

# SELECT STRATEGY

## PERFORMANCE (%)

	1 Year	3 Years	5 Years	7 Years	10 Years	Since 6/30/09
Portfolio (Gross)	20.32	14.46	15.32	13.16	14.82	17.26
Portfolio (Net)	19.13	13.32	14.17	12.04	13.68	16.10
Russell 3000® Index	20.89	14.49	15.43	12.76	13.79	15.49
S&P 500 Index	18.40	14.18	15.22	12.92	13.88	15.37

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

## MANAGER COMMENTARY

### Market Overview

The recovery in financial markets continued in Q4 2020 with the S&P 500 and Russell 2000 Value rising 12.2% and 33.4%, respectively. For the year, the S&P 500 and Russell 2000 Value rose 18.4% and 4.6%, respectively. Positive vaccine data, combined with election results that indicated further stimulus is expected, were the impetus for the strong fourth quarter rally. The equity market rally materially boosted valuation multiples indicating a portion of the 2021 earnings recovery has already been discounted. As the economy continues to recover, additional policy support may be needed to offset the damage that occurred to key service sectors and the commercial real estate market.

U.S. and International economies remain buoyed by the continued strong recovery in the industrial sector as global supply chains are busy rebuilding inventories and preparing for a post COVID-19 normalization of activity. The recovery in the services side of the economy continues at a modest pace as renewed lock downs have presented headwinds in the fourth quarter. One of the brightest spots in the U.S. economy has been the strength in housing. The rapid increase in demand has pushed home prices materially higher. Higher home prices represent a near term headwind but are a harbinger of increased economic activity as additional supply is brought to market to balance supply and demand.

A key driver of the recovery has been the weaker U.S. dollar, which boosted commodity prices and eased the debt service burden of foreign borrowers. However, the falling U.S. dollar and supply chain disruptions are leading to domestic price increases which will likely cause headline inflation to exceed the Federal Reserve's 2% target during the first half of 2021. Should this increase in inflationary pressure prove transitory, and there are no material shifts in real yields, then we would not expect a material impact to risk assets. To the extent higher inflation expectations become more entrenched, or real yields move higher, a broader repricing of risk assets across sectors and asset classes is expected.

### Portfolio Positioning

As a result of buys and sells and market action, the largest sector over weights are Materials, Information Technology, Energy, Communication Services, and Industrials. Consumer Staples, Consumer Discretionary, Utilities, Financials, Real Estate, and Health Care are the most underweight sectors.

### Contributors to Performance

During the quarter, the portfolio experienced positive absolute and negative relative performance. Positive relative contributions from Information Technology, Health Care, Energy, Consumer Staples, Real Estate, and Utilities were modestly offset by negative relative contribution in Communication Services, Materials, Industrials, Financials, and Consumer Discretionary.

# 4Q20 SELECT PORTFOLIO

## MODEL PORTFOLIO ATTRIBUTION (GROSS RETURNS)

S&P GICS SECTOR	Portfolio			Russell 3000®			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	11.16	3.90	0.44	9.92	15.41	1.54	1.24	-11.51	-1.11	0.08	-1.30	-1.23
Consumer Discretionary	11.44	5.28	0.71	12.20	14.22	1.69	-0.75	-8.94	-0.98	-0.04	-0.86	-0.90
Consumer Staples	2.40	19.14	0.44	6.10	7.11	0.45	-3.70	12.03	-0.01	0.28	0.26	0.53
Energy	3.59	47.84	1.44	2.06	29.28	0.57	1.53	18.56	0.87	0.14	0.52	0.66
Financials	6.56	18.32	1.14	10.37	24.80	2.49	-3.81	-6.48	-1.35	-0.37	-0.36	-0.73
Health Care	12.65	14.36	1.86	14.21	10.29	1.51	-1.57	4.07	0.35	0.05	0.51	0.57
Industrials	8.72	5.90	0.37	9.37	18.50	1.75	-0.65	-12.60	-1.37	-0.15	-1.05	-1.20
Information Technology	30.82	17.48	5.28	26.85	13.82	3.61	3.98	3.66	1.67	-0.01	1.05	1.04
Materials	10.18	3.06	0.34	2.81	17.36	0.50	7.38	-14.31	-0.15	0.23	-1.48	-1.25
Real Estate	--	--	--	3.26	9.24	0.33	-3.26	-9.24	-0.33	0.15	--	0.15
Utilities	--	--	--	2.83	7.78	0.25	-2.83	-7.78	-0.25	0.17	--	0.17
[Cash]	2.47	0.01	0.00	--	--	--	2.47	0.01	0.00	-0.44	--	-0.44
<b>Total</b>	<b>100.00</b>	<b>12.03</b>	<b>12.03</b>	<b>100.00</b>	<b>14.67</b>	<b>14.67</b>	<b>--</b>	<b>-2.65</b>	<b>-2.65</b>	<b>0.07</b>	<b>-2.72</b>	<b>-2.65</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

	Portfolio	Russell 3000® Index	S&P 500 Index
No. of Holdings	30	3,060	505
Wtd. Avg. Mkt. Cap (\$B)	314.0	409.5	489.3
Price/Book	4.81	3.78	4.00
Est. 3-5 Yr. EPS Growth	12.01	13.19	12.29
P/E NTM	24.45	22.33	22.37
ROA (%)	12.25	8.44	10.15
ROE (%)	25.34	22.40	26.14
Dividend Yield (%)	1.34	1.45	1.54
Beta*	0.89	0.93	0.88
Sharpe Ratio*	0.89	0.90	0.93
Information Ratio*	0.88	1.35	1.15
R-Squared*	0.85	0.93	0.92
Standard Deviation* (%)	15.90	15.89	15.13

\* Annualized 5-year ending 12/31/20 vs. Russell 3000® Value.

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

	Portfolio	Russell 3000® Index	S&P 500 Index
Technology	32.13	27.12	27.61
Health Care	11.99	13.99	13.46
Communication Services	10.67	9.85	10.77
Materials	10.10	2.81	2.63
Industrials	9.89	9.35	8.51
Consumer Discretionary	9.82	12.32	12.61
Financials	8.11	10.72	10.44
Energy	4.48	2.16	2.28
Staples	2.81	5.86	6.51
Real Estate	0.00	3.17	2.42
Utilities	0.00	2.65	2.76

\* Excludes 1.50% cash.

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

## TOP TEN HOLDINGS<sup>\*1</sup>

	% of Total Portfolio
Microsoft	5.83
Facebook Class A	5.54
Union Pacific	5.46
Amazon. Com	5.35
ON Semiconductor	5.24
Texas Instruments	5.19
Mastercard Class A	5.03
Sherwin-Williams	4.97
UnitedHealth Group	4.81
Aon Class A	4.04

\* Excludes 1.50% cash.

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

## ADDITIONS TO PORTFOLIO

	Category
Cummins	UA
Popular	UA
SAIA	UG

Key

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

## DELETIONS FROM PORTFOLIO

	Category
Knight-Swift Transportation	BO
Roper Technologies	BO
Virtu Financial	BO

Key

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

## VAUGHAN NELSON EQUITY TEAM

### PORTFOLIO MANAGERS



**Scott Weber, CFA**  
Lead Senior Portfolio Manager

- Began his financial and investment career in 1996
- Joined Vaughan Nelson in 2003
- MBA, Tulane University of the South, 1994
- BS, The University of the South, 1994



**Chris Wallis, CFA, CPA**  
CEO and CIO, Lead Senior Portfolio Manager

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

### RESEARCH TEAM



**Benjamin Carrier, CFA**  
Equity Analyst

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



**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



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**Sundeep Khanna, CFA**  
Vice President - Equity Investments

- Began investment career in 2004
- Joined Vaughan Nelson in 2020
- BS, The University of Texas, 2005



**Adam Rich, CFA**  
Vice President - Equity Investments

- 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: \$14.1 Billion\*
- Domestic equity, international equity, and fixed income strategies
- 44 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 \$1.4 billion as of December 31, 2020.

### VAUGHAN NELSON EQUITY STRATEGIES

#### Small Cap Value

- Benchmark against the Russell 2000® Value Index
- Generally 55 to 85 positions

#### Select

- Benchmark against the Russell 3000® Index and S&P 500 Index
- Generally 20 to 40 positions

#### Value Opportunity

- Benchmark against the Russell Midcap® Value Index and Russell 2500™ Value Index
- Generally 55 to 75 positions

#### International Small Cap

- Benchmark against the MSCI EAFE Small Cap Index
- Generally 60 to 80 positions

#### Emerging Markets

- Benchmark against the MSCI Emerging Markets SMID Index
- Generally 60 to 80 positions

#### Global SMID Cap

- Benchmark against the MSCI ACWI SMID Cap Index
- Generally 40 to 80 positions

## OUR MISSION

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

## SELECT PORTFOLIO COMPOSITE RETURNS (6/30/09 - 12/31/20)

Year	Composite (Gross)	Composite (Net)	Primry Bnchmrk*	Scndry Bnchmrk	No. of Portfolios	Disp. 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 Anlzd)	Std Dev. Primry Bnchmrk (3-Yr Anlzd)	Std Dev. Scndry Bnchmrk (3-Yr Anlzd)
2020	20.32%	19.13%	20.89%	18.40%	87	0.70%	1,846	12,690	14,052	19.51%	19.41%	18.53%
2019	29.21%	27.94%	31.02%	31.49%	83	0.22%	1,617	11,346	13,064	12.46%	12.21%	11.93%
2018	-3.56%	-4.53%	-5.24%	-4.38%	80	0.24%	1,187	10,078	11,425	11.425	11.18%	10.80%
2017	25.94%	24.69%	21.13%	21.83%	69	0.48%	997	11,675	13,172	10.54%	10.09%	9.92%
2016	7.99%	6.91%	12.74%	11.96%	53	0.23%	679	11,572	12,912	11.30%	10.88%	10.59%
2015	4.02%	2.97%	0.48%	1.38%	42	0.22%	448	11,316	12,469	11.81%	10.58%	10.47%
2014	12.04%	10.93%	12.56%	13.69%	41	0.11%	585	9,943	11,057	9.50%	9.29%	8.97%
2013	44.11%	42.73%	33.55%	32.39%	37	0.33%	410	9,243	10,258	12.24%	12.53%	11.94%
2012	10.91%	9.81%	16.42%	16.00%	27	0.29%	194	7,273	8,071	15.57%	15.73%	15.09%
2011	4.85%	3.84%	1.03%	2.11%	17	N/A	124	6,876	7,667	N/A	N/A	N/A
2010	31.28%	30.06%	24.75%	15.06%	Fewer than 5	N/A	26	7,050	7,965	N/A	N/A	N/A
2009**	19.37%	18.80%	30.05%	22.59%	Fewer than 5	N/A	23	6,757	7,690	N/A	N/A	N/A

\* Effective 1/1/11, the composite benchmark changed from the Russell Midcap Value Index to the Russell 3000 Index to reflect the change in the management style of the strategy.

\*\* Partial year return. Inception date of June 30, 2009.

\*\*\* Number includes assets where Vaughan \$1.4 billion as of December 31, 2020. This information is supplemental to the Select compliant presentation.

## NOTES AND DISCLOSURES

### NOTES

**COMPOSITE DESCRIPTION.** This composite is comprised of all fee paying, discretionary Select portfolios of at least \$1 million under management. Select portfolios are managed in a tactical manner predominately investing in 20-40 equity securities within the market capitalization range of the Russell 3000® Index at the time of purchase and may contain non-equity and non-U.S. positions. The primary benchmark is the Russell 3000® Index. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The secondary benchmark is the S&P 500® Index. 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. The composite creation 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.

**FEES.** Select Fee Schedule: 1.00% on the first \$25 million, .85% on the next \$25 million, .75% on the remainder.

**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.

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

**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 complete list and descriptions of composites is available upon request. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate.

### 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 9/30/20. 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 Select composite has been examined for the periods 7/1/09 to 12/31/20. The verification and performance examination reports are available upon request.

Model year-end portfolio totals were as follows: 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, 2011 - \$791 million, 2010 - \$915 million, 2009 - \$933 million.



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