

LUTHER KING CAPITAL MANAGEMENT
LKCM SMALL CAP CORE COMPOSITE
Fourth Quarter, 2018 Update



<u>Performance **</u>	<u>4th QTR 2018</u>	<u>YTD 2018</u>	<u>3 Year Annualized</u>	<u>10 Years Annualized</u>	<u>Since Inception Annualized*</u>
LKCM Small Cap Core Composite (gross)	(20.84%)	(5.05%)	7.27%	12.59%	10.63%
LKCM Small Cap Core Composite (net)	(20.99%)	(5.70%)	6.50%	11.74%	9.82%
Russell 2000 Index	(20.20%)	(11.01%)	7.36%	11.97%	8.55%

Small companies, as measured by the Russell 2000, declined 20.2% in 4Q18. It was the first significant decline in the market since early 2016. Measured peak to trough, the benchmark experienced a bear market, down 25%, which quickly evaporated the gains earned earlier this year. The 4Q18 decline resulted in the worst annual loss since 2008. Market sentiment changed rapidly as concerns about rising interest rates, trade issues and decelerating earnings growth in 2019 took the wind out of the market's sails. That said, the market has already started to recover and is up 13% from its mid-December low.

While the benchmark went into a bear market, the U.S. economy continued to chug along. We expect continued economic growth and with the Index of Leading Indicators remaining positive, this should bode well for future profit growth. While various data points on the margin appear to have slowed, we still forecast positive growth in 2019. Consumer and business sentiment remains positive (contrary to investor sentiment) and capital investment is still increasing. Over the past two years, the Federal Reserve took advantage of the stronger economy to begin to "normalize" interest rates (after years of an overly accommodative policy) to avoid unwanted inflation from creeping into the economy. At this point, we expect additional increases will be more data dependent in 2019.

Companies continue to use their record profits and cash flow to reinvest back into their businesses, buy back stock, increase dividends, and remain active in mergers and acquisitions, all which are supportive of the market. We continue to be positive on the markets, especially now given this recent significant pullback. With valuations back in line with historical levels, the market should follow earnings higher and continue to climb that proverbial "wall of worry." Of course, the potential for higher interest rates stalling the economy and/or potential trade wars may result in increased volatility in 2019.

For the benchmark in 4Q18, all sectors were down and, not unlike most all bear markets, the most defensive sectors, Utilities, Consumer Staples and Real Estate, held up the best. Energy was by far the worst sector but the Health Care, Materials, and Industrials sectors also lagged the benchmark. For the year, Utilities was the only positive sector while Energy and Materials were the worst performing sectors. During the quarter, Growth stocks underperformed the more defensive Value stocks but outperformed for the year. For 4Q18, larger market cap, profitable, dividend paying and lower beta companies were characteristics of companies that outperformed. For the year, the best performing companies were those with larger market caps, lower financial leverage, non-dividend paying and lower beta characteristics.

The LKCM Small Cap Equity Composite underperformed during 4Q18 but still outperformed the benchmark for the year. In 4Q18, both stock selection and sector allocation decisions detracted from our relative performance. Bottom line is we did not position our portfolio for 4Q18's significant market decline. Our stock selection in the Consumer Discretionary and Industrials sectors and our overweight position in Technology were additive to our relative performance. Stock selection in the Financials and Health Care sectors, as well as being underweight the outperforming Utilities sector, detracted from our performance. Our growth bias also worked against us during the period. On a year-to-date basis, Technology was our biggest contributor as we were overweight this outperforming sector and stock selection in Technology was especially additive. Stock selection in the Materials and Industrials sectors and being overweight the underperforming Industrials sector were the biggest drags to our relative performance. For the year, 5 of our investment positions were acquired and another 5 positions "graduated" out of our strategy. Despite the market pullback in 4Q18, the strategy is still positioned for continued economic growth (overweight Technology and Industrials sectors) and higher interest rates (underweight Real Estate and Utilities).

Our investment strategy is to maximize our internal, research-intensive process and to identify competitively advantaged companies that generate strong financial returns with good reinvestment opportunities and purchase these stocks at attractive prices. We believe this strategy of investing in higher quality, competitively advantaged companies with viable strategies to increase the value of their businesses will continue to be beneficial for our investors. Our goal is to generate superior returns over time relative to our benchmark by consistently executing our strategy and to minimize the risk (volatility) of the portfolio with a focus on achieving long term capital appreciation.

* 10/1/94 – 12/31/18

** This presentation is supplemental to the attached full disclosure presentation. Past performance is not indicative of future results.

LKCM SMALL CAP CORE COMPOSITE

December 31, 2018

CO-MANAGERS: STEVEN R. PURVIS, CFA
J. LUTHER KING, JR., CFA

INCEPTION: October 1, 1994

INVESTMENT STRATEGY: Provide superior performance with lower volatility relative to our benchmark with a focus on achieving long-term capital appreciation through long-term investment in competitively-advantaged small-cap companies.

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TEN LARGEST HOLDINGS 12/31/18*	
COUPA SOFTWARE INC	2.6 %
STAAR SURGICAL	2.3 %
CHARLES RIVER LABS INTL	1.9 %
ALARM.COM	1.8 %
NUTRISYSTEMS INC	1.8 %
OLLIES BARGAIN OUTLET HOLDINGS I	1.8 %
MERCURY SYSTEMS INC	1.7 %
HEALTH EQUITY	1.7 %
THE TRADE DESK	1.7 %
LIVERAMP HOLDINGS INC	1.7 %
	19.0 %

*The largest ten holdings are at 12/31/18 and may not reflect current holdings.

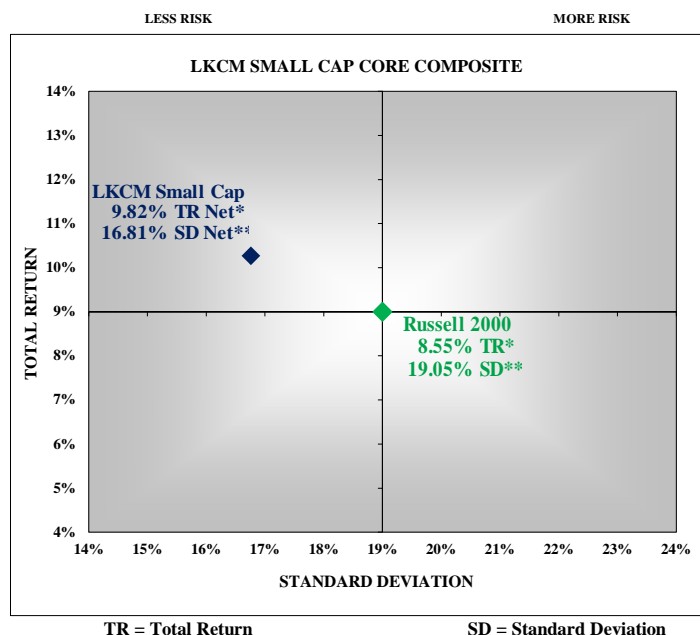
PORTFOLIO RESULTS	
(Benchmark - Russell 2000) □ (Since Inception)	
	Net
ALPHA	2.51%
BETA	0.83
R ²	88%

UP CAPTURE	93%
DOWN CAPTURE	83%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	12%
LONG TERM DEBT TO TOTAL CAPITAL	26%
P/E FWD 4 Quarters (ex Neg-earnings)	18x

WTD AVG. MARKET CAPITALIZATION	\$2,658 Million
TOTAL SMALL-CAP EQUITY COMPOSITE ASSETS	\$ 193 Million
#HOLDINGS	100
PORTFOLIO TURNOVER*	35%
ACTIVE SHARE	92%

*Turnover rate is based on a representative portfolio for a rolling one year period ending 12/31/2018



ATTRIBUTION (4Q 2018)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
FINANCIALS	13.8%	-3.4	18.0%	-2.9
HEALTH CARE	16.2%	-4.8	15.8%	-4.2
INDUSTRIALS	21.1%	-4.2	14.9%	-3.2
INFORMATION TECHNOLOGY	22.6%	-3.4	13.8%	-2.3
CONSUMER DISCRETIONARY	11.1%	-1.4	12.2%	-2.4
REAL ESTATE	2.5%	-0.3	7.2%	-1.0
ENERGY	3.8%	-2.1	4.3%	-2.0
MATERIALS	2.3%	-1.3	3.9%	-1.1
UTILITIES	0.0%	0.0	3.6%	-0.1
COMMUNICATION SERVICES	1.9%	-0.2	3.4%	-0.6
CONSUMER STAPLES	1.7%	-0.1	2.8%	-0.4
CASH & EQUIVALENTS	3.1%	0.0	0.0%	0.0
TOTAL PORTFOLIO	100.0%	-21.0	100.0%	-20.2

*Source: Thomson Reuters (Eikon).

Performance results calculated by Eikon may differ significantly from those calculated by LKCM due to differences in methodology for transaction pricing and accounting for capital transactions.

*Total Net Return Since Inception (10/01/94 to 12/31/18) Annualized

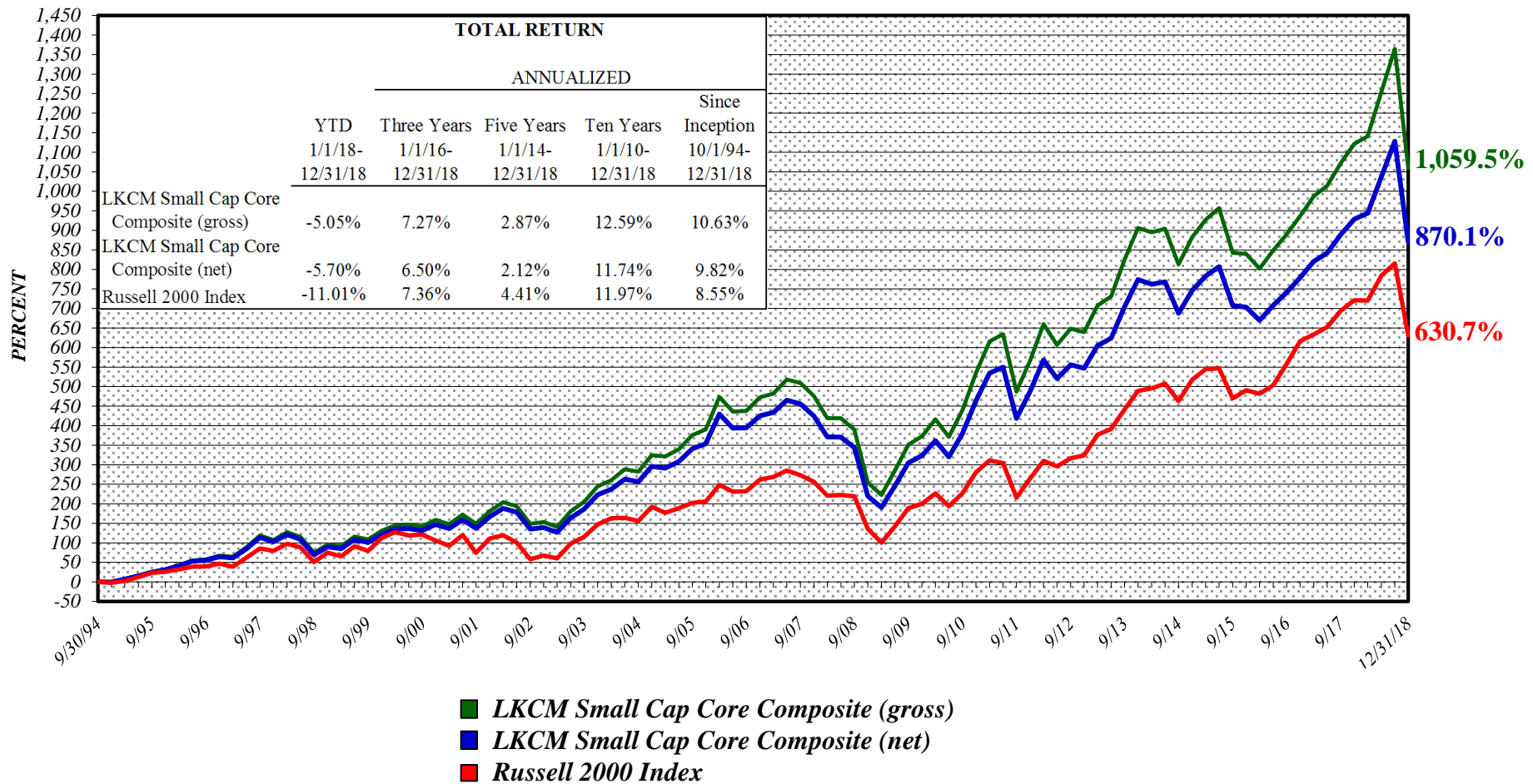
**Standard deviation and performance characteristics reporting period (10/01/94 to 12/31/18)

This presentation is supplemental to the attached full disclosure presentation. Past performance is not indicative of future results.

Sources: LKCM Small Cap Core Composite, Zephyr Associates, Inc., Thomson Reuters (Eikon)

LKCM Small Cap Core Composite

Cumulative Returns Since Inception (10/1/94 – 12/31/18)



The performance results should be reviewed along with the attached full disclosure presentation. Past performance is not indicative of future results. Time periods over one year are annualized.

LUTHER KING CAPITAL MANAGEMENT
SMALL CAP CORE COMPOSITE
FULL DISCLOSURE PRESENTATION AS OF DECEMBER 31, 2018

Year	Total Return		Russell 2000 Index	Small Cap Core Comp	3-Year Annualized Gross Standard Deviation		Number of Accounts	Small Cap Core Composite	Total Firm
	Gross	Net		Annual	Russell	Russell		Assets	Assets
	of Fees	of Fees		Standard Deviation	Small Cap Core Comp	2000 Index		(millions)	(billions)
2018	-5.05 %	-5.70 %	-11.01 %	NA %	16.01 %	15.79 %	7	193	14.5
2017	17.83	17.03	14.65	0.3	13.45	13.91	5	259	15.3
2016	10.32	9.45	21.31	0.2	15.20	15.76	10	421	13.1
2015	-4.39	-5.11	-4.41	0.4	14.30	13.96	24	1,029	13.1
2014	-2.36	-3.09	4.89	0.4	13.68	13.12	39	1,925	15.0
2013	36.09	35.09	38.82	0.4	16.25	16.45	41	2,379	14.7
2012	10.92	10.05	16.35	0.3	19.27	20.20	44	1,852	11.4
2011	5.09	4.26	-4.18	0.5	22.12	24.99	41	1,673	8.8
2010	34.17	33.14	26.85	0.5	NA	NA	41	1,632	8.1
2009	33.51	32.44	27.17	1.0	NA	NA	45	1,351	7.0

NA – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year and/or the period is a partial year and/or the information was not required.

Luther King Capital Management (LKCM) is a registered investment adviser under the Investment Advisers Act of 1940 and is defined as an independent investment management firm. LKCM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. LKCM has been independently verified for the periods January 1, 1992 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small Cap Core Composite has been examined for the periods October 1, 1994 to December 31, 2017. The verification and performance examination reports are available upon request.

The Small Cap Core Composite contains all fully discretionary taxable and non-taxable, fee-paying small cap accounts under management, including applicable registered investment companies for which LKCM serves as investment adviser or subadviser. Our small-cap strategy seeks to achieve long-term capital appreciation and investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility. Our small-cap strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability levels, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, reinvestment opportunities, and relative valuation. The strategy typically purchases securities of companies with market capitalizations between \$600 million and \$5 billion at the initial time of purchase. For comparison purposes, the composite is measured against the Russell 2000 Index, which is a market capitalization weighted index that tracks the performance of 2000 small U.S. traded stocks.

January 1, 2003 is the effective creation date of the Small Cap Core Composite. Quarterly performance from October 1, 1994 to December 31, 2018 is available upon request. The annual standard deviation presented is an asset-weighted calculation of performance dispersion for accounts in the composite the entire year. The Small Cap Core Composite included portfolio(s) that paid a bundled fee, which includes all charges for trading costs, portfolio management, custody, and other administrative fees. The year-end percent of composite assets is as follows: 2007, 0.49%; 2008, 0.41%. Gross returns for bundled fee portfolio(s) are presented as supplemental information as they do not reflect the deduction of any trading costs, fees, or expenses. Net returns for bundled fee portfolio(s) reflect the deduction of all charges for trading costs, portfolio management, custody, and other administrative fees. The current management fee schedule for this composite is as follows: 1% on the first \$5,000,000; .75 of 1% on the next \$5,000,000; .50 of 1% above \$10,000,000; minimum annual fee \$30,000. Fees for registered investment companies for which LKCM serves as adviser or subadviser are calculated and paid quarterly in arrears, at annualized rates up to 0.75% of such fund's average daily net assets. In some instances, LKCM voluntarily waives these fees and/or reimburses the applicable fund in order to maintain a designated expense ratio. LKCM may adjust or otherwise negotiate management fees in its discretion and, therefore, clients may have a different fee schedule. For a complete list of our management fees, please see our Form ADV, Part 2A.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Effective January 2010, this composite is to stay over 80% invested in stocks at all times. Effective January 1, 2005, new accounts are added quarterly when the account is at least 75% invested and fully representative of investment style. Prior to January 1, 2005, accounts were added soon after inception on a quarterly basis and/or when considered fully representative of investment style. A complete list and description of the firm's composites is available upon request. Results are presented before taxes, both gross of management fees (which is net of commissions and other transaction costs) and net of actual management fees, and includes the reinvestment of all income. The U.S. dollar is the currency used to express performance. Past performance is not indicative of future results.

LUTHER KING CAPITAL MANAGEMENT
SMALL CAP CORE COMPOSITE
PERFORMANCE RESULTS*
OCTOBER 1, 1994 – DECEMBER 31, 2018

	<u>Total Return</u>		<u>Equities Only</u>	<u>Cash Only</u>	<u>Russell 2000 Index</u>
	<u>Gross of Fees</u>	<u>Net of Fees</u>			
Annualized Returns Ending 12/31/18					
1 Year	(5.05) %	(5.70) %	(5.11) %	1.15 %	(11.01) %
2 Years	5.77	5.05	6.03	0.59	1.01
3 Years	7.27	6.50	7.64	0.42	7.36
4 Years	4.23	3.47	4.57	0.35	4.29
5 Years	2.87	2.12	3.17	0.30	4.41
6 Years	7.79	7.00	8.23	0.28	9.49
7 Years	8.23	7.43	8.71	0.25	10.44
8 Years	7.83	7.03	8.24	0.24	8.50
9 Years	10.48	9.65	11.04	0.24	10.40
10 Years	12.59	11.74	13.24	0.30	11.97
11 Years	6.57	5.75	6.82	0.53	6.75
12 Years	6.06	5.24	6.29	0.89	6.03
13 Years	6.85	6.02	7.10	1.17	6.93
14 Years	7.44	6.61	7.73	1.26	6.76
15 Years	8.43	7.60	8.78	1.24	7.50
16 Years	9.97	9.15	10.44	1.22	9.63
17 Years	8.69	7.89	9.07	1.24	7.58
18 Years	8.69	7.89	9.05	1.39	7.29
19 Years	8.87	8.08	9.27	1.54	6.72
20 Years	9.30	8.50	9.77	1.68	7.40
21 Years	8.54	7.75	8.84	1.81	6.91
22 Years	9.20	8.40	9.53	1.95	7.57
23 Years	9.90	9.10	10.33	2.09	7.94
24 Years	10.77	9.96	11.35	2.24	8.72
24 1/4 Years	10.63	9.82	11.19	2.27	8.55

*The results shown above should be reviewed along with Luther King Capital Management's full disclosure presentation. If you have not received a copy of the full disclosure presentation, please contact Luther King Capital Management for a copy. Segment returns, equities only and cash only, are supplemental information to this composite. Past performance is not indicative of future results.

GLOSSARY OF TERMS

Alpha represents the excess return of the composite over the expected market return.

Beta measures the risk or volatility of the composite relative to the market as a whole.

R^2 measures the correlation of composite returns to the benchmark.

Up Capture measures the percentage of benchmark performance captured by the composite during up quarters.

Down Capture measures the percentage of benchmark performance captured by the composite during down quarters.

Growth investing is an investment style and investment strategy that is focused on the growth of an investor's capital. Those who follow the growth investing style - growth investors - typically invest in growth stocks or companies whose earnings are expected to grow at an above-average rate compared to its industry or the overall market.

Value investing is an investment strategy where stocks are selected that trade for less than their intrinsic values. Value investors actively seek stocks they believe the market has undervalued. Investors who use this strategy believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with a company's long-term fundamentals, giving an opportunity to profit when the price is deflated.