

## 4Q19 PORTFOLIO FACT SHEET

# Core Fixed Income Strategy

### INVESTMENT OBJECTIVE

Vaughan Nelson Core Fixed Income seeks to generate attractive risk-adjusted returns through investments in U.S. Treasury, government agencies and investment grade corporate fixed income securities.

### PERFORMANCE (AS OF 12/31/19)

Annualized Returns	1 Year	3 Years	5 Years	7 Years	10 Years
Core Fixed Income (gross)	9.3%	4.3%	3.5%	3.2%	4.2%
Core Fixed Income (net)	8.9%	3.9%	3.1%	2.8%	3.8%
Barclays Aggregate Index	8.7%	4.0%	3.1%	2.7%	3.8%

All periods longer than 12 months are annualized.

### PRODUCT COMPOSITION<sup>1</sup> (AS OF 12/31/19)

Sector Distribution	Core Fixed Income	Barclays Aggregate Index
Corporates	68%	25%
Agencies	0%	6%
Treasuries	31%	40%
Mortgages	1%	27%
Commercial Mortgages	0%	2%
Asset Backed	0%	0%

### Quality Distribution

AAA	34%	72%
AA	6%	3%
A	39%	11%
BBB	21%	14%

### Portfolio Characteristics

Average YTM (%)	2.1	2.3
Average Maturity (years)	6.5	8.1
Average Coupon (%)	4.1	3.2
Average Modified Duration (years)	5.2	5.9

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

### DIFFERENTIATING FEATURES

- 26 year track record under the same lead portfolio manager
- Average 32 years of fixed income investment experience
- 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
- \$3.0 billion (as of 12/31/19) 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: \$13.1 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 \$1.7 billion as of December 31, 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

#### Charles Ellis

Portfolio Manager

Began investment career in 1975; joined Vaughan Nelson in 2003; BBA, Texas Tech 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

#### Michael Hanna

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

#### 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 to 10 years.

Average Modified Duration	Average YTM
3.7	2.0%

#### 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 to 5 years.

Average Modified Duration	Average YTM
1.2	1.6%

#### Tax-Free Fixed Income

Generate tax-free income through investments in municipal bonds: Maturity range 0 to 20 years.

Average Modified Duration	Average YTM
3.5	1.6%

## Core Fixed Income Portfolio Composite Returns (1/1/10 - 12/31/19)

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)
2019	9.34%	8.93%	8.72%	Fewer than 6	N/A	98	11,346	13,064	2.60%	2.87%
2018	0.09%	-0.27%	0.01%	Fewer than 6	N/A	90	10,078	11,425	2.55%	2.84%
2017	3.60%	3.24%	3.54%	6	0.15%	92	11,675	13,172	2.71%	2.78%
2016	3.17%	2.80%	2.65%	7	0.42%	91	11,572	12,912	2.92%	2.98%
2015	1.44%	1.07%	0.55%	Fewer than 6	0.25%	94	11,316	12,469	2.91%	2.88%
2014	5.62%	5.27%	5.97%	7	0.53%	105	9,943	11,057	2.71%	2.63%
2013	-0.86%	-1.21%	-2.02%	7	0.19%	100	9,243	10,258	2.77%	2.71%
2012	6.85%	6.49%	4.21%	6	0.44%	96	7,273	8,071	2.33%	2.38%
2011	7.14%	6.75%	7.84%	7	0.23%	104	6,876	7,667	2.78%	2.78%
2010	5.93%	5.55%	6.54%	7	0.73%	109	7,050	7,965	4.12%	4.17%

\* 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 \$1.7 billion as of December 31, 2019. This information is supplemental to the Select compliant presentation.

## GIPS Notes and Disclosures

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Core Fixed Income accounts in excess of \$2 million. Core Fixed Income is defined as investment grade fixed income securities rated BBB- or higher by S&P with a maturity range of one to thirty years at time of purchase. The benchmark is the Barclays Aggregate Index. The Barclays Aggregate Bond Index provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least one year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable. The creation date of the composite is January 1993.

**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.** Core 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 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 along with 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. Steve Henriksen and Michael Hanna have managed the Core Fixed Income product from April 2019; and Steve Henriksen from 1994.

**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 9/30/19. 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 Core Fixed Income composite has been examined for the periods 1/1/98 to 12/31/18. The verification and performance examination reports are available upon request.

Model year-end portfolio totals were as follows: 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, 2011 - \$791 million, 2010 - \$915 million.



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