

Q2
2019

VAUGHAN NELSON VALUE OPPORTUNITY PORTFOLIO FACT SHEET



Performance (%)

	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since 6/30/06
Portfolio (Gross)	20.7	2.8	8.5	4.9	11.7	13.3	8.9
Portfolio (Net)	20.2	1.9	7.6	4.0	10.7	12.3	7.9
Russell Midcap [®] Value Value Index	18.0	3.7	9.0	6.7	12.3	14.6	8.1
Russell 2500 [®] Value Value Index	15.3	-1.9	9.0	5.6	11.0	13.3	7.1

All periods longer than 12 months are annualized. See disclosures on last page.

Manager Commentary

During the second quarter of 2019, equity markets continued to recover from the steep sell off experienced in the fourth quarter of 2018. The S&P 500 and Russell 2000 Value appreciated approximately 4.30% and 1.37%, respectively. With the strong performance year-to-date, the S&P 500 has fully recovered from last year's decline while small cap indices remain materially below 3Q 2018 levels.

Global central banks are slowly moving to increase monetary stimulus to reinvigorate global growth and we expect the U.S. central bank to begin cutting rates during the third quarter. Unfortunately, given the prior reliance on monetary stimulus, the extended period of ultra-low rates, China rebalancing its economy, and the secular shift in trade flows; central banks' policies will have less of an impact on underlying economic growth. There are many structural elements suppressing economic growth that cannot be addressed by lowering the federal funds rate. Global negative interest rates and inverted yield curves reflect a growing shortage of "U.S. dollar funding liquidity" outside of the United States. In order to address this U.S. dollar funding shortage, central banks will be forced to resume quantitative easing, or a coordinated devaluing of the U.S. dollar versus major trading currencies will be necessary to boost dollar liquidity.

We continue to expect only a modest resolution to tariff/trade negotiations with China and other countries. It is important to note that the global slowdown began prior to the implementation of tariffs and trade negotiations and we do not expect any resolution to the trade tensions to result in a material sustainable increase in economic growth. The industrial cycle, both domestically and internationally, continues to slow with some areas of the world such as Japan susceptible to entering a recession. The global weakness has negatively impacted inflationary pressures with inflation expectations and global interest rates falling rapidly in the first half of 2019.

U.S. equity markets continue to price in a second half recovery in earnings growth. Unfortunately, the leading indicators we track continue to show slowing industrial activity. The slowdown is now spreading to the services sector, which will likely cause a softening in employment activity. We expect earnings expectations for the broad market averages to continue to decline during the second quarter earnings season. Volatility is likely to increase as further earnings weakness is met with increasing monetary stimulus. Valuations have risen materially in the first half of 2019, and we expect markets to remain volatile until we are in an environment of sustained economic growth.

As a result of this trading activity, sector weightings increased in Technology and Utilities and decreased in the Consumer Discretionary, Energy, Financials, Industrials, Materials, and REITs sectors. The portfolio is overweight Communication Services, Financials, Technology, Materials, and Utilities while underweight Consumer Discretionary, Consumer Staples, Energy, Health Care, Industrials, and Real Estate.

We continue to position the portfolio into companies that have lower earnings variability and higher profitability than the broader investment universe, and where we can get these characteristics at similar valuation levels to the benchmark index. We still do not favor any single industry or sector and continue to look for the characteristics noted above across all industries.

During the quarter, the portfolio experienced positive absolute performance and outperformed the benchmark. The relative performance was driven by stock and sector selection. Stock selection within Consumer Discretionary, Materials, Industrials, and Health Care contributed the most to relative performance. Also, the portfolio was underweight REITs, which underperformed the market for the quarter. Stock selection within the Financials and Communication Services sectors detracted from relative performance.

"Investing is about offsetting future obligations, not just having market exposure."

VAUGHAN NELSON VALUE OPPORTUNITY PORTFOLIO - 2Q19

Model Portfolio Attribution (Gross Returns)

S&P GICS SECTOR	Portfolio			Russell Midcap [®] 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	Allocation Effect	Selection + Interaction	Total Effect
Communication Services	4.43	-4.56	-0.22	3.19	7.64	0.24	1.24	-12.20	-0.46	0.07	-0.55	-0.48
Consumer Discretionary	6.50	13.38	0.84	8.54	-0.60	-0.06	-2.04	13.97	0.90	0.09	0.85	0.94
Consumer Staples	1.09	-5.47	-0.16	4.90	-1.53	-0.08	-3.81	-3.94	-0.08	0.18	-0.08	0.10
Energy	3.65	-8.76	-0.35	5.70	-8.23	-0.52	-2.05	-0.54	0.17	0.24	-0.01	0.23
Financials	21.60	3.60	0.79	17.84	7.47	1.27	3.76	-3.87	-0.48	0.19	-0.80	-0.60
Health Care	6.50	7.00	0.45	6.92	2.95	0.21	-0.42	4.05	0.24	0.00	0.25	0.25
Industrials	8.46	14.40	1.17	12.42	8.28	1.01	-3.96	6.12	0.17	-0.20	0.49	0.29
Information Technology	19.81	5.36	1.08	8.86	5.51	0.48	10.95	-0.15	0.59	0.31	-0.11	0.20
Materials	6.06	11.87	0.71	5.85	2.58	0.17	0.21	9.28	0.54	-0.00	0.55	0.54
Real Estate	0.96	10.07	0.07	14.30	0.24	0.05	-13.34	9.83	0.02	0.41	0.07	0.48
Utilities	14.56	3.96	0.57	11.37	3.53	0.40	3.20	0.44	0.17	0.00	0.06	0.06
[Cash]	6.37	0.49	0.03	--	--	--	6.37	0.49	0.03	-0.22	--	-0.22
Total	100.00	4.98	4.98	100.00	3.19	3.19	--	1.78	1.78	1.07	0.71	1.78

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

	Portfolio	Russell Midcap [®] Value Index	Russell 2500 [®] Value Index
No. of Holdings	69	587	1,701
Wtd. Avg. Mkt. Cap (\$B)	14.3	15.7	5.2
Price/Book	2.5	1.9	1.6
Est. 3-5 Yr. EPS Growth	12.0	8.1	9.6
P/E NTM	15.5	15.2	14.5
ROA (%)	6.1	4.7	4.1
ROE (%)	15.4	10.9	8.8
Dividend Yield (%)	1.6	2.3	2.3
Beta*	1.08	1.02	1.12
Sharpe Ratio*	0.29	0.46	0.33
Information Ratio*	-0.42	-0.19	-0.34
R-Squared*	0.84	0.94	0.88
Standard Deviation* (%)	14.19	12.64	14.32

* Annualized 5-year ending 6/30/19 vs. Russell 3000[®] Value.

Top Ten Holdings¹

	% of Total Portfolio*
Nexstar Media Group Class A	3.09
CACI International Class A	2.73
Fidelity National Information Services	2.68
Evergy	2.43
Eversource Energy	2.43
WEC Energy Group	2.41
IQVIA	2.34
Ameren	2.31
CMS Energy	2.30
Arthur J. Gallagher	2.26

* Excludes 6.58% cash.

¹ This information is provided as supplemental to the GIPS compliant presentation.

Additions to Portfolio

	Category
Constellation Brands	UG
SolarWinds	UG
Virtu Financial	UG

Key

UG - undervalued growth
UA - undervalued asset
UD - undervalued dividend

Deletions from Portfolio

	Rationale
Mr. Cooper	F
Masonite	BO
SEI Investments	BO

Key

V - valuation reached
A - acquisition
MC - market cap
F - fundamental
BO - better opportunity

VAUGHAN NELSON VALUE OPPORTUNITY PORTFOLIO - 2Q19

Portfolio Sector Weightings (%)^{* 1}

	Portfolio	Russell Midcap [®] Value Index	Russell 2500 [®] Value Index
Technology	22.3	9.0	10.0
Financials	20.5	17.9	23.5
Utilities	15.8	11.4	6.9
Industrials	9.3	12.8	14.2
Consumer Discretionary	7.3	8.4	7.7
Health Care	7.2	7.1	5.3
Materials	6.6	6.0	5.7
Communication Services	4.4	3.2	3.1
Energy	3.7	5.4	4.4
Consumer Staples	1.7	4.7	3.0
Real Estate	1.2	14.1	16.2

* Excludes 6.58% cash.

¹ This information is provided as supplemental to the GIPS[®] compliant presentation.

Vaughan Nelson Equity Team - Value Opportunity



Dennis G. Aiff, CFA

Lead Senior Portfolio Manager

Began investment career in 1997; joined Vaughan Nelson in 2006; MBA, Harvard Business School; BS, United States Military Academy



Chad Fargason, PhD

Senior Portfolio Manager

Began investment career in 1998; joined Vaughan Nelson in 2013; PhD, Duke University; MA, Duke University; BA, Rice University



Chris D. Wallis, CFA, CPA

CEO and CIO, Lead Senior Portfolio Manager

Began financial and investment career in 1991; joined Vaughan Nelson in 1999; MBA, Harvard Business School; BBA, Baylor University

ANALYST TEAM



Benjamin Carrier
Equity Analyst

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



Keith Cioci
Equity Analyst

Began investment career in 2009; joined Vaughan Nelson in 2018; MPA, BBA, University of Texas, 2008



James Eisenman, CFA, CPA

Vice President - Equity Investments

Began financial and investment career in 2002; joined Vaughan Nelson in 2005; BBA, Ohio State University, 2002; Masters in Accounting, Ohio State University, 2002



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



Adam Rich, CFA
Equity Analyst

Began investment career in 2010; joined Vaughan Nelson in 2016; BS, Brigham Young University, 2010

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: \$12.3 Billion^{*}
- 43 employees
- 15 Investment Team Professionals
- 7 CFAs, 2 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 \$1.6 billion as of June 30, 2019.

Vaughan Nelson Value Opportunity Portfolio Composite Returns (6/30/06 - 6/30/19)

Year	Composite (Gross)	Composite (Net)	Primary Bchmrk	Secondary Bchmrk	Number of Ports.	Dispersion at End-of- Period (Std Dev)	Composite Assets at End-of-Period (\$MM-USD)	Ttl Firm Assets (ex. model assets) (\$MM-USD)	Entity Assets*** (\$MM-USD)	Std Dev Composite (3-Yr Annlzd)	Std Dev. Primary Benchmark (3-Yr Annlzd)	Std Dev. Secondary Benchmark (3-Yr Annlzd)
YTD 2019	20.69%	20.19%	18.02%	15.26%	28	N/A	1,642	10,656	12,273	14.07%	13.00%	14.89%
2018	-14.82%	-15.56%	-12.29%	-12.36%	36	0.14%	1,952	10,078	11,425	14.01%	11.96%	13.58%
2017	14.31%	13.33%	13.34%	10.36%	49	0.27%	2,612	11,675	13,172	12.30%	10.32%	11.81%
2016	7.12%	6.22%	20.00%	25.20%	62	0.26%	2,895	11,572	12,912	13.53%	11.30%	13.17%
2015	-2.35%	-3.21%	-4.78%	-5.49%	62	0.24%	2,631	11,316	12,469	12.48%	10.71%	12.02%
2014	12.26%	11.32%	14.75%	7.11%	58	0.58%	1,477	9,943	11,057	11.21%	9.81%	11.25%
2013	43.03%	41.84%	33.46%	33.32%	46	0.39%	965	9,243	10,258	15.65%	13.69%	15.07%
2012	17.56%	16.57%	18.51%	19.21%	41	0.18%	586	7,273	8,071	18.81%	16.76%	18.41%
2011	-2.37%	-3.17%	-1.38%	-3.36%	27	0.17%	433	6,876	7,667	21.46%	22.78%	24.23%
2010	21.92%	20.91%	24.75%	24.82%	19	0.36%	356	7,050	7,965	24.09%	27.11%	26.97%
2009	34.11%	32.87%	34.21%	27.68%	7	0.49%	127	6,757	7,690	21.42%	25.01%	24.61%
2008	-31.33%	-32.01%	-38.44%	-31.99%	7	0.19%	80	5,761	6,642	N/A	N/A	N/A
2007	10.48%	9.39%	-1.42%	-7.27%	6	N/A	90	6,637	8,176	N/A	N/A	N/A
2006**	7.73%	7.20%	12.33%	11.62%	*	N/A	18	5,218	6,711	N/A	N/A	N/A

* Indicates less than five accounts.

** Partial year return. Inception date of June 30, 2006

*** 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 Value Opportunity compliant presentation.

NOTES

COMPOSITE DESCRIPTION. This composite is comprised of all fee paying, discretionary Value Opportunity portfolios with a minimum of \$1 million under management. Value Opportunity is defined as a security having a market capitalization within the capitalization range of \$1 billion to \$20 billion at time of initial purchase. The primary benchmark is the Russell Midcap® Value Index. The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market. The secondary benchmark is Russell 2500® Value Index. The Russell 2500® Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500® Value Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-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. Composite creation date is June 2006.

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. Value Opportunity Fee Schedule: .85% on the first \$10 million, .75% on the next \$15 million, .70% on the next \$25 million, .65% on assets over \$50 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 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.

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 Dennis Alff and Chad Fargason from 12/31/18; Dennis Alff, Chad Fargason, Chris Wallis and Scott Weber from 9/30/13; and Dennis Alff, Chris Wallis and Scott Weber since 6/30/06.

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 descriptions of composites is available upon request.

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 Value Opportunity composite has been examined for the periods 7/1/06 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, 2008 - \$881 million.



600 Travis, Suite 6300
Houston, TX 77002-3071
Main: (713) 224-2545
Fax: (713) 228-4292
www.vaughannelson.com