

# INTERMEDIATE FIXED INCOME STRATEGY

## 1Q 2024 Strategy Fact Sheet



### Investment Objective

To maximize total return while preserving capital and providing for liquidity needs through investments in U.S. Treasury and government agency fixed income securities; maturity range 0-5 years with an average quality rating of AAA\*.

\* A-rated or higher corporate securities may be added for an average quality rating guideline of AA or better

### Performance (%)

Past performance is no guarantee of future results.

| Annualized Returns                                   | 1Q 2024 | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|--|---------|--------|---------|---------|---------|----------|
| Intermediate Fixed Income (Gross)                    | -0.04   | 2.97   | -0.59   | 0.83    | 1.28    | 1.62     |
| Intermediate Fixed Income (Net)                      | -0.13   | 2.61   | -0.94   | 0.48    | 0.93    | 1.27     |
| Bloomberg U.S. Government/Credit, Intermediate Index | -0.15   | 2.69   | -1.06   | 1.09    | 1.43    | 1.61     |

All periods longer than 12 months are annualized. Source: GPS.

### Product Composition

| Sector Distribution (%) | Intermediate Fixed Income | Bloomberg U.S. Government/Credit, Intermediate Index |
|-------------------------|---------------------------|--|
| Corporates              | 52.55                     | 34.58  |
| Agencies                | 0.00                      | 3.50   |
| Treasuries              | 46.99                     | 61.91  |
| Mortgages               | 0.18                      | 0.00   |
| Cash                    | 0.28                      | 0.00   |

| Quality Distribution (%) | Intermediate Fixed Income | Bloomberg U.S. Government/Credit, Intermediate Index |
|--------------------------|---------------------------|--|
| AAA                      | 47.45                     | 64.77  |
| AA                       | 2.48                      | 4.89   |
| A                        | 50.08                     | 14.77  |
| BAA                      | 0.00                      | 14.28  |
| BA                       | 0.00                      | 0.71   |
| Other/Not Rated          | 0.00                      | 0.58   |

| Portfolio Characteristics          | Intermediate Fixed Income | Bloomberg U.S. Government/Credit, Intermediate Index |
|------------------------------------|---------------------------|--|
| Average YTM (%)                    | 4.76                      | 4.72   |
| Average Maturity (years)           | 4.01                      | 4.19   |
| Average Coupon (%)                 | 3.17                      | 3.00   |
| Average Effective Duration (years) | 3.54                      | 3.70   |

Rounding may affect total. Source: Bloomberg

### Differentiating Features

- Ability to create and actively manage customized portfolios with variable maturity ranges and/or credit quality limitations
- Constant balance between risk and reward with maximum duration and security limits
- \$3.5 billion (as of 3/31/2024) in fixed income assets allows for access to a greater range of the secondary and new issue corporate market (investment grade only)
- Cross-fertilization of ideas between equity and fixed income platforms

Vaughan Nelson's fixed income management is based on the premise that active, risk-controlled management, founded on research-driven analysis, can uncover relative values that over the long-term produce returns with less risk.

- Headquarters: Houston, TX
- Founded: 1970
- Firm assets: \$18.4 billion\*

\* 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 \$3.1 billion as of 3/31/2024.

### Investment Team

#### Matt Caire, CFA, CMT, CFP®

- Portfolio Manager
- Began investment career in 2010; joined Vaughan Nelson in 2021; MSF, Tulane University; BA, Texas State University, cum laude

#### Michael Hanna

- Director
- Senior Portfolio Manager
- Began investment career in 1998; joined Vaughan Nelson in 2005; MBA, Rice University, 2005; BA, University of Texas, 1997

### Expand Your Fixed Income Horizons

#### Core Fixed Income

- Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income.
- | Average Effective Duration | Average YTM (%) |
|----------------------------|-----------------|
| 6.10                       | 4.80            |

#### Limited Maturity Fixed Income

- Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income: Maturity range 0 to 5 years.
- | Average Effective Duration | Average YTM (%) |
|----------------------------|-----------------|
| 1.31                       | 5.03            |

#### Tax-Free Fixed Income

- Generate tax-free income through investments in municipal bonds: Maturity range 0 to 20 years.
- | Average Effective Duration | Average YTM (%) |
|----------------------------|-----------------|
| 2.96                       | 3.13            |

# INTERMEDIATE FIXED INCOME COMPOSITE RETURNS, NOTES AND DISCLOSURES

January 1, 2013 through March 31, 2024

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

| Year     | Compos. Returns | Compos. Returns | Benchmark | No. of Ports. | Disp. at EOP | Compos. Assets at EOP | Total Firm Assets† (ex. model assets) | Entity Assets**† | Std. Dev. Compos. | Std. Dev. Benchmark |
|----------|-----------------|-----------------|-----------|---------------|--------------|-----------------------|---------------------------------------|------------------|-------------------|---------------------|
|          | Gross           | Net             |           |               | Std. Dev.    | \$MM-USD              | \$MM-USD                              | \$MM-USD         | 3-Yr Anlzd        | 3-Yr Anlzd          |
| 2024 YTD | -0.04%          | -0.13%          | -0.15%    | 5 or fewer    | N/A          | 33                    | 15,225                                | 18,351           | 4.24%             | 4.59%               |
| 2023     | 5.09%           | 4.72%           | 5.24%     | 5 or fewer    | N/A          | 33                    | 13,811                                | 16,351           | 4.24%             | 4.58%               |
| 2022     | -6.88%          | -7.20%          | -8.23%    | 5 or fewer    | N/A          | 35                    | 11,720                                | 13,566           | 3.94%             | 3.82%               |
| 2021     | -1.60%          | -1.94%          | -1.44%    | 5 or fewer    | N/A          | 38                    | 13,490                                | 15,481           | 2.86%             | 2.34%               |
| 2020     | 4.02%           | 3.67%           | 6.43%     | 5 or fewer    | N/A          | 27                    | 12,690                                | 14,052           | 2.77%             | 2.31%               |
| 2019     | 6.51%           | 6.14%           | 6.80%     | 5 or fewer    | N/A          | 3                     | 11,346                                | 13,064           | 1.82%             | 2.04%               |
| 2018     | 0.96%           | 0.59%           | 0.88%     | 5 or fewer    | N/A          | 16                    | 10,078                                | 11,425           | 1.95%             | 2.09%               |
| 2017     | 2.51%           | 2.17%           | 2.14%     | 5 or fewer    | N/A          | 61                    | 11,675                                | 13,172           | 2.05%             | 2.11%               |
| 2016     | 2.43%           | 2.07%           | 2.08%     | 5 or fewer    | N/A          | 56                    | 11,572                                | 12,912           | 2.19%             | 2.23%               |
| 2015     | 1.55%           | 1.20%           | 1.07%     | 5 or fewer    | N/A          | 52                    | 11,316                                | 12,469           | 2.15%             | 2.10%               |
| 2014     | 3.65%           | 3.29%           | 3.13%     | 5 or fewer    | N/A          | 55                    | 9,943                                 | 11,057           | 1.98%             | 1.94%               |
| 2013     | -0.09%          | -0.45%          | -0.86%    | 5 or fewer    | N/A          | 54                    | 9,243                                 | 10,258           | 2.09%             | 2.11%               |

## GIPS NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all discretionary Intermediate Fixed Income accounts in excess of \$2 million. Intermediate Fixed Income is defined as investment grade fixed income securities rated BBB- or higher by S&P with a maturity range of one to ten years at time of purchase. The benchmark is the Barclays Intermediate Govt/Credit Index. The Bloomberg Intermediate Govt/Credit Index measures the performance of U.S. dollar denominated U.S. Treasuries, government related and investment grade U.S. corporate securities that have a remaining maturity of greater than or equal to one year and less than ten years. Securities have \$250 million or more of outstanding face value and must be fixed rate and non-convertible. The composite creation and inception date is June 2009. **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.** Intermediate Fixed Income Fee Schedule: .35% on the first \$25 million, .25% on the next \$75 million, .20% on amounts over \$100 million. **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 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 Bloomberg Valuation Service along with the Matrix Pricing Module. 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. Michael Hanna, Director, Senior Portfolio Manager and Matthew Caire, Portfolio Manager have managed the Intermediate Fixed Income product from June 2021. Michael Hanna has managed the Intermediate Fixed Income product from April 2019. **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 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 the GIPS Report 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 12/31/97 through 9/30/23. 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 Intermediate Fixed Income composite has had a performance examination for the periods 7/1/2009 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: 2023 - \$2.5 billion, 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, 2012 - \$798 million.

\* 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 \$3.1 billion as of 3/31/24. This information is supplemental to the Intermediate Fixed Income GIPS Report.