

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



<u>Performance</u> **	<u>2nd QTR 2022</u>	<u>YTD 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)	(16.81%)	(24.47%)	(26.20%)	6.95%	8.80%	9.17%	10.75%
LKCM Small Cap Core Composite (net)	(16.96%)	(24.74%)	(26.73%)	6.20%	8.04%	8.38%	9.94%
Russell 2000 Index	(17.20%)	(23.43%)	(25.20%)	4.21%	5.17%	9.35%	8.52%

The Russell 2000 Index, an index composed of small cap, public companies, declined 17.2% during 2Q22. This small capitalization index exhibited increased volatility throughout the quarter, as demand for consumer goods battles with elevated inflation, despite some easing in supply chains. Pressure on discretionary income from increased prices drove Michigan consumer sentiment numbers to 50.0 in June, the lowest on record since the series was established in 1978. Though nominal retail sales have generally held up, the *real* growth has shown some signs of deceleration over the last six months, and consumer spending patterns appear to be shifting away from more discretionary consumer goods. With more restrictive Fed policy and recessionary fears rising in 2022, the Russell 2000 Index has seen the greatest drawdown during the first half of any year since the inception of the index in 1979. Market price declines over this period have been broad with all sectors negative with the exception of Energy. Valuation multiples have compressed as risk free rates have increased, and we expect that volatility will persist as market participants continue to weigh the prospects of a potential recession and its impact on underlying company fundamentals. While probabilities of a recession have increased during the quarter, consumer and corporate balance sheets remain strong, providing some cushion to mitigate the full impact of a potential “hard landing.” Historically, comparable drawdowns (>15%) over any six months period have been followed by index prices appreciating – on average – 34% over the successive twelve months.

During the 2Q22, the strongest performing sector was Energy, followed by Utilities and Financials. The worst performing sectors in the benchmark were Communication Services, Information Technology, and Consumer Discretionary – all declining greater than 20%. Every sector within the benchmark experienced negative returns during the second quarter. Energy gave up some of the gains experienced during the first quarter but remained the only sector with positive returns year-to-date. Though visibility for 2022 remains murky, consensus estimates for Russell 2000 EPS growth remain 5% for 2022 versus 37% for 2021. This growth estimate is recognized during the first six months of the year. This raises the risk of negative revisions if the economy slips into recession, making estimates for continued growth during 2023 particularly vulnerable. During the quarter, Value did again outperform Growth by 4%, representing a deceleration in the convergence for these cohorts.

The LKCM Small Cap Core composite outperformed the benchmark in 2Q22. The greatest, positive contributor to absolute performance in the portfolio were securities in the Consumer Staples sector. Relative to the benchmark, sector weights and securities detracted slightly during the quarter, while cash level contributed positively. We took cash levels higher during the first part of the quarter. Consumer Staples, Communication Services, Industrials, Materials, and Energy all enjoyed positive attribution from security selection. The strategy remained underweight Utilities, which had a negative allocation effect. Remaining sector allocations – in aggregate – were positive attributors, though not quite enough to offset the drag from Utilities. Our bias towards growth weighed on securities’ attribution, though the importance of maintaining value in the portfolio supported a continued outperformance over the Russell 2000 Growth Index during this persistent Growth/Value 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 – 6/30/22

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

LKCM SMALL CAP CORE COMPOSITE

June 30, 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.

CONTACT: Mason D. King, CFA
Luther King Capital Management
(817) 332-3235
mking@lkc.com

TEN LARGEST HOLDINGS 06/30/22*	
HF SINCLAIR CORPORATION	2.4 %
PALOMAR HOLDINGS INC	1.9 %
CELSIUS HOLDINGS INC	1.8 %
ECOVYST INC	1.8 %
MAGNOLIA OIL & GAS	1.8 %
SEACOAST BANKING CORP FL	1.8 %
CNX RESOURCES CORP	1.7 %
MEDPACE HOLDINGS INC	1.7 %
HOME BANCSHARES INC	1.7 %
KIRBY CORPORATION	1.7 %
	18.4 %

PORTFOLIO RESULTS	
(Benchmark - Russell 2000) (Since Inception)	
	<u>Net</u>
ALPHA	2.36%
BETA	0.87
R ²	89%

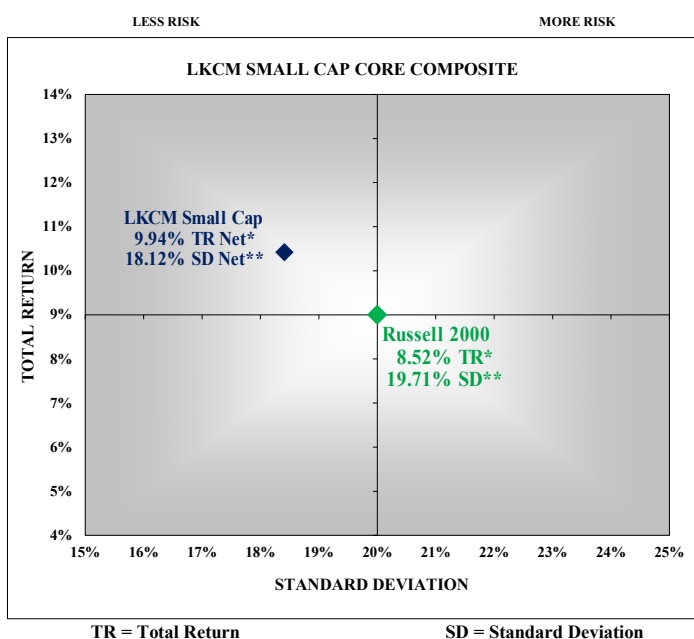
UP CAPTURE	96%
DOWN CAPTURE	87%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	8.5%
LONG TERM DEBT TO TOTAL CAPITAL	51%
P/E FWD 4 Quarters (ex Neg-earnings)	16x

WTD AVG. MARKET CAPITALIZATION	\$3,478 Million
TOTAL SMALL-CAP EQUITY COMPOSITE ASSETS	\$ 199 Million
#HOLDINGS	81
PORTFOLIO TURNOVER*	28%
ACTIVE SHARE	94%

*The largest ten holdings are at 06/30/22 and may not reflect current holdings.

*Turnover rate is based on a representative portfolio for a rolling one year period ending 06/30/22



ATTRIBUTION (2Q 2022)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
FINANCIALS	12.4%	-1.5	16.2%	-1.9
HEALTH CARE	11.4%	-2.5	15.6%	-3.0
INDUSTRIALS	21.8%	-3.3	15.5%	-2.6
INFORMATION TECHNOLOGY	13.5%	-3.5	13.1%	-3.1
CONSUMER DISCRETIONARY	11.5%	-2.8	10.2%	-2.3
REAL ESTATE	2.0%	-0.9	7.8%	-1.6
ENERGY	8.6%	-1.2	7.4%	-1.0
MATERIALS	4.9%	-0.6	4.1%	-0.7
CONSUMER STAPLES	5.1%	0.3	3.8%	-0.1
COMMUNICATION SERVICES	3.2%	-0.6	2.9%	-0.9
UTILITIES	0.0%	0.0	3.2%	-0.1
CASH & EQUIVALENTS	5.5%	0.0	0.0%	0.0
TOTAL PORTFOLIO	100.0%	-16.8%	100.0%	-17.2%

*Total Net Return Since Inception (10/01/94 to 06/30/22) Annualized

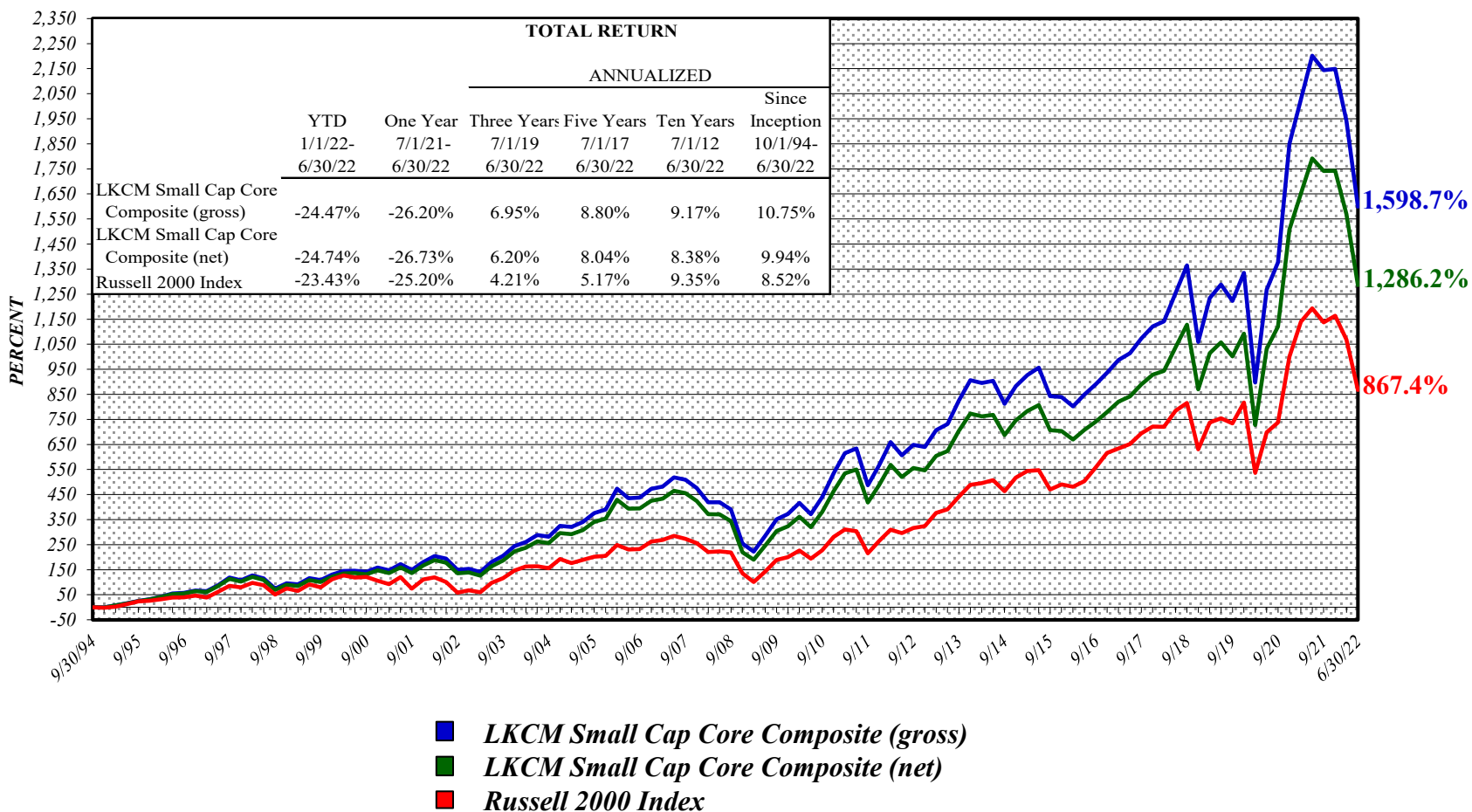
**Standard deviation and performance characteristics reporting period (10/01/94 to 06/30/22)

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 – 6/30/22)



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 JUNE 30, 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	Russell 2000	Small Cap Core Comp		Assets (millions)	
	%	%		%	%	%		%	
2022 (1/1 - 6/30)	-24.47	-24.74	-23.43	NA	NA	NA	5	199	23.1
2021	15.36	14.56	14.82	0.1	25.15	23.35	5	264	27.0
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 06/30/22	-26.20 %	-26.73 %	-25.20 %
5 years ending 06/30/22	8.80	8.04	5.17
10 years ending 06/30/22	9.17	8.38	9.35

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

- 1) 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.
- 2) 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

LKCM SMALL CAP CORE COMPOSITE
GIPS REPORT AS OF JUNE 30, 2022

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.

- 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 – JUNE 30, 2022

	<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 06/30/22					
1 Year	(26.20) %	(26.73) %	(27.29) %	0.09 %	(25.20) %
2 Years	11.44	10.68	11.30	0.06	10.09
3 Years	6.95	6.20	7.03	0.47	4.21
4 Years	5.84	5.09	6.04	0.83	2.28
5 Years	8.80	8.04	9.11	0.74	5.17
6 Years	10.20	9.42	10.58	0.62	8.18
7 Years	7.02	6.25	7.36	0.55	5.91
8 Years	6.80	6.03	7.15	0.50	5.98
9 Years	8.27	7.49	8.66	0.46	7.82
10 Years	9.17	8.38	9.60	0.42	9.35
11 Years	7.93	7.13	8.30	0.39	8.26
12 Years	11.28	10.46	11.81	0.37	10.43
13 Years	12.10	11.27	12.68	0.38	11.25
14 Years	8.84	8.02	9.20	0.47	8.16
15 Years	6.97	6.16	7.23	0.72	6.33
16 Years	7.48	6.66	7.75	0.97	6.94
17 Years	8.27	7.45	8.58	1.12	7.37
18 Years	8.54	7.72	8.88	1.15	7.49
19 Years	9.94	9.12	10.37	1.13	8.71
20 Years	9.17	8.36	9.53	1.14	8.17
21 Years	9.10	8.30	9.46	1.21	7.31
22 Years	9.17	8.38	9.58	1.35	6.99
23 Years	9.38	8.59	9.85	1.47	7.30
24 Years	9.00	8.20	9.31	1.59	7.05
25 Years	9.19	8.40	9.52	1.71	7.41
26 Years	9.65	8.85	9.99	1.84	7.74
27 Years	10.46	9.66	10.96	1.97	8.30
27 3/4 Years	10.75	9.94	11.28	2.07	8.52

- 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.

R² 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.