

# Vaughan Nelson Intermediate Muni Bond

## 2Q19 - Product Overview



### INVESTMENT OBJECTIVE

To provide tax-free current income and consistent, long-term performance with less risk through active, risk averse management.

### PRODUCT PROFILE<sup>1</sup> (AS OF 6/30/19)

AAA - Pre-refunded*	3%
AAA - Credit Support**	21%
AAA	10%
AA	66%

\* Escrowed with U.S. Governments

\*\* Credit support from permanent school fund, bond insurance companies or other entities

0-1 Year	13%
1-3 Years	22%
3-5 Years	17%
5-7 Years	26%
7-10 Years	23%
10+ Years	0%

Data Source: Advent

<sup>1</sup> This information is provided as supplemental to the GIPS® compliant presentation.

### TAXABLE EQUIVALENT YIELDS<sup>1</sup> (AS OF 6/30/19)

	AA G.O. Municipals	Taxable Equivalent 37%	Taxable Equivalent 35%	Treasuries	Industrial A Corporates
1 YR	1.36	2.16	2.09	1.93	2.19
2 YR	1.38	2.19	2.12	1.76	2.22
3 YR	1.41	2.24	2.17	1.71	2.21
4 YR	1.45	2.30	2.23	1.74	2.27
5 YR	1.50	2.38	2.31	1.77	2.35
7 YR	1.65	2.62	2.54	2.00	2.54
10 YR	1.90	3.02	2.93	2.12	2.79
15 YR	2.34	3.71	3.59	2.17	3.17
20 YR	2.50	3.97	3.84	2.32	3.49

Data Source: Bloomberg

<sup>1</sup> This information is provided as supplemental to the GIPS® compliant presentation.

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: \$12.3 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 \$1.6 billion as of June 30, 2019.

### Investment Team

#### Steve Henriksen

Director of Fixed Income Investments

Senior Portfolio Manager

Began financial and investment career in 1982; joined Vaughan Nelson in 1994; BA, Louisiana State University

#### Blanca Garza

Portfolio Manager

Began investment career in 1993; joined Vaughan Nelson in 1998; MBA, University of St. Thomas; BA, University of Houston-University Park

### EXPAND YOUR FIXED-INCOME HORIZONS

#### Vaughan Nelson Core Fixed Income

Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income.

**Average Modified Duration**  
5.5

**Average YTM**  
2.5%

#### Vaughan Nelson Intermediate Fixed Income

Generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income: Maturity range 0-10 years

**Average Modified Duration**  
3.5

**Average YTM**  
2.4%

#### Vaughan Nelson Limited Maturity Fixed Income

Maximize total return while preserving capital through investments in U.S. Treasury and government agency fixed income securities: Maturity range 0-5 years

**Average Modified Duration**  
1.2

**Average YTM**  
2.0%

# Vaughan Nelson Intermediate Municipal Bond: GIPS Composite, Notes and Disclosures

## 2Q19 - Product Overview

### COMPOSITE RETURNS (1/1/09 - 6/30/19)

Year	Composite (Gross)	Composite (Net)	Benchmark <sup>^</sup>	# of Ports	Dispersion at End-of-Period (Std Dev)	Composite Assets <sup>^^</sup> at End-of-Period (\$MM-USD)	Total Firm Assets (ex. model assets) (\$MM-USD)	Entity Assets <sup>**</sup> (\$MM-USD)	Std Dev Composite (3-Yr Annlzd)	Std Dev Benchmark (3-Yr Annlzd)
YTD 2019	3.24%	3.05%	3.55%	8	N/A	80	10,656	12,273	2.43%	2.24%
2018	1.17%	0.80%	1.60%	8	0.13%	80	10,078	11,425	2.49%	2.23%
2017	3.67%	3.31%	2.58%	7	0.37%	84	11,675	13,172	2.61%	2.22%
2016	-0.31%	-0.68%	-0.05%	6	0.16%	81	11,572	12,912	2.58%	2.15%
2015	3.05%	2.69%	2.10%	6	0.38%	81	11,316	12,469	2.45%	1.89%
2014	3.36%	2.99%	3.43%	7	0.53%	54	9,943	11,057	2.33%	1.93%
2013	-1.67%	-2.01%	0.28%	6	N/A	42	9,243	10,258	2.69%	2.18%
2012	2.99%	2.63%	2.89%	*	N/A	6	7,273	8,071	2.30%	2.19%
2011	7.22%	6.82%	6.76%	*	N/A	40	6,876	7,667	3.51%	2.94%
2010	2.08%	1.72%	3.13%	*	N/A	117	7,050	7,965	4.10%	4.10%
2009	6.79%	6.41%	7.18%	*	N/A	134	6,757	7,690	N/A	N/A

\* Indicates less than five accounts.

\*\* 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 \$1.6 billion as of June 30, 2019. This information is supplemental to the Intermediate Municipal Bond compliant presentation.

<sup>^</sup> As of 7/1/10, the composite benchmark changed from the Barclays Intermediate 1-10 Year Muni Index to the Bank of America Merrill Lynch Municipals 1-10 Year A-AAA Index to reflect the change in the average credit quality of the strategy.

<sup>^^</sup> As of 1/1/11, the minimum account size changed from \$10 million to \$5 million. As of 7/1/13, the minimum account size changed from \$5 million to \$2 million.

### NOTES AND DISCLOSURES

#### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, 100% fixed income, discretionary Intermediate Municipal Bond accounts consisting of municipal bond securities with a maturity range of 1-10 years and a duration band of 3.5 to 5.5 years having a minimum of \$2 million under management. The primary benchmark is the Bank of America/Merrill Lynch 1-10 Year A-AAA Muni Index. This index is a subset of the Bank of America/Merrill Lynch U.S. Municipal Index, including all securities with a remaining term to final maturity less than 10 years and rated AAA-A3, inclusive. The composite creation date is December 2008.

**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.** Intermediate Municipal Bond Fee Schedule: .35% on the first \$25 million, .25% on amounts over \$25 million, \$20,000 minimal annual fee.

**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 portfolios 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. Steve Henriksen, Senior Portfolio Manager, and Blanca Garza, Portfolio Manager, have managed the Intermediate Municipal Bond strategy since 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. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. A complete list and description of composites is available upon request.

#### 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 compliant presentations 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 3/31/19. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Intermediate Municipal Bond composite has been examined for the periods 4/1/04 to 12/31/18. The verification and performance examination reports are available upon request.

Model year-end portfolio totals were as follows: 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.

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