

## 1Q21 PORTFOLIO FACT SHEET

# GLOBAL SMID CAP STRATEGY

### PERFORMANCE (%)

	YTD	Since 6/30/20
Portfolio (Gross)	10.95	50.15
Portfolio (Net)	10.70	49.18
MSCI ACWI SMID Cap Index - ND	7.12	39.69

### MANAGER COMMENTARY

#### Market Overview

Financial markets continued to recover during the first quarter with the MSCI ACWI SMID Cap Index up 7.1% for the quarter. Continuing the trend from the fourth quarter, global equity markets were led by small caps over large caps and value over growth. Buoyed by a new round of stimulus checks and an accelerated roll out of Covid 19 vaccines in the U.S., cyclical sectors and securities with high beta and high short interest led the equity market to new all-time highs. Coincident with the equity market rally, fixed income markets experienced a significant rise in U.S. Treasury rates. With the short end of the treasury curve anchored near the zero bound, the steepening yield curve served as a powerful rally for the financial sector.

In the United States, strength in the housing market has been a key pillar in the economic recovery. Rising interest rates are a medium-term benefit to the financial sector; however, we expect a near term cooling in home price appreciation and residential real estate activity as the housing market adjusts to the swift move higher in mortgage rates. Rapid improvement in employment gains in the services sectors is expected as the economy continues to reopen with the vaccine roll out. Meanwhile, global industrial activity has been leading the recovery and, despite its best efforts, has yet to make headway in replenishing inventories to normalized levels. Industrial activity continues to be hampered with component shortages and dysfunctional supply chains. These issues will dampen near-term industrial growth but help extend the recovery into late 2021.

With a combination of fresh fiscal stimulus and continued resumption of economic activity, we will experience very strong real and nominal GDP growth globally in the second and third quarters of 2021. Once again as fiscal policy fades and the economy fully reopens, the global economy should return to its baseline fundamental low level of real growth and low inflation. Our longest leading indicators are already signaling such conditions are potentially developing. Further fiscal stimulus in the form of infrastructure and investment may become necessary to sustain sufficient economic growth beyond 2021.

#### Portfolio Positioning

At the country level, the portfolio is overweight the United Kingdom, Norway, Japan, Germany and the Netherlands and underweight Canada and the Emerging Market "EM" countries as a group. The portfolio has a weighting of 3% in EM countries vs the benchmark at 10%.

On a Sector basis, the portfolio is materially overweight Industrials and Information Technology, and has a smaller overweight in Financials and Materials. The portfolio is underweight Real Estate, Utilities, Communication Services, Consumer Discretionary, Health Care, Energy and Consumer Staples.

#### Contributors to Performance

During the quarter, the portfolio produced strong absolute returns and outperformed the ACWI SMID benchmark. The largest contributors to the portfolio's relative outperformance were holdings in the United States, and United Kingdom. In the United States, the strength was driven by holdings in the Information Technology sector, where a recovery in demand benefited the Semiconductor and Electronic Equipment industries. In the United Kingdom, outperformance was driven by Industrial and Financial sector holdings, which benefited from improving economic activity. The largest country level detractor from relative performance was Germany, where the portfolio's overweight to the Real Estate sector was a drag on performance.

We believe the portfolio is well positioned for the current environment, with a balanced mix of "recovery plays" and companies with long term secular tailwinds, and many holdings which we believe have both characteristics. Country and Sector weightings continue to be driven by bottom-up stock selection, rather than factor bets. We do not currently favor any single country, industry, or sector and continue to find attractive opportunities across a wide variety of countries and industries in our investment universe.

# 1Q21 GLOBAL SMID CAP PORTFOLIO

## MODEL PORTFOLIO ATTRIBUTION (GROSS RETURNS)

S&P GICS SECTOR	Portfolio			MSCI ACWI SMID Cap 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	1.17	-7.64	-0.07	4.77	5.58	0.27	-3.60	-13.22	-0.34	-0.49	0.41	-0.09
Consumer Discretionary	9.48	12.62	1.15	12.42	13.36	1.59	-2.94	-0.67	-0.44	-0.02	-0.20	-0.21
Consumer Staples	3.58	13.20	0.38	4.23	3.40	0.15	-0.65	8.82	0.23	0.39	-0.14	0.25
Energy	1.40	39.95	0.50	2.88	22.68	0.60	-1.48	17.73	-0.10	0.46	-0.45	0.00
Financials	13.28	10.57	1.42	12.42	13.01	1.55	0.87	-2.44	-0.13	-0.29	0.06	-0.22
Health Care	7.37	20.08	1.38	10.68	-0.07	0.06	-3.31	20.22	1.31	2.01	-0.44	1.56
Industrials	25.73	12.38	3.11	16.89	7.83	1.31	8.84	4.51	1.79	0.71	0.42	1.12
Information Technology	21.49	15.84	3.30	15.31	1.99	0.33	6.18	13.92	2.96	2.05	0.51	2.55
Materials	10.01	1.13	0.16	8.77	8.60	0.75	1.24	-7.47	-0.59	-0.60	-0.08	-0.69
Real Estate	4.06	-9.03	-0.39	7.84	5.33	0.39	-3.78	-13.65	-0.78	-1.10	0.57	-0.54
Utilities	--	--	--	3.71	2.37	0.10	-3.71	-2.37	-0.10	--	0.20	0.19
[Cash]	2.43	-0.15	-0.00	--	--	--	2.43	-0.14	-0.00	--	-0.16	-0.14
<b>Total</b>	<b>100.00</b>	<b>10.93</b>	<b>10.93</b>	<b>100.00</b>	<b>7.12</b>	<b>7.12</b>	<b>--</b>	<b>3.81</b>	<b>3.81</b>	<b>3.12</b>	<b>0.69</b>	<b>3.81</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.

## PORTFOLIO CHARACTERISTICS<sup>1</sup>

	Portfolio	MSCI ACWI SMID Cap Index
No. of Holdings	69	7,502
Wtd. Avg. Mkt. Cap (\$B)	6.0	10.2
Price/Book	2.63	2.10
Price/Cash Flow	12.02	11.10
P/E NTM	17.03	17.85
ROA (%)	4.37	3.91
ROE (%)	7.85	6.91
Dividend Yield (%)	0.99	1.50
Net Debt/Equity	0.60	0.46

<sup>1</sup> This information is provided as supplemental information to the Global SMID Cap GIPS Report. Data as of 4/21/21 for 3/31/21.

## PORTFOLIO SECTOR WEIGHTINGS (%)<sup>1</sup>

	Portfolio	MSCI ACWI SMID Cap Index
Industrials	26.77	17.14
Technology	22.61	14.86
Financials	13.25	12.79
Materials	10.66	8.88
Consumer Discretionary	10.52	12.82
Health Care	8.27	10.04
Staples	2.91	4.27
Real Estate	2.75	7.94
Energy	1.24	3.00
Communication Services	1.02	4.48
Utilities	--	3.78

\* Excludes 2.76% cash.

<sup>1</sup> This information is provided as supplemental information to the Global SMID Cap GIPS Report.

## TOP TEN HOLDINGS

	Country	Sector	% of Total Portfolio*
LPL Financial	United States	Financials	3.04
Insight Enterprises	United States	Information Technology	2.99
Marlowe	United Kingdom	Industrials	2.60
Univar Solutions	United States	Industrials	2.60
FMC	United States	Materials	2.46
MKS Instruments	United States	Information Technology	2.42
Atea ASA	Norway	Information Technology	2.27
Builders FirstSource	United States	Industrials	2.27
Brown & Brown	United States	Financials	2.18
Axalta Coating Systems	United States	Materials	2.16

This information is provided as supplemental to the GIPS GIPS Report.

\* Excludes 2.76% cash.

## PORTFOLIO GEOGRAPHIC WEIGHTINGS (%)<sup>1</sup>

	Portfolio	MSCI ACWI SMID Cap Index
North America	52.72	55.32
Western Europe	27.52	19.44
Pacific Rim	18.21	20.34
Middle East	1.55	1.13
Africa	--	0.70
Central Asia	--	1.49
Eastern Europe	--	0.66
South America	--	0.92

\* Excludes 2.76% cash.

<sup>1</sup> This information is provided as supplemental information to the Global SMID Cap GIPS Report.

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**James Eisenman, CFA, CPA**  
**Lead Portfolio Manager - Global Equity Investments**

- Began his financial and accounting career in 2002
- Joined Vaughan Nelson in 2005
- Masters in Accounting, Ohio State University, 2005
- BBA, Ohio State University, 2002, with Honors



**Marco Priani, CFA, CPA, FRM**  
**Senior Portfolio Manager - International Equity Investments**

- Began his financial and investment career in 2001
- Joined Vaughan Nelson in 2019
- MBA, The University of Chicago-Graduate School of Business, 2005
- LL.M., Northwestern University School of Law, 2006
- MSF, Universidad Del CEMA, 1999
- JD, Universidad De Buenos Aires-School of Law, *magna cum laude*, 1987



**Kevin Ross, CFA**  
**Senior Portfolio Manager - International Equity Investments**

- 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



**Chris Wallis, CFA, CPA**  
**CEO and CIO**

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

### RESEARCH



**Masa Matsumura, Ph.D.**  
**Senior Equity Analyst - International Equity Investments**

- 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: \$14.7 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 45 employees
- 18 investment team professionals
- 11 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 \$1.5 billion as of March 31, 2021.

### VAUGHAN NELSON EQUITY STRATEGIES

Select	<ul style="list-style-type: none"><li>• Benchmark against the Russell 3000® Index and S&amp;P 500 Index</li><li>• Generally 20 to 40 positions</li></ul>
Value Opportunity	<ul style="list-style-type: none"><li>• Benchmark against the Russell Midcap® Value Index and Russell 2500™ Value Index</li><li>• Generally 55 to 75 positions</li></ul>
Small Cap Value	<ul style="list-style-type: none"><li>• Benchmark against the Russell 2000® Value Index</li><li>• Generally 55 to 85 positions</li></ul>
International Small Cap	<ul style="list-style-type: none"><li>• Benchmark against the MSCI EAFE Small Cap Index</li><li>• Generally 60 to 80 positions</li></ul>
Emerging Markets	<ul style="list-style-type: none"><li>• Benchmark against the MSCI Emerging Markets SMID Index</li><li>• Generally 60 to 80 positions</li></ul>
Global SMID Cap	<ul style="list-style-type: none"><li>• Benchmark against the MSCI ACWI SMID Cap Index</li><li>• Generally 40 to 80 positions</li></ul>

## OUR MISSION

To provide for the **financial wellbeing**  
of our **clients** and **employees**  
through **superior performance** consistent  
with our values.

## GLOBAL SMID CAP COMPOSITE RETURNS (6/30/20 - 3/31/21)

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	10.95	10.70	7.12	5 or fewer	N/A	10	13,140	14,683	N/A	N/A
2020*	35.34	34.76	30.41	5 or fewer	N/A	9	12,690	14,052	N/A	N/A

\* Partial year return. Inception date of June 30, 2020.

\*\* 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 \$1.5 billion as of March 31, 2021. This information is supplemental to the Global SMID Cap GIPS Report.

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Global SMID portfolios in excess of \$1 million under management. Global SMID is defined as a company within the market capitalization range of the MSCI ACWI SMID Cap Index at the time of initial purchase. The benchmark is the MSCI ACWI SMID Cap Index. The index is a free-float-adjusted market capitalization index that is designed to measure small and mid cap equity market performance across 23 Developed and 26 Emerging Markets, as defined by MSCI. The index is reported net-of-dividends, which indicates dividends are reinvested after the deduction for withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. 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 6/30/20.

**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.** Global SMID Cap Fee Schedule: .90% on the first \$10 million, .85% on the next \$15 million, .80% on the next \$25 million, .75% on the next \$50 million, .65% on amounts over \$100 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) through Advent Software. 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 James Eisenman, Marco Priani, Kevin Ross, and Chris Wallis from 6/30/20.

**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. The U.S. dollar is the currency used to express performance.

**CALCULATION METHODOLOGY.** The composite performance results are time-weighted total returns net of commissions and transaction costs. Valuations and returns are expressed in U.S. dollars. Vaughan Nelson consistently values all portfolios each month on a trade date basis. Additional information regarding policies for valuing portfolios, calculating performance, and preparing GIPS Reports are available upon request. Net-of-fee returns are calculated utilizing the highest annual fee paid by a client in the strategy. This fee is divided by 12 and subtracted from the gross composite return on a monthly basis to calculate monthly net of fee returns. Quarterly and annual net-of-fee returns are calculated by geometrically linking these monthly returns.

**COMPLIANT STATEMENT.** Vaughan Nelson claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® Standards. Vaughan Nelson has been independently verified for the periods 12/31/97 through 12/31/20. 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 Global SMID Cap composite has had a performance examination for the periods 6/30/20 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.