

Marketing Communication



Select

Risk Factor Diversification Within High Active Share Portfolios

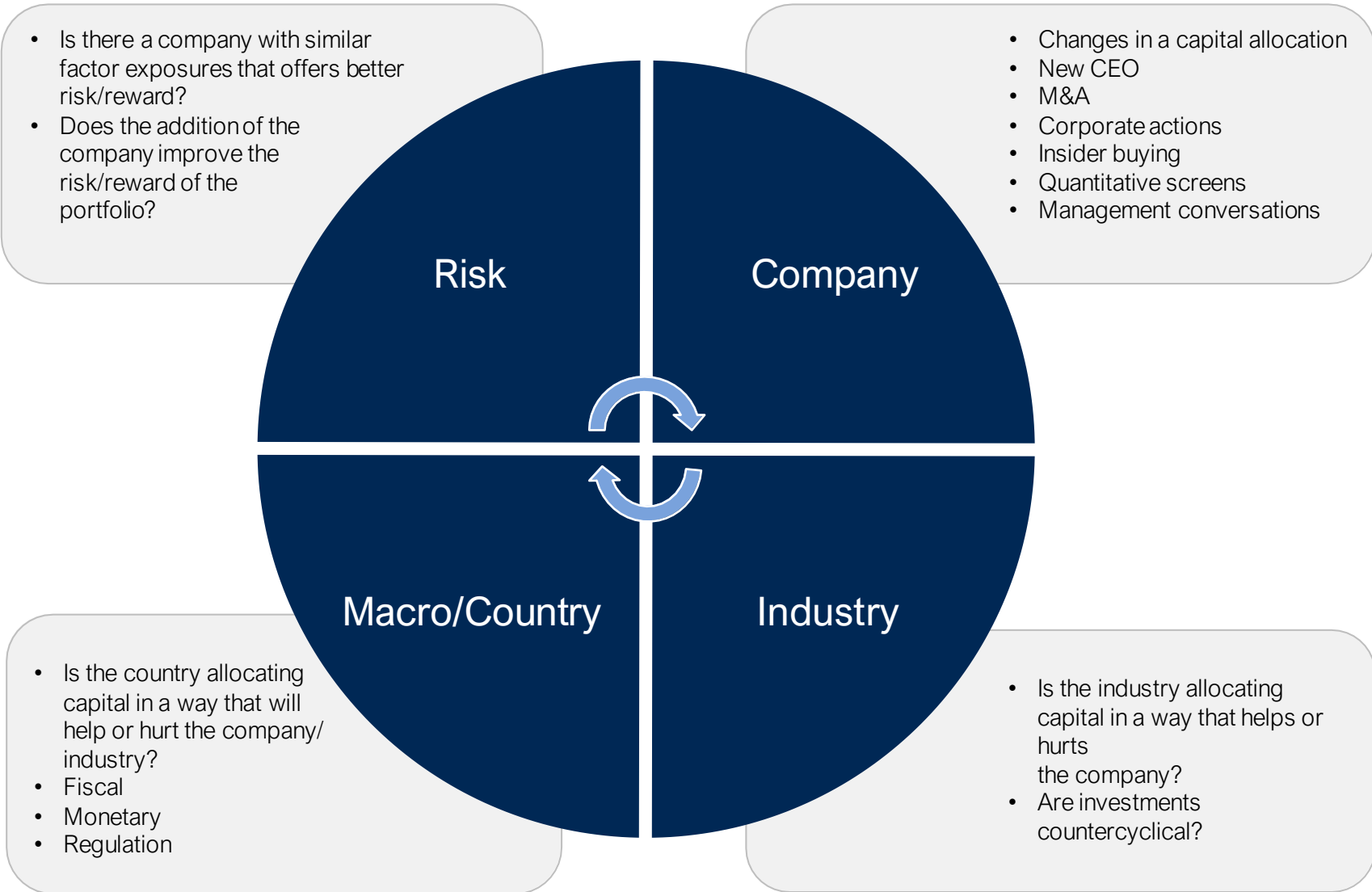
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Houston, TX 77002
713-224-2545

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312-767-1803

www.vaughannelson.com
ContactVN@vaughannelson.com

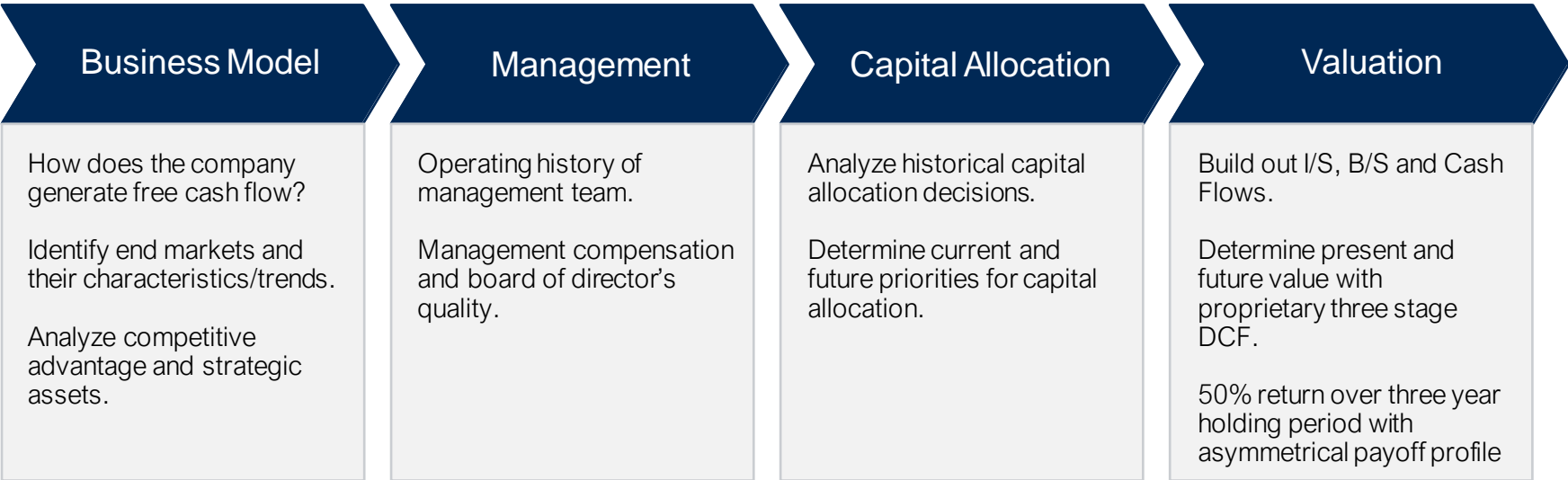
INVESTMENT PROCESS

Process can start at any point; however, all four are required

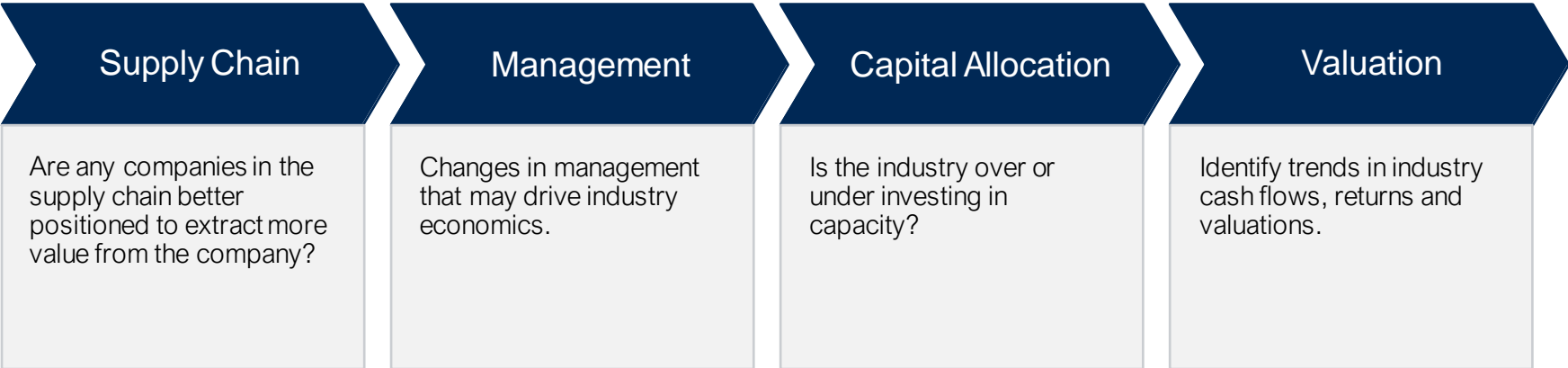


INVESTMENT PROCESS

COMPANY RESEARCH

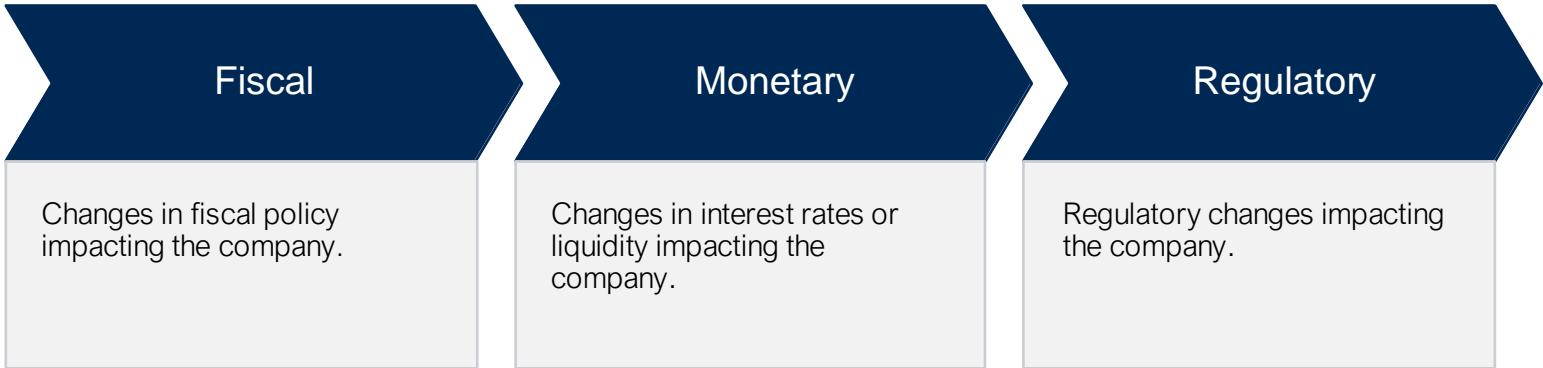


INDUSTRY RESEARCH

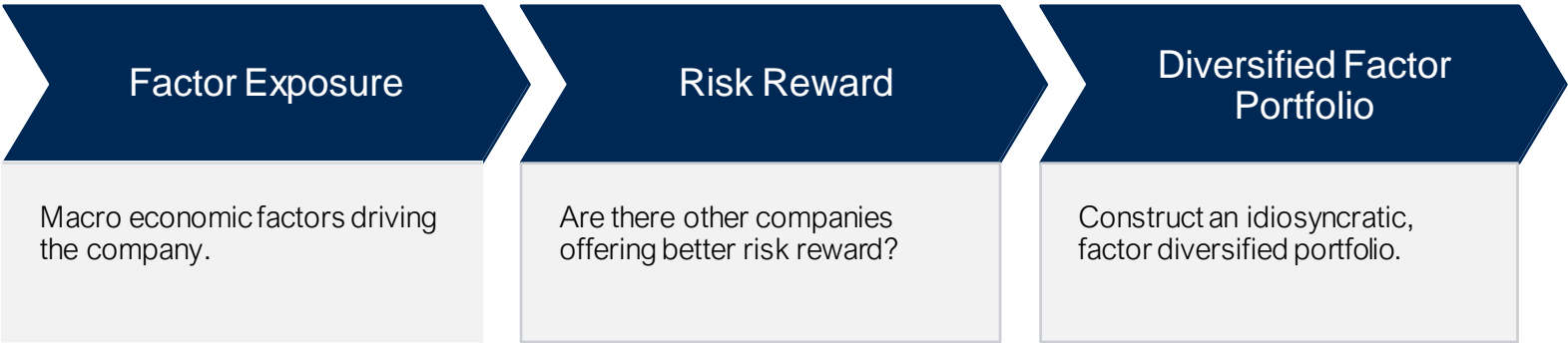


INVESTMENT PROCESS

MACRO / COUNTRY RESEARCH



RISK RESEARCH

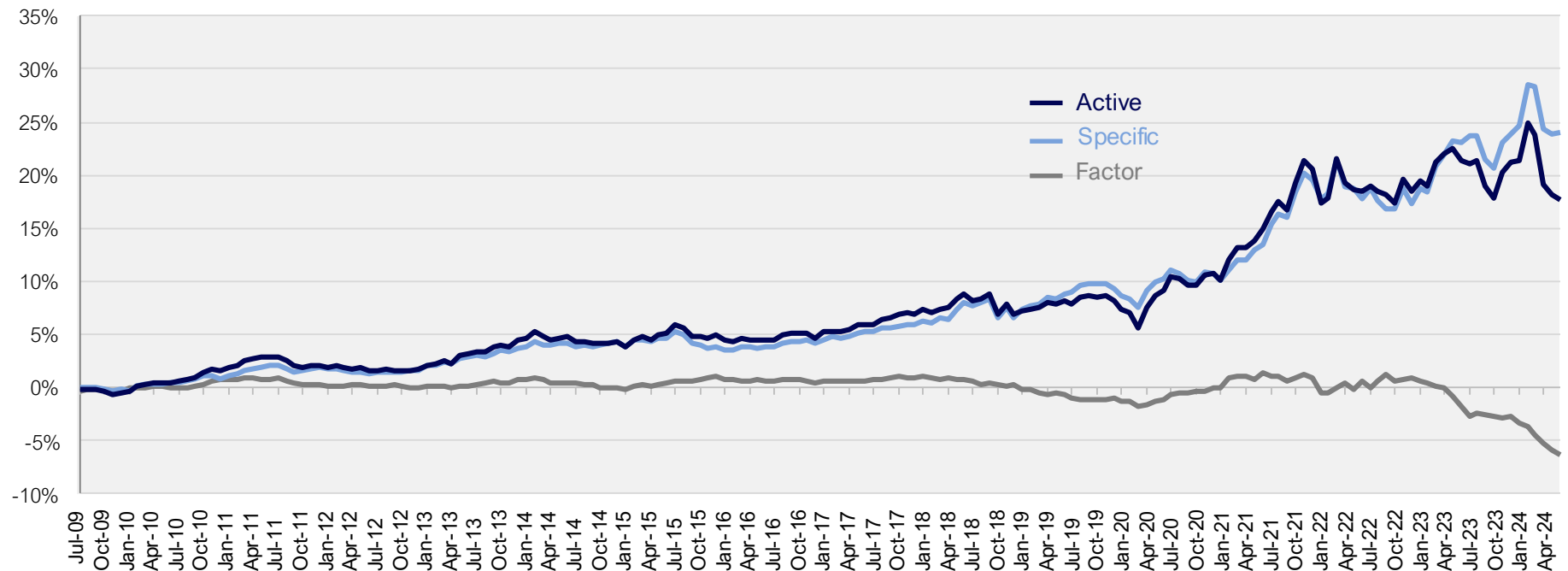


WHY INVEST WITH THE SELECT TEAM?

Our Objective is to Create Alpha

- Concentrated – usually 25-30 positions
- Intelligent Diversification - measured via fundamental and macroeconomic factors
- Security Selection – idiosyncratic return drivers

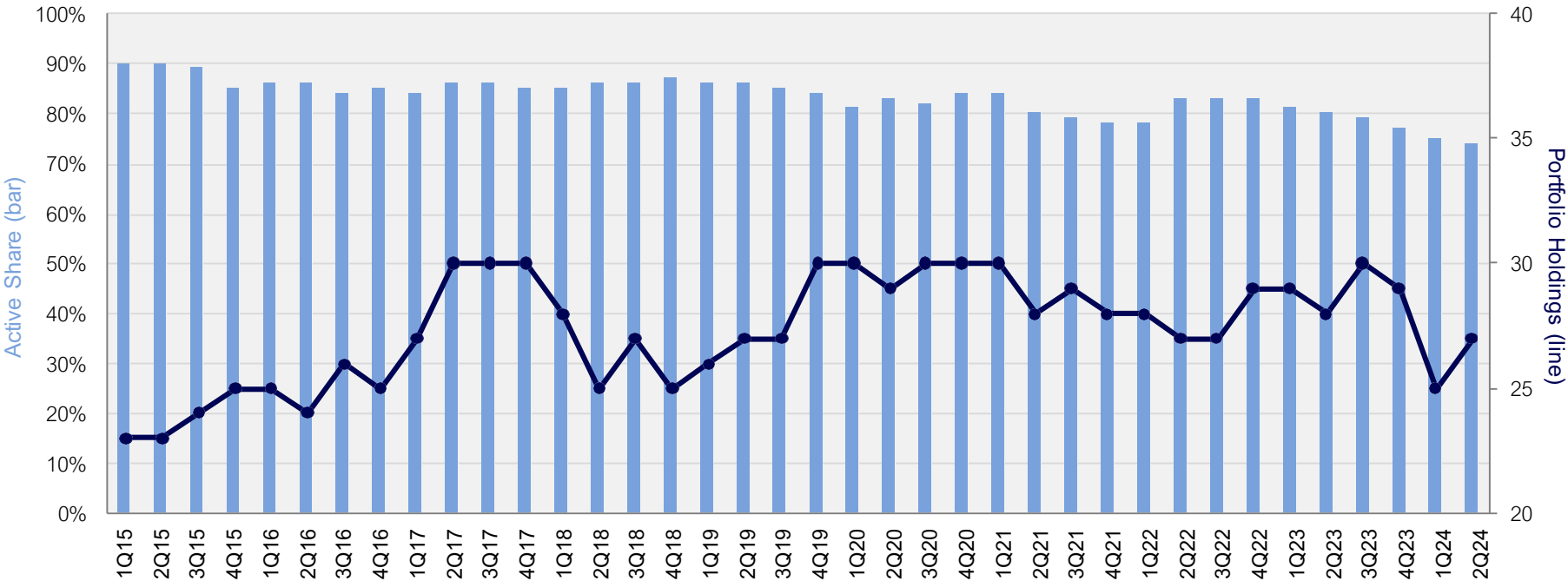
Select Cumulative Active Return Generation



Monthly data as of 6/30/24.
Source: Axioma

CONCENTRATION

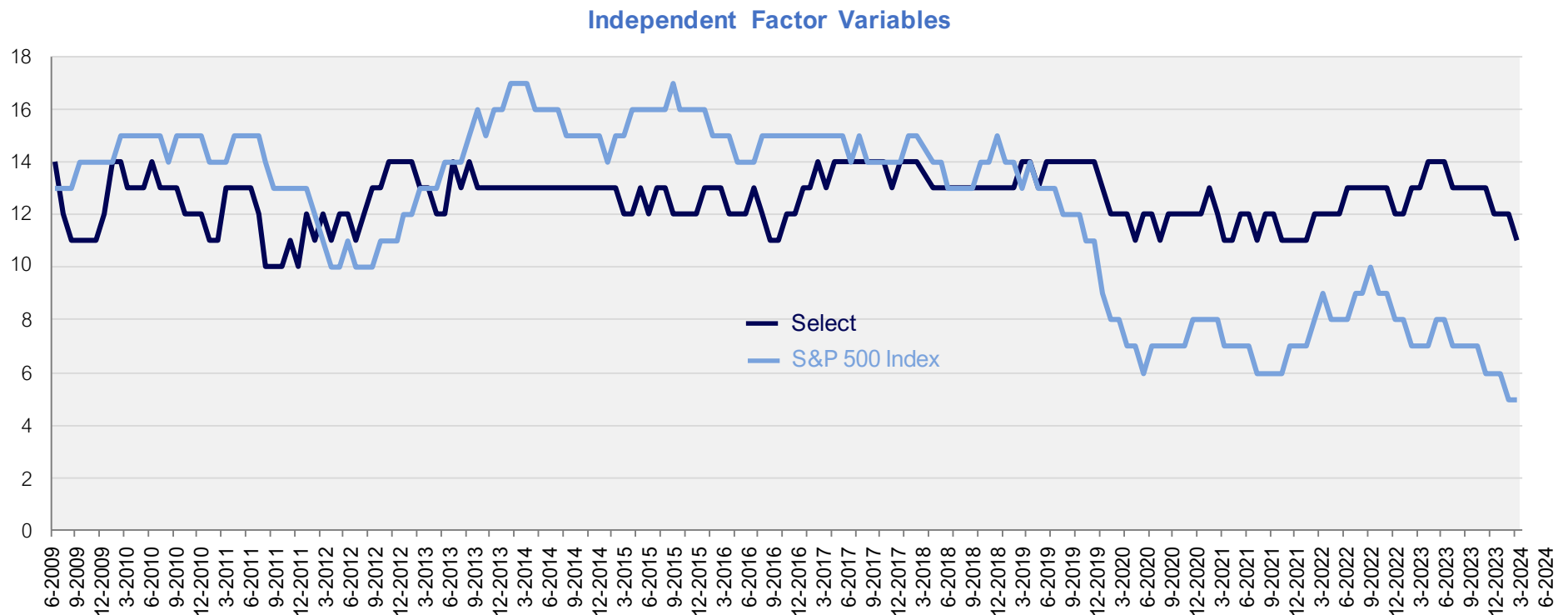
- Capitalize on conviction
- Fewer holdings forces marginal names out of the mix
- Each position must both enhance return and reduce risk
- Factor diversified – avoiding duplicative or unintended exposures
- High active share



Quarterly data as of 6/30/24.
Source: Axioma

PRUDENT DIVERSIFICATION

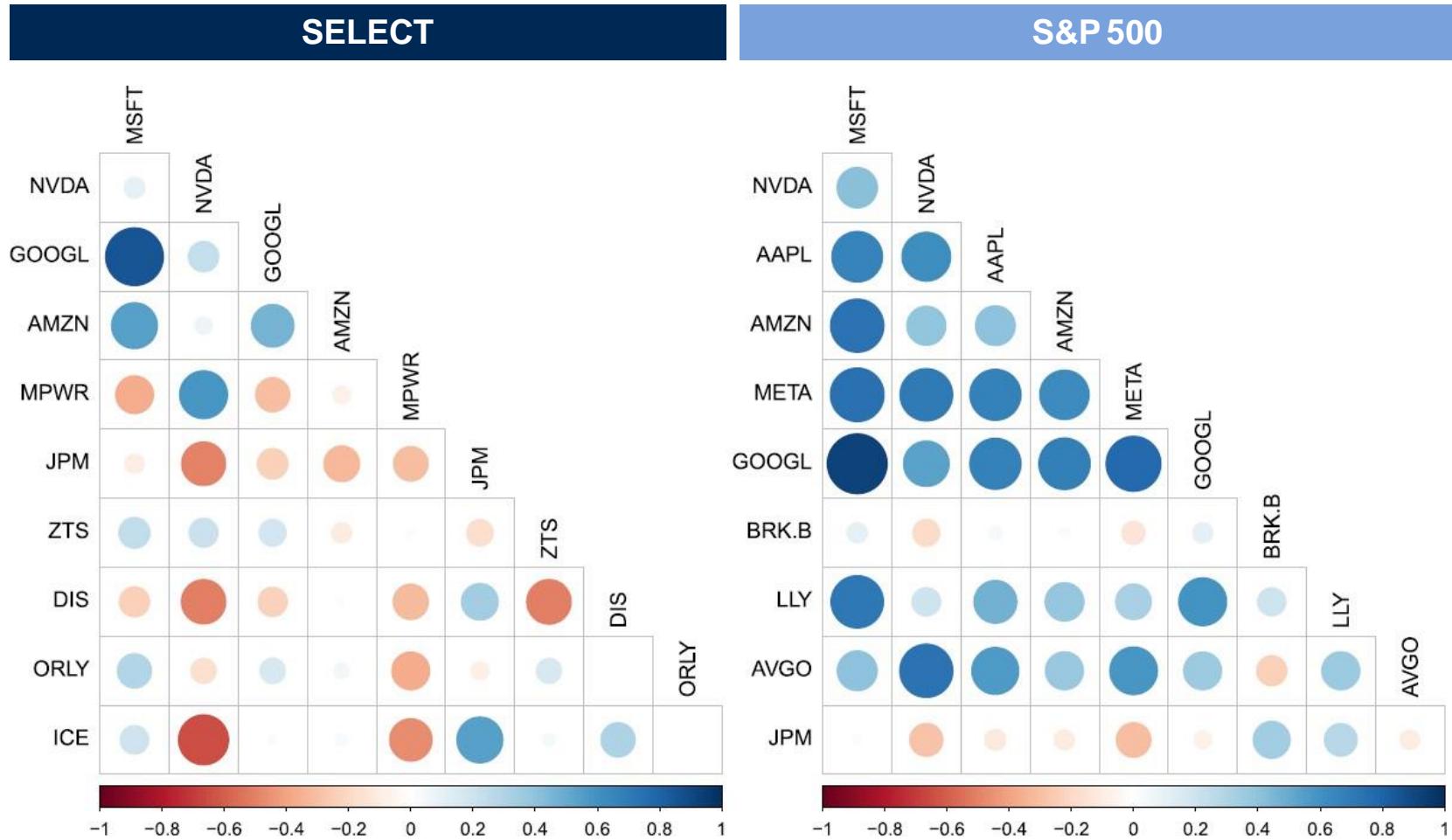
- Diversification measured by economic factors rather than GICS
- Proprietary risk models based on Axioma data
- Select has maintained factor diversification even as the market becomes increasingly monolithic
- Factor diversification reduces risk while allowing for alpha generation through idiosyncratic drivers



Monthly data as of 6/30/24.
Source: Axioma

RISK MANAGEMENT

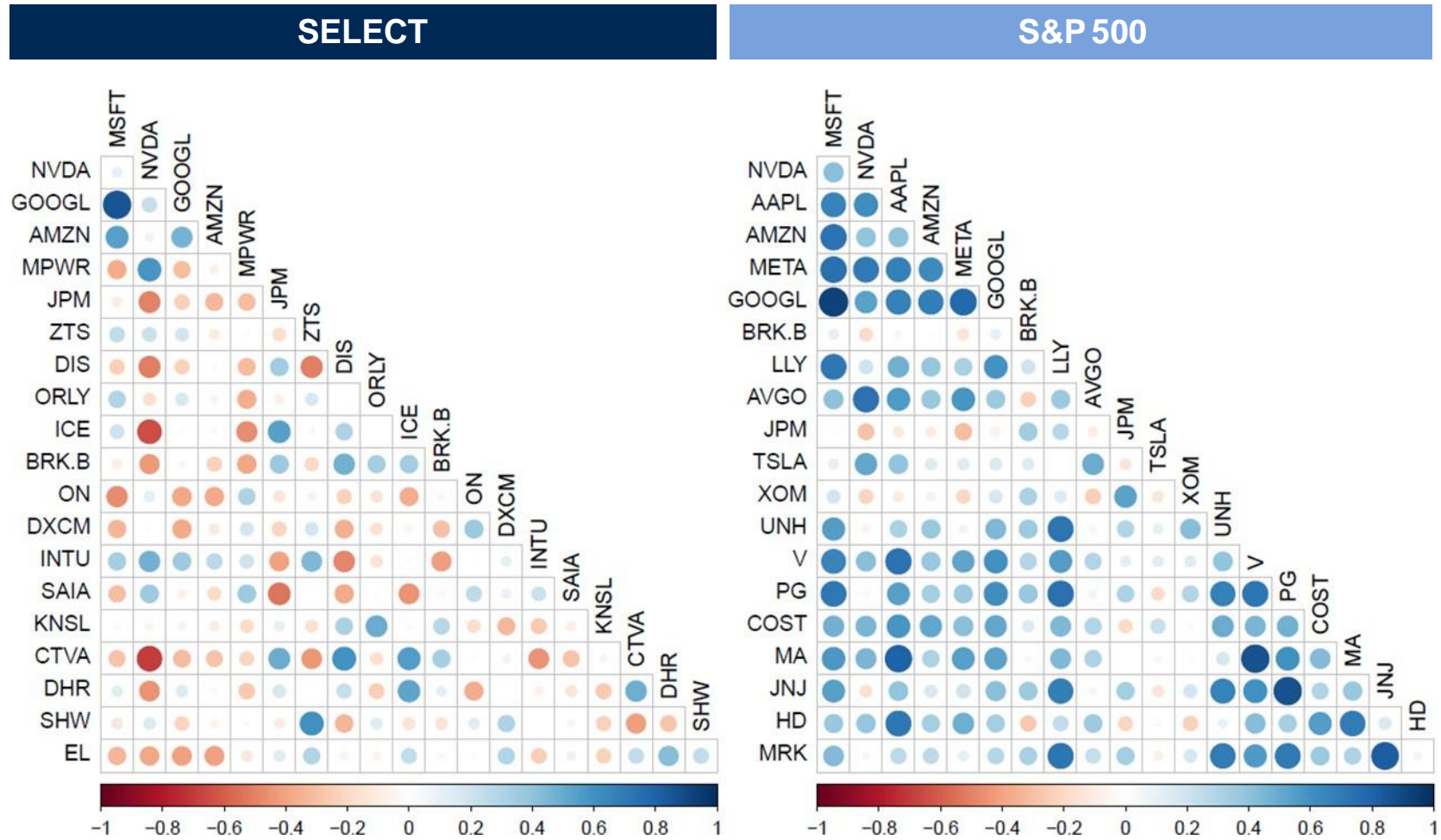
Select vs. S&P 500 Correlation by Portfolio Weight (Market Cap for Index)



As of 6/30/24.
Source: Axioma

RISK MANAGEMENT

Select vs. S&P 500 Correlation by Portfolio Weight (Market Cap for Index)



As of 6/30/24.
Source: Axioma

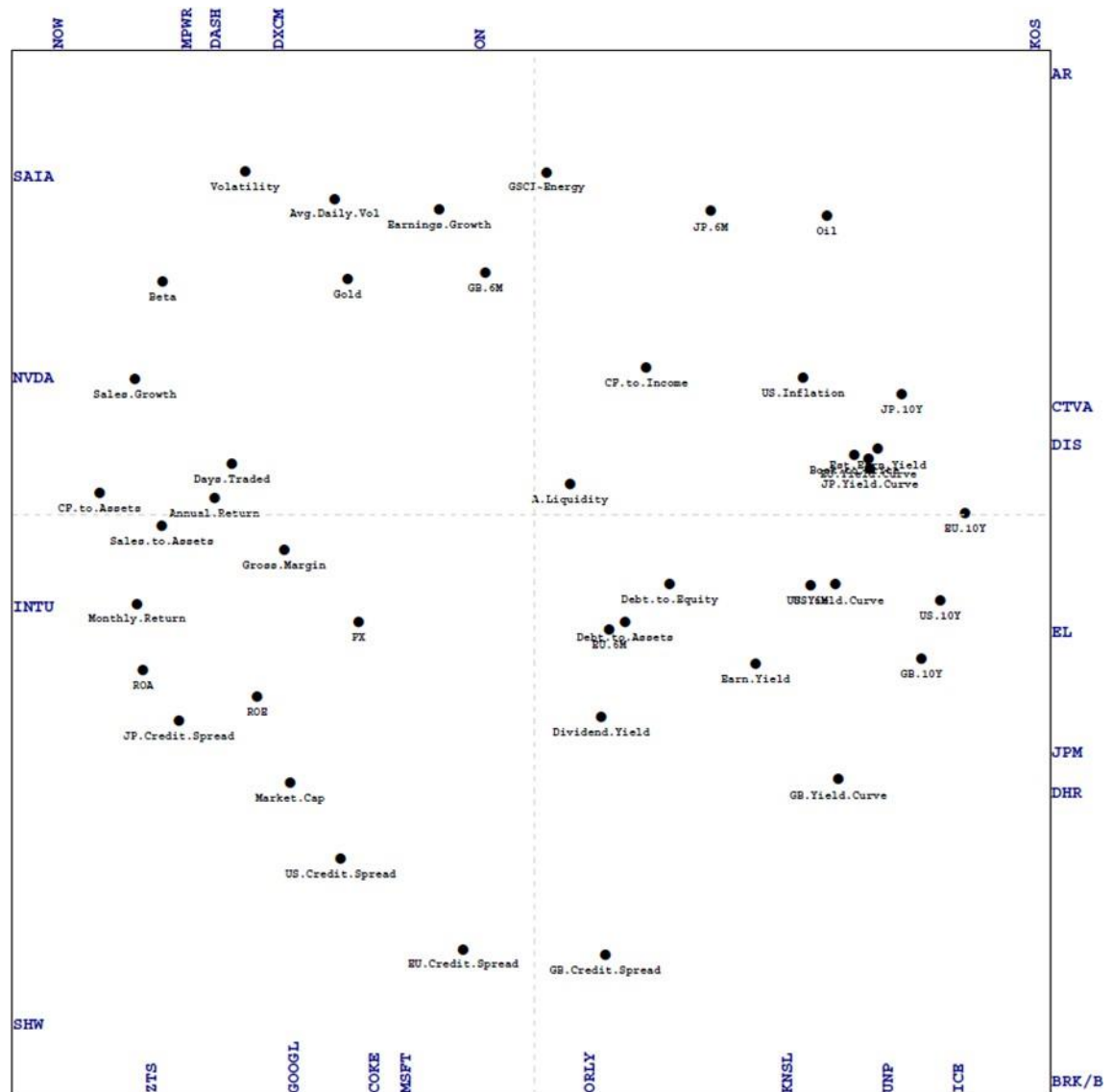
RISK MANAGEMENT

Portfolio Level: Diversification

Factor Exposure Shows Adequate Diversification (illustrative representation)

- Factors are plotted in relation to each other and to portfolio positions
- The closer factors and positions plot, the higher the correlation
- Positions distributed throughout the perimeter demonstrate factor diversification

Factor Representation*: Select = 11, S&P 500 = 5



As of 6/30/24.

* Represents the number of virtual independent instruments (VII) in the portfolio. VII is defined as a group of companies with highly correlated factor exposures. Each VII factor exposure is uncorrelated to all other VII.

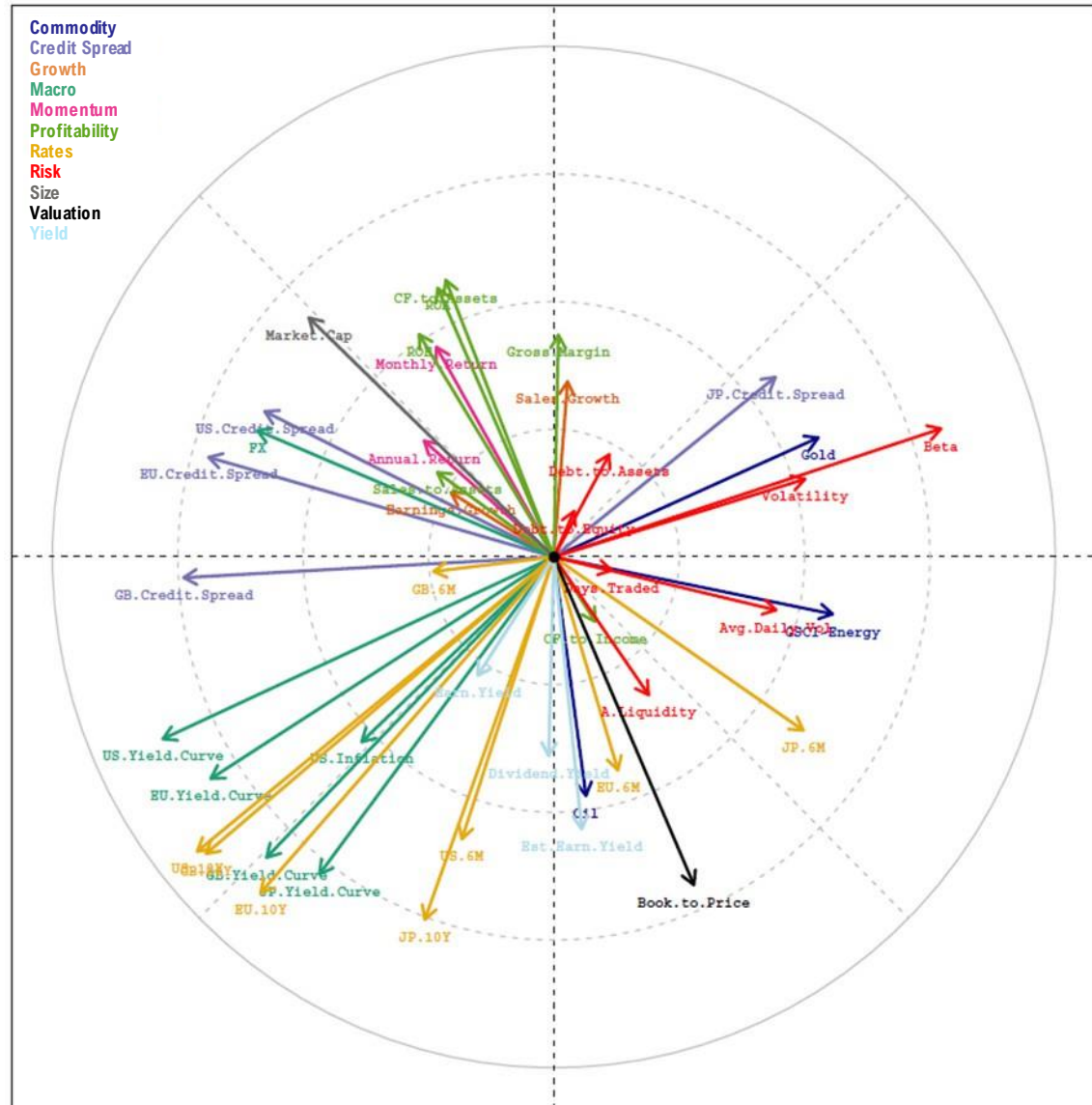
Black dots show representative factor exposures; Blue text show Vaughan Nelson representative portfolio positions.

Source: Axioma

RISK MANAGEMENT

Portfolio Level: Risk Space

Vectors Indicate Strength and Direction of Factors
(illustrative representation)



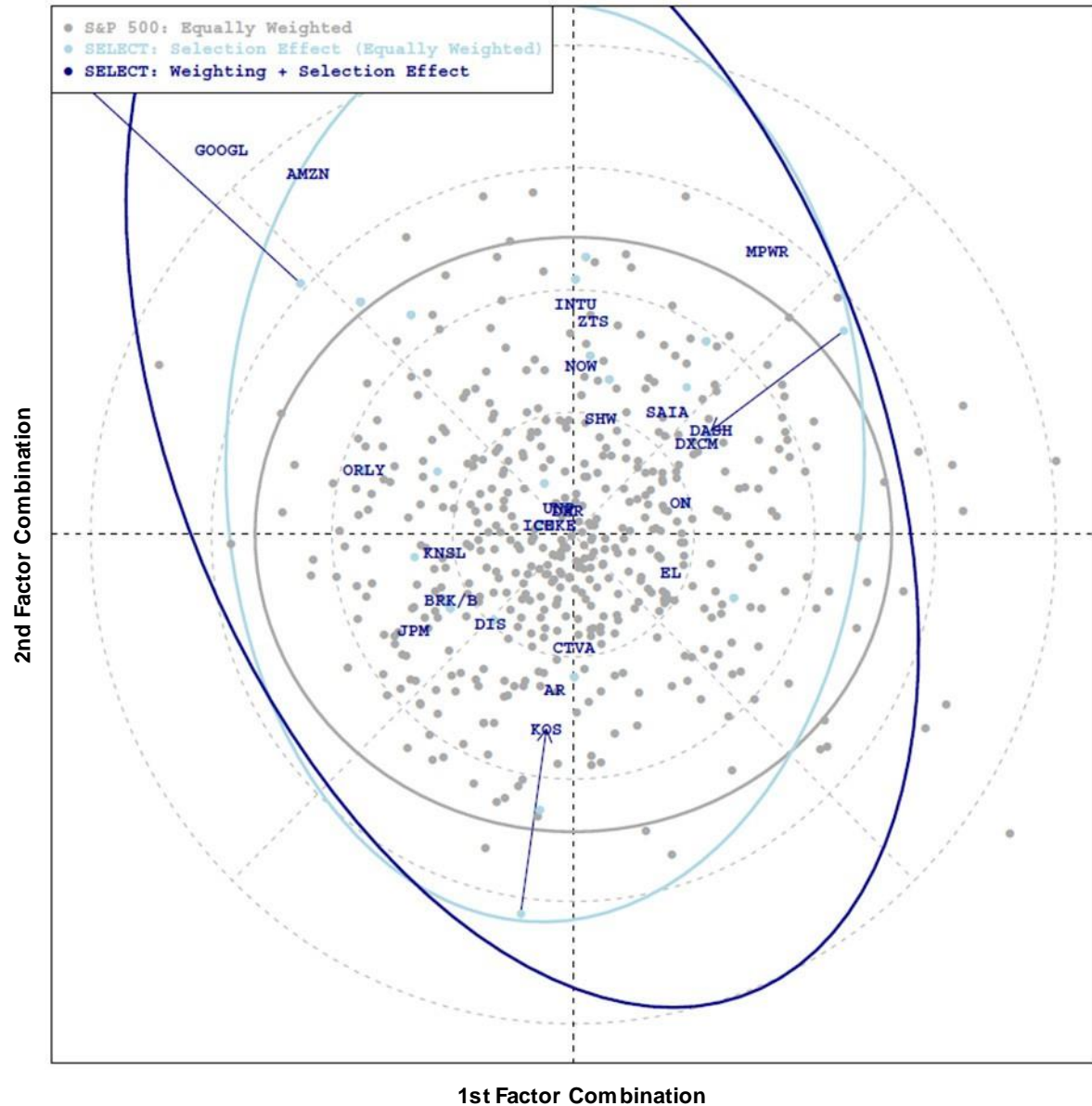
As of 6/30/24.
Source: Axioma

RISK MANAGEMENT

Portfolio Level: Our Names within the Risk Space

Graphical Orientation of the Portfolio Within the Risk Space (illustrative representation)

- Shows if the portfolio is tilted to specific risk factors
- Helps identify positions that are individual risk outliers
- Grey dots represent positions in the benchmark. Blue tickers represent positions in the portfolio



As of 6/30/24.
Source: Axioma

STRATEGY PROFILE

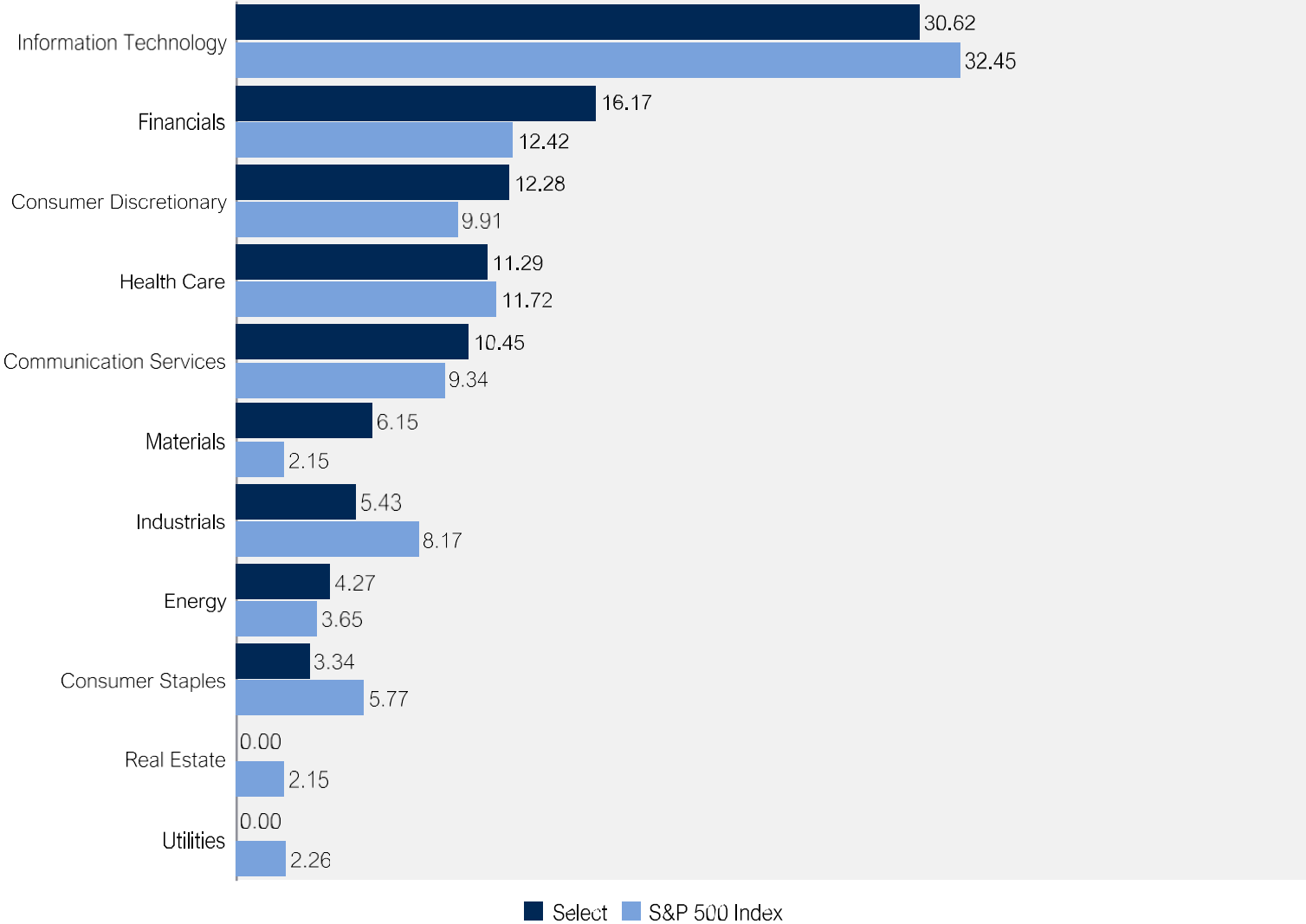
Past performance is no guarantee of future results.

Performance (6/30/2024)						
	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception (6/30/2009)
Select (Gross)	13.61%	9.37%	15.44%	14.79%	13.23%	16.39%
Select (Net)	12.49%	8.29%	14.30%	13.65%	12.11%	15.24%
S&P 500 Index	24.56%	10.01%	15.05%	14.28%	12.86%	14.82%

All returns are presented gross/net-of-fees and all periods longer than 12 months are annualized.
Source: GPS

STRATEGY PROFILE

Sector Allocation as of 6/30/2024 (%)



Excludes 2.63% cash. Due to rounding, totals may not equal 100%.
Source: FactSet

STRATEGY PROFILE

Top Ten Holdings as of 6/30/2024

Company	Portfolio Weight (%)*
Microsoft Corp	7.73
NVIDIA Corp	7.12
Alphabet Inc	6.43
Amazon.com Inc	6.33
Monolithic Power Systems Inc	5.88
JPMorgan Chase & Co	5.25
Zoetis Inc	4.63
The Walt Disney Co	4.02
O'Reilly Automotive Inc	3.97
Intercontinental Exchange Inc	3.87

* Excludes 2.63% cash.

There is no assurance that any securities discussed herein will remain in an account portfolio at the time you review this Profile or securities sold have not been re-purchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the security transactions or holdings discussed were or will prove to be profitable or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the securities discussed herein.

Source: FactSet

SELECT COMPOSITE: GIPS® COMPOSITE, NOTES AND DISCLOSURES

June 30, 2009 through June 30, 2024

Past performance is no guarantee of future results.

Year	Compos. Returns	Compos. Returns	S&P 500 Index	Russell 3000 Index	No. of Ports.	Disp. at EOP	Compos. Assets at End-of-Period	Total Firm Assets (ex. model assets)	Entity Assets**	Std. Dev. Compos.	Std. Dev. S&P 500 Index	Std. Dev. Russell 3000 Index
	Gross	Net	PRIM	SEC		Std. Dev.	\$MM-USD	\$MM-USD	\$MM-USD	3-Yr Anlzd	3-Yr Anlzd	3-Yr Anlzd
2024 YTD	7.33%	6.80%	15.29%	13.56%	105	N/A	3,988	14,770	17,814	18.14%	17.61%	17.82%
2023	23.09%	21.88%	26.29%	25.96%	107	0.57%	3,922	13,811	16,351	17.64%	17.29%	17.46%
2022	-15.92%	-16.77%	-18.11%	-19.21%	99	0.31%	2,856	11,720	13,566	21.58%	20.87%	21.48%
2021	40.61%	39.26%	28.71%	25.66%	93	0.46%	3,388	13,490	15,481	17.88%	17.17%	17.94%
2020	20.32%	19.13%	18.40%	20.89%	87	0.70%	1,846	12,690	14,052	19.51%	18.53%	19.41%
2019	29.21%	27.94%	31.49%	31.02%	83	0.22%	1,617	11,346	13,064	12.46%	11.93%	12.21%
2018	-3.56%	-4.53%	-4.38%	-5.24%	80	0.24%	1,187	10,078	11,425	11.96%	10.80%	11.18%
2017	25.94%	24.69%	21.83%	21.13%	69	0.48%	997	11,675	13,172	10.54%	9.92%	10.09%
2016	7.99%	6.91%	11.96%	12.74%	53	0.23%	679	11,572	12,912	11.30%	10.59%	10.88%
2015	4.02%	2.97%	1.38%	0.48%	42	0.22%	448	11,316	12,469	11.81%	10.48%	10.58%
2014	12.04%	10.93%	13.69%	12.56%	41	0.11%	585	9,943	11,057	9.50%	8.98%	9.29%
2013	44.11%	42.73%	32.39%	33.55%	37	0.33%	410	9,243	10,258	12.24%	11.94%	12.53%
2012	10.91%	9.81%	16.00%	16.42%	27	0.29%	194	7,273	8,071	15.57%	15.09%	15.73%
2011	4.85%	3.80%	2.11%	1.03%	17	N/A	124	6,876	7,667	N/A	N/A	N/A
2010	31.28%	30.00%	15.06%	16.93%	Fewer than 5	N/A	26	7,050	7,965	N/A	N/A	N/A
2009*	19.37%	18.80%	22.59%	23.17%	Fewer than 5	N/A	23	6,757	7,690	N/A	N/A	N/A

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. The primary benchmark is the S&P 500® Index. The secondary benchmark is the Russell 3000® Index. The primary benchmark was changed from the Russell 3000® Index to the S&P 500® Index effective 12/31/23. 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 and inception 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, LLC. **FEES.** Select Fee Schedule: 1.00% on the first \$25 million, .85% on the next \$25 million, .75% on the remainder. **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). 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 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 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 three-year annualized standard deviation measures the variability of the composite (using gross-of-fee returns, and the benchmark returns over the preceding 36-month period. **CALCULATION METHODOLOGY.** The composite performance results are time-weighted total return 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. Policies for valuing investments, calculating performance, and preparing GIPS® Report are available upon request. No composite accounts hold foreign denominated securities. 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 12/31/23. 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 Select composite has had a performance examination for the periods 7/1/09 to 12/31/23. 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. **PERFORMANCE DISCLOSURE.** For returns presented gross of fees, results were calculated prior to a deduction for investment management fees. Client returns will be reduced by Vaughan Nelson's investment management fees. The fee schedule is disclosed in Part 2A of Form ADV filed with the Securities and Exchange Commission. Over a period of years, deductions for annual investment management fees will reduce the compounding effect on portfolio growth. For example, assuming a 5% annual return for five years and application of the maximum annual fee of 1.00%, a total gross return of 27.63% and a total net return of 21.67% would be generated.

Model year-end portfolio totals were as follows: 2023 - \$2.5 billion, 2022 - \$1.8 billion, 2021 - \$2.0 billion, 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.

* Partial year return. Inception date of 6/30/09.

** 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 \$3.0 billion as of 6/30/24. This information is presented as supplemental information to the Select GIPS® Report.

