



## **Vaughan Nelson Investment Management, L.P.**

600 Travis, Suite 3800  
Houston, Texas 77002  
713.224.2545  
[www.vaughannelson.com](http://www.vaughannelson.com)

**March 30, 2024**

This Brochure provides information about the qualifications and business practices of Vaughan Nelson Investment Management, L.P. (“Vaughan Nelson”, the “Company” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 713.224.2545. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Vaughan Nelson is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide a prospect/client with the information from which you should determine whether or not to hire or retain an Adviser.

Additional information about Vaughan Nelson, including a current copy of our Brochure, is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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Vaughan Nelson Investment Management is required by the SEC to deliver to you, annually, a summary of material changes to Form ADV Part 2A (the “Brochure”) which contains information about our firm and our business practices and which is filed with the SEC each year. The last annual update to our Brochure which was offered to you was in March 2023.

### **Item 2 -- Material Changes**

The following changes, which we believe to be material, have been made to the Brochure dated March 30, 2024.

1. NONE

Additionally, this brochure was updated for various non-material changes to provide clarification and additional information, including changes to language discussing Vaughan Nelson's ownership structure because of an internal reorganization of two intermediate holdings companies in Vaughan Nelson's ownership structure.

If you would like to obtain a copy of the updated Brochure dated March 30, 2024 you can either obtain it from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you can contact Carlos Gonzalez, Chief Compliance Officer at (713)224-2545 or [cgonzalez@vaughannelson.com](mailto:cgonzalez@vaughannelson.com).

### Item 3 -- Table of Contents

Item 1 – Cover Page .....	i
Item 2 -- Material Changes.....	ii
Item 3 -- Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9 – Disciplinary Information.....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	16
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	19
Item 12 – Brokerage Practices .....	21
Item 13 – Review of Accounts .....	31
Item 14 – Client Referrals and Other Compensation.....	32
Item 15 – Custody.....	32
Item 16 – Investment Discretion.....	32
Item 17 – Voting Client Securities.....	33
Item 18 – Financial Information.....	35

## **Item 4 – Advisory Business**

### **Background**

Vaughan Nelson is a Houston-based investment counseling firm established in 1970 and is a wholly-owned affiliate of Natixis Investment Managers, LLC. The Firm, staffed by experienced, research-oriented investment professionals, has over 53 years of providing comprehensive equity and fixed income investment advice to taxable and tax-free clients including foundations, endowments, corporations, pensions, public entities, insurance companies, mutual funds and high net worth individuals. The Firm expanded its equity capability to include International/Global investing in October 2019 with a team located at 180 N. Stetson Avenue, Suite 5525, Chicago, IL 60601. The Firm's sole focus is providing investment management services for equity and fixed income portfolios totaling ~\$16.4 billion as of 12/31/2023.

### **Ownership**

Vaughan Nelson is wholly-owned by Natixis Investment Managers, LLC, which, following a modification in corporate structure that took place in January 2024, is a subsidiary of Natixis Investment Managers, an international asset management group based in Paris, France, that, in turn, is owned by Natixis, a French investment banking and financial services firm. Natixis is wholly owned by BPCE, France's second largest banking group. Vaughan Nelson operates autonomously and provides investment management services independently with its own research, investment team and trading. The modification in corporate structure mentioned above was the merger of Natixis Investment Managers, LLC into Natixis Investment Managers U.S. Holdings, LLC and the subsequent name change of the holding company to "Natixis Investment Managers, LLC." The internal reorganization did not change the ultimate parent of Vaughan Nelson or the identity and responsibilities of, or services provided by, either Vaughan Nelson's or Natixis Investment Managers, LLC's personnel.

### **Primary Business**

The primary business of Vaughan Nelson is the management of client assets in equity and/or fixed income securities on an ongoing, continuous basis. Normally, Vaughan Nelson is engaged by clients (both institutional and individual) to provide investment management services for their own account separate from other clients (a "separate account") where investment decisions are implemented on a fully-discretionary basis in accordance with the client's guidelines and restrictions. At or before the time that Vaughan Nelson begins managing a separate account, Vaughan Nelson meets with the prospective client and/or consultant to assess the prospective client's investment objectives and risk tolerances. Vaughan Nelson endeavors to tailor its advisory services to the individual needs of clients within the acceptable limits of the selected investment strategy, as documented in the client's advisory agreement. Clients may impose restrictions on investing in certain securities or types of securities, including securities falling into any of twelve (12) available Socially Responsible Investing ("SRI") categories. Vaughan Nelson utilizes and relies on a third-party firm's SRI screening and criteria and the application of that criteria in identifying companies/securities falling into each category. Vaughan Nelson's SRI screening process is different from its general Environmental, Social, and Governance ("ESG") approach (as discussed in Item 8 below) in that SRI is designed only to eliminate certain investment types based solely on one or more specific ethical considerations and will be applied only upon a client's request. Depending

on client instruction, advisory services are provided either with or without consideration to the overall financial situation of the client (e.g. tax considerations, liquidity needs, etc.). SRI restrictions may preclude clients from investing in certain strategy model holdings which may create the potential for performance dispersion.

Vaughan Nelson also serves as advisor/sub-advisor to sponsored, affiliated and unaffiliated mutual funds and exchange-traded funds (collectively, "Funds") where investment decisions are implemented on a fully discretionary basis, subject to the requirements of the Investment Company Act of 1940 and restrictions contained within the related Prospectus and Statement of Additional Information for each fund.

Finally, Vaughan Nelson participates as a non-discretionary sub-advisor to wrap programs where the investment advice is provided to affiliated and unaffiliated sponsors (the investment advisor) who then have discretion over the implementation, including trade execution, of the investment advice. In certain circumstances the investment advisor will communicate trade appetite back to Vaughan Nelson for execution on a 'stepped-out' basis. It is the responsibility of the affiliated and unaffiliated sponsors of the wrap programs to take into consideration the financial situation and any needs of the ultimate client. For this service, Vaughan Nelson is paid a portion of the wrap fee paid by the client to the program sponsor.

Performance differences between all Vaughan Nelson's clients will occur due to differences in cash availability, investment restrictions, account sizes, trade sequencing (see Item 12 Brokerage Practices) and other factors.

Discretionary and Non-Discretionary assets (inclusive of those for which a model is provided but not included in RAUM of \$1,754,317,146) as of 12/31/23 are broken down as follows:

Discretionary Assets	\$14,696,062,060
Non-Discretionary Assets	\$1,760,580,272
Total Assets	\$16,456,642,332

### **Business Continuity**

For purposes of business continuity, Vaughan Nelson's primary information and data are hosted on premises in our Houston office and redundantly in a third-party, Boston, MA (~1600 miles from Houston) based data center facility (Markley Center). Both environments have high levels of both physical security and redundant power/data providers for maximum availability. Additionally, there are multiple layers of redundancy within the virtualized server environment both in Houston and hosted at the Markley Center. All infrastructure managed by Vaughan Nelson is kept in sync on a near real-time interval for all network drives and files with additional full tape backups kept offsite. For critical applications, the firm's trading, compliance, and portfolio accounting systems are hosted by NIM-os (a non-advisory operating services affiliate) with multiple layers of redundancy and SLAs in place for system availability. All employees are able to work remotely within this infrastructure in order to continue operations when the Business Continuity Plan is activated (e.g. hurricane, pandemic). Vaughan Nelson also maintains an office space "hot-site" at

dedicated company leased office space in Austin, Texas should the need arise. The Austin office space facility houses the infrastructure necessary to recover (i.e. phone, connectivity to data center, workstations, redundant internet access, etc.) in the event physical access to the Houston facility is lost.

## **Item 5 – Fees and Compensation**

Vaughan Nelson’s fees for investment advisory services are generally based on an annual rate, as indicated for the strategies listed below, and charged as a percentage of the total market value of assets managed or advised at each calendar month or quarter end.

Vaughan Nelson also enters into investment advisory contracts which stipulate a base fee, as a percentage of assets, and an incentive fee based upon investment returns (See Item 6 – Performance Based Fees and Side-By-Side Management).

In certain circumstances, client funds will be invested in mutual funds. Affiliated mutual funds advised/sub-advised by Vaughan Nelson are used to provide efficient investment in the Firm’s strategies (particularly for smaller clients) while unaffiliated funds are primarily used to provide broader asset class / geographical exposures. In addition, client funds, in certain circumstances, will be invested in Exchange Traded Funds (“ETFs”) which represent either the strategy in which to be invested, a strategy’s benchmark (to remain more fully invested), or another avenue to provide broader asset class / geographical exposure. Both mutual funds and ETFs are subject to their own fees and expenses which are reflected in the net asset value of the security. The mutual fund / ETF fees and expenses are in addition to any explicit fee charged by Vaughan Nelson. Consequently, for purposes of calculating Vaughan Nelson’s management fee, the market value of mutual funds and ETFs (including those advised/sub-advised by Vaughan Nelson for which the mutual fund or ETF pays the Firm a fee; but excluding those ETFs representing a strategy’s benchmark) will be deducted from the market value of a client’s account prior to the calculation of Vaughan Nelson’s management fee.

Vaughan Nelson has negotiated fee schedules for certain clients which differ from those shown in the schedules that follow.

Fees are normally payable in advance for each quarter. Clients can elect to either be billed directly for our fees, or to authorize Vaughan Nelson to send bills directly to the custodian of a client’s account for payment.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon thirty (30) days written notice of termination, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

## **STRATEGY MANAGED**

### **Equity**

#### *Small Cap Value*

1.00% on the first	\$ 25,000,000
.85% on the next	\$ 25,000,000
.75% on amounts over	\$ 50,000,000

#### *Value Opportunity (small/mid cap)*

.85% on the first	\$ 10,000,000
.75% on the next	\$ 15,000,000
.70% on the next	\$ 25,000,000
.65% on amounts over	\$ 50,000,000

#### *Select (concentrated large cap)*

1.00% on the first	\$ 25,000,000
.85% on the next	\$ 25,000,000
.75% on amounts over	\$ 50,000,000

#### *International*

1.00% on the first	\$ 25,000,000
.85% on the next	\$ 75,000,000
.80% on amounts over	\$ 100,000,000

#### *Emerging Markets*

1.10% on the first	\$ 25,000,000
1.00% on amounts over	\$ 25,000,000

#### *Global SMID*

.90% on the first	\$ 10,000,000
.85% on the next	\$ 15,000,000
.80% on the next	\$ 25,000,000
.75% on the next	\$ 50,000,000
.65% on amounts over	\$ 100,000,000

### **Fixed Income**

#### *Core Fixed Income & Intermediate Fixed Income*

.35% on the first	\$ 25,000,000
.25% on the next	\$ 75,000,000
.20% on amounts over	\$ 100,000,000

Limited Maturity Fixed Income

.10% on the first	\$ 25,000,000
.05% on the next	\$ 150,000,000
.04% on amounts over	\$ 175,000,000

Municipal Fixed Income

.35% on the first	\$ 25,000,000
.25% on amounts over	\$ 25,000,000

Vaughan Nelson's fees, as outlined above, are exclusive of brokerage commissions, transaction costs, and other related costs and expenses which will be incurred by the client (See Item 12 – Brokerage Practices for the factors considered in selecting or recommending broker-dealers for client transactions and determining the reasonableness of broker compensation/commissions). However, in the case of wrap programs, the sponsor's program fee will include any commissions that would otherwise be charged by the sponsor's affiliated broker or another designated broker. Finally, the client will incur custodial and/or consultant fees as stipulated within an agreement entered into by the client and such parties.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

Vaughan Nelson has entered into a number of investment advisory contracts which include a base fee, as a percentage of assets, and a performance fee based upon investment returns that include both realized and unrealized capital gains and losses ("Performance Fee Accounts").

Portfolio Managers at Vaughan Nelson manage both Performance Fee Accounts and accounts for which Vaughan Nelson receives only an asset-based fee in what is known as side-by-side management.

This side-by-side management and the receipt of performance fees by Vaughan Nelson creates the potential for a conflict of interest, as Vaughan Nelson could benefit to the extent it disproportionately allocated investment opportunities or dedicated more of its management time to those clients with performance fee arrangements. In addition, performance fees can create an incentive for Vaughan Nelson to make investments that are riskier or more speculative on behalf of such clients than the investments it might make in the absence of such performance fees. Vaughan Nelson has adopted policies and/or procedures that are designed to address each of these conflicts resulting in the equitable treatment of all of Vaughan Nelson's clients. For example, investment decisions for equity strategies are implemented concurrently for all client accounts (both performance and non-performance) pursuing the same strategy in a predetermined manner (see further discussion in Item 12 - Brokerage Practices). This serves to mitigate the ability to 'favor' Performance Fee Accounts.

Performance fees are charged in accordance with Rule 205-3 under the Investment Advisers Act of 1940.



See Item 11 – Code of Ethics below for a discussion of conflicts that arise when Vaughan Nelson manages employee (or firm proprietary) accounts side-by-side with client accounts.

## **Item 7 – Types of Clients**

Vaughan Nelson provides portfolio management services to a broad spectrum of clients including individuals, high net worth individuals, family offices, wrap platforms, corporations and corporate pension and profit-sharing plans (ERISA), charitable institutions, foundations, endowments, state and local entities, registered mutual funds (including sponsored mutual funds), exchange-traded funds, private investment funds, foreign funds such as UCITS and SICAVs, and other U.S. and international institutions.

For some clients (separate accounts, mutual funds, exchange-traded funds, and wrap platforms), Vaughan Nelson’s portfolio management services are provided in a sub-advisory capacity to the advisor who, in turn, has an investment management agreement with the ultimate client.

Vaughan Nelson may provide investment advice to clients that have investment objectives that may be similar to those of the Funds. These clients (including some of the Funds) may have portfolios consisting of holdings substantially similar to those of the Funds and may be subject to different holdings disclosure policies that provide for more frequent disclosure than under each Fund’s policies and procedures. In some cases, such portfolio holdings are made publicly available daily. These clients are not subject to the portfolio holdings disclosure policies and procedures of each of the Funds and do not owe the Advisor, respective Subadvisor, or each of the Funds a duty of confidentiality with respect to disclosure of their portfolio holdings.

Vaughan Nelson generally manages accounts in excess of \$3 million.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Vaughan Nelson provides both equity and fixed income management. Investing in securities involves risk of loss that clients should be prepared to bear.

### **EQUITY**

Vaughan Nelson’s equity investment objective is to seek long-term capital appreciation. Vaughan Nelson’s philosophy is to identify temporary information and liquidity inefficiencies in the respective market capitalization universes that provide opportunities to invest in companies at valuations that Vaughan Nelson believes are materially below their long-term intrinsic value. Put another way, a longer time horizon (~3 years) allows Vaughan Nelson to exploit shorter-term volatility and poor shorter-term price discovery.

<b><u>Strategy</u></b>	<b><u>Benchmark</u></b>
Small Cap Value	Russell 2000 Value
Value Opportunity (mid cap value)	Russell Mid Cap Value / Russell 2500 Value
Select (concentrated large cap > \$1B)	Russell 3000 / S&P 500
International	MSCI All-Country World Index ex-USA
Emerging Markets	MSCI Emerging Market Index
Global SMID	MSCI ACWI SMID

Vaughan Nelson primarily employs a fundamental, bottom-up investment process. We utilize a disciplined valuation methodology combined with fundamental research to take advantage of the inefficiencies in the universes. Vaughan Nelson believes these inefficiencies enable an active manager, who has a disciplined process executed by a highly skilled and motivated team, to generate returns in excess of the related benchmark. While the investment process is not driven by macro issues, the portfolio managers have a construct of the macro environment in an effort to minimize macro uncertainty and any impact it can have on stock selection and portfolio construction. Additionally, Vaughan Nelson recognizes that environmental, social, and governance (“ESG”) factors influence intrinsic value and can be important contributors of investment returns. The inclusion of ESG information provides a more complete picture of investment holdings, contributing to more informed investment decisions. Our approach is centered around materiality, with the objective of identifying and evaluating factors that impact long-term financial value. The materiality of ESG issues varies based on company-specific characteristics, such as industry, region, and time horizon; therefore, ESG factors are evaluated case-by-case based on factors deemed most material to the company’s business model and value drivers. Relevant insights are incorporated into the overall investment thesis and inform our understanding of an investment’s attractiveness. Our evaluation of ESG considerations will vary for each investment. Unless the pursuit of ESG-related goals is expressly stated as the investment objective of a client, ESG is generally treated as only one of many considerations that we take into account when making investment decisions. Other considerations may outweigh ESG considerations with respect to any investment, and Vaughan Nelson may make investments in cases where it has limited or no ability to evaluate or manage ESG considerations. Vaughan Nelson manages certain client accounts with client-imposed ESG guidelines, restrictions, targets, or parameters that could present additional risks and could differ materially from equity strategies managed for other clients.

The Firm uses robust idea generation to identify what we believe to be favorable asymmetrical probabilities to achieve positive returns. In seeking investment ideas for the portfolio, Vaughan Nelson focuses on three distinct investment categories (see below), each of which provides a different avenue by which positive returns might be generated. There can be no assurance the return objective will be realized with respect to any or all investments. Further, the return

achieved could be lower than the return of the strategy's benchmark index. The approach is implemented by a highly experienced, close-knit, and incentivized investment team.

All investments in the equity strategies fall into one of the three distinct investment categories. Vaughan Nelson has formalized the definition of each category and typically uses the following language throughout its marketing material and quarterly reporting:

- Undervalued Earnings Growth -- Earnings growth from prior investments and redeployment of future earnings is not reflected in the current valuation
  - Management team with strong capital allocation track record
  - Earn same to higher rate of return on redeployed earnings avoiding multiple compression
  - Redeployment can be organic or inorganic
  - End markets have sufficient growth to absorb capital deployed without escalating competitive pressures
  - Management understands limit of reinvestment and has other means and willingness to return excess cash to shareholders
  - Corporate hurdle rates for projects are not in conflict with Vaughan Nelson's return objective
- Undervalued Asset -- Companies that have an underpriced asset, valued at a discount, that with an expected catalyst will be repriced to reflect its full market value
  - Cyclical industries at trough valuations with identifiable industry inflection
  - Corporate asset and/or balance sheet restructuring
  - End markets are stable to improving across cycles, not in secular decline
  - Underlying return characteristics and competitive dynamics are stable to improving avoiding "value traps"
- Undervalued Dividend Yield -- Companies with an attractive dividend yield (cash flow) and minimal basis risk
  - Dividend Yield is approximately 10% or greater
  - Dividend is stable and recurring
  - Balance sheet not being liquidated to pay the dividend
  - Stable industry dynamics
  - Typically occur in a deteriorating credit environment where levered investors are forced to de-risk portfolio and liquidate holdings. Typical examples are Mortgage REITs, Business Development Company ("BDC"), and corporate MLP

Due to our ability to allocate the portfolio across the three (3) categories, the approach provides an “all weather” aspect to the portfolio enabling us to potentially add returns in excess of the benchmark through all phases of business and credit cycles while avoiding mean reversion. Thus, the process allows Vaughan Nelson to try and take advantage of the market rather than being subject to the market.

The sustainability of our investment philosophy and what we believe is our competitive advantage is evidenced by the performance histories of our strategies.

Investing in Vaughan Nelson’s equity strategies present the following risks (alphabetical):

*Equity Securities Risk:* The value of the strategy’s individual or collective investments in equity securities could be subject to unpredictable declines and periods of below-average performance. Equity securities include common stocks, preferred stocks, warrants, securities convertible into common and preferred stocks and other equity-like interests in an entity. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of the issuer’s debt and preferred stock generally take precedence over the claims of those who own common stock.

*Emerging Markets.* Emerging market countries tend to have more government exchange controls, more volatile interest and currency exchange rates, less market regulation, and less developed economic, political and legal systems than those of more developed countries. Companies trading in emerging markets are generally smaller and have shorter operating histories than companies trading in developed markets. Emerging markets typically have substantially less volume than U.S. markets, securities in these markets are less liquid, and their prices often are more volatile than those of comparable U.S. companies. Emerging market countries or developing economies may have restrictions on the ability to repatriate investment income or capital. Some of the currencies in emerging markets could experience devaluations relative to the U.S. Dollar which could significantly impact the value of an investment. Certain developing countries face serious exchange constraints. In addition, future Government actions could have a significant effect on economic conditions in emerging and developing countries, which could affect the investment in private sector companies.

*Exchange Rate Risk:* For the International and Global strategies, changes in foreign exchange rates will affect the value in U.S. Dollars of any foreign currency-denominated securities and other investments held by an account. Exchange rates are influenced generally by the forces of supply and demand in the foreign currency markets and by numerous other political and economic events occurring outside the United States, many of which may be difficult, if not impossible, to predict. The market for some or all currencies may from time to time have low trading volume which may prevent an account from effecting a position or from promptly liquidating unfavorable positions in such markets, thus subjecting the account to losses. The strategies do not hedge currency risk which may cause an account to incur losses that would not have been incurred had the risk been hedged.

*Foreign Securities Risk (including American Depository Receipts (“ADRs”) and foreign or emerging market companies trading on a U.S. Exchange):* Investments in the securities of foreign issuers and other non-U.S. investments involve risks in addition to those normally associated with U.S. issuers. Foreign investments are subject to risks of foreign political and economic instability, adverse movements in foreign exchange rates, the imposition or tightening of exchange controls and limitations on the repatriation of foreign capital and less rigorous accounting and reporting standards. Other risks stem from potential changes in governmental attitude or policy toward private investment, which in turn raises the risk of nationalization, increased taxation or confiscation of foreign investors’ assets. These risks apply to securities of foreign issuers traded in the United States and through depository receipt programs such as ADRs.

Foreign securities typically trade less frequently, with lower volume but may exhibit greater price volatility than U.S. securities. Brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the United States. Foreign investments are subject to withholding taxes on their dividends which reduce a security’s return.

*Liquidity Risk:* We might not be able to find a buyer for your investments when we seek to sell them or to receive the price we expect. Liquidity issues can make it difficult to value a portfolio’s investments.

*Management Risk:* A strategy used by the portfolio managers could fail to produce the intended results or could cause your portfolio to incur losses. There can be no guarantee that the implementation of a strategy will produce the desired results.

*Market Disruption, Health Crises, Terrorism and Geopolitical Risk.* Accounts are subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of an account’s investments.

*Market/Issuer Risk:* The market value of a security moves up and down, sometimes rapidly and unpredictably, based upon overall market and economic conditions, as well as a number of reasons that directly relate to the issuers, such as management performance, financial condition and demand for the issuer’s products and/or services.

*Non-Diversified Strategy (i.e. Vaughan Nelson Select Strategy):* A non-diversified strategy is more susceptible to financial, market and economic events affecting the particular issuers and industry sectors in which the strategy invests and could be impacted disproportionately by the poor performance of relatively few stocks or even a single stock and, therefore, be more volatile or risky than a lesser concentration of investments.

*REITs Risk:* Investments in the real estate industry, including REITs, are particularly sensitive to economic downturns and are sensitive to factors such as changes in real estate values, property taxes, interest rates, cash flow of underlying real estate assets, occupancy rates, government regulations affecting zoning, land use and rents and the management skill and creditworthiness of the issuer. Companies in the real estate industry could also be subject to liabilities under environmental and hazardous waste laws. In addition, the value of a REIT is affected by changes in the value of the properties owned by the REIT or securing mortgage loans held by the REIT. Many REITs are highly leveraged, increasing their risk. The strategy will indirectly bear its proportionate share of expenses, including management fees, paid by each REIT in which it invests.

*Small-and Mid-Cap Companies Risk:* Small-cap companies are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Stocks of these companies often trade less frequently and in limited volume and their prices can fluctuate more than stocks of larger companies. Stocks of small-cap companies can, therefore, be more vulnerable to adverse developments than those of larger companies.

*Value Stocks Risk:* Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks also present the risk that their lower valuations fairly reflect their business prospects and investors will not agree that the stocks represent favorable investment opportunities, and they can fall out of favor with investors and underperform growth stocks during any given period.

*Cybersecurity and Technology Risk:* Cybersecurity incidents can result from the increasing dependence on third party service providers and other market participants on complex information technology and communications systems. Such systems are subject to a number of different threats and risks that could adversely affect investors and may result in financial losses to investors.

*ETF Risk:* Investing in an ETF will provide investors with exposure to the securities comprising the index on which the ETF is based and will expose the investors to risks similar to those of investing directly in those securities. Shares of ETFs typically trade on securities exchanges and may at times trade at a premium or discount to their net asset values. In addition, an ETF may not replicate exactly the performance of the benchmark index it seeks to track for a number of reasons, including transaction costs or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held.

#### Portfolio Turnover / Trading

Generally, each strategy intends to invest for long-term purposes. Increases in a strategy's portfolio turnover will result in greater brokerage commissions and other transaction costs which will be borne directly by the client, thereby possibly decreasing the client's total return. In the past, the various strategies have experienced portfolio turnover in some years that could be considered high

(>100%). This results in the realization of gains; some of which will be short-term in nature. We anticipate that each strategy's portfolio turnover rate will vary from time to time depending on the volatility of economic and market conditions. Turnover percentages reflect the Firm's trading around existing positions (adds/trims) in response to market volatility. The Firm anticipates turning over approximately 33% of the 'names' within a strategy on an annual basis. The movement in/out of iShares (ETFs related to a strategy's benchmark) also influences turnover as cash balances are equitized.

It is impossible to predict with certainty whether future portfolio turnover rates will be higher or lower than those experienced during past periods. Portfolio turnover will not be a limiting factor when each strategy's Portfolio Manager believes that portfolio changes are appropriate.

## **FIXED INCOME**

Vaughan Nelson's fixed income investment objective is to maximize total return while preserving capital. Vaughan Nelson believes active, risk-controlled management, founded on research-driven analyses, can uncover relative values that, over the long-term, produces returns with less risk.

Our universe of fixed income investments is driven by two factors: (1) client guidelines on allowable investments, and (2) the client's relative benchmark. We invest only in the sectors included within the various investment grade benchmarks (i.e. treasuries, agencies, corporates, etc.).

Vaughan Nelson's competitive advantage is a highly disciplined philosophy and well-constructed investment process that seeks value through security selection, duration positioning, sector rotation and trading efficiencies. The extent to which each of these avenues is used is based upon what Vaughan Nelson anticipates is the magnitude and duration of changes in interest rates:

- Security Selection
  - Changing credit quality
  - Out of favor
  - Structure
  - Inefficient pricing
- Sector Rotation
  - Relative value among sectors
  - Event risk management
  - Historical spread vs. Treasuries
  - Economic cycle outlook
- Duration/Yield Curve Positioning
  - Inflation expectations
  - Monetary policy
  - Anticipating yield curve shifts
- Opportunistic Trading Efficiencies
  - Access to inventory of multiple brokers
  - Strong trading relationships
  - Electronic trading conducted only for Treasuries

All of our marketed fixed income investment strategies invest in securities rated investment grade at the time of purchase (a few accounts invest in below investment grade securities in accordance with the particular client's mandate and investment guidelines). We do not manage high yield/junk or derivative strategies. We do not invest in areas where we deem the risk to be too great for our clients' capital (e.g. exposure to higher volatility in '08-'09 market through exposure to CMOs and other problem areas). Our strategies consist of liquid securities that allow us to be more nimble throughout periods of market dislocation. Because we only invest in investment grade companies, identifying and understanding all aspects of valuation is the most important factor in our process.

Security Selection -- We attempt to exploit market inefficiencies within security pricing through analysis of current and historical valuations to seek issuers and securities where the financial fundamentals are stable/improving and where management has shown in the past that they are focused on balance sheet protection. This research typically allows us to detect improving credit fundamentals and/or inefficient pricing.

Sector Rotation -- We attempt to add value through sector management by varying the portfolio's exposure to corporate bonds, agencies, mortgages, and treasuries, depending on the Portfolio Managers' view of the macroeconomic outlook (taking into account interest rate and credit cycles) and the anticipated position of the yield curve over the next six months. Once it is determined that a security or sector could be mispriced, the Portfolio Managers will weight such securities and sectors within the portfolio to appropriately reflect their outlook.

Yield Curve Positioning/Duration -- Vaughan Nelson begins with a top-down evaluation of the interest rate environment. Inputs into this evaluation include business and market cycle data, inflation indicators, yield curve shape, time-risk premiums, foreign exchange and other supply and demand factors. We then apply our analysis to the yield curve to identify "sweet spots" which we believe will offer the best risk-reward tradeoffs. We attempt to anticipate interest rate movements as well as changes to the slope and shape of the yield curve for use within portfolio construction techniques which, we believe, will benefit from the anticipated changes to the yield curve (i.e. barbell, butterfly, bullet or laddered portfolio structures). We also apply our yield curve analysis to sectors, such as agency and corporate bonds to anticipate the impact on pricing therein.

Duration is a key decision in the active management of fixed income portfolios. In managing risk within portfolios, Vaughan Nelson generally limits duration exposure to +/-20% of the benchmark (+/-50% for limited maturity portfolios). Typically, duration extension or contraction trades are made when the portfolio managers see a sustainable shift in the yield curve, as opposed to reacting to short-term yield curve changes that often are not significant and/or sustainable.

Opportunistic Trading Efficiencies -- The fixed income markets are not exchange driven like the equity markets. To be successful, a manager must have access to numerous dealer inventories and have the structure in place to make timely decisions. Vaughan Nelson benefits from having a small, highly experienced team that is able to quickly evaluate investment opportunities and risks, allowing for efficient decision making.



*Fixed Income Strategies and objectives:*

Core Fixed Income & Intermediate Fixed Income: Seeks to generate attractive risk-adjusted returns through investments in U.S. Treasury, government agency notes, government agency mortgage backed securities, and investment grade corporate fixed income securities

Limited Maturity/Short Duration: Seeks to maximize total return while preserving capital and providing for liquidity needs through investments in U.S. Treasury and government agency fixed income securities; maturity range 0-5 years with an average quality rating of AAA (if a client desires, A-rated or higher corporate securities can be added for an average quality rating guideline of AA or better)

Municipal: Seeks to provide high tax-free current income and consistent, long-term performance with less risk through active, risk averse management

Investing in Vaughan Nelson's fixed income strategies present the following risks (alphabetical):

*Credit Risk:* An issuer could fail financially or otherwise be unwilling or unable to meet their obligations of interest or principal to the holder(s) of its securities (you, the client).

*Extension Risk:* An unexpected rise in interest rates will likely extend the life of a mortgage- or asset-backed security beyond the expected prepayment time, typically reducing the security's value.

*Inflation/Deflation Risk:* The value of assets or income from investments could be worth less in the future if inflation decreases the present value of future payments. Deflation risk is the risk that prices throughout the economy decline over time - the opposite of inflation. Deflation could have an adverse effect on the creditworthiness of issuers and can make issuer default more likely, which could result in a decline in the value of a portfolio.

*Interest Rate Risk:* The value of investments will likely fall if interest rates rise. Interest rate risk generally is greater for strategies that invest in fixed-income securities with relatively longer durations than for strategies that invest in fixed-income securities with shorter durations. An economic downturn or period of rising interest rates could adversely affect the market for fixed income securities and possibly reduce the ability to sell them, negatively impacting performance.

*Issuer Risk:* The value of securities can decline due to a number of reasons relating to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

*Liquidity Risk:* We might not be able to find a buyer for your investments when we seek to sell them or to receive the price we expect. Liquidity issues can also make it difficult to value a portfolio's investments.

*Management Risk:* A strategy used by the Portfolio Managers can fail to produce the intended result and potentially cause your portfolio to incur losses. There can be no guarantee that the implementation of a strategy will produce the desired results.

*Market Disruption, Health Crises, Terrorism and Geopolitical Risk.* Accounts are subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the economy and markets generally, as well as adverse effects on issuers of securities and the value of an account's investments.

*Market/Issuer Risk:* The market value of a security moves up and down, sometimes rapidly and unpredictably, based upon the overall market, politics, social conditions and economic conditions, as well as a number of reasons that directly relate to an issuer such as management performance, financial condition and demand for an issuer's goods and/or services.

*Mortgage-Related and Asset-Backed Securities Risk:* In the event of a fall in interest rates, securities will likely be prepaid and result in the reinvestment of the prepaid amounts in securities with lower yields than the prepaid obligations. In addition, a prepayment of securities will incur a loss if the original securities were purchased at a premium. Conversely, there is a risk that an unexpected rise in interest rates will extend the life of a mortgage-related or asset-backed security beyond the expected prepayment time, typically reducing the security's value. These securities also include default or collection risk associated with investing in the mortgages underlying the mortgage-backed (or other asset-backed) securities. A portfolio's investment in other asset-backed securities is subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

*Municipal securities risk:* A portfolio could be significantly impacted by events that affect municipal securities markets, which could include unfavorable legislative or political developments and adverse changes in the financial conditions of municipal securities issuers. Economic downturns often result in reduced levels of taxes collected and revenues earned for municipalities. This, in turn, lessens the financial strength of a municipality and increases the credit risk (including default) of the securities it issues. Income from municipal securities held by a portfolio could be declared taxable because of changes in tax laws or interpretations by taxing authorities, or noncompliant conduct of a municipal security issuer.

## **Cybersecurity**

Vaughan Nelson, our service providers, and other market participants increasingly depend on complex information technology and communications systems, which are subject to a number of different threats and risks that could adversely affect your account. These risks include, among others, theft, misuse, and improper release of confidential or highly sensitive information relating to your account, as well as compromises or failures to systems, networks, devices, applications or various other forms of breaches relating to our operations or those of our service providers. Although the Firm has established a business continuity plan and the Firm's systems are designed to prevent or reduce the impact of cybersecurity attacks, such systems are subject to the ever-changing nature of technology and cybersecurity attack tactics, and there is a possibility that certain risks have not been adequately identified or prepared for.

Similar types of cybersecurity risks are also present within the companies in which the strategies invest, which could result in material adverse consequences for such companies and may cause an investment in such portfolio companies to lose value.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Vaughan Nelson or the integrity of Vaughan Nelson's management. Since the founding of Vaughan Nelson, there has been no information to disclose that is applicable to this Item 9.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **General**

Vaughan Nelson is an indirect subsidiary of Natixis Investment Managers which owns, in addition to Vaughan Nelson, a number of other asset management, distribution and service entities. Natixis Investment Managers, an international asset management group based in Paris, France, is, in turn, wholly owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France's second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisses d'Épargne regional savings banks and the Banque Populaire regional cooperative banks. Natixis and BPCE each owns, directly or indirectly, other investment advisers and securities and financial services firms established in various jurisdictions which also engage in securities transactions.

Vaughan Nelson, as a policy, does not enter into transactions (e.g. trade execution, participation in underwritings, cross trades) with affiliates on behalf of clients. However, because Vaughan Nelson is affiliated with a number of asset management, distribution and service entities, Vaughan Nelson engages in several Firm level business activities with some of these entities, subject to Vaughan Nelson's policies and procedures governing conflicts of interest. For example, Vaughan Nelson

enters into relationships with affiliates which include advisory or sub-advisory arrangements (on a discretionary or non-discretionary basis).

Given that our affiliates provide a number of services and investment products, Vaughan Nelson's clients could independently engage a Vaughan Nelson affiliate to provide any number of services, including advisory, custodial or banking services, or could invest in the investment products provided or sponsored by an affiliate. The relationships described herein could give rise to potential conflicts of interest or otherwise have an adverse effect on clients. For example, when acting in a commercial capacity, affiliates of Vaughan Nelson could take commercial steps in their own interests (e.g. debt restructuring), which could be adverse to those of our clients.

Given the interrelationships among Vaughan Nelson and its affiliates and the changing nature of our affiliates' businesses and affiliations, there could be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from Vaughan Nelson's relationships and activities with its affiliates is provided under Item 11 – Code of Ethics.

### **Investment Advisers**

#### **Natixis Advisors, LLC (Advisors)**

Vaughan Nelson provides sub-advisory services for wrap programs where Advisors is the investment advisor/manager. The Firm is affiliated with Advisors through common ownership. Under the investment sub-advisory agreement with Advisors, Vaughan Nelson provides Advisors "Model Portfolios" containing Vaughan Nelson's current investment recommendations as to the composition of a portfolio that would be purchased for the account of a hypothetical U.S. person to be managed in accordance with one of Vaughan Nelson's investment strategies. Under the arrangement, Advisors has the ultimate decision-making and discretionary responsibility for determining which securities are to be purchased and sold for an underlying wrap account. In almost all cases, Advisors approves the recommendations implicit in the Model Portfolio provided to them. However, there will likely be differences between the Model Portfolios and the portfolios managed by Vaughan Nelson for its other clients resulting from differences in cash availability, investment restrictions, account sizes, taxes and other factors. Likewise, the performance of Vaughan Nelson's discretionary account clients and that of clients in the wrap programs using the same Vaughan Nelson investment strategy will differ for these and other reasons.

Vaughan Nelson also provides trading and execution services for Advisors, at Advisors' direction, in connection with Advisors' management of certain wrap programs for transactions that are a result of a change in the Model Portfolio. In these instances, Vaughan Nelson is then free to select the broker-dealer to effect such transactions on a 'stepped-out' basis.

Advisors will generally execute transactions with each respective wrap program sponsor, or another firm, for transactions being implemented for wrap program clients due to the needs within the individual portfolios.

See Item 12 – Brokerage Practices for a description of trade sequencing involving these accounts.

### Natixis Investment Managers International (“Natixis International”)

Vaughan Nelson provides sub-advisory services to Natixis International, a French company, for a fee, based upon assets under management, where Natixis International serves as the investment manager. The Firm is affiliated with Natixis International through common ownership. These accounts participate in investment decisions and trade allocations on the same basis as Vaughan Nelson’s other client accounts within a particular investment strategy. This serves to mitigate the potential conflict of ‘favoring’ accounts advised by an affiliate.

### Mutual Funds

Vaughan Nelson serves as Advisor to the following Vaughan Nelson Mutual Funds:

- Vaughan Nelson International Fund
- Vaughan Nelson Emerging Markets Fund

In addition, Natixis Distribution, LLC acts as the distributor to the Vaughan Nelson Mutual Funds. In connection therewith, Vaughan Nelson and Natixis Distribution, LLC entered into a Distribution Agreement. Under this agreement, Natixis Distribution, LLC is responsible for marketing, sales, and distribution-related activities relating to the funds.

Vaughan Nelson also provides sub-advisory services to mutual funds for a fee, based upon assets under management, where Natixis Advisors, LLC (Advisors) (U.S. domestic funds) or Natixis Investment Managers International (Luxembourg funds) serve as the investment Adviser. The Firm is affiliated with the above Advisers through common ownership.

In both cases above, the accounts advised by Vaughan Nelson or for an affiliate participate in investment decisions and trade allocations on the same basis as Vaughan Nelson’s other client accounts within a particular investment strategy. This serves to mitigate the potential conflict of ‘favoring’ mutual funds sub-advised for affiliates.

As noted in Item 5 – Fees and Compensation, the market value of mutual funds and ETFs (including those advised/sub-advised by Vaughan Nelson for which the mutual fund or ETF pays the Firm a fee), excluding those ETFs representing a strategy’s benchmark, will be deducted from the market value of a client’s account prior to the calculation of Vaughan Nelson’s management fee.

### Collective Investment Vehicles

Vaughan Nelson has related persons who serve as general partners of limited partnerships, managers of limited liability companies and advisers of private funds. To Vaughan Nelson’s knowledge, none of our clients have been solicited to invest in any of those limited partnerships, limited liability companies or private funds.

## **Operating Services and Systems**

Under a Services and Support Agreement, NIM-os (a non-advisory operating services affiliate) is providing externally hosted systems for trading and compliance (CRD) and accounting functions (GPS) on a 'managed services' basis. The affiliate is also an outsourcing service provider for various operational workflows. This could present a conflict of interest should another NIM-os advisory affiliate obtain access to Vaughan Nelson's information. This conflict is mitigated as NIM-os works at Vaughan Nelson's direction and only information necessary for them to perform the above functions is shared. NIM-os has appropriate partitioning, authorizations, and restricted access of our hosted systems and information.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

All employees are subject to the restrictions contained within the Vaughan Nelson Code of Ethics (the "Code"). Under the Code, employees are required to comply with applicable securities laws at all times and, more specifically, have the responsibility to ensure that they avoid security transactions and activities for their personal accounts which might conflict with, or be detrimental to, the interests of our clients, or, which are designed to profit, by the market effect, of Vaughan Nelson's advice to its clients, and, that the employees do not damage their reputation or the reputation of the Firm. All employees must acknowledge the terms of the Code annually, and as amended.

The Code covers an employee's personal trading, Outside Business Activities and also incorporates, through reference, Vaughan Nelson's policy and procedures with regard to Gifts & Entertainment, Insider Trading, Political Contributions, and Privacy.

The Firm subscribes to a third party's software/application for employees to process, and compliance to review and monitor, activity relating to Personal Trading, Gifts & Entertainment, Political Contributions and Outside Business Activities.

A copy of Vaughan Nelson's Code of Ethics will be provided to any client or prospective client upon request by contacting the Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com.

With regard to personal trading, employees of Vaughan Nelson can own the same securities as those held in clients' accounts; however, the client would always receive equal or preferential treatment relative to trades undertaken by employees of the Firm. Portfolio Managers can execute buy or sell orders for clients in the same securities in which their personal accounts, other accounts, or accounts of the Company have an investment/financial interest, or that the Firm has previously recommended to other clients. [Such transactions would not involve the employee's or Company's own securities on a principal basis.]

Under the Code, transactions contemplated by an employee, are subject to preclearance, a black-out period, short-term trading, and reporting requirements designed to mitigate conflicts of interest. Securities having a market cap of less than \$5 billion or whose average trading volume is less than 1 million shares (“small-cap” securities) are subject to preclearance, a 7-day blackout period and an inability to close a position for a profit within 60 days of opening the position. Securities having a market cap greater than \$5 billion and whose average trading volume is greater than 1 million shares (“large-cap” securities) are subject to preclearance, a 1-day blackout period and do not have a time period restriction on closing a position. Employees are prohibited from investing in initial public offerings.

Certain proprietary accounts (i.e. Firm retirement plan) trade in the same securities with client accounts on an aggregated basis when consistent with Vaughan Nelson's obligation of best execution. In such circumstances, the proprietary and client accounts will share commission costs equitably and each will receive a prorata share of the total order, as necessary, at the same average price (see further discussion in Item 12 – Brokerage Services).

Vaughan Nelson manages portfolios on behalf of employees and/or an employee’s relatives and the actions taken for these accounts can, at times, differ from, or be identical to, the advice given, or the timing or nature of actions taken, with respect to other client accounts. Procedures are in place to ensure that these accounts are managed according to the regulations of the Securities and Exchange Commission as they apply. Specific oversight is given to these accounts in terms of transactions and performance as compared to other accounts pursuing the same strategy.

### Related Persons

In connection with providing investment management and advisory services to its clients, Vaughan Nelson acts independently of other affiliated investment advisers and manages the assets of each of its clients in accordance with the investment mandate selected by its clients.

Related persons of Vaughan Nelson are engaged in investment management and undertake securities transactions. Vaughan Nelson’s related persons will, at times, invest in the same securities that Vaughan Nelson recommends, purchases for, or sells from our clients’ accounts. Vaughan Nelson and its related persons (to the extent they have independent relationships with a client) could give advice to, and take action in, their own accounts or in other client accounts that would compete, conflict or involve different timing than the advice Vaughan Nelson gives to your particular account.

The trading activities of Natixis firms are not coordinated, however, a situation could exist (unknown to each party) where each individual firm is trading the same security at the same time or on the same or opposite side of each other, potentially affecting the price, amount or other terms of the trade execution which could adversely affect some or all clients. Each client’s performance might differ from the results achieved by other current or future clients of Vaughan Nelson. Because certain of Vaughan Nelson’s clients are related persons, Vaughan Nelson could have an

incentive to resolve conflicts of interest in favor of its related person, however, Vaughan Nelson has established policies and procedures that identify and manage such potential conflicts of interest.

Certain related persons of Vaughan Nelson engage in banking or other financial services, and in the course of conducting such business, such persons might take actions that adversely affect Vaughan Nelson's clients. For example, a related person engaged in commercial lending could foreclose on an issuer or security in which Vaughan Nelson's clients have an interest. Vaughan Nelson does not have the ability to influence the actions of its related persons.

Vaughan Nelson has the ability, none to date, to purchase securities in a public offering or secondary offering on behalf of client accounts in which a related person is a member in the underwriting syndicate. Such participation is in accordance with Natixis IM policy and applicable laws, and Vaughan Nelson does not purchase directly from such related person.

## **Item 12 - Brokerage Practices**

Vaughan Nelson is given complete discretion by its clients to select the brokers to be utilized in the execution of transactions, except in a few instances where the accounts are non-discretionary or 'Directed' to a particular broker.

In executing portfolio transactions and selecting brokers or dealers, it is Vaughan Nelson's policy to seek the best overall execution available. Unless a client 'Directs' brokerage, the Firm determines the broker or brokers through whom, and the commission rate at which, security transactions for client accounts are executed. The selection of a broker is determined by a combination of factors including: (1) price; (2) quality of execution; (3) results of execution in similar security types; (4) market knowledge, activity in making markets and locating liquidity; (5) ability to execute in desired volume; (6) timeliness and responsiveness; (7) dependability, including ability to settle trades; (8) counterparty's credit worthiness and reputation; (9) creativity including use of program and algorithmic trading capabilities; and (10) research, including the presentation of specific investment ideas to the Firm.

Commission levels vary between what is generally paid to brokers from whom we receive investment research in addition to trade execution, and what is generally paid to brokers who only provide trade execution, where commission levels are more generally influenced by the extent of broker involvement ("touch"), geography, and the perceived difficulty of the execution. As a result, Vaughan Nelson will pay a commission higher than what another broker might charge in order to receive additional brokerage-related services (e.g. executing a more difficult trade) and/or investment research from the chosen broker. Individuals responsible for the selection of brokers (as are all employees) are subject to both a Code of Ethics and a Gifts and Entertainment policy designed to prevent and avoid any potential conflicts of interest in the selection of brokers.



Vaughan Nelson's determination of the reasonableness of equity brokerage commissions is determined by the Firm's experience and knowledge of the industry, use of third party reports, as well as the needs, characteristics, geography and difficulty of the trade.

### Research and Soft Dollar Benefits

Consistent with obtaining best execution, a portion of each client account's commissions on equity portfolio transactions will be used by Vaughan Nelson to pay a broker for eligible brokerage and research services which the broker provides to Vaughan Nelson to aid in the management of client accounts (a practice known as Soft Dollar Benefits). By using client commissions in this way, Vaughan Nelson receives a benefit as the Firm does not need to produce or pay for certain research, products or services used in the management of client accounts. The research is considered proprietary (created or developed by the broker-dealer) or third-party based (created or developed by others). Accordingly, this practice provides an incentive to select a particular broker based on the Firm's interest in receiving the broker's research or other services rather than selecting a broker based upon our clients' interest in receiving the lowest cost execution.

Vaughan Nelson does not attempt to allocate Soft Dollar Benefits received to individual clients, believing instead that the research received is, in the aggregate, of assistance to the Firm in fulfilling its overall duty to all clients. Each and every research service is not used to service each and every account managed by the Firm, and commissions paid by one account may apply towards the payment of research services that are not to be used in the service of that account. In addition, clients which are precluded by regulations (i.e., MiFID II) or with 'Directed' brokerage do not contribute to the cost of this research (see Trade Sequencing in this Item 12 below).

Vaughan Nelson will only acquire research and brokerage products and services that are deemed to qualify as eligible products and services under the safe harbor of Section 28(e) of the 1934 Act. Research eligible for Soft Dollar Benefits provided by brokers would include proprietary research on individual companies, market trends, economic overviews, industry reports, fundamental security data, risk analysis, and market statistics which assist Vaughan Nelson in its investment decision-making process. This research is received by mail, fax, electronically via email or directly over the internet for both direct use and to be loaded into software applications that assist with the investment research and security valuation processes.

Some products and services, such as FactSet, are used for both eligible (assisting with the investment decision-making process) and ineligible (administrative or marketing) purposes. These products and services are known as being of "mixed use". Vaughan Nelson's compliance department reviews (both initially and at least annually thereafter) the use of "mixed use" products and services to determine the proper allocation between the portions eligible and ineligible for Soft Dollar Benefits. The ineligible portion of "mixed-use" products and services are paid directly by the Firm from its own resources.

Examples of third-party products and services acquired through the use of Soft Dollar Benefits include, but are not limited to:

Bloomberg – provides current financial, economic and political information covering all market sectors. Bloomberg also provides analytics, historical data, up-to-the minute news reports, economic statistics and political commentaries. Bloomberg provides information on market sectors, indices, governments, corporates, mortgages, municipals, currencies, equities, commodities, technical indicators, relative analysis, company news, financial documents, as well as many other items. In addition, Bloomberg enables the Firm’s traders to use a variety of real-time market data, technicals, statistics, news, and related information in the execution of trades. Bloomberg is considered a “mixed-use” product.

FactSet – is a comprehensive source of financial information and analytics for investment managers providing a broad array of financial, market and economic research as well as fundamental data on thousands of companies and securities worldwide enabling the transformation of raw research data into usable information. FactSet provides:

- Company Analysis
- Economic Analysis
- Fixed Income Analysis
- Ability to Store Proprietary Research Information for Integration into FactSet
- Portfolio Attribution Analysis
- Stock Modeling

It is used as a real-time source of security pricing for the market or within portfolios or watch lists as well as a vehicle for security charting, news and trading information. FactSet is considered a “mixed-use” product.

Axioma - Axioma is a leading provider of enterprise risk management, portfolio construction, risk and regulatory reporting solutions that offers insights into the constantly evolving state of risk. With fundamental and statistical variants for country, region and global models, at varying time horizons, along with macroeconomic models (all updated daily) multiple views of risk are provided on a timely basis.

Vaughan Nelson has entered into Client Commission Arrangements (CCAs) with various brokers through which the majority of proprietary and third-party research and execution services are paid. CCAs allow commission credits to accumulate at desired/preferred brokers and have those commission credits paid to virtually any proprietary or third-party research provider. Accordingly, this minimizes the need for Vaughan Nelson to trade at a particular broker in order to receive and pay for a broker’s research. It allows Vaughan Nelson to place a particular trade where the firm believes best execution can be achieved and mitigates any appearance that Vaughan Nelson might be overly obligated to an individual broker. Transactions at CCAs are undertaken on an ‘execution only’ basis in addition to soft dollar trades.

## *Oversight of Soft Dollar Benefits*

Vaughan Nelson monitors the use of Soft Dollar Benefits in the following ways:

- We undertake a formal review of all brokers on an annual basis (issues are also addressed as they arise throughout the year) to evaluate service and executions received. Upon meeting service and execution expectations, a broker is then eligible to be used in connection with Soft Dollar Benefits.
- We annually review the services obtained through soft dollar commissions to ascertain their continued benefit for our clients and investment process (issues are also addressed as they arise throughout the year). We review “mixed use” products for proper allocation.
- We develop an annual Soft Dollar Budget for the upcoming year detailing the proprietary and third-party products and/or services to be received and the target level of commissions required based upon input received from the investment team, trading and compliance. We then review to ensure that the level of commissions required in terms of overall expected commissions for the year will not impede Vaughan Nelson’s ability to seek best execution.
- Each month we track and reconcile commissions transacted at the various brokers and Soft Dollar Benefit payments against the Soft Dollar projected expenses.

## *Trade Sequencing and Allocation*

In general, investment decisions are made to purchase or sell the same security or securities for a number of client accounts simultaneously (i.e. the accounts are typically pursuing the same investment strategy). In this event, the transactions are added together or “blocked” for trading purposes. However, portfolio transactions for client accounts are also completed independently from other accounts in order to accommodate additions to, or a withdrawal from, a client account or to re-balance a portfolio to bring it in line with the correlated strategy’s model.

Vaughan Nelson, in its pursuit of best execution, need not delay trading for certain accounts as it awaits reviews and/or approvals for other accounts or, in the case of certain sub-advised wrap platforms, possible ‘shares to be traded’ information for each platform.

Accordingly, portfolios not having Limitations on Trading (see below), requiring review and/or approval, or ‘shares to be traded’ information (e.g. tax-free, tax-deferred, no/limited impactful client restrictions) are blocked together and execution initiated while other portfolios requiring Limitations on Trading to be addressed, a portfolio manager’s review and/or approval or ‘shares to be traded’ information associated with sub-advised wrap platforms are obtained.

As trades for portfolios having limitations, requiring review and/or approval, or ‘shares to be traded’ information are received, they are themselves blocked and either merged into the original

block if, in the trader's judgment, significant execution has not taken place, or executed as its own block after completing the original block.

Individual and block trades are either executed in one day or, if a substantial number of shares is involved compared to daily volume, the transaction will be executed in several transactions over a period of time at varying prices. With regard to block trades, transactions for each blocked security are combined each day by broker, the execution price averaged, and the trades allocated to the relevant client accounts on a pro-rata basis, subject to rounding requirements of up to 100 shares and other de minimis adjustments, resulting in the same average price/proceeds and commissions per share for all trades executed that day.

Notwithstanding the description of aggregation above, the Firm occasionally elects to "auto-execute" an individual trade (or small blocked trade) which constitutes a trade of less than 500 shares of an individual security. In this instance, the trade will be automatically routed through a Direct Market Access system (DMA) and executed at the market price existing at the time the trade was submitted.

#### Sub-advised Wrap Platforms

While Vaughan Nelson has an obligation to seek best execution for all of its clients, those clients that have authorized brokerage discretion to Vaughan Nelson in its selection of executing brokers cannot be disadvantaged by those accounts that have restricted Vaughan Nelson in terms of Vaughan Nelson's ability to select the executing brokers. The latter would include certain sub-advised wrap platforms that require an executing broker to step-out the execution of a trade to the sponsoring broker (a "step-out") with no commission. Vaughan Nelson may 'block' trades for certain sub-advised wrap platforms with accounts that allow for full trade discretion, to the extent possible, within the limits imposed by the executing brokers selected by Vaughan Nelson in its pursuit of best execution. In circumstances where Vaughan Nelson believes the necessary step-out associated with certain sub-advised wrap platforms within a block trade would impede its ability to obtain best execution for those clients who have authorized full brokerage discretion, Vaughan Nelson will include shares associated with the sub-advised wrap platforms in block trades only to the extent Vaughan Nelson believes execution quality will not suffer. Any remaining shares will be communicated to the wrap platform advisor for execution/completion.

#### Directed, Wrap and Model Delivery Accounts / Platforms

To the extent an investment recommendation is to be implemented within accounts for which Vaughan Nelson has brokerage discretion and accounts for which Vaughan Nelson does not have brokerage discretion (i.e., fully 'Directed' separate accounts, sub-advised wrap platforms only traded at the sponsor, and model-delivery SMA/UMA platforms; all not traded by Vaughan Nelson), the investment recommendation will generally first be executed for Vaughan Nelson's discretionary accounts, as noted above, and then communicated to the corresponding 'Directed' broker, wrap or model-delivery SMA/UMA platform for execution so as to minimize execution conflict/competition within the marketplace. When a client or platform directs the use of a particular broker-dealer in

this way, the Firm is not in a position where it can freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution. As a result, these arrangements are generally executed after blocked trades to avoid execution conflict and can cost clients more money through higher commissions, greater spreads, or a less favorable net price than would be the case if the Firm were empowered to select broker/dealers to execute transactions for the client's account. This communication usually occurs after the completion of trading for blocked, discretionary accounts. Some SMA/UMA model delivery platforms, have arranged to have the model delivered on a periodic basis, up to and including weekly, not tied to the timing/completion of investment decisions. This periodic delivery approach will result in Vaughan Nelson trading after, concurrently with, or before an SMA/UMA platform. In all cases, this will result in some level of performance dispersion.

### Limitations on Trading

Limitations on trading occur for a number of reasons including, but not limited to, impactful client guidelines, tax considerations, holding securities less than, or in addition to, the model, or requests to help minimize transaction costs charged to an account by the client's custodian (# of transactions). When trading for a client's account is limited, it will not trade with the 'block' but be traded afterward (if warranted) through either a specific account review or a weekly comparison of weighting differences with the associated model. When this takes place, any identified trades will 1) be executed independently, if the 'block' trade has been completed or significantly completed or, 2) be merged in with the 'block' trade (if not yet significantly complete) for the remainder of the execution.

When a client account is limited in this way, efforts towards best execution will often be limited and some level of performance dispersion will occur.

### New Client Accounts

Vaughan Nelson will frequently have a need to invest funds related to a new client in order to align the new client's portfolio with the model for a particular strategy while there are outstanding block orders that have not yet been filled/completed for particular securities within the strategy. In this circumstance, the new client will, on a best efforts basis, be invested to the approximate percentage held within the model prior to the currently outstanding order (if a buy) or up to the approximate model percentage (if a sell) and trade separately from, or opposite to, any currently outstanding order in order to invest the account on par with other accounts and the model. Remaining shares needed to align the portfolio to the current model percentage will either be merged into the outstanding order, if in the trader's judgment it will not detrimentally impact the remaining execution of the order or, if significant execution has already taken place in the outstanding order, executed as its own block after completing the outstanding order.

### Contributions to Accounts

Clients will frequently make contributions to their accounts and their accounts will need to be realigned with the model for a particular strategy while there are outstanding block orders that

have not yet been filled/completed for particular securities within the strategy. In this circumstance, the additional contribution will, in most instances, be either merged into the outstanding order (for a buy), if in the trader's judgment it will not detrimentally impact the remaining execution of the order or, if significant execution has already taken place, executed as its own block after completing the outstanding order or, (for an outstanding sell) will be traded separately from, and/or opposite to, the currently outstanding order.

#### Terminated Accounts / Withdrawals from Accounts

Vaughan Nelson will also have a need to raise funds relating to account terminations or withdrawals and will need to liquidate or realign the holdings in order to raise the necessary cash while there are outstanding block orders that have not yet been filled/completed for particular securities within the strategy. In this circumstance, the trades necessary to raise the funds will, in most instances, trade separately from, or opposite to, the currently outstanding orders as the currently outstanding orders would not have the same time priority for execution.

**It is believed that over time this approach to trade sequencing for accounts managed by Vaughan Nelson is equitable, fair and is consistent with the overall concept of best execution.**

#### Commission Recapture

Vaughan Nelson has accounts where the client (or Board of Directors/Trustees for an investment company) has instructed Vaughan Nelson to direct brokerage for the client's account to certain broker-dealers that have agreed to refund or to reduce operating expenses in an attempt to defray expenses for the client's account. The foregoing practices are generally subject to the pursuit of best execution by Vaughan Nelson through the guidelines established by, and overseen by, the client (or Board of Directors/Trustees for an investment company). As Vaughan Nelson blocks most trades in pursuit of best execution, this serves to limit the use of a directed broker to certain situations involving only a contribution or withdrawal in the client's account.

#### Trade Errors and Error Correction

Any error identified in trading is investigated to determine whether the error occurred at the brokerage firm or internally at Vaughan Nelson.

In the case of an error by Vaughan Nelson, the error is brought to the attention of the Compliance Officer and/or CEO for resolution. A broker will not assume a loss for which Vaughan Nelson is responsible. Instances where multiple errors have occurred, or have been identified, concurrently or in close succession within an account (e.g. 2-3 days) will be netted to determine the resulting gain or loss. Any net loss to a client greater than \$100 must be reimbursed, unless otherwise required by mutual fund procedures. Instances of net gain will inure to the benefit of the client. Vaughan Nelson will not be liable for any lost profits (other than for the error(s) itself), consequential or other damages stemming from the error.

### Cross Trades

Vaughan Nelson generally does not undertake cross trade transactions in either fixed income or equities. Cross trades present an inherent conflict of interest as the Firm has an obligation to put each of the participating clients' interest first. However, in certain limited instances, Vaughan Nelson will effect a cross trade between two advisory clients of Vaughan Nelson where a cross trade is deemed to be beneficial, preferred, and in the best interest of both clients involved. Cross trades allow a selling client to raise needed cash, adjust sector, maturity, credit or other weights, or address other needs while simultaneously allowing a buying client to invest cash, and make similar adjustments, all with little or no cost, or negative market price impact.

In general, pricing of cross trades is determined based upon readily available market quotation data. For example, this is typically the 'last sale' of the day for equity securities. For debt securities the Firm requires an average of the highest current independent bid and lowest current independent offer. Vaughan Nelson will obtain at least two independent market quotes, if available, to establish the price for all accounts participating in the cross trade. With respect to investment company clients, Vaughan Nelson would execute a cross trade in accordance with the applicable policies and procedures adopted by the investment company's Board.

Subject to applicable law, a cross trade can be accomplished either with or without the use of a broker (although no commission can be paid). ERISA, proprietary, or adviser affiliated accounts are prohibited from participating in any cross-trade transaction with a client. Cross trades can be difficult to arrange in some circumstances and Vaughan Nelson is under no obligation to effect a cross trade for any client.

### Affiliated Underwritings

Subject to applicable law, Vaughan Nelson could purchase for its clients, securities in an initial or secondary offering underwritten by a related person/entity provided such purchases are from members of the underwriting syndicate other than a related person/entity and comply with attendant regulatory requirements (very rarely undertaken). With respect to investment company clients, Vaughan Nelson would participate in affiliated underwritings in accordance with any applicable policies and procedures adopted by the investment company's Board in addition to those required by regulation. Similarly, with respect to ERISA clients, such transactions would be affected in accordance with applicable regulations.

### Initial Public Offerings (IPOs)

IPO exposure is not sought on a regular basis for separate account strategies. In order to invest any clients in an IPO, the Firm will need to have obtained a "New Issue" questionnaire under FINRA Rule 5130 ("Rule 5130") which has been completed and signed by each client within a strategy. The "New Issue" questionnaire will identify if a client falls within the definition of the term "restricted person" and is, therefore, not eligible to participate in an IPO. Rule 5130 would also require the Firm to obtain updated representations from clients as to each client's "restricted person" status every 12 -18 months in order to receive information related to any changes in the

client's status as a "restricted person" since completing the last questionnaire. Accordingly, there would be significant time involved in ascertaining and updating clients' current status. In addition, due to the time involved, any efforts in this regard would need to be completed far in advance of identifying any specific IPO opportunity in which to invest. Since IPO exposure is not sought on a regular basis for our strategies, the Firm does not seek this information from clients in the normal course. The Firm believes that the cost to comply with Rule 5130 for separate accounts outweighs the benefits of participating in IPO investment opportunities on a sporadic basis. Accordingly, clients seeking involvement with IPOs should not expect to obtain such exposure.

Should the Firm decide to invest in IPOs more frequently, the Firm will undertake the "New Issue" questionnaire process noted above. Once in place, in the event a portfolio manager recommends a particular strategy should invest in an IPO, the recommending individual will document an analysis of the nature, drivers and risk factors associated with the IPO and coordinate an evaluation of the suitability of the IPO for all equity strategies.

Once participation is determined, the Firm will establish an overall level of interest in the IPO supported by an allocation for each investment strategy. If the Firm does not receive the number of shares requested in an IPO, the shares actually received will be allocated equitably among participating strategies and client accounts on a prorata basis using the overall level of interest for all accounts provided to the underwriter, subject to adjustments for de minimis allocations, odd lots, FINRA regulatory requirements regarding "new issues" and other factors. This will normally result in an approximate pro rata allocation among those accounts participating in the offering.

#### Services Non-Exclusive

Services provided to a client are non-exclusive. The Firm, based on circumstances, will give advice to, and take action in the performance of its duties with respect to a particular client that will differ from the advice given, or the timing or nature of actions taken with respect to other clients. Nothing is deemed to impose upon the Firm any obligation to purchase or sell any security which the Firm purchases or sells for its own account or for the accounts of other clients if it is undesirable or impractical to take such action for a particular client.

#### Security Pricing Procedures

Vaughan Nelson has implemented processes that we believe will allow the Firm to obtain accurate prices for individual securities. For most security types this is accomplished through the use of an outside third-party pricing service (e.g. Intercontinental Exchange or Bloomberg). However, there are times when a security will have to be priced using an alternative method ("fair valuation") as the security did not trade in the market for a particular day, or the market for a particular security is thin due to credit or similar issues, or the only available prices for the security are determined through matrices that are, at times, considered a less reliable source. The use of "fair valuation" techniques creates the potential for a conflict of interest, as Vaughan Nelson could benefit to the extent a security is priced too high thereby increasing both the amounts clients are billed and the client's performance record.



Accurate pricing and valuation is important to Vaughan Nelson and the Firm has adopted policies and/or procedures in connection with the fair valuation of securities that are designed to address this conflict. This includes the use of a Pricing Committee, a Fair Valuation Committee, and, in the case of corporate bonds, a review of subsequent transaction levels for certain securities as more fully discussed below. This serves to mitigate the conflicts inherent in the fair valuation of securities.

Equity Securities-- In almost all cases, Vaughan Nelson invests in and manages equity securities that are traded on exchanges for which 'last sale' prices (or mid prices for options) are readily available through our pricing provider at the end of the day. Accordingly, Vaughan Nelson does not ordinarily rely on a "group" of pricing vendors to assist in determining an equity security's value. Vaughan Nelson does have procedures in place to review for zero and stale pricing that might suggest a candidate for fair valuation (see Fair Valuation below).

Fixed Income Securities -- All U.S. Treasury, Agency, Mortgage Backed and Municipal securities will normally be priced using the outside third-party pricing service. However, Vaughan Nelson will occasionally have a need to override the third-party price where an error has taken place (e.g. input error 101.00 vs. 110.00) or for liquid Treasury or Agency securities where a difference of +/- \$0.25 exists between the third-party price and the price indicated from other information received or that of the Barclays Index.

Corporate Bonds will be priced by using actual transaction levels (if traded in meaningful quantities) or by independent broker/dealer quotes and/or information. This is accomplished by the fixed income department by any combination of:

- TRACE (Trade Reporting and Compliance Engine; the FINRA developed vehicle that facilitates mandatory reporting of secondary market transactions in eligible fixed income securities) system for any recently executed and posted trades
- "Inventory listings" received in the normal course of business
- Collecting available bid/offer sheets on specific or similar securities from broker contacts
- An independent street broker to match Vaughan Nelson corporate bond holdings with currently active broker bids/offers

Once these transactions, quotes and valuations are collected, the most accurate current price level is determined by the Firm. When no relevant broker/dealer information can be obtained, the third-party outside service price will be used (if reasonable), or a further "Fair Valuation" (see below) will be made.

At the end of each quarter (the frequency most client reports are sent), the Pricing Committee at Vaughan Nelson will review the bond pricing and supporting documentation where a +/- \$2 price difference on corporate bonds exists between the internally developed price derived from information and quotes from brokers and that of the third-party pricing service and, a +/- \$0.25 price difference on Treasury and Agency securities. In addition, the Compliance Department undertakes a review of TRACE transaction activity for all +/- \$2 price difference on corporate bonds

and any sales of corporate bonds held subsequent to each quarter-end to compare the prices (spreads) obtained in connection with such trades against the prices (spreads) calculated and utilized at quarter-end.

Notwithstanding the above, in certain instances, the third-party price for Corporate Bonds will be used on a regular basis if:

- The security is an inherited position targeted for liquidation
- The security is a small position compared to an overall portfolio and not widely held
- The security has a maturity of less than one year
- The security is being held to maturity
- The security is being held by a Registered Investment Company
- The security does not have a reliable quote from broker pricing sources (see above)

Fair Valuation -- Circumstances requiring a fair value approach, other than that described for corporate bond securities above, typically involve the halt of trading in a particular security or a significant macro event affecting many securities. In the event Vaughan Nelson invests in a security that has not traded on its exchange and/or a significant event were to occur, the Firm will value the security in question based upon all the appropriate factors that are available to the firm. The Firm's Fair Valuation Committee would discuss and document the determination of fair value (with outside consultation as necessary) and communicate the fair value to operations for internal pricing purposes and to the various fund administration teams for advised / sub-advised relationships.

### **Item 13 – Review of Accounts**

All accounts are updated nightly with regard to pricing and valuations and are available for review at any time by the portfolio managers familiar with the account. Reviews of accounts are performed by the Portfolio and Client Service Managers based primarily upon various triggering events including, but not limited to, client transactions and inquiries, investment decisions, client presentations, overall market movements, cash levels, and rebalancing needs. Taken as a whole, this amounts to a frequent review of all accounts. The Portfolio Administrators and Client Service Managers oversee all client portfolios.

Portfolio appraisals that include a description of each security with its cost and current market value are distributed quarterly in writing along with a summary document describing our strategies employed, the current financial, economic and political environment and performance results for relevant periods. Monthly appraisals, quarterly transaction listings and other portfolio-related reports are available to clients upon request.

## **Item 14 – Client Referrals and Other Compensation**

Vaughan Nelson has entered into referral agreements with Natixis Advisors, LLC, Natixis Distribution, LLC, and Natixis Investment Managers UK Ltd. (together “Solicitors”) which are related entities. Vaughan Nelson has engaged the Solicitors to contact, either directly or indirectly through representatives of financial intermediaries, institutions, and high net worth individuals, including pooled funds, (together “Prospects”) and to recommend that such Prospects entertain proposals for Vaughan Nelson’s advisory services. Vaughan Nelson generally pays Solicitors a percentage of annual investment advisory fees received from such clients over a period of time. Because the Solicitors are paid based on a percentage of a client’s advisory fees, they have a financial incentive to recommend Vaughan Nelson. Solicitors that are related entities may also have additional incentives (e.g., additional indirect compensation via management fees paid when client assets are invested in products sponsored by the Solicitors or their affiliates) to recommend Vaughan Nelson’s advisory services. Vaughan Nelson has established policies and procedures designed to mitigate such potential conflicts. In all cases, the soliciting party will disclose their relationship with Vaughan Nelson to the prospect or consultant at the time of the referral.

## **Item 15 – Custody**

Clients should receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client’s investments at least quarterly. As noted in Item 13 – Review of Accounts, Vaughan Nelson will also provide clients with account statements. Vaughan Nelson recommends each client carefully review such statements and compare the official custodial records to the account statements that we provide to you to determine whether account transactions, including deductions to pay our advisory fee, are proper. You should contact us immediately if you do not receive statements from your custodian on a quarterly basis. Our statements often vary from the custodial statements based on accounting procedures (a ‘trade date’ based statement versus a ‘settlement date’ based statement), reporting dates, or valuation methodologies of certain securities (i.e. different pricing vendors).

Vaughan Nelson is deemed to have custody of certain client accounts solely as a consequence of the Firm’s ability to instruct the custodian for an account to withdraw funds to pay our advisory fee.

## **Item 16 – Investment Discretion**

Normally, Vaughan Nelson is engaged by clients (institutional, individual, mutual fund) to provide advisory services for their account where investment decisions are implemented on a fully-discretionary basis through the execution of a Trading Authorization on the client’s account held at the custodian. The Trading Authorization provided on an account is limited by any client guidelines and/or restrictions received by the client in writing (in the case of a mutual fund the associated Prospectus and Statement of Additional Information). These restrictions could include, but are not limited to, such areas as: permissible cash levels, percentage of a portfolio that can be invested in

one issuer, minimum required bond ratings, etc. Guidelines and restrictions can be amended in writing throughout the relationship as necessary.

The Trading Authorization and any associated guidelines and/or objectives (including the application of any SRI screens or specific ESG client directed criteria) are discussed, agreed upon and executed in connection with the overall Investment Management Agreement for the account.

Vaughan Nelson's compliance department uses the Charles River Compliance System to enter and automatically monitor client guidelines and restrictions, to the extent possible, on both a pre-trade and post-trade basis. As trades are initiated, they are routed and checked by the compliance system. Any potential breach of a guideline or restriction generates an 'alert' that cannot be overridden without approval from the Firm's compliance team.

### **Item 17 – Voting Client Securities**

The discretionary authority for Vaughan Nelson to vote proxies is established through either the Investment Management Agreement or, if the agreement is silent, implied by the overall delegation of discretionary authority, or our fiduciary responsibility to ERISA clients under Department of Labor regulations. As a practical matter, Vaughan Nelson does not allow clients delegating voting authority to Vaughan Nelson to also provide instruction as to how to cast votes associated with their account. Notwithstanding, with regard to mutual funds, voting can be controlled by restrictions within the fund or the actions of authorized persons. Alternatively, clients can retain the authority to vote proxies associated with their account through an indication within the original Investment Management Agreement or through the execution of a Proxy Retention Letter (supplied by Vaughan Nelson upon request).

The Firm undertakes to vote all client proxies in a manner reasonably expected to ensure that, where it has voting authority, the client's best interest is upheld and in a manner that does not subrogate the client's best interest to that of the Firm's in instances where a material conflict exists. All equity strategies are managed under a common value-oriented investment philosophy and Vaughan Nelson intends to vote proxies in the best interest, and consistent with, the philosophy/strategy overall without consideration of individual client circumstances. Vaughan Nelson's proxy voting process and procedures are intended to support good corporate governance, including those corporate practices that address environmental, social and governmental ("ESG matters") with the objective of protecting shareholder interests and maximizing shareholder value.

Vaughan Nelson has retained Institutional Shareholder Services ("ISS") to collect proxy ballots for our clients, provide a platform in which to indicate our vote, provide company research as a point of information, and assist our firm in generating proxy voting related reports.

Vaughan Nelson has created a Proxy Voting Guideline ("Guideline") believed to be in the best interest of clients relating to common and recurring issues found within proxy voting material. The Guideline is the work product of the Firm's Proxy Voting Committee ("PVC") and it considers the

nature of the Firm's business, the types of securities being managed and other sources of information including, but not limited to, research provided by an independent research firm, ISS, internal research, published information on corporate governance and experience. The Guideline helps to ensure voting consistency on issues common amongst issuers and to serve as evidence that a vote was not the product of a conflict of interest, but rather a vote in accordance with a pre-determined policy.

However, in many recurring and common proxy issues a "blanket voting approach" cannot be applied. In these instances, the Guideline indicates that such issues will be addressed on a case-by-case basis by the PVC, sometimes in consultation with a portfolio manager, to determine how to vote the issue in our client's best interest. The PVC will consider the research provided by ISS, internal research, published information on corporate governance, any published information of a registrant's views on ISS' research and advice, and experience.

A material conflict of interest may arise in executing our duty to vote proxies for client accounts. We do not envision a large number of situations where a conflict of interest would exist, if any, between Vaughan Nelson and our clients given the nature of our business, client base, relationships and the types of securities managed. However, if a conflict of interest arises Vaughan Nelson will undertake to vote the proxy or proxy issue in our clients continued best interest. This will be accomplished by either casting the vote in accordance with the pre-established Guideline, if the application of such policy to the issue at hand involves little discretion on our part, or casting the vote as indicated by the independent third-party research firm, ISS. If a conflict involves ISS, Vaughan Nelson will take that into consideration when evaluating a proxy item that is not addressed in the firm's recurring Proxy Voting Guideline.

Vaughan Nelson, as an indirect subsidiary of a Bank Holding Company, is restricted from voting the shares it has invested in banking entities on our client's behalf in instances where the aggregate ownership of all the Bank Holding Company's investment management subsidiaries exceed 5% of the outstanding share class of a bank. Where the aggregate ownership described exceeds the 5% threshold, the firm will instruct ISS, an independent third party, to vote the proxies in line with ISS's recommendation.

Finally, there are circumstances or situations that preclude or limit the manner in which a proxy is voted. These include: 1) Mutual funds – whereby voting is controlled by restrictions within the fund or the actions of authorized persons, 2) International Securities – whereby the perceived benefit of voting an international proxy does not outweigh the anticipated costs of doing so, 3) New Accounts – instances where security holdings assumed will be sold in the near term thereby limiting any benefit to be obtained by a vote on the relevant proposal(s), 4) Small Combined Holdings / Unsupervised Securities – where the Firm does not have a significant holding or basis on which to offer advice, 5) a security is out on loan (voting rights have been passed to the borrower), or 6) securities held on record date but not held on meeting date.

In summary, the Firm's goal is to vote proxy material in a manner that we believe assists in maximizing the value of client portfolios.

If you would like to receive a copy of the Guideline, including our proxy voting policies and procedures, or if you would like to obtain information on how your securities were voted, please contact: Chief Compliance Officer, Vaughan Nelson Investment Management, L.P., 600 Travis, Suite 3800, Houston, Texas 77002, 713.224.2545.

### *Class Action Filings*

Processing and filing class actions, while often appearing routine, ultimately involves important legal judgments, including, most fundamentally, the legal question as to whether to participate in the plaintiff class and forego a direct action, or whether to opt out of the class action to pursue a direct action. This may involve considerations relating to other holdings a client may have in the same securities that are not under Vaughan Nelson's management, as well as other factors outside of our relationship which may influence a client's decision (*e.g.* political, business, social or other issues). Due to the legal aspects of the above, Vaughan Nelson does not file class actions on behalf of clients with the exception of certain mutual funds and other accounts where we are contractually obligated to do so.

### **Item 18 – Financial Information**

Disclosure of Vaughan Nelson's balance sheet is not required as the Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Vaughan Nelson 1) has no financial condition that is reasonably likely to impair the Firm's ability to meet contractual and fiduciary commitments to clients, and 2) has not been the subject of a bankruptcy proceeding.

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## Adam Rich

Vaughan Nelson Investment Management, L.P.  
600 Travis, Suite 3800  
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713.224.2545  
www.vaughannelson.com

**March 31, 2024**

**This Brochure Supplement provides information about Adam Rich that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **Adam Rich, CFA, Born 1986, Deputy CIO, Portfolio Manager – International Equity**

- 14 years investment management experience
- Education: B.S., Brigham Young University, 2010, Business Management
- Professional Background: Vaughan Nelson since 2016; Equity Analyst, Visium Asset Management (2016); Research Associate, Hotchkis & Wiley Capital Management (2013-2015); Financial Investment Professional, Goldman Sachs & Co, (2012-2013), Financial Analyst, Goldman Sachs & Co, (2010-2012)
- Vaughan Nelson Responsibilities: Deputy CIO / Portfolio Manager / Research Specialist

Chartered Financial Analyst ("CFA") is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of "acceptable work experience", join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Rich.

### **Other Business Activities**

Mr. Rich has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Rich does not receive any form of Additional Compensation requiring disclosure.

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## Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Rich's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.



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## Blanca L. Garza

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**March 30, 2024**

**This Brochure Supplement provides information about Blanca Garza that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ms. Garza is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Educational Background and Business Experience**

#### **Blanca L. Garza, Born 1966, Portfolio Manager - Fixed Income Investments**

- 31 years investment and financial experience
- Education: B.A., University of Houston-University Park, 1989, French, Minor Italian; 1990 Spanish; M.B.A., University of Saint Thomas, 1996
- Professional Background: Vaughan Nelson since 1998
- Vaughan Nelson Responsibilities: Municipal Bond Portfolio Manager

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Ms. Garza.

### **Other Business Activities**

Ms. Garza has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Ms. Garza does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Michael Hanna, Director and Senior Portfolio Manager – Fixed Income Investments, 713.224.2545, is responsible for the oversight of Ms. Garza's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## **Charles (Chad) D. Fargason**

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Houston, Texas 77002  
713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Chad Fargason that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **Charles D. Fargason, PhD, Born 1972, Senior Portfolio Manager - Equity Investments**

- 24 years investment management and research experience
- Education: PhD, Duke University, 1998; M.A., Duke University, 1996; B.A., Rice University, 1994, Mathematics
- Professional Background: Vaughan Nelson since 2013; Director, KKR & Co., LP (2003-2013)
- Vaughan Nelson Responsibilities: Senior Portfolio Manager / Research Specialist

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Fargason.

### **Other Business Activities**

Mr. Fargason serves as Chairman of the Board for Carriage Services, Inc. (ticker CSV).

### **Additional Compensation**

Mr. Fargason receives compensation from his role as Chairman of the Board for Carriage Services, Inc. (ticker CSV).

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Vaughan Nelson has restricted ticker CSV from being purchased in client accounts to avoid any potential conflict of interest.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Fargason's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## **Christopher (Chris) D. Wallis**

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713.224.2545  
[www.vaughannelson.com](http://www.vaughannelson.com)

**March 30, 2024**

**This Brochure Supplement provides information about Chris Wallis that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or [mefarrell@vaughannelson.com](mailto:mefarrell@vaughannelson.com) if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Mr. Wallis is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Educational Background and Business Experience**

#### **Chris D. Wallis, CFA, CPA, Born 1968, CEO & CIO,**

- 32 years investment management / financial analysis and accounting experience
- Education: B.B.A., Baylor University, 1991, Accounting; M.B.A., Harvard Business School, 1998
- Professional Background: Vaughan Nelson since 1999
- Vaughan Nelson Responsibilities: CEO / CIO / Senior Portfolio Manager / Research Specialist

Chartered Financial Analyst ("CFA") is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of "acceptable work experience", join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

Certified Public Accountant ("CPA") is a professional designation for qualifying accountants to ensure competence in the practice of accounting. The designation requires an individual to attain a bachelor's degree (24-30 hours of which are in accounting), pass four (4) components of the CPA exam and acquire twenty-four (24) months of "acceptable work experience".

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Wallis.

### **Other Business Activities**

Mr. Wallis has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Wallis does not receive any form of Additional Compensation requiring disclosure.

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## Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of Mr. Wallis' activities and the firm's compliance policies and procedures.

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## Daniel (“Dan”) W. Hughes

Vaughan Nelson Investment Management, L.P.  
600 Travis, Suite 3800  
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713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Dan Hughes that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson’s Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **Dan Hughes, Born 1982, Vice President, Distribution**

- 18 years investment related experience
- Education: M.B.A., Boston University, 2012, B.A., Brown University, 2006
- Professional Background: Vaughan Nelson since 2014; Regional Director, Natixis Global Asset management (2010 – 2014)
- Vaughan Nelson Responsibilities: Distribution

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Hughes.

### **Other Business Activities**

Mr. Hughes has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Hughes does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm’s restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm’s restriction would be or has been breached. Alerts can be overridden only with approval from the firm’s compliance team. All accounts are managed to a model of the client’s selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio’s model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm’s Code of Ethics.

Mark Farrell, Managing Director, Business Development, 713.224.2545, is responsible for the oversight of Mr. Hughes’ activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm’s compliance policies and procedures.

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## Danika H. Cline

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**March 30, 2024**

**This Brochure Supplement provides information about Danika Cline that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or [mefarrell@vaughannelson.com](mailto:mefarrell@vaughannelson.com) if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ms. Cline is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Educational Background and Business Experience**

#### **Danika Cline, CFP®, Born 1991, Vice President, Client Service**

- 11 years of investment management client service and marketing experience
- Education: B.B.A., University of Texas, 2013, Finance
- Professional Background: Vaughan Nelson since 2014; Internal Sales Consultant, Salient Partners (2013)
- Vaughan Nelson Responsibilities: Marketing and Client Service

CERTIFIED FINANCIAL PLANNER™ ("CFP®") is a professional certification for finance and investment professionals focusing on financial planning. The designation requires completion of a college-level program of study in personal financial planning, including completion of a financial plan development course registered with the CFP Board. The individual must also have earned a bachelor's degree from a regionally accredited college or university. After successfully meeting the education requirements, the individual must pass the CFP® Certification Examination, acquire thirty-six (36) months of "acceptable work experience," and agree to adhere to the Standards of Professional Conduct.

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Ms. Cline.

### **Other Business Activities**

Ms. Cline has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Ms. Cline does not receive any form of Additional Compensation requiring disclosure.

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## Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Mark Farrell, Managing Director, Business Development, 713.224.2545, is responsible for the oversight of Ms. Cline's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## **Dennis G. Alff**

Vaughan Nelson Investment Management, L.P.  
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713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Dennis Alff that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mfarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Mr. Alff is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Educational Background and Business Experience**

#### **Dennis G. Alff, CFA, Born 1971, Senior Portfolio Manager - Equity Investments**

- 27 years investment management and research experience
- Education: B.S., United States Military Academy, 1993, Economics; M.B.A., Harvard Business School, 1998
- Professional Background: Vaughan Nelson since 2006; Vice President, Credit Arbitrage and Asset Investments, Koch Capital Markets 2001-2006
- Vaughan Nelson Responsibilities: Senior Portfolio Manager / Research Specialist

Chartered Financial Analyst ("CFA") is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of "acceptable work experience", join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Alff.

### **Other Business Activities**

Mr. Alff has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Alff does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.



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Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Alff's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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**George C. Holewyne**  
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**March 30, 2024**

**This Brochure Supplement provides information about George Holewyne that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

## **Educational Background and Business Experience**

### **George C. Holewyne, Born 1964, Senior Vice President, Institutional Marketing**

- 37 years investment and financial services experience
- Education: B.B.A., Sam Houston State University, 1987, Finance
- Professional Background: Vaughan Nelson since 2000
- Vaughan Nelson Responsibilities: Manager of Institutional Marketing / Client Service

## **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Holewyne.

## **Other Business Activities**

Mr. Holewyne has no Other Business Activities requiring disclosure.

## **Additional Compensation**

Mr. Holewyne does not receive any form of Additional Compensation requiring disclosure.

## **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Mark Farrell, **Managing Director, Business Development**, 713.224.2545, is responsible for the oversight of Mr. Holewyne's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## James R. Eisenman

Vaughan Nelson Investment Management, L.P.  
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**March 30, 2024**

**This Brochure Supplement provides information about James (Jim) Eisenman that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **James R. Eisenman, CFA, CPA, Born 1979, Portfolio Manager – Global Equity**

- 22 years investment management and accounting experience
- Education: B.B.A., Ohio State University, 2002, Accounting with honors; Masters in Accounting, Ohio State, 2002
- Professional Background: Vaughan Nelson since 2005; Senior Associate, PricewaterhouseCoopers (2002-2005)
- Vaughan Nelson Responsibilities: Portfolio Manager / Research Specialist

Chartered Financial Analyst (“CFA”) is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of “acceptable work experience”, join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

Certified Public Accountant (“CPA”) is a professional designation for qualifying accountants to ensure competence in the practice of accounting. The designation requires an individual to attain a bachelor's degree (24-30 hours of which are in accounting), pass four (4) components of the CPA exam and acquire twenty-four (24) months of “acceptable work experience”.

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Eisenman.

### **Other Business Activities**

Mr. Eisenman has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Eisenman does not receive any form of Additional Compensation requiring disclosure.

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## Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Eisenman's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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**Kevin A. Ross**  
Two Prudential Plaza  
180 North Stetson, Suite 5525  
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**March 30, 2024**

**This Brochure Supplement provides information about Kevin Ross that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson’s Brochure or if you have any questions about the contents of this supplement.**

## **Educational Background and Business Experience**

### **Kevin A. Ross, CFA, Born 1983, Senior Portfolio Manager – International Equity**

- 18 years investment management and financial analysis experience
- Education: B.S.B.A, Washington University—St. Louis, finance and international business, 2006; M.B.A., University of Chicago—Booth School of Business, 2014
- Professional Background: Vaughan Nelson since 2019; SVP, Portfolio Manager, Advisory Research, Inc. (2013-2019), International Equity Analyst, Driehaus Capital Management (2008-2013)
- Vaughan Nelson Responsibilities: Senior Portfolio Manager / Research Specialist

Chartered Financial Analyst (“CFA”) is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of “acceptable work experience”, join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

## **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Ross.

## **Other Business Activities**

Mr. Ross has no Other Business Activities requiring disclosure.

## **Additional Compensation**

Mr. Ross does not receive any form of Additional Compensation requiring disclosure.

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## Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Ross' activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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**Marco P. Priani**  
Two Prudential Plaza  
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**March 30, 2024**

**This Brochure Supplement provides information about Marco Priani that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or [mefarrell@vaughannelson.com](mailto:mefarrell@vaughannelson.com) if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

## **Educational Background and Business Experience**

### **Marco P. Priani, CFA, CPA, FRM, Born 1966, Senior Portfolio Manager – International Equity**

- 23 years investment management and legal capital markets experience
- Education: J.D., Universidad de Buenos Aires, 1987; M.A., Universidad del CEMA, 1999, law and finance; M.B.A., University of Chicago, 2005; LLM, Northwestern University School of Law, 2006
- Professional Background: Vaughan Nelson since 2019; Managing Director, Portfolio Manager, Advisory Research, Inc. (2006-2019)
- Vaughan Nelson Responsibilities: Senior Portfolio Manager / Research Specialist

Chartered Financial Analyst (“CFA”) is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of “acceptable work experience”, join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

Certified Public Accountant (“CPA”) is a professional designation for qualifying accountants to ensure competence in the practice of accounting. The designation requires an individual to attain a bachelor’s degree (24-30 hours of which are in accounting), pass four (4) components of the CPA exam and acquire twenty-four (24) months of “acceptable work experience”.

Financial Risk Manager (“FRM”) is a professional designation for finance and investment professionals focusing on the knowledge and ability to anticipate, respond, and adapt to critical risk issues. The designation requires an individual to pass two (2) levels of the FRM exam in succession and demonstrate twenty-four (24) months of professional full-time financial risk management work experience.

## **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Priani.

## **Other Business Activities**

Mr. Priani has no Other Business Activities requiring disclosure.

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## **Additional Compensation**

Mr. Priani does not receive any form of Additional Compensation requiring disclosure.

## **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Priani's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.



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## Mark E. Farrell

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**March 30, 2024**

**This Brochure Supplement provides information about Mark Farrell that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

Additional information about Mr. Farrell is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Educational Background and Business Experience

#### Mark E. Farrell, Born 1967, Managing Director, Business Development

- 32 years investment and trust experience
- Education: B.A., St. Edward's University, 1990, *summa cum laude*, English, Alpha Chi National Academic Honors Society; M.B.A., St. Edward's University, 1991
- Professional Background: Vaughan Nelson since 1999
- Vaughan Nelson Responsibilities: Director of Institutional Marketing / Portfolio Manager / Client Service

### Disciplinary Information

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Farrell.

### Other Business Activities

Mr. Farrell has no Other Business Activities requiring disclosure.

### Additional Compensation

Mr. Farrell does not receive any form of Additional Compensation requiring disclosure.

### Supervision

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Steve Psaledakis, President, 713.224.2545, is responsible for the oversight of Mr. Farrell's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## Matthew Caire

Vaughan Nelson Investment Management, L.P.  
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713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Matthew Caire that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Mr. Caire is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Educational Background and Business Experience**

#### **Matthew Caire, Born 1983, Portfolio Manager - Fixed Income Investments**

- 14 years investment and financial experience
- Education: B.A., Texas State University, 2007, Business Marketing; M.S.T., Tulane University-AB Freeman School of Business, 2010
- Professional Background: Vaughan Nelson since 2021
- Vaughan Nelson Responsibilities: Portfolio Manager

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Caire.

### **Other Business Activities**

Mr. Caire serves as Chairman of the Board for Lone Oak Trust Company which is a client of Vaughan Nelson.

### **Additional Compensation**

Mr. Caire receives compensation from his role as Chairman of the Board for Lone Oak Trust Company.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Michael Hanna, Director and Senior Portfolio Manager – Fixed Income Investments, 713.224.2545, is responsible for the oversight of Mr. Caire's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## Michael J. Hanna

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Houston, Texas 77002  
713.224.2545  
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**March 30, 2024**

**This Brochure Supplement provides information about Michael Hanna that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or [mefarrell@vaughannelson.com](mailto:mefarrell@vaughannelson.com) if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **Michael J. Hanna, Born 1974, Director and Senior Portfolio Manager – Fixed Income Investments**

- 24 years investment management and analytical experience
- Education: M.B.A., Rice University, 2005, Finance; B.A., University of Texas, 1997, Spanish
- Professional Background: Vaughan Nelson since 2005; Health Care Analyst, M.A. Wright Investment Fund (2003-2004)
- Vaughan Nelson Responsibilities: Senior Portfolio Manager

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Hanna.

### **Other Business Activities**

Mr. Hanna has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Hanna does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Hanna's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## Patrick Lee

Vaughan Nelson Investment Management, L.P.  
600 Travis, Suite 3800  
Houston, Texas 77002  
713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Patrick Lee that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or mefarrell@vaughannelson.com if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

#### **Patrick Lee, Born December 11, 1980, Vice President, Distribution**

- 14 years investment related experience
- Education: B.A, Hobart & William Smith Colleges, 2003
- Professional Background: Vaughan Nelson since 2023; Managing Regional Director, Natixis Investment Managers (2010 – 2022), Senior Account Executive, Cayan Inc (2004-2010), Paralegal, The McCormick Firm (2003-2004)
- Vaughan Nelson Responsibilities: Distribution

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Lee.

### **Other Business Activities**

Mr. Lee has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Lee does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all client account transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions. Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

Mark Farrell, Managing Director, Business Development, 713.224.2545, is responsible for the oversight of Mr. Lee's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.

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## Scott J. Weber

Vaughan Nelson Investment Management, L.P.  
600 Travis, Suite 3800  
Houston, Texas 77002  
713.224.2545  
www.vaughannelson.com

**March 30, 2024**

**This Brochure Supplement provides information about Scott Weber that supplements the Vaughan Nelson Brochure. You should have received a copy of that Brochure either previously or concurrently. Please contact Mark Farrell, Managing Director, Business Development at 713.224.2545 or [mefarrell@vaughannelson.com](mailto:mefarrell@vaughannelson.com) if you did not receive Vaughan Nelson's Brochure or if you have any questions about the contents of this supplement.**

Additional information about Mr. Weber is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Educational Background and Business Experience**

#### **Scott J. Weber, CFA, Born 1971, Senior Portfolio Manager - Equity Investments**

- 28 years investment management and financial analysis experience
- Education: B.S., The University of the South, 1994, Natural Resources; M.B.A., Tulane University-A.B. Freeman School of Business, 1997
- Professional Background: Vaughan Nelson since 2003
- Vaughan Nelson Responsibilities: Senior Portfolio Manager / Research Specialist

Chartered Financial Analyst ("CFA") is a professional designation for finance and investment professionals focusing on portfolio management and financial analysis. The designation requires an individual to pass three (3) levels of the CFA exam in succession, acquire forty-eight (48) months of "acceptable work experience", join the CFA Institute (which includes completing a professional conduct statement) and affiliating with a local CFA Institute chapter.

### **Disciplinary Information**

Vaughan Nelson is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No such legal or disciplinary events exist for Mr. Weber.

### **Other Business Activities**

Mr. Weber has no Other Business Activities requiring disclosure.

### **Additional Compensation**

Mr. Weber does not receive any form of Additional Compensation requiring disclosure.

### **Supervision**

Vaughan Nelson uses an automated compliance system where the firm's restrictions and client guidelines are entered and monitored by the compliance department. The system checks all transactions on a pre-trade basis and positions on a post-trade (overnight) basis generating an alert where a client guideline or a firm's restriction would be or has been breached. Alerts can be overridden only with approval from the firm's compliance team. All accounts are managed to a model of the client's selected strategy. Managers do not have authority to deviate from the model unless necessitated by client guidelines and/or restrictions.

Reports are generated at varying times showing the characteristics of individual portfolios and are reviewed and compared to the characteristics of each portfolio's model. Trade allocation reports are generated and reviewed by the compliance department each day. On a monthly basis, reports are generated showing the characteristics of each strategy and are reviewed to ensure the strategy does not deviate from its specified style. Vaughan Nelson also uses an electronic system to review, monitor, and approve/disapprove employee personal trades. All employee personal trades are subject to the firm's Code of Ethics.

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Chris Wallis, CEO & CIO, 713.224.2545, is responsible for the oversight of Mr. Weber's activities.

Carlos Gonzalez, Chief Compliance Officer, 713.224.2545, is responsible for the oversight of the firm's compliance policies and procedures.



## CLIENT PRIVACY NOTICE

### **Overriding Principle**

Vaughan Nelson Investment Management, L.P., (“Vaughan Nelson”) has always considered the privacy and confidentiality of personal information received about you and/or your portfolio(s), obtained directly from you or from others in the performance of our services, to be paramount. Vaughan Nelson does not “sell” (as defined under Federal law) your personal information to anyone, nor do we share such information with non-affiliated third parties except when permitted or required by law, at your direction, or as noted below in order to provide our services. To the extent you choose not to provide personal information, Vaughan Nelson may not be able to adequately manage your account.

Throughout this notice Vaughan Nelson will refer to non-public personally identifiable financial information as “personal information”.

### **Information We Collect and the Sources From Which We Collect It**

Vaughan Nelson collects and maintains personal information in order to effectively and efficiently provide our management services to you. The personal information covering present and former customers we receive may include your name, address, social security number, account number and other personal information you or your representative provide to us in connection with our communications with you. We obtain this personal information from various sources such as:

- Information received from you on contracts, trading authorizations and oral and written correspondence in order to provide investment advice;
- As applicable, information your broker, financial firm or financial professional provides to us;
- Information from transactions initiated by you or Vaughan Nelson on your behalf;
- Information provided by third parties involved in the servicing of your portfolio.
- Our website.

### **Sharing and Disclosing Personal Information to Non-Affiliated Third Parties**

Vaughan Nelson utilizes the personal information described above to administer your portfolios and provide you with the high level of client service you have come to expect. In order to provide this level of service Vaughan Nelson discloses certain personal information to non-affiliated third parties, including:

- Financial service providers that perform services on our behalf such as proxy research, proxy voting, marketing and solicitation. These services are performed under contracts that prohibit the non-affiliated third party from using or disclosing the personal information provided by Vaughan Nelson other than to carry out the purposes for which Vaughan Nelson disclosed the personal information;
- Other non-affiliated third-party service providers necessary to service your account, such as brokers and custodians, or to non-affiliated third parties as necessary to effect, administer, or enforce a transaction that you have requested or authorized or as required or permitted by law.

### **Affiliates and Affiliated Marketing**

Vaughan Nelson may disclose and share personal information that we collect on clients and former clients to affiliates within the family of companies owned by Natixis Investment Managers, L.P. However, Vaughan Nelson does not share this personal information with our affiliates for purposes of “eligibility criteria” (*i.e.*, creditworthiness, account history or personal identifiers) where our affiliate would use the information to identify individual(s) or types of individual(s) to receive a marketing solicitation from the affiliate.



### **Protection of Personal Information**

Vaughan Nelson takes our responsibility to protect the privacy and confidentiality of your personal information very seriously. Vaughan Nelson not only restricts the disclosure of your personal information as described above, but maintains physical, electronic, and procedural safeguards that guard against unauthorized access, alteration and destruction of your personal information. Vaughan Nelson retains your personal information for the length of time required by law or as may otherwise be permitted. Vaughan Nelson also limits access to personal information to only those employees who require it in the performance of their job responsibilities.

Questions/Concerns: If you have any questions or concerns about our privacy practices, please write to us at Vaughan Nelson, 600 Travis Street, Suite 3800, Houston, TX 77002-3071, call us at (888)-888-8676 or (713)-224-2545, or email us at [vncompliance@vaughannelson.com](mailto:vncompliance@vaughannelson.com).

Last Updated: March 2024



## IMPORTANT INFORMATION FOR CALIFORNIA CONSUMERS

This document provides specific information for California Consumers, as required under California privacy laws, including the California Consumer Privacy Act (“CCPA”). California privacy law requires that we provide California Consumers information about how we use their personal information, whether collected online or offline, and this document is intended to satisfy that requirement.

Under the CCPA, “personal information” is any information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular Consumer or household. We collect personal information through, 1) direct interaction with you and/or your agents, 2) account opening or updating documentation, 3) account custodian documentation, 4) consultants, and 5) our website.

### Categories of Personal Information that We Collect, Disclose, and/or Sell

Below please find the categories of personal information about California Consumers that we collect, and/or disclose to third parties or service providers for a business purpose in order to provide the investment management services for which we have been engaged. The third parties and service providers fall into the categories of 1) Financial Service Providers, 2) Financial Research Providers, and 3) Screening Services.

Vaughan Nelson DOES NOT sell Consumer’s personal information.

Category	Do we collect?	Do we disclose for business purpose?	Do we sell?
Identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver’s license number, passport number, or other similar identifiers.	<b>YES</b>	<b>YES</b>	<i>NO</i>
Signature, physical characteristics or description, telephone number, education, employment, financial information, medical information, or health insurance information.	<b>YES</b>	<i>NO</i>	<i>NO</i>
Characteristics of protected classifications under California or federal law such as race, color, sex, age, religion, national origin, disability, citizenship status, and genetic information.	<b>YES – Sex, Age</b>	<i>NO</i>	<i>NO</i>
Commercial information, including records of personal property, products or services purchased, obtained, or considered, or other purchasing or consuming histories or tendencies.	<b>YES – Products / Services</b>	<i>NO</i>	<i>NO</i>
Biometric information.	<i>NO</i>	<i>NO</i>	<i>NO</i>
Internet or other electronic network activity information, including, but not limited to, browsing history, search history, and information regarding a resident’s interaction with an Internet Web site, application, or advertisement.	<i>No</i>	<i>NO</i>	<i>NO</i>
Geolocation data.	<i>NO</i>	<i>NO</i>	<i>NO</i>
Audio, electronic, visual, thermal, olfactory, or similar information.	<i>NO</i>	<i>NO</i>	<i>NO</i>

Professional or employment-related information.	<b>YES – AML purposes</b>	<i>NO</i>	<i>NO</i>
Education information	<i>NO</i>	<i>NO</i>	<i>NO</i>
Inferences drawn from any of the information identified above to create a profile about a resident reflecting the resident’s preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities, and aptitudes.	<i>NO</i>	<i>NO</i>	<i>NO</i>

**California Consumers’ Rights**

California law grants California Consumers certain rights and imposes restrictions on particular business practices as set forth below.

**Do-Not-Sell.** California Consumers have the right to opt-out of the sale of their personal information. Vaughan Nelson DOES NOT sell Consumer’s personal information.

**Requests for Right to Know and Deletion.** Subject to certain exceptions, California Consumers have the right to make the following requests, at no charge, up to twice every 12 months:

1. Right to Know Categories: the right to request that we provide you certain information about how we have handled your personal information in the prior 12 months, including:
  - The categories of personal information collected.
  - The categories of sources of personal information.
  - The business and/or commercial purposes for collecting and/or selling your personal information. (Vaughan Nelson DOES NOT sell your personal information)
  - The categories of third parties with whom we have disclosed or shared your personal information
  - The categories of personal information that we have disclosed or shared with a third party for a business purpose.
  - The categories of third parties to whom your personal information has been sold and the specific categories of personal information sold to each category of third party. (Vaughan Nelson DOES NOT sell your personal information)
2. Right to Know Specifics: the right to request a copy of the specific pieces of personal information that we have collected about you in the prior 12 months.
3. Deletion: the right to request deletion of your personal information that we have collected about you, subject to certain exemptions (for example, where the information is used by us to detect security incidents, for debugging, or to comply with a legal obligation).

**Discrimination.** The CCPA prohibits discrimination against California Consumers for exercising their rights under the CCPA. Discrimination may exist where a business denies or provides a different level or quality of goods or services, or charges (or suggests that it will charge) different prices or rates or impose penalties on Consumers who exercise their CCPA rights.

**Submitting Requests.** Requests to exercise the right-to-know or the right to deletion may be submitted by contacting us at 888.888.8676 (toll free), or by contacting your client service representative.

### **California Privacy Rights under California's Shine-the-Light Law**

Under California's "Shine the Light" law (Cal. Civ. Code § 1798.83), California Consumers who provide us certain personal information are entitled to request and obtain from us, free of charge, information about the personal information (if any) we have shared with third parties for their own direct marketing use. Such requests may be made once per calendar year for information about any relevant third party sharing in the prior calendar year.

Vaughan Nelson DOES NOT share or sell Consumer's personal information to third parties for their own direct marketing use.

Last Updated: March 2024

## Proxy Voting Policies and Procedures

### Introduction

Rule 206(4)-6 under the Investment Advisers Act of 1940 addresses an investment adviser's duty with regard to the voting of proxies for clients. Under the rule an adviser must:

- a) Adopt and implement written policies and procedures that are reasonably designed to ensure that client securities are voted in the client's best interest and to address procedures to be undertaken in the event a material conflict arises between the firm's interest and that of our clients as to how a particular security or proxy issue is voted;
- b) Disclose to clients how they may obtain information regarding how the firm voted with respect to the client's securities; and
- c) Describe the firm's policies and procedures to clients and, upon request, furnish a copy of the policies and procedures to the requesting client.

Vaughan Nelson Investment Management, LP ("Vaughan Nelson") has created a Proxy Voting Policy, Procedures and Guideline which are reasonably designed to ensure proxies are voted in the best interest of our clients, are in compliance with Rule 206(4)-6 and address the areas noted by the U.S. Securities and Exchange Commission ("SEC") in Staff Legal Bulletin 20 as well as guidance issued from time to time by the SEC. Our authority to vote proxies for our clients is established through either the advisory contract (if the contract is silent, implied by the overall delegation of discretionary authority), or our fiduciary responsibility to ERISA clients under Department of Labor regulations.

#### A. Proxy Voting Policy

Vaughan Nelson Investment Management, LP ("Vaughan Nelson") will vote proxies of the securities held in its clients' portfolios on behalf of each client that has delegated proxy voting authority to Vaughan Nelson as investment adviser. Vaughan Nelson has adopted and implemented Proxy Voting Policies and Procedures ("Policy and Procedures") to ensure that, where it has voting authority, proxy matters are handled in the best interests of clients, in accordance with Vaughan Nelson's fiduciary duty, and all applicable law and regulations. The Policy and Procedures, as implemented by the Vaughan Nelson Proxy Voting Committee (PVC), are intended to support good corporate governance, including those corporate practices that address environmental and social issues ("ESG Matters"), with the objective of protecting shareholder interests and maximizing shareholder value.

Vaughan Nelson has also created a Proxy Voting Guideline (the "Guideline") reasonably believed to be in the best interest of clients relating to common and recurring issues found within proxy voting material. In drafting this guideline, the firm considered the nature of the firm's business and the types of securities being managed. The firm created the Guideline to help ensure voting consistency on issues common amongst issuers and to

help serve as evidence that a vote was not the product of a conflict of interest but rather a vote in accordance with a pre-determined policy.

Vaughan Nelson uses the services of third parties to provide research, analysis, voting recommendations, and to administer the process of voting proxies for those clients for which Vaughan Nelson has voting authority (collectively the “Proxy Voting Services”). Vaughan Nelson will generally follow its express policy with input from the Proxy Voting Service that provides research, analysis and voting recommendations to Vaughan Nelson unless the Proxy Voting Committee determines that the client’s best interests are served by voting otherwise.

## **B. General Guidelines**

The following general guidelines will apply when voting proxies on behalf of accounts for which Vaughan Nelson has voting authority.

**1. Client’s Best Interests.** The Policy and Procedures are designed and implemented in a way that is reasonably expected to ensure that proxy matters are conducted in the best interests of clients. When considering the best interests of clients, Vaughan Nelson has determined that this means the best investment interest of its clients as shareholders of the issuer. In evaluating our clients’ best interests, Vaughan Nelson considers ESG Matters as part of its investment process. The Procedures are intended to reflect the incorporation and impact of these factors in cases where they are material to the growth and sustainability of an issuer. Vaughan Nelson has established its Policy and Procedures to assist it in making its proxy voting decisions with a view toward enhancing the value of its clients’ interests in an issuer over the period during which it expects its clients to hold their investments. Vaughan Nelson will vote against proposals that it believes could negatively impact the current or future market value of the issuer’s securities during the expected holding period.

**2. Client Proxy Voting Authority.** Rather than delegating proxy voting authority to Vaughan Nelson, a client may retain the authority to vote proxies for securities in its account (or delegate voting authority to another party). Vaughan Nelson will honor this instruction as included within the investment management agreement or separately authorized document.

**3. Stated Proxy Guideline.** In the interest of consistency in voting proxies on behalf of its clients, Vaughan Nelson has adopted a Proxy Guideline that identifies issues where Vaughan Nelson will (a) generally vote in favor of a proposal; (b) generally vote against a proposal; or (c) specifically consider its vote for or against a proposal. However, each vote may be cast differently than the stated guideline, taking into consideration all relevant facts and circumstances at the time of the vote. In cases where the recommendation of the issuer’s management and the Proxy Voting Service are the same, the vote will generally be cast as recommended and will not be reviewed on a case-by-case basis by the Proxy Committee.

**4. Abstentions, Limitations and Other Exceptions.** Vaughan Nelson's general policy is to vote rather than abstain from voting on issues presented. However, in the following circumstances Vaughan Nelson may not vote a client's proxy:

- Mutual Funds – where voting may be controlled by restrictions within the fund or the actions of authorized persons
- International Securities – where the perceived benefit of voting an international proxy does not outweigh the anticipated costs of doing so
- New Accounts – instances where security holdings assumed will be sold in the near term thereby limiting any benefit to be obtained by a vote of proxy material
- Unsupervised Securities – where the firm does not have a basis on which to offer advice
- Unjustifiable Costs – for example, the firm may abstain from voting a client proxy in a specific instance if, in our good faith determination, the costs involved in voting such proxy cannot be justified (e.g., total client holdings less than 10,000 shares and not held by a mutual fund; costs associated with obtaining translations of relevant proxy materials for non-U.S. securities) in light of the benefits to the client of voting. In accordance with the firm's fiduciary duties, the firm shall, in appropriate cases, weigh the costs and benefits of voting proxy proposals and shall make an informed decision with respect to whether voting a given proxy proposal is prudent. The decision will take into account the effect the vote is expected to have on the value of a client's investment and whether this expected effect would outweigh the cost of voting.
- Administrative requirements for voting proxies in certain foreign jurisdictions such as providing a power of attorney to the client's local sub-custodian, cannot be fulfilled due to timing of the requirement, or the costs required to fulfill the administrative requirements appear to outweigh the benefits to the client of voting the proxy.
- Securities Not Held on Meeting Date – securities held on 'record date' but divested prior to the 'meeting date'
- The client, as of the record date, has loaned the securities to which the proxy relates and Vaughan Nelson has concluded that it is not in the best interest of the client to recall the loan or is unable to recall the loan in order to vote the securities.
- ERISA accounts – with respect to ERISA clients for whom we have accepted the responsibility for proxy voting, we vote proxies in accordance with our duty of loyalty and prudence, compliance with the plan documents, and the firm's duty to avoid prohibited transactions.

**5. Oversight.** All issues presented for shareholder vote are subject to the oversight of the Proxy Voting Committee, either directly or by application of this Policy and Guideline. All non-routine issues will generally be considered directly by the Proxy Voting Committee and/or, when necessary, the investment professionals responsible for an account holding the security and will be voted in the best investment interests of the

client. All routine “for” and “against” issues will be voted according to the Guideline unless special factors require that they be considered by the PVC and/or the investment professionals responsible for an account holding the security.

**6. Availability of Procedures.** Vaughan Nelson includes a description of its Proxy Voting Procedures in Part 2A of its Form ADV. Upon request, Vaughan Nelson also provides clients with a copy of its Proxy Voting Procedures.

**7. Disclosure of Vote.** Vaughan Nelson will, upon request by a client, provide information about how each proxy was voted with respect to the securities in that client’s account. Vaughan Nelson’s policy is not to disclose a client’s proxy voting records to third parties except as required by applicable law and regulations.

### **C. Proxy Voting Committee (PVC)**

**1. Proxy Voting Committee Composition.** The Proxy Voting Committee will be composed of a Compliance team member, a Portfolio Manager and other employees of Vaughan Nelson as needed. In the event that any member is unable to participate in a meeting of the Proxy Voting Committee, the member may designate another individual to act on the member’s behalf. Each portfolio manager of an account that holds voting securities of an issuer or the analyst covering the issuer or its securities may be an ad hoc member of the Proxy Voting Committee in connection with voting proxies of that issuer. Voting determinations made by the Proxy Voting Committee will be memorialized electronically.

**2. Duties.** The Proxy Voting Committee’s specific responsibilities include the following:

- Annually reviewing the Proxy Voting Policies and Procedures to ensure they continue to be reasonably designed to ensure proxy votes are cast in the clients’ best interest.
- Annually reviewing, updating and modifying the Guidelines
- overseeing the vote on proposals according to the predetermined Guideline,
- directing the vote on proposals where there is reason not to vote according to the predetermined Guideline or where proposals require special consideration,
- consulting with the portfolio managers and analysts for the accounts holding the security when necessary or appropriate.

### **D. Proxy Voting Service (PVS)**

Vaughan Nelson intends to use a PVS in a limited capacity to assist the firm with its proxy voting responsibilities and to obtain supplemental research information which will assist the firm in voting some proxy items (i.e., ESG related items, items not addressed in the firm’s proxy voting guideline). The PVS will be used primarily to collect proxy ballots for our clients, provide the firm a platform in which to indicate our vote, provide company research as a point of information to assist our firm with voting and assist our firm in generating proxy voting reports.

Given the different business lines of a PVS, there will be instances where the research received from the PVS might be influenced by a conflict of interest resulting from the PVS's affiliations or other relationships/engagements the PVS has with an issuer.

Vaughan Nelson will become informed of these conflicts by:

- 1) Periodically obtaining an updated list of the PVS's affiliates and a list of its significant relationships with publicly traded issuers that are clients.

Vaughan Nelson will use these lists along with any available on-line tools made available by the PVS to determine if an upcoming proxy vote may present a conflict of interest for the PVS and take that information into consideration if we intend to use the PVS's research to vote a proxy item that is not addressed in our firm's recurring Proxy Voting Guideline.

- 2) Obtaining a copy of the PVS's Code of Ethics and Policies and Procedures (or similar document) to ensure they address the topic of conflicts of interest with their employees and have processes in place to mitigate any issues.
- 3) Reviewing for indications of conflict for each proxy to be voted.

Vaughan Nelson will perform a third party service provider review of the PVS on an annual basis to determine whether the PVS: a) has been the subject of any inquiries, subpoenas, investigations or penalties by the SEC or any other regulator; b) has the capacity and competency (i.e. staffing, technology) to adequately analyze matters and provide its services; c) has appropriate disclosure regarding the source of information and methodologies used in formulating recommendations; d) has an effective process for seeking timely input from issuers and clients regarding its voting policies, methodologies, peer group construction, identifying and addressing conflicts of interest; e) has a process to correct material deficiencies in the issuer information or research it has provided

## **E. Conflicts of Interest**

Vaughan Nelson has established policies and procedures to ensure that proxy votes are voted in its clients' best interests and are not affected by any possible conflicts of interest. When determining the vote on any proposal, the Proxy Committee will not consider any benefit to Vaughan Nelson, any of its affiliates, any of its or their clients or service providers, other than benefits to the owner of the securities to be voted.

Vaughan Nelson envisions only rare situations where a conflict of interest would exist or potentially exist between our firm and our clients given the nature of our business, clients, relationship and the types of securities being managed. Notwithstanding, an actual or potential conflict may be resolved in either of the following manners:

- If the proposal that gives rise to an actual or potential conflict is specifically addressed in the Guideline, the firm may vote the proxy in accordance with the pre-determined Guideline (provided that the pre-determined Guideline involves little or no discretion on the firm's part);



- Otherwise, the firm will follow the recommendations of the PVS as to how the proxy should be voted. However, if the conflict of interest is a result of the PVS' affiliations or other lines of business, then the firm will take that information into consideration if the firm intends to use the PVS's research to vote a proxy item that is not addressed in our firm's recurring Proxy Voting Guideline.

Vaughan Nelson, as an indirect subsidiary of a Bank Holding Company (Natixis), is restricted from voting the shares it has invested in banking entities on behalf of its clients in instances where the aggregate ownership of all the Bank Holding Company's investment management subsidiaries exceed 5% of the outstanding voting shares of a bank. Where the aggregate ownership described exceeds the 5% threshold, the firm will instruct the PVS, an independent third party, to vote the proxies in line with their recommendation.

#### **F. Recordkeeping**

Vaughan Nelson or the Proxy Voting Service will maintain records of proxies voted pursuant to Rule 204-2 under the Advisers Act. The records include: (1) a copy of its Proxy Voting Procedures; (2) proxy statements received regarding client securities; (3) a record of each vote cast; (4) a copy of any document created by Vaughan Nelson that is material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision; and (5) each written client request for proxy voting records and Vaughan Nelson's written response to any (written or oral) client request for such records. Proxy voting books and records are maintained in an easily accessible place for a period of five years, the first two in an appropriate office of Vaughan Nelson.

#### **G. Proxy Voting Procedures**

The procedures to be performed by a Compliance Individual (CI), the firm's Proxy Administrator (PA) and, as needed, the Proxy Voting Committee (or representative thereof) in the execution of our proxy voting duty to clients will be as follows:

##### Client account Setup/Reconciliation

1. New clients will receive a copy of the "Description of Proxy Voting Policies and Procedures" as part of information provided in connection with the firm's New Client Checklist. This document details the proposed scope of Vaughan Nelson's proxy voting responsibilities and summarizes the processes used to vote proxies on behalf of a client if the client delegates the proxy voting responsibility to Vaughan Nelson.
2. At the time a contract is entered into a determination will be made as to whether the client will retain proxy voting responsibilities. A separate acknowledgement will be obtained where the client elects to retain proxy voting responsibilities, if so desired.

3. The PA will arrange for client proxy material to be forwarded to the PVS for voting.
4. Vaughan Nelson uploads an automated FTP position file each day (on a settlement date basis) detailing all the securities held on behalf of our clients. The PVS will reconcile the daily file uploaded against their records and inform us if there are any account discrepancies. VN will research the reason for any account discrepancies in a timely manner.
5. The PVS will match the proxy material they receive for the accounts listed in the daily FTP position file and follow up with any custodian that has not forwarded proxies within a reasonable time.

### Securities Lending

In many cases Vaughan Nelson's clients participate in securities lending programs whereby the legal right to vote a proxy is transferred to the borrower as a result of the lending process. From time to time, circumstances may arise where Vaughan Nelson desires to vote shares in an upcoming proxy (i.e. acquisition, contested election, etc.) if it is determined that it is in the client's best interest. In these cases, Vaughan Nelson, if the record date has not passed, will request the client to 'recall' the security in question from loan until the proxy record date in order for the client (and thereby Vaughan Nelson) to be the holder of record in order to cast the proxy vote.

### Voting Process

1. The PA will log into the PVS system daily to review the proxy meetings that need to be voted. The PA has developed a desk top procedure help track the upcoming proxy meetings to ensure that all proxies are voted in a timely manner and none are missed.
2. While the PVS system provides a monthly view of upcoming proxy meetings, sometimes the research materials are not immediately available. Through web access and the PVS system, the PA is able to determine for each security its record date, meeting date and whether the PVS has completed proxy research on the security.
3. Once the PVS research reports are available for a proxy meeting, the meeting is ready to be voted. At such time, the PA will review our internal positions/holdings report detailing the shares held of the security for our clients and compare it for reasonableness to the positions/holdings report provided by the PVS. Sometimes, share discrepancies exist because a client might have shares on loan or because clients have opted to retain the responsibility to vote their own proxies. Although Vaughan Nelson relies mainly on account reconciliations (instead of share reconciliations) to ensure proxies are being voted, the PA will research certain share discrepancies as detailed in the PA's desk top procedures.

4. Download the PVS proxy research for each security and save it to a shared drive to be used by the CI if needed.
5. The PA will provide the CI with a copy of the voting form and provide a description of any conflict of interest for the company flagged by the PVS system.
6. The CI will make a determination as to whether a material conflict exists with regard to the proxy or an individual proxy issue. The results of this determination will be documented and initialed on the proxy voting form. The CI will review the proxy issues against the firm's Guideline and cast each vote on the voting form, if able, and sign off on having voted those issues.
  - a) If all issues were able to be voted within the Guideline the package will be returned to the PA for online voting.
  - b) If issues exist for which a case-by-case review must be made the package is forwarded to the PVC. The PVC will review the information within the package and any other necessary information in order to formulate the vote to be cast. If necessary, the proxy item(s) will be forwarded to the appropriate Portfolio Manager for input. The rationale for any departures from the firm's Guideline will be documented within the package. All votes will be indicated on the voting form and a member of the PVC or the Portfolio Manager will sign off as to having voted those issues. The package will then be returned to the PA for voting.
  - c) As described under "Conflicts of Interests", where a material conflict exists the firm may vote the issue 1) in accordance with the Guideline if the application of such policy to the issue at hand involves little or no discretion on the part of the firm, or  
2) as indicated by the independent third-party research firm(if the PVS has no conflict), or 3) If both VN and the PVS have a conflict of interest, then this will be documented and taken into consideration when determining how the vote will be cast in the client's best interest . By voting conflicts in accordance with the indication of an independent third-party, the firm will be able to demonstrate that the vote was not a product of a conflict of interest. An indication that this was the approach taken to vote the issue will be made and signed off on by a member of the PVC. The package will then be returned to the PA for voting.
7. Through the software interface with the PVS the PA will indicate, review and submit our vote on individual securities. The PA is able to re-submit our vote up until the day before the meeting which can accommodate cases where new information may come to light.
8. The PVS will then process the vote with the issuer on behalf of the firm.



Vaughan Nelson Investment Management, LP

## **PROXY VOTING GUIDELINE**

**updated - September 12, 2022**  
**reviewed - May 2023**

## Proxy Voting Guideline

# Proxy Voting Guideline

## Introduction

Vaughan Nelson has established certain specific guidelines intended to achieve the objective of the Proxy Voting Policy and Procedures: to support good corporate governance, including ESG Matters, in all cases with the objective of protecting shareholder interests and maximizing shareholder value.

## Guideline Formation

The majority of proxy issues to be voted on are both recurring in nature and common amongst issuers. This would include items ranging from the election of directors and ratification of auditors to cumulative voting and “poison pills”. A proxy voting guideline has been developed, to reflect how we believe a vote should normally be cast in order to support the best interest of our clients. The use of this guideline also facilitates a process that supports voting consistency and efficiency in administration. However, it should be acknowledged that a “blanket voting approach” cannot be applied to many recurring and common issues. The guideline indicates that such issues will be addressed on a case-by-case basis by the Proxy Voting Committee (PVC), or if necessary, in consultation with a portfolio manager to determine how to vote the issue in our client’s best interest.

The guideline is the work product of the firm’s PVC which has the responsibility to determine how proxy issues should be voted to promote the interest of our clients. The PVC draws on various sources of information in reviewing/formulating the guideline including, but not limited to, research provided by an independent research firm, internal research, published information on corporate governance and experience. The firm’s use of a Proxy Voting Service “PVS” (currently ISS) has been incorporated within the guideline as appropriate.

The guideline will be reviewed at least annually to ensure the firm’s approach for voting the recurring proxy items listed in the Guideline is still accurate and/or to include any new proxy voting items which are considered to have become or are expected to become recurring proxy voting items. This annual review will be documented.

## Proxy Voting Guideline

### A. Board of Directors

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Vaughan Nelson believes that an issuer’s independent, qualified board of directors is the foundation of good corporate governance. Vaughan Nelson supports proxy proposals that reflect the prudent exercise of the board’s obligation to provide leadership and guidance to management in fulfilling its obligations to its shareholders.

	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
<i>Directors</i>				
<ul style="list-style-type: none"> <li>• Voting on director nominees in uncontested elections (generally vote with mgmt; however, discuss with PM if ISS recommends Vote Against due to: Mgmt Say on Pay; Board has amended the company’s bylaws/ charter without shareholder approval in a manner that adversely impacts shareholder rights or Negative record on ESG related items).</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Chairman and CEO can be the same person (however, discuss with PVC/PM if ISS and Company Mgmt differ )</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Majority of directors must be independent</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Minimum stock ownership requirements</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Term of office</li> </ul>	x			
<ul style="list-style-type: none"> <li>• D&amp;O indemnification and liability protection</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Director nominees in contested elections</li> </ul>	x			
<ul style="list-style-type: none"> <li>• Director term limits or tenure</li> </ul>				x
<ul style="list-style-type: none"> <li>• Chair of nominating committee (ISS recommends voting against the chair of the nominating committee if the Board lacks gender or racial/ethnic diversity)</li> </ul>				x

### B. Ratification of Auditor(s)

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	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
<i>Ratifying Auditors</i>				
		x		

## Proxy Voting Guideline

### C. Remuneration and Benefits

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Vaughan Nelson believes that an issuer's compensation and benefit plans must be designed to ensure the alignment of executives' and employees' interests with those of its shareholders. Vaughan Nelson will generally vote with a company's management on items not listed below; however, those items will be reviewed by the PVC if the management and the ISS recommendation is split.

	Vote with <u>Mgmt</u>	Vote <u>For</u>	Vote <u>Against</u>	Follow PVC/PM <u>Guidance</u>
• Additional disclosure of compensation	x			
• Limitations on executive and director compensation	x			
• Golden Parachutes require shareholder ratification		x		
• Non-binding shareholder ratification of executive officer compensation (generally vote with ISS)				
• Approval of extraordinary transaction executive compensation				x
• ESOPs implementation or increase require shareholder		x		
• 401(k) Plans		x		
• Stock Incentive / Compensation plan origination or increase in shares allotted / Granting of stock options	x			
• Advisory vote on say-on-pay frequency (vote 1 year)				
• Excessive Burn Rate on Equity-Based and Other Incentive Plans				x

### D. Capital Structure and Management Issues

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	Vote with <u>Mgmt</u>	Vote <u>For</u>	Vote <u>Against</u>	Follow PVC/PM <u>Guidance</u>
• Increase common stock authorized or issuance of shares <sup>1</sup>				x
• Increase common stock authorized more than 100%				x
• Splits and reverse splits		x		
• Blank Check Preferred stock not used for defense		x		
• New class of Unspecified Preferred Stock			x	
• Increase in authorized Blank Check Preferred				x
• Reduce Par Value of stock		x		
• Shareholder proposals for Preemptive Rights				x
• Debt Restructurings				x
• Open market share repurchases <sup>2</sup>			x	
• Efforts to Include the Cost of Stock Options in Expenses		x		
• Amend Articles of Incorporation (Generally vote with management; review with manager if management and ISS split.)				x

<sup>1,2</sup> For International (foreign) stocks vote “for” if Company Mgmt and ISS are in favor, but review with PM if vote is split.

- Voting Rights Common Stock Capital Structure with Unequal  
x

## Proxy Voting Guideline

### E. State of Incorporation

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	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
• Opt in state takeover statutes				x
• Opt out of state takeover statutes				x
• Change state of incorporation				x

### F. Mergers, Asset Sales and Other Special Transactions

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Proposals for transactions that have the potential to affect the ownership interests and/or voting rights of the issuer’s shareholders, such as mergers, asset sales and corporate or debt restructuring, will be considered on a case-by-case basis, based on (1) whether the best economic result is being created for shareholders, (2) what changes in corporate governance will occur, (3) what impact they will have on shareholder rights, (4) whether the proposed transaction has strategic merit for the issuer, and (5) other factors, if any.

	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
• Mergers and acquisitions				x
• Restructurings				x
• Spin-offs				x
• Asset Sales				x
• Liquidations				x
• Shareholder Appraisal Rights (right to require an appraisal)		x		
• Change in corporate name		x		

### G. “Other Business Coming Before the Meeting”

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	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
• Open-ended approval of “Other Business Coming Before the Meeting”			x	



## Proxy Voting Guideline

### H. Shareholder Rights

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Vaughan Nelson believes that issuers have a fundamental obligation to protect the rights of their shareholders. Pursuant to its fiduciary duty to vote shares in the best interests of its clients, Vaughan Nelson considers proposals relating to shareholder rights based on whether and how they affect and protect those rights.

	<u>Vote with Mgmt</u>	<u>Vote For</u>	<u>Vote Against</u>	<u>Follow PVC/PM Guidance</u>
• Bylaw provisions impacting shareholders' ability to bring suit against a company				x
• Reimburse dissident proxy solicitation expenses		x		
• Significant Shareholder Access to Proxy Process		x		
• Confidential Voting		x		
• Allow virtual (electronic) access to in-person shareholder meetings			x	
• Allow virtual-only shareholder meetings				x
• Shareholder Advisory Committees			x	
• Efforts to further the annual election of directors (declassify board)		x		
• Efforts that allow director removal w/ or w/o cause	x			
• Efforts that allow shareholders to elect director vacancies		x		
• Efforts to permit cumulative voting (if a company does not have the following in place: 1) proxy access 2) adoption of a majority vote standard)		x		
• Efforts to allow shareholders to call special meetings (discuss with PVC/PM if Company Mgmt and ISS disagrees)		x		
• Efforts to allow shareholder action by written consent		x		
• Proposal to Fix size of Board			x	
• Proposal to alter the size of the board without shareholder approval			x	
• Poison Pills			x	
• Fair Price Provisions - no more than simple majority req'd.		x		
• Anti-Greenmail		x		
• Anti-Greenmail bundled with other provisions				x
• Pale Greenmail with restructuring				x
• Dual class exchange offers or recapitalizations			x	

- Supermajority Vote Requirement to amend or create Charter or Bylaws x
- Supermajority Vote Requirement to approve mergers x
- Shareholder approval of preferred issues other than general x

## Proxy Voting Guideline

### I. Mutual Fund / Investment Company Proxies

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- |  | <u>Vote<br/>with<br/>Mgmt</u> | <u>Vote<br/>For</u> | <u>Vote<br/>Against</u> | <u>Follow<br/>PVC/PM<br/>Guidance</u> |
|--|-------------------------------|---------------------|-------------------------|---------------------------------------|
| • Generally vote “for” items except on changes to Fundamental Investment Restrictions or proposals to hire/fire Managers which should be discussed with Proxy Voting Committee and/or PM |                               | x                   |                         |                                       |

### J. Environmental Issues, Social Matters and Corporate Governance (ESG)

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Vaughan Nelson has a fiduciary duty to act in the best interests of its clients.

Vaughan Nelson maintains good corporate governance, including those practices that address ESG Matters, is essential to the effective management of a company’s financial, litigation and reputation risk, the maximization of its long-term economic performance and sustainability, and the protection of its shareholders’ best interests, including the maximization of shareholder value.

Proposals on environmental and social matters cover a wide range of issues, including environmental and energy practices and their impacts, labor matters, diversity and human rights. Vaughan Nelson will take the approach of voting with a company’s proposed recommendation if ISS agrees with the recommendation since it can be assumed the vote is in the best interest of both the company and its shareholders (barring a conflict of interest ISS may have). In the instances where a company’s management proposed vote differs from the ISS recommendation or a conflict of interest has been identified, the proxy item will be sent to the firm’s Proxy Voting Committee for review and consideration. The Proxy Voting Committee will consider the following factors in determining how to vote the proxy item: (i) whether the vote could have a material impact on an industry or the growth and sustainability of an issuer; (ii) is appropriate for the issuer and the cost to implement would not be excessive; (iii) is appropriate for the issuer in light of various factors such as reputational damage or litigation risk; or (iv) is otherwise appropriate for the issuer.

Vaughan Nelson will consider whether the ESG proposal(s) are likely to enhance the value of the client’s investments after taking into account the costs involved, pursuant to its fiduciary duty to its clients. The

Proxy Voting Committee will, under certain circumstances where additional review is needed, send the proxy to a PM for their input.

1. Vaughan Nelson will generally vote with a Company's Management and ISS if the proposed vote recommendation is similar on the following ESG items, but the proxy will go to the PVC or be reviewed with a PM if a Company's Management and ISS is split:

### Proxy Voting Guideline

- Animal Welfare (includes animal welfare policies, testing and slaughter)
- Consumer Issues (includes genetically modified ingredients, controversial business/financial practices, pharmaceutical pricing and access, product safety and hazardous materials)
- Climate Change (includes Greenhouse Gas Emissions, energy efficiency, renewable energy)
- Diversity (includes Board diversity, Equality of Opportunity, Gender Identity, Sexual Orientation, Domestic Partner Benefits, Gender, Race/Ethnicity Pay Gaps)
- Environment and Sustainability (includes facility and workplace safety, hydraulic fracturing, operating in protected areas, recycling, sustainability reporting, water mgmt)
- General Corporate Issues (includes charitable contributions, data security, privacy and internet issues, ESG compensation related proposals)
- Human Rights, Human Capital Management and International Operations (includes Human Rights Proposals, Mandatory Arbitration, Operations in High Risk Markets, Outsourcing/Offshoring, Sexual harassment, Weapons and Military sales)
- Political Activities (includes lobbying, political contributions and political ties)

## ESG PROXY DECISION TREE

