

**LUTHER KING CAPITAL MANAGEMENT**  
**LKCM SMID CAP EQUITY COMPOSITE**  
**First Quarter, 2020 Update**



<b>Performance **</b>	<b>1st QTR 2020</b>	<b>One Year</b>	<b>3 Years Annualized</b>	<b>5 Years Annualized</b>	<b>10 Years Annualized</b>	<b>Since Inception Annualized*</b>
LKCM SMID Cap Equity Composite (gross)	(25.88%)	(17.55%)	1.53%	1.82%	7.32%	7.40%
LKCM SMID Cap Equity Composite (net)	(25.98%)	(17.95%)	1.04%	1.21%	6.46%	6.49%
Russell 2500 Index	(29.72%)	(22.47%)	(3.10%)	0.49%	7.73%	6.49%

Small to mid-sized companies, as measured by the Russell 2500, declined 29.7% in 1Q20. The global pandemic of the coronavirus led to a significant meltdown in the stock market with much of the damage occurring in March. The increased uncertainty about the pandemic's potential negative impact, with stay at home orders and many parts of the economy shuttered has resulted in one of the worst quarters in the stock markets history.

The U.S. economy was on solid footing through February but that all changed in March as the coronavirus took hold in earnest. The country is still working to flatten the contagion curve, but the social distancing has begun to slow its growth.

We anticipate an unprecedented decline in the economy for as long as it remains closed. When and at what rate of improvement the economy begins to rebuild is now the focus of the market. Many of the key indicators that we watch, the Index of Leading Indicators, consumer confidence, employment growth and capital spending will temporarily lose their importance as the market will likely begin to look over the valley and anticipate an economic recovery. The market, like always, is expected to anticipate economic improvement and begin its recovery before the economy does. The Government is aggressively trying to front-end load the economy with rate cuts and various monetary and fiscal stimulus plans. This will help limit the negative impact of the coronavirus. The damage to companies, both public and private, will be devastating. Very few business models are built to withstand the dramatic decline and, in many cases, zero revenues for an extended period. Cost cutting is rampant and recent unemployment claims would suggest that we could experience record unemployment levels. While the near term economic conditions are gloomy, we will recover and, based on history, market declines like we just experienced typically result in very rewarding market returns going forward. Small caps, which significantly underperformed in this period of heightened uncertainty, tend to outperform coming out of recessions and out of bear markets and we expect that to be the case again.

The benchmark's massive decline resulted in all sectors declining during the quarter. The Health Care and Utilities sectors, two of the least cyclical sectors, declined the least while Energy was off the most. Energy not only suffered from demand destruction but also additional supply from OPEC. The Consumer Discretionary sector was also a major detractor as many of its companies were directly impacted by the coronavirus. Larger market cap companies and those with better balance sheets outperformed while higher beta, lower stock price and dividend paying companies underperformed. None of this surprises us except we would have expected the dividend paying stocks to perform better in the time of uncertainty. Growth stocks significantly outperformed Value stocks during the quarter and have so for quite some time.

The LKCM SMID Cap Equity Composite declined less than the benchmark in 1Q20. While that's nice, we're not getting overly excited given the absolute decline we experienced. Both our stock selection and our sector allocation decisions added to our relative performance. The top three positive contributors to our relative performance vs. the benchmark were our stock selection in the Consumer Discretionary sector, our overweight position in the Health Care sector, and stock selection in the Consumer Staples sector. The three biggest detractors were stock selection in the Financials sector, our underweight in the Utilities sector and stock selection in the Communication Services sector. We benefited from our higher quality investment strategy and our continued tilt towards Growth stocks. We believe we are well positioned for the eventual rebound and are actively managing the strategy to position it opportunistically.

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.

\* 4/1/05 – 3/31/20

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

# LKCM SMID CAP EQUITY COMPOSITE

March 31, 2020

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

**INCEPTION:** April 1, 2005

**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 and mid-cap companies.

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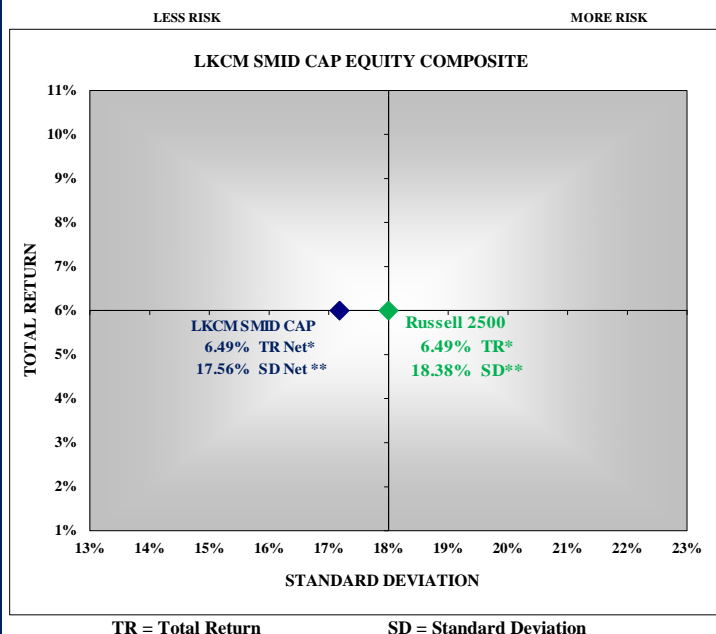
TEN LARGEST HOLDINGS 03/31/2020 *	
TELADOC HEALTH	3.2 %
POOL CORPORATION	3.1 %
HORIZON THERAPEUTICS PLC	2.8 %
FRESHPET	2.6 %
COUPA SOFTWARE INC	2.5 %
MERCURY SYSTEMS INC	2.5 %
STAAR SURGICAL	2.3 %
OMNICELL	2.3 %
CHARLES RIVER LABS INTL	2.2 %
WATSCO INC	2.2 %
	25.9 %

\*The largest ten holdings are at 03/31/2020 and may not reflect current holdings.

PORTFOLIO RESULTS	
(Benchmark - Russell 2500) □ (Since Inception)	
	<u>Net</u>
ALPHA	0.57%
BETA	0.91
R <sup>2</sup>	91%
UP CAPTURE 92%	
DOWN CAPTURE 92%	

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	10.2%
LONG TERM DEBT TO TOTAL CAPITAL	43%
P/E FWD 4 Quarters (ex Neg-earnings)	19 x
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WTD AVG. MARKET CAPITALIZATION	\$5,067 Million
TOTAL SMID CAP EQUITY COMPOSITE ASSETS	\$24 Million
#HOLDINGS	55
PORTFOLIO TURNOVER*	51%
ACTIVE SHARE	94%

\*Turnover rate is based on a representative portfolio for a rolling one year period ending 03/31/20



ATTRIBUTION (1Q 2020)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
FINANCIALS	9.3%	-4.1	18.0%	-5.9
HEALTH CARE	20.7%	-2.4	15.8%	-2.0
INDUSTRIALS	16.3%	-4.9	14.9%	-4.9
INFORMATION TECHNOLOGY	20.7%	-4.3	13.8%	-3.2
CONSUMER DISCRETIONARY	8.5%	-2.3	12.2%	-4.7
REAL ESTATE	5.5%	-1.7	7.2%	-3.5
ENERGY	2.4%	-2.4	4.3%	-1.6
MATERIALS	5.3%	-1.4	3.9%	-1.6
UTILITIES	0.0%	0.0	3.6%	-0.7
COMMUNICATION SERVICES	5.8%	-2.3	3.4%	-0.9
CONSUMER STAPLES	2.1%	0.1	2.8%	-0.7
CASH & EQUIVALENTS	3.4%	0.0	0.0%	0.0
TOTAL PORTFOLIO	100.0%	-25.6	100.0%	-29.7

Source: Thomson Reuters (Refinitiv). Performance results calculated by Refinitiv 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 (4/01/05 to 03/31/20) Annualized

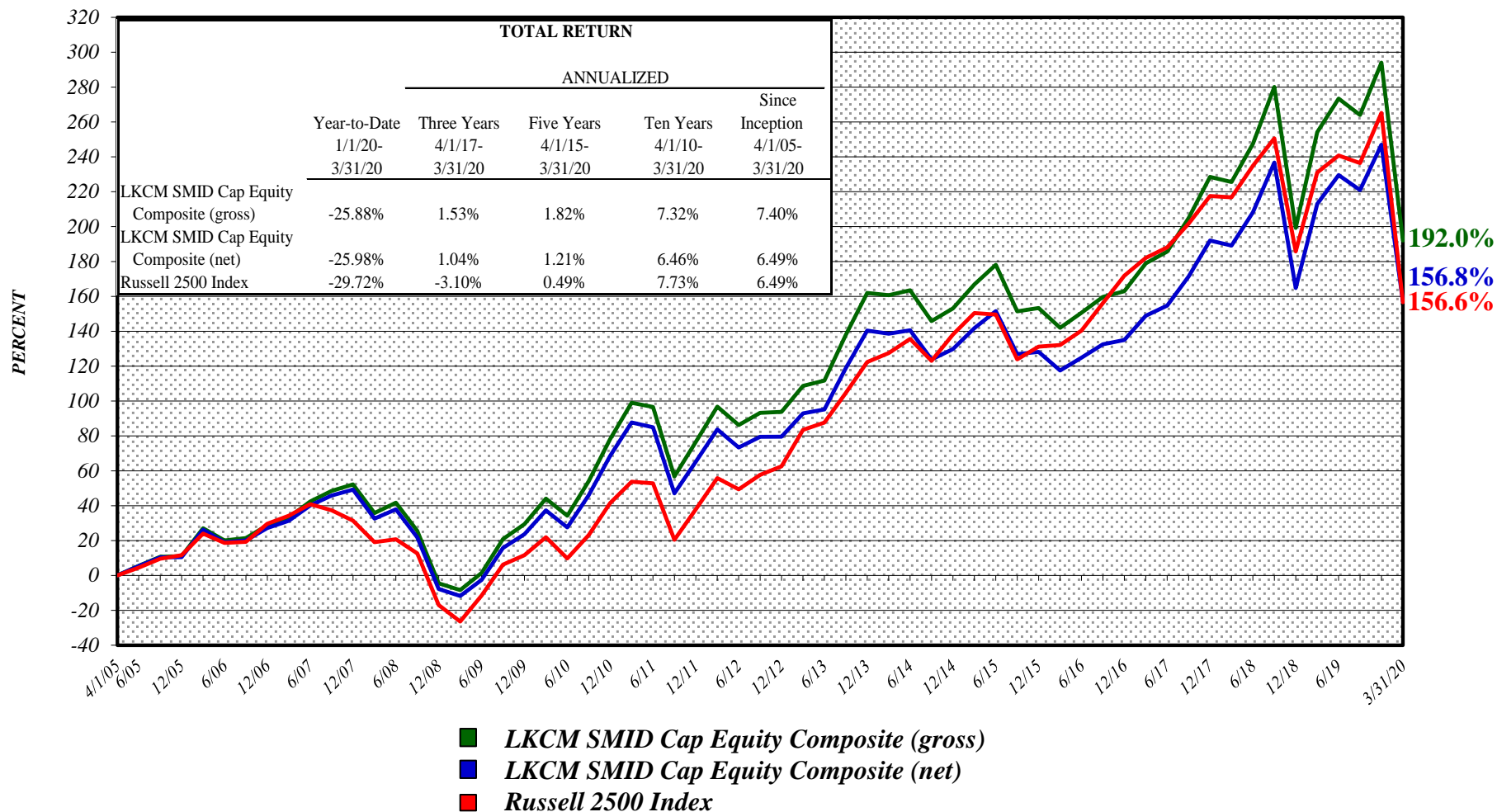
\*\*Standard deviation and performance characteristics reporting period (4/01/05 to 03/31/20)

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

Sources: LKCM Smid Cap Equity Composite, Zephyr Associates, Inc., Thomson Reuters (Refinitiv)

# ***LKCM SMID Cap Equity Composite***

## ***Cumulative Returns Since Inception (4/1/05 – 3/31/20)***



*The performance results should be reviewed along with the attached full disclosure presentation.  
Past performance is not indicative of future results.*

# LUTHER KING CAPITAL MANAGEMENT

## SMID CAP EQUITY COMPOSITE

### FULL DISCLOSURE PRESENTATION AS OF MARCH 31, 2020

				SMID Cap Eq Comp	3-Year Annualized Gross Standard Deviation			SMID Cap Eq	Total	
		Total Return		Russell	Annual		Russell	Number	Composite	Firm
		Gross	Net	2500	Standard	SMID Cap	2500	of	Assets	Assets
Year		of Fees	of Fees	Index	Deviation	Eq Comp	Index	Accounts	(millions)	(billions)
2020	(1/1-3/31)	-25.88 %	-25.98 %	-29.72 %	NA %	NA %	NA %	5	24	15.3
2019		31.64	31.03	27.77	0.7	15.93	14.58	5	33	18.2
2018		-8.89	-9.33	-10.00	0.1	14.48	14.10	5	28	14.5
2017		24.92	24.29	16.81	0.7	11.82	12.13	6	40	15.3
2016		3.81	2.97	17.59	1.2	13.24	13.67	9	66	13.1
2015		0.10	-0.68	-2.90	0.8	13.13	12.42	16	453	13.1
2014		-3.41	-4.40	7.07	0.3	12.04	11.67	23	557	15.0
2013		35.15	33.88	36.80	0.3	15.87	15.63	29	704	14.7
2012		9.77	8.68	17.88	0.5	19.47	18.97	24	511	11.4
2011		-0.90	-1.95	-2.51	0.8	20.99	23.40	22	214	8.8
2010		37.71	36.31	26.71	0.8	NA	NA	17	178	8.1

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, 2018. 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 SMID Cap Equity Composite has been examined for the periods April 1, 2005 to December 31, 2018. The verification and performance examination reports are available upon request.

The SMID Cap Equity Composite contains all fully discretionary taxable and non-taxable, fee-paying small to mid-cap equity accounts under management, including applicable registered investment companies for which LKCM serves as investment adviser or subadviser. Our small-mid 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-mid 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 \$1.25 billion and \$12 billion at the initial time of purchase. For comparison purposes, the composite is measured against the Russell 2500 Index, which is a market capitalization weighted index that measures the performance of the 2500 smallest companies in the Russell 3000 Index. It includes only common stocks incorporated in the U.S. and its territories.

April 1, 2005 is the effective creation date of the SMID Cap Equity Composite. During December 2006, the composite name was changed from SMID Composite to SMID Cap Equity Composite to more accurately describe the strategy. Quarterly performance from April 1, 2005 to March 31, 2020 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 SMID Cap Equity Composite included portfolio(s) that pay 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: 2008, 7.85%; 2009, 8.20%; 2010, 7.26%; 2011, 5.60%; 2012, 2.39%; 2013, 2.42%; 2014, 2.25%. 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**  
**SMID CAP EQUITY COMPOSITE**  
**PERFORMANCE RESULTS\***  
**APRIL 1, 2005 – MARCH 31, 2020**

	Total Return		Equities	Cash Equivalents	Russell 2500 Index
	Gross of Fees	Net of Fees			
Annualized Returns Ending 03/31/20					
1 Year	(17.55) %	(17.95) %	(17.97) %	1.96 %	(22.47) %
2 Years	(5.30)	(5.76)	(5.48)	1.49	(10.00)
3 Years	1.53	1.04	1.74	1.02	(3.10)
4 Years	4.81	4.24	5.20	0.76	2.54
5 Years	1.82	1.21	2.29	0.61	0.49
6 Years	1.91	1.24	2.38	0.51	2.03
7 Years	4.91	4.18	5.42	0.45	4.91
8 Years	5.05	4.28	5.54	0.40	6.44
9 Years	4.35	3.55	4.84	0.36	5.86
10 Years	7.32	6.46	7.98	0.33	7.73
11 Years	11.11	10.20	11.98	0.31	12.03
12 Years	6.59	5.67	6.90	0.40	6.61
13 Years	6.22	5.30	6.49	0.72	5.11
14 Years	6.12	5.21	6.36	1.01	5.33
15 Years	7.40	6.49	7.59	1.15	6.49

\* 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.