajectory of commodity prices. Why do commodity prices negatively impact equity market returns? Because during periods of rising commodity prices less liquidity is available to fund stock price appreciation. The existing liquidity is diverted away from asset purchases and towards capex. Also, the current decade will likely see a material shift in the ability of the Federal Reserve to support financial markets with rapid QE expansion. During the prior decade falling commodity prices provided broad latitude for the Federal Reserve to expand bank reserves via QE without boosting inflation or inflation expectations. As we enter a renewed upward commodity cycle, we will experience a lack of deflationary conditions emanating from developing markets and the domestic labor force, Federal Reserve monetary policy will be limited in its capacity to support the broad markets.

We highlight this fact to note historically our absolute return approach, combined with high active share and thorough understanding of various cycles allows us to allocate capital in a manner that generates attractive ten-year returns regardless of whether the broad equity indices are enjoying similar results. We continue to focus on compounding at 15% through time and find attractive investment opportunities to reach those objectives despite the liquidity and cyclical headwinds that we expect to encounter during the decade.

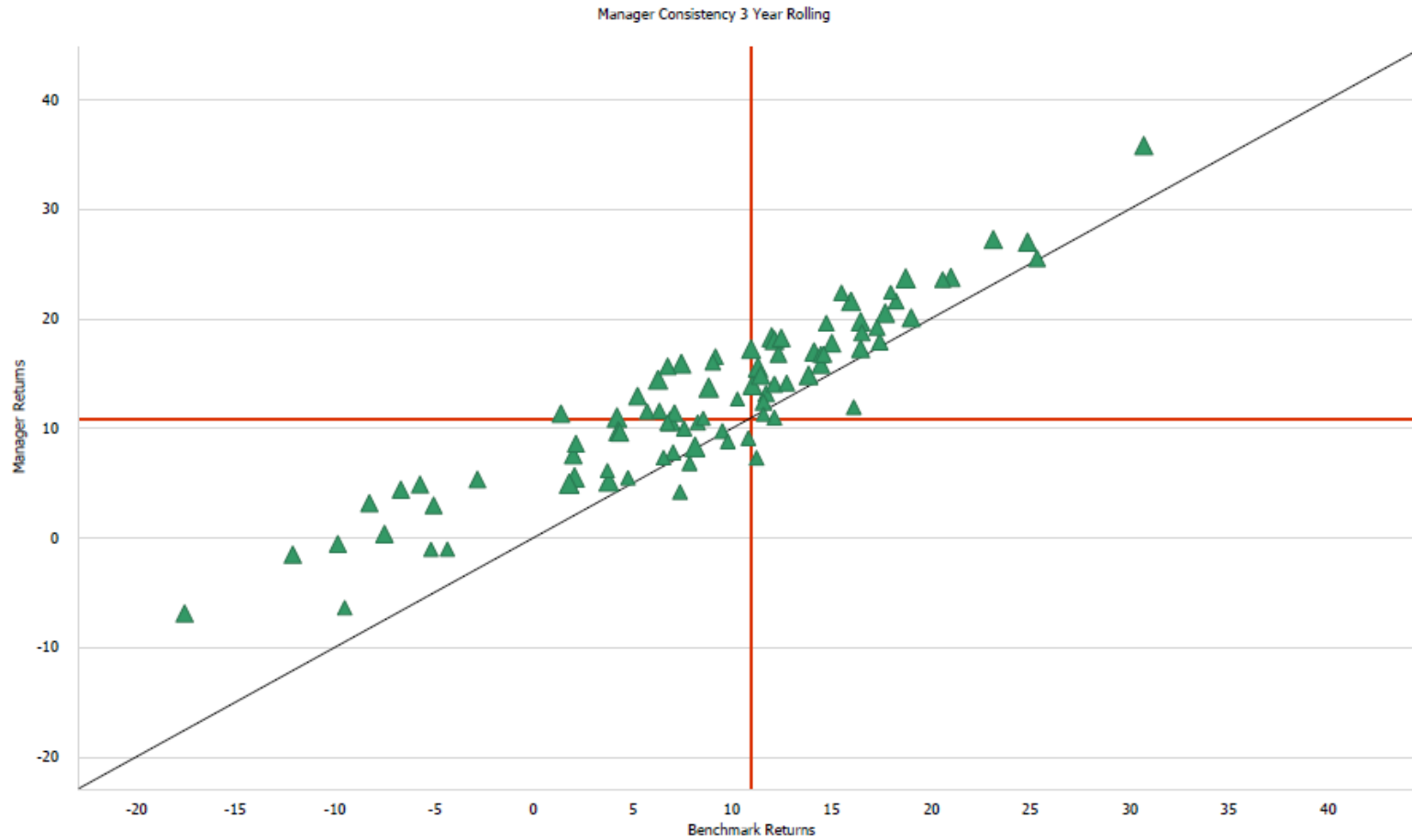
Rolling 10-Year Returns

	SCV COMPOSITE (Gross)	Russell 2000® Value	Variance
<b>Year-Ending:</b>			
<b>2000</b>		17.64%	
<b>2001</b>		15.11%	
<b>2002</b>		10.85%	
<b>2003</b>		12.70%	
<b>2004</b>		15.17%	
<b>2005</b>		13.08%	
<b>2006</b>		13.27%	
<b>2007</b>		9.06%	
<b>2008</b>		6.11%	
2009	15.47%	8.27%	7.20%
2010	12.85%	8.42%	4.43%
2011	11.91%	6.40%	5.51%
2012	14.42%	9.50%	4.92%
2013	13.42%	8.61%	4.81%
2014	12.44%	6.89%	5.55%
2015	11.30%	5.57%	5.73%
2016	11.43%	6.26%	5.17%
2017	11.47%	8.17%	3.30%
2018	12.56%	10.40%	2.16%
2019	12.17%	10.56%	1.61%
2020	10.71%	8.66%	2.05%
2021	14.16%	12.03%	2.13%

Returns are supplemental information to the Small Cap Value GIPS Report.  
Source: FactSet

# ANALYTICS AND PERFORMANCE

## Manager Performance Consistency 3-Year Rolling



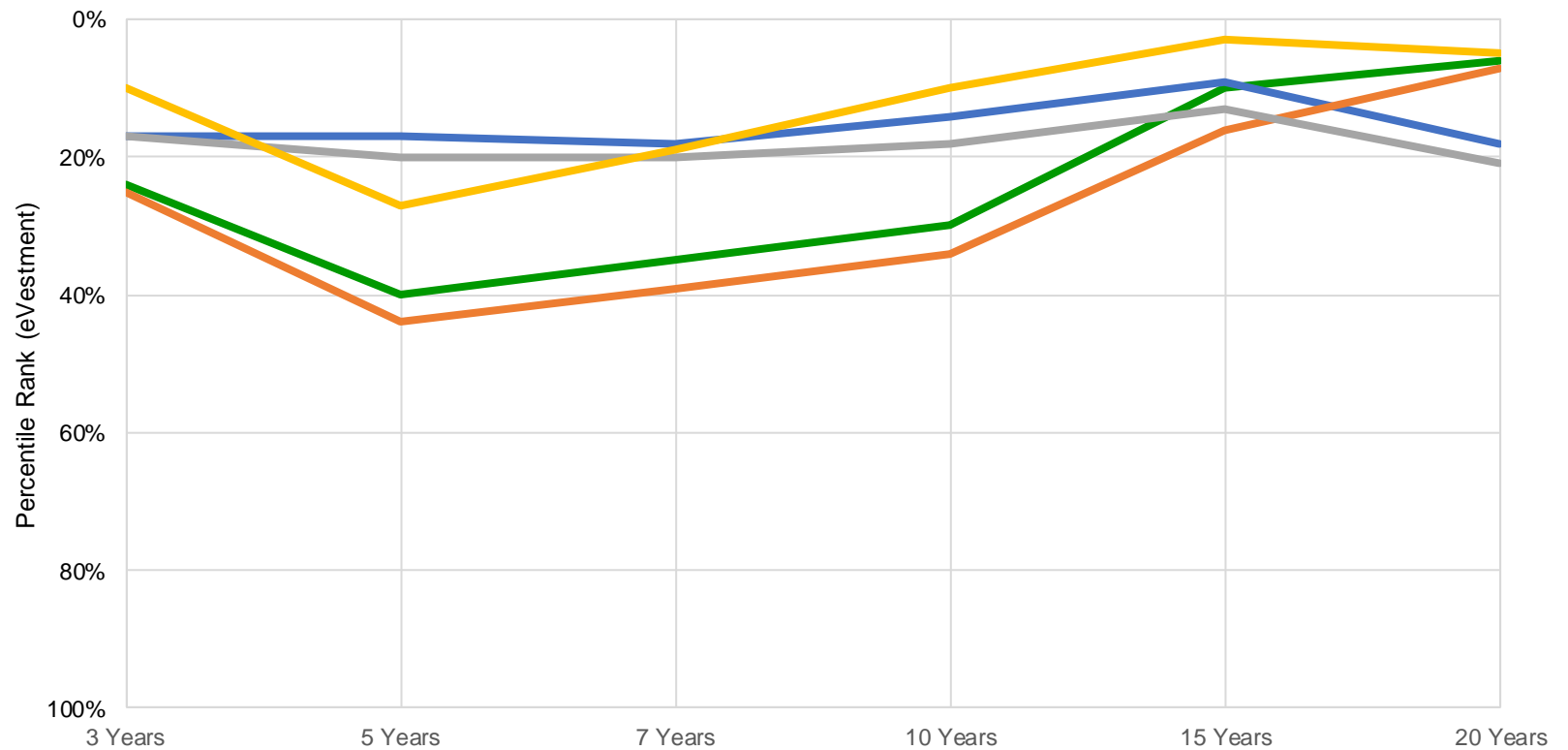
Universe: eVestment US Small Cap Value Equity		As Of: December 31, 2021	
	# of Observations	# OutPerform Benchmark	% OutPerform Benchmark
▲ Vaughan Nelson	88	80	90.91%
+ US Small Cap Value Equity	---	---	---
— Russell 2000 Value	---	---	---

Rolling 3-year periods starting January 2000 to December 2021, calculated quarterly. Returns are supplemental information to the Small Cap Value GIPS Report.  
Source: eVestment



# ANALYTICS AND PERFORMANCE

## Small Cap Value – Consistent 20-Year Returns and Risk Profile as of 12/31/2021



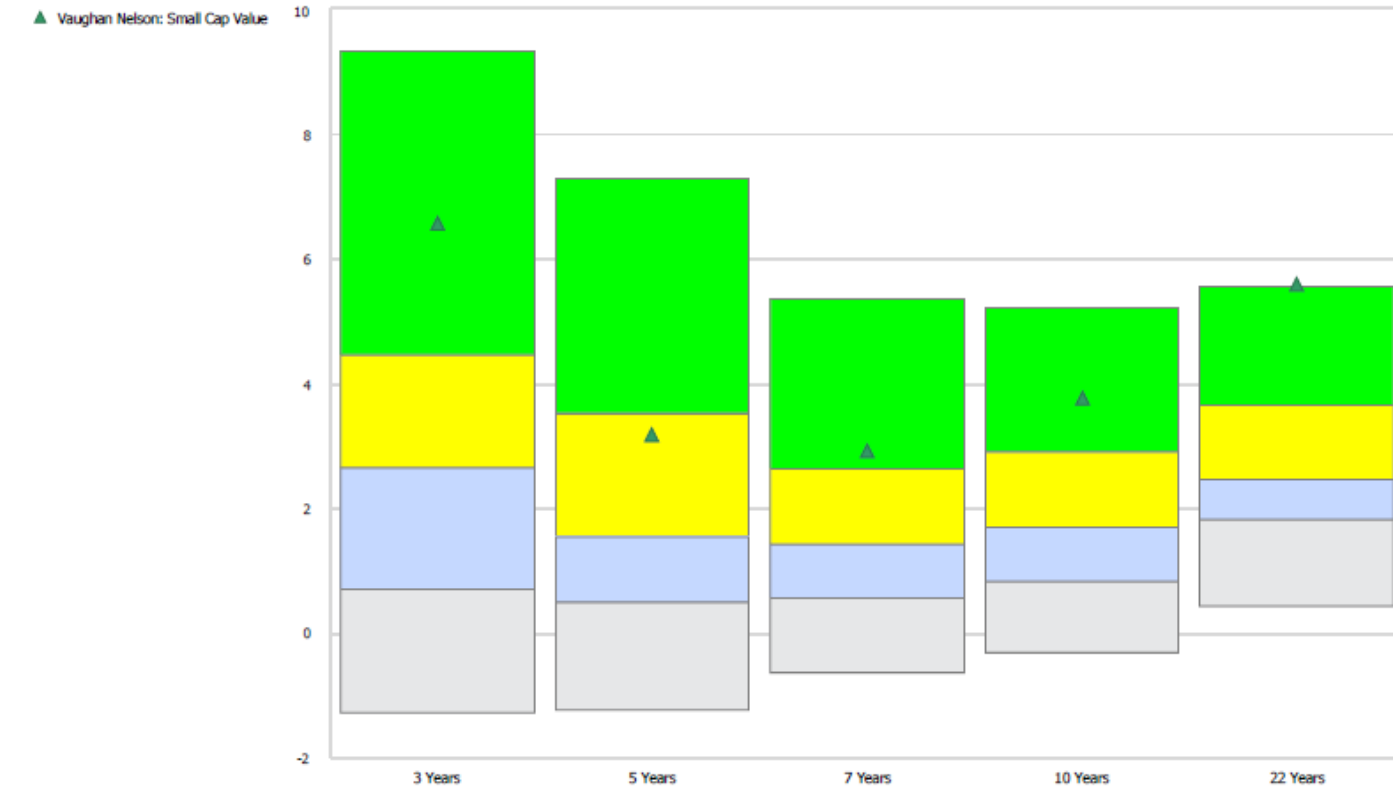
### UNIVERSE PERCENTILE

	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years
Number of observations	142	137	131	122	101	68
Returns (Gross)	24	40	35	30	10	6
Annualized Standard Deviation	17	17	18	14	9	18
Information Ratio	25	44	39	34	16	7
Beta (ranked lowest to highest)	17	20	20	18	13	16
Sharpe	10	27	19	10	3	5

Data as of 12/31/2021; run as of 1/11/2022. Returns are supplemental information to the Small Cap Value GIPS Report.  
Source: eVestment

# ANALYTICS AND PERFORMANCE

## Small Cap Value – Annualized Alpha as of 12/31/2021



Universe: eVestment US Small Cap Value Equity

	3 Years		5 Years		7 Years		10 Years		22 Years	
	Value	Rk	Value	Rk	Value	Rk	Value	Rk	Value	Rk
5th percentile	9.32		7.28		5.35		5.21		5.55	
25th percentile	4.45		3.51		2.63		2.90		3.65	
Median	2.64		1.54		1.42		1.70		2.46	
75th percentile	0.70		0.49		0.56		0.82		1.82	
95th percentile	-1.28		-1.23		-0.64		-0.32		0.43	
# of Observations	153		146		140		131		65	
▲ Vaughan Nelson	6.57	12	3.18	30	2.92	22	3.76	13	5.59	5

Results displayed in USD using Spot Rate (SR).

Russell 2000 Value

# ANALYTICS AND PERFORMANCE

Performance as of 12/31/2021

## > Investment Objective

Long term capital appreciation through investments in small capitalization companies with a focus on a targeted return

## > Investment Focus

- Companies within the market capitalization range of the Russell 2000 Value Index at time of purchase
- Companies earnings a positive return on capital, valued at a discount to their asset value or with an attractive dividend yield
- Companies that have the potential for 50% returns over a three year investment horizon

	4Q 2021	1 Year	3 Years	5 Years	7 Years	10 Years	Since 12/31/1999
<b>Small Cap Value</b>	10.53%	32.54%	22.38%	11.29%	11.12%	14.16%	14.41%
<b>Russell 2000 Value Index</b>	4.36%	28.27%	17.99%	9.07%	9.45%	12.03%	9.98%

All returns are presented gross-of-fees and all periods longer than 12 months are annualized.  
 See next page for detailed composite information.  
 Source: OP-os

## Small Capitalization Value: GIPS® Composite, Notes and Disclosures

January 1, 2012 through December 31, 2021

Year	Composite (Gross)	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	32.54%	28.27%	67	0.26%	2,340	13,490	15,481	21.82%	25.00%
2020	9.82%	4.63%	64	1.16%	2,571	12,690	14,052	23.18%	26.12%
2019	25.95%	22.39%	72	0.35%	2,712	11,346	13,064	14.18%	15.68%
2018	-13.59%	-12.86%	87	0.38%	2,663	10,078	11,425	14.15%	15.76%
2017	7.77%	7.84%	101	0.21%	3,780	11,675	13,172	12.78%	13.97%
2016	21.37%	31.74%	109	0.86%	3,944	11,572	12,912	13.69%	15.50%
2015	0.99%	-7.47%	102	0.18%	3,135	11,316	12,469	12.12%	13.46%
2014	10.12%	4.22%	95	0.16%	3,783	9,943	11,057	10.76%	12.79%
2013	40.39%	34.52%	100	0.36%	3,933	9,243	10,258	14.48%	15.82%
2012	16.26%	18.05%	96	0.28%	2,902	7,273	8,071	17.60%	19.89%

\* 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 Small Capitalization Value GIPS Report.

### 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 Value is defined as a company within the market capitalization range of Russell 2000® Value Index at time of initial purchase. 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.** 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 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.

**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.

**CALCULATION METHODOLOGY.** The composite performance results are time-weighted total return 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. Policies for valuing investments, calculating performance, and preparing GIPS Report are available upon request. No composite accounts hold foreign denominated securities.

**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 Small Cap Value composite has had a performance examination for the periods 1/1/2001 through 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.

**PERFORMANCE DISCLOSURE.** For returns presented gross of fees, results were calculated prior to a deduction for investment management fees. Client returns will be reduced by Vaughan Nelson's investment management fees. The fee schedule is disclosed in Part 2A of Form ADV filed with the Securities and Exchange Commission. Over a period of years, deductions for annual investment management fees will reduce the compounding effect on portfolio growth. For example, assuming a 5% annual return for five years and application of the maximum annual fee of 1.00%, a total gross return of 27.63% and a total net return of 21.67% would be generated.

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, 2012 - \$798 million.

# FEE SCHEDULE

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## Small Cap Value Portfolio Standard Tiered Fee

.85% on the first \$50,000,000

.70% on the next \$100,000,000

.65% on the next \$150,000,000

.55% on remainder

## Small Cap Value Portfolio Incentive Fee

40 bps annual base incentive fee

15% incentive over annual benchmark returns - net-of-fee