

**LUTHER KING CAPITAL MANAGEMENT**  
**LKCM SMALL CAP CORE COMPOSITE**  
**First Quarter, 2022 Update**



<u>Performance **</u>	<u>1st QTR 2022</u>	<u>One Year</u>	<u>3 Years Annualized</u>	<u>5 Years Annualized</u>	<u>10 Years Annualized</u>	<u>Since Inception Annualized*</u>
LKCM Small Cap Core Composite gross)	(9.22%)	(4.01%)	15.25%	13.43%	10.39%	11.59%
LKCM Small Cap Core Composite (net)	(9.38%)	(4.70%)	14.44%	12.64%	9.59%	10.78%
Russell 2000 Index	(7.53%)	(5.79%)	11.74%	9.74%	11.04%	9.35%

The Russell 2000 Index, an index composed of small cap, public companies, declined 7.5% during 1Q22. This small capitalization index exhibited increased volatility throughout the quarter, as resilient demand for consumer goods continued to battle with persistently elevated inflation, increasing costs of capital, and constrained supply. The first calendar quarter continued to suffer from supply chain constraints and extended lead times. China lockdowns commencing in March, resulting from COVID outbreaks, undermine attempts to normalize supply from the world's largest exporter. Further, the lead up and outbreak of hostilities in Ukraine introduced additional disruptions in supplies not only in basic materials but also components, such as wire harnesses for automotive production. These two exogenous events have extended lower quantities and costs of inputs available throughout many industry verticals. The persistence in inflation has expanded risks to cost of capital and shifts in personal consumption. While we currently believe that a recession is unlikely due to the strength of the consumer and corporate balance sheets, these disruptive factors will have a greater negative impact on economic activity, and thereby, the risks of recession have continued to increase. Estimates for U.S. and global GDP continue to be revised downward. We expect market volatility to persist in this environment.

During the 1Q22, the strongest performing sector – by a wide margin – was Energy, followed by Utilities and Materials. The worst performing sectors in the benchmark were Consumer Discretionary, Health Care, and Information Technology – all declining more than 13%. Energy broke again to the upside, as the outlook for sustained increase in price of energy and attractive free cash flow yields drove equity prices up 40% for this sector. Though visibility for 2022 remains murky, most companies expect a further deceleration in earnings growth. Current estimates are for Russell 2000 EPS growth of 4% for 2022 versus 37% for 2021. The transition to a more modest earnings trajectory in a market with increased risks to cost of capital will be a key to future appreciation of the benchmark. During the quarter, Value outperformed Growth by 12% with nearly all of the divergence realized during the month of January.

The LKCM Small Cap Core composite underperformed the benchmark in 1Q22. The greatest, positive contributors to absolute performance in the portfolio were securities in Energy and Communication Services sectors. Relative to the benchmark, our aggregate sector allocation contributed, though portfolio securities detracted. Communication Services, Consumer Discretionary, and Financials enjoyed positive attribution from securities. Portfolio securities in Consumer Staples, Energy, Industrials, Information Technology, Materials, and Real Estate sectors detracted from relative performance during the quarter. The strategy remained overweight Energy and underweight Health Care, both of which contributed materially to performance. Our bias towards growth weighed on securities' attribution, though the importance of some value exposure in the portfolio supported an outperformance of the Russell 2000 Growth Index during this rotation.

Our investment strategy is to maximize our internal, research-intensive process and to identify competitively advantaged companies that generate strong financial returns with attractive reinvestment opportunities. We strive to purchase these stocks at attractive prices. We believe these companies increase the value of their businesses which will lead to long-term equity returns for our investors. Our goal is to generate superior returns through market cycles relative to our benchmark by consistently executing on our investment strategy and minimizing the risk (volatility) of the portfolio in pursuit of long term, capital appreciation.

\* 10/1/94 – 3/31/22

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

# LKCM SMALL CAP CORE COMPOSITE

March 31, 2022

**CO-MANAGERS:** MASON D. KING, CFA  
J. LUTHER KING, JR., CFA  
MARK L. JOHNSON, 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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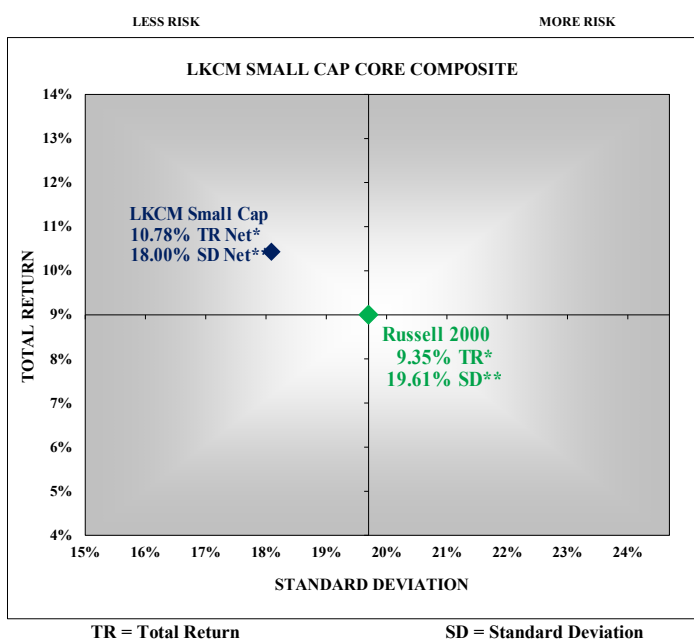
TEN LARGEST HOLDINGS 3/31/22*	
NEXSTAR MEDIA GROUP INC	2.3 %
MAGNOLIA OIL & GAS	2.2 %
CNX RESOURCES CORP	2.0 %
ECOVYST INC	1.8 %
HF SINCLAIR CORPORATION	1.8 %
KIRBY CORPORATION	1.6 %
CADENCE BK	1.6 %
PINNACLE FINANCIAL PARTNERS INC	1.6 %
RED ROCK RESORTS	1.6 %
MEDPACE HOLDINGS INC	1.6 %
	18.0 %

PORTFOLIO RESULTS	
(Benchmark - Russell 2000) (Since Inception)	
	<u>Net</u>
ALPHA	2.49%
BETA	0.87
R <sup>2</sup>	89%
-----	
UP CAPTURE	96%
DOWN CAPTURE	86%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	9.3%
LONG TERM DEBT TO TOTAL CAPITAL	35%
P/E FWD 4 Quarters (ex Neg-earnings)	20x
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WTD AVG. MARKET CAPITALIZATION	\$4,116 Million
TOTAL SMALL-CAP EQUITY COMPOSITE ASSETS	\$ 242 Million
#HOLDINGS	85
PORTFOLIO TURNOVER*	34%
ACTIVE SHARE	94%

\*The largest ten holdings are at 03/31/22 and may not reflect current holdings.

\*Turnover rate is based on a representative portfolio for a rolling one year period ending 03/31/22



ATTRIBUTION (1Q 2022)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
FINANCIALS	13.2%	-0.8	16.8%	-1.2
HEALTH CARE	12.6%	-1.8	16.6%	-2.6
INDUSTRIALS	21.1%	-2.0	15.2%	-0.9
INFORMATION TECHNOLOGY	15.3%	-2.5	13.7%	-2.0
CONSUMER DISCRETIONARY	12.0%	-1.8	11.0%	-2.0
REAL ESTATE	3.0%	-0.4	7.6%	-0.4
ENERGY	6.4%	1.5	5.6%	1.8
MATERIALS	5.0%	-0.6	4.0%	-0.1
CONSUMER STAPLES	4.2%	-0.9	3.5%	-0.3
COMMUNICATION SERVICES	3.3%	0.2	3.1%	-0.2
UTILITIES	0.0%	0.0	2.8%	0.1
CASH & EQUIVALENTS	3.8%	0.0	0.0%	0.0
TOTAL PORTFOLIO	100.0%	-9.2%	100.0%	-7.5%

\*Total Net Return Since Inception (10/01/94 to 03/31/22) Annualized

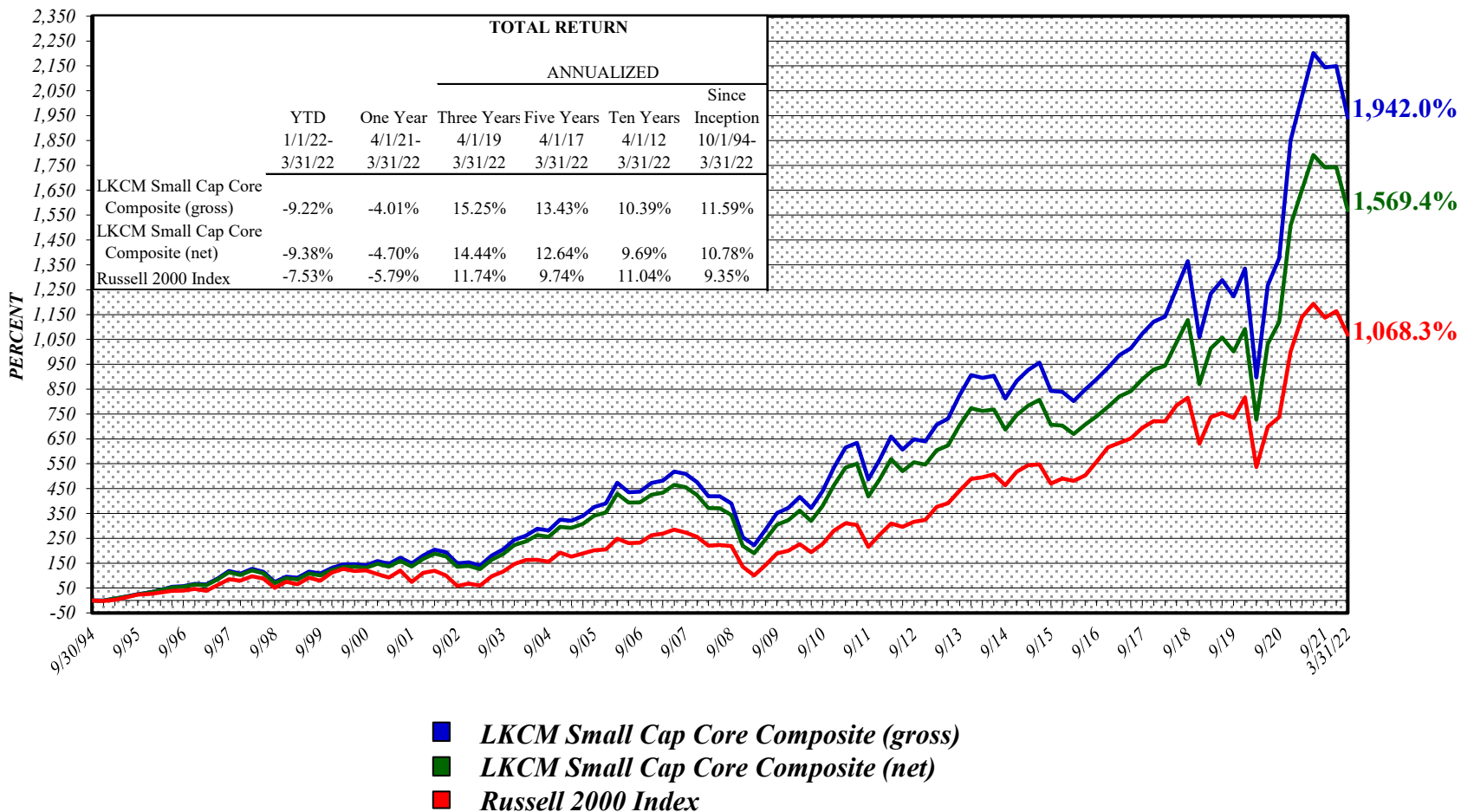
\*\*Standard deviation and performance characteristics reporting period (10/01/94 to 03/31/22)

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

Sources: LKCM Small Cap Core Composite, Zephyr Informa Financial Intelligence, Thomson Reuters (Refinitiv)

# ***LKCM Small Cap Core Composite***

## ***Cumulative Returns Since Inception (10/1/94 – 3/31/22)***



*The performance results should be reviewed along with the attached Luther King Capital Management Small Cap Core Composite GIPS Report. Past performance is not indicative of future results.*

**LUTHER KING CAPITAL MANAGEMENT  
SMALL CAP CORE COMPOSITE  
GIPS REPORT AS OF MARCH 31, 2022**

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 Assets (billions)
	Gross of Fees	Net of Fees		Annual Standard Deviation	Small Cap Core Comp	Russell 2000 Index		Assets (millions)	
				%	%	%			
2022 (1/1 - 3/31)	-9.22 %	-9.38 %	-7.53 %	NA %	NA %	NA %	5	242	25.7
2021	15.36	14.56	14.82	0.1	25.15	23.35	5	264	26.9
2020	35.85	34.86	19.96	0.3	27.11	25.27	6	244	21.6
2019	23.81	22.93	25.52	0.7	16.64	15.71	8	220	18.2
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

	Annualized Returns		
	Total Return		Russell
	Gross of Fees	Net of Fees	2000 Index
1 year ending 03/31/22	-4.01 %	-4.70 %	-5.79 %
5 years ending 03/31/22	13.43	12.64	9.74
10 years ending 03/31/22	10.39	9.59	11.04

NA – Information is not statistically meaningful due to the current period is a partial year and/or the information is not required

- Compliance Statement, Verification, and Trademark Information:** Luther King Capital Management (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, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Small Cap Core Composite has been examined for the periods October 1, 1994 to December 31, 2020. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
- Composite Description, Benchmark(s), and Risk:** January 1, 2003 is the effective creation date of the Small Cap Core Composite and October 1, 1994 is the inception date of the Small Cap Composite. 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 \$1.2 billion and \$7 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. Material risks related to the investment strategy include, without limitation, those associated with cybersecurity, equity securities, foreign securities, general market and economic conditions and factors, inflation, investment selection, liquidity, investment management, sector weightings, and small cap companies. For detail on each risk, please see our Form ADV, Part 2A.

LKCM SMALL CAP CORE COMPOSITE  
GIPS REPORT AS OF MARCH 31, 2022

- 3) **Dispersion and Fees:** The gross annual standard deviation presented is an asset-weighted calculation of performance dispersion for accounts in the composite for the entire year. The percent of composite assets that paid zero commissions was 0.97% as of 12/31/21. 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. Management 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. The LKCM Small Cap Equity Fund included in this composite has a current management fee schedule of 0.75% and a net expense ratio of 1.00%. 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.
- 4) **Additional Information and Availability of Information:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Effective January 2010, the portfolios in this composite stay at or 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 list of all composite and limited distribution pooled fund descriptions and/or a list of broad distribution pooled funds 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 – MARCH 31, 2022**

	Total Return		Equities Only	Cash Only	Russell 2000 Index
	Gross of Fees	Net of Fees			
Annualized Returns Ending 03/31/22					
<b>1 Year</b>	<b>(4.01) %</b>	<b>(4.70) %</b>	<b>(4.23) %</b>	<b>0.03 %</b>	<b>(5.79) %</b>
2 Years	43.08	42.06	44.27	0.05	35.49
3 Years	15.25	14.44	15.87	0.64	11.74
4 Years	13.26	12.46	13.86	0.88	9.24
<b>5 Years</b>	<b>13.43</b>	<b>12.64</b>	<b>14.00</b>	<b>0.72</b>	<b>9.74</b>
6 Years	14.59	13.78	15.24	0.61	12.33
7 Years	10.32	9.53	10.85	0.55	8.87
8 Years	9.40	8.61	9.91	0.49	8.79
9 Years	10.86	10.06	11.40	0.45	10.47
<b>10 Years</b>	<b>10.39</b>	<b>9.59</b>	<b>10.92</b>	<b>0.42</b>	<b>11.04</b>
11 Years	10.00	9.19	10.50	0.39	9.97
12 Years	12.14	11.31	12.75	0.37	11.21
13 Years	15.25	14.40	16.01	0.39	14.52
14 Years	10.28	9.45	10.71	0.52	9.67
<b>15 Years</b>	<b>8.72</b>	<b>7.90</b>	<b>9.07</b>	<b>0.80</b>	<b>7.99</b>
16 Years	8.26	7.44	8.59	1.04	7.86
17 Years	9.73	8.91	10.13	1.15	8.84
18 Years	10.12	9.29	10.54	1.15	8.65
19 Years	11.91	11.08	12.49	1.14	11.02
<b>20 Years</b>	<b>9.99</b>	<b>9.18</b>	<b>10.39</b>	<b>1.16</b>	<b>8.72</b>
21 Years	10.56	9.75	11.06	1.26	8.97
22 Years	10.12	9.32	10.52	1.39	7.72
23 Years	10.84	10.03	11.42	1.52	8.87
24 Years	9.58	8.78	9.90	1.64	7.68
<b>25 Years</b>	<b>10.61</b>	<b>9.80</b>	<b>11.02</b>	<b>1.76</b>	<b>8.88</b>
26 Years	10.78	9.97	11.20	1.89	8.73
27 Years	11.52	10.71	12.09	2.03	9.42
27 1/2 Years	11.59	10.78	12.18	2.09	9.35

- The results shown above should be reviewed along with LKCM Small Cap Core Composite GIPS Report. If you have not received a copy of the GIPS Report, 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<sup>2</sup>** 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.