

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



<u>Performance</u> **	3 rd <u>QTR</u> <u>2022</u>	<u>YTD</u> <u>2022</u>	<u>One</u> <u>Year</u>	<u>3 Years</u> <u>Annualized</u>	<u>5 Years</u> <u>Annualized</u>	<u>10 Years</u> <u>Annualized</u>	<u>Since</u> <u>Inception</u> <u>Annualized*</u>
LKCM Small Cap Core Composite gross	(2.41%)	(26.29%)	(26.12%)	7.81%	7.18%	8.28%	10.55%
LKCM Small Cap Core Composite (net)	(2.58%)	(26.69%)	(26.66%)	7.04%	6.43%	7.50%	9.74%
Russell 2000 Index	(2.19%)	(25.10%)	(23.50%)	4.29%	3.55%	8.55%	8.36%

The Russell 2000 Index, an index composed of small cap, public companies, declined 2.2% during 3Q22. This small capitalization index continued to exhibit increased volatility throughout the quarter, as a bear market rally faded into quarter end. The index increased 18% during the first half of the quarter, before giving all gains back during the second half and, ultimately, ending the quarter at lower levels. Inflation remains more persistent than many economists forecasted, as services and shelter overcompensated for lower inflation for goods as disruption in supply chains eased. The Core CPI, excluding food and energy, *accelerated* during the quarter, hitting new highs in the September reading. This persistence of inflation brought the Federal Reserve’s commitment to rein in inflation back to the fore, as 10-year Treasuries hit 3.95% highs in last few days in the quarter – up from 2.57% lows in early August. The economy continues to support a tight labor market and elevated capacity utilization. While recent job openings have slowed from record levels, job openings to unemployed workers runs at 1.75x, which is down slightly but still 40% above the pre-pandemic peak. Capacity utilization, which estimates utilization of installed capacity for goods and services, has hit levels not seen since before the Financial Crisis. As companies wrestle with labor costs and marginal capacity, challenges develop in offsetting increased ULC (unit labor costs) with less productive labor and facilities, risking structural inflation. The Federal Reserve’s hawkish stance towards inflation, combined with the persistent core CPI, tempered expectations as the quarter progressed. Real disposable income continues to decline, despite large increases in wages, and inventories increased, which should continue to lead to lower pricing power for goods and lower headline inflation. Services and shelter will remain stickier and lag the economic slowdown required to rebalance supply-demand in the domestic market. House prices, which had been promoted by negative real rates, started to exhibit weakness in September as housing affordability indexes plummeted to the lowest levels in nearly 40-years. The response in related goods prices and labor market will show weakness prior to a reflection of weak pricing power in the shelter component. All eyes remain on the ability of the Fed to orchestrate an economic slowdown in order to reduce pressure on labor and capacity such that neither a “hard” economic landing nor structural inflation result. Currently, economic uncertainty remains, and high levels of market volatility will likely persist over the next quarter.

During 3Q22, the two best performing sectors were Healthcare and Energy, while Real Estate and Consumer Staples were the worst performing sectors. Excluding Healthcare and Energy, all sectors experienced negative returns during the quarter. Energy continued to be the only positive sector over the first three quarters, increasing 27%. Information Technology and Consumer Discretionary were the worst performing sectors during this period, with both *decreasing* 36%. Consensus estimates still expect a 5% increase in EPS for the Russell 2000 but estimates for growth in 2023 have started to decline. We anticipate additional revisions as we move through the fourth quarter.

The LKCM Small Cap Core composite slightly underperformed the benchmark in 3Q22. The greatest, positive contributor to absolute performance in the portfolio were securities in the Financials and Energy sectors, while Industrials and Information Technology were the greatest, negative contributors. Relative to the benchmark, securities selection detracted from the performance, while sector weights contributed positively. Financials and Consumer Staples enjoyed the most positive attribution from securities selection, while Healthcare and Industrials had the greatest negative attribution from securities selection during the quarter. The strategy remained underweight Healthcare, which had a negative allocation effect. Remaining sectors, in aggregate, offset the drag from the Healthcare attribution from sector allocation.

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 –9/30/22

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

LKCM SMALL CAP CORE COMPOSITE

September 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@lkcm.com

TEN LARGEST HOLDINGS 09/30/22*	
PALOMAR HOLDINGS INC	2.2 %
ALPHATEC HOLDINGS INC	2.1 %
CADENCE BK	2.1 %
HOME BANCSHARES INC	1.9 %
HF SINCLAIR CORPORATION	1.9 %
UTZ BRANDS INC	1.8 %
HEALTH EQUITY	1.8 %
NUTANIX INC	1.8 %
WATTS WATER TECHNOLOGIES INC	1.8 %
PINNACLE FINANCIAL PARTNERS INC	1.8 %
	19.1 %

PORTFOLIO RESULTS	
(Benchmark - Russell 2000) (Since Inception)	
	<u>Net</u>
ALPHA	2.31%
BETA	0.87
R ²	90%

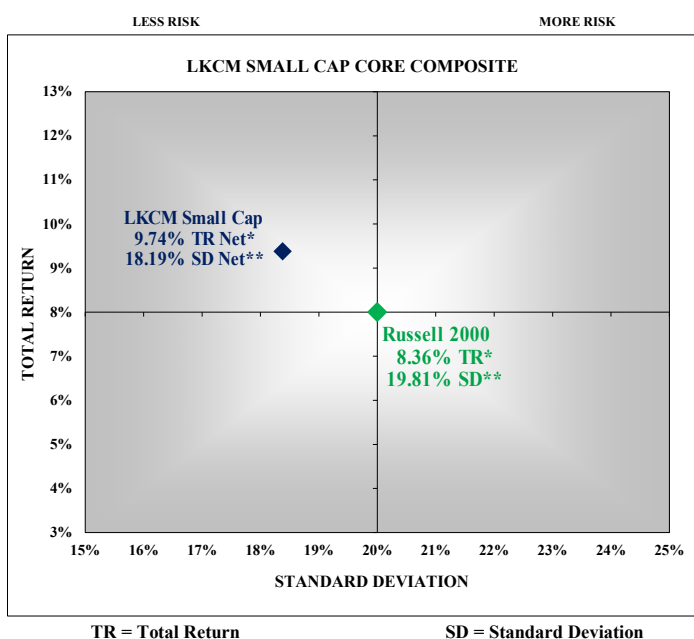
UP CAPTURE	96%
DOWN CAPTURE	87%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	8.8%
LONG TERM DEBT TO TOTAL CAPITAL	38%
P/E FWD 4 Quarters (ex Neg-earnings)	14x

WTD AVG. MARKET CAPITALIZATION	\$3,523 Million
TOTAL SMALL-CAP EQUITY COMPOSITE ASSETS	\$ 192 Million
#HOLDINGS	77
PORTFOLIO TURNOVER*	33%
ACTIVE SHARE	94%

*The largest ten holdings are at 09/30/22 and may not reflect current holdings.

*Turnover rate is based on a representative portfolio for a rolling one year period ending 09/30/22



ATTRIBUTION (3Q 2022)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
FINANCIALS	13.1%	1.0	17.1%	-0.4
HEALTH CARE	11.3%	-0.6	17.8%	1.1
INDUSTRIALS	22.2%	-1.7	15.0%	-0.5
INFORMATION TECHNOLOGY	13.1%	-0.9	13.2%	-0.5
CONSUMER DISCRETIONARY	11.5%	-0.4	10.4%	-0.2
REAL ESTATE	1.7%	-0.2	6.9%	-0.8
ENERGY	8.0%	0.8	5.8%	0.2
MATERIALS	4.4%	-0.5	4.1%	-0.2
CONSUMER STAPLES	6.0%	0.5	3.5%	-0.3
UTILITIES	0.0%	0.0	3.5%	-0.3
COMMUNICATION SERVICES	2.7%	-0.3	2.8%	-0.3
CASH & EQUIVALENTS	6.0%	0.0	0.0%	0.0
TOTAL PORTFOLIO	100.0%	-2.2%	100.0%	-2.2%

*Total Net Return Since Inception (10/01/94 to 09/30/22) Annualized
**Standard deviation and performance characteristics reporting period (10/01/94 to 09/30/22)

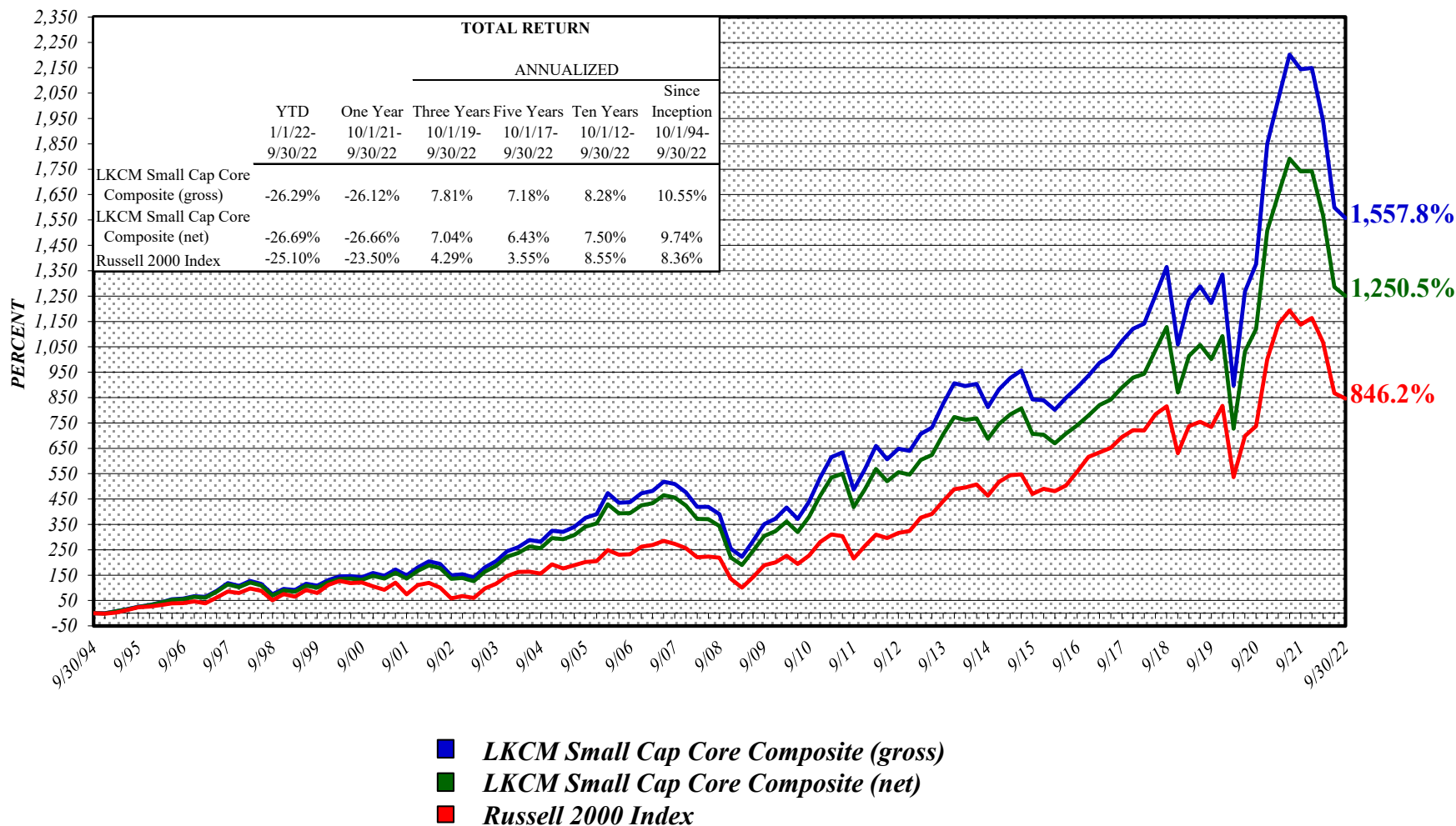
Source: Thomson Reuters (Refinitiv). Performance results calculated by Refinitiv may differ significantly from those calculated by LKCM due to differences in methodology for transaction pricing and accounting for capital transactions.

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 – 9/30/22)



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 SEPTEMBER 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 Assets (millions)	Total Firm Assets (billions)
	Gross of Fees	Net of Fees		Annual Standard Deviation	Small Cap Core Comp	Russell 2000 Index		Small Cap Core Assets (millions)	
	%	%		%	%	%		%	
2022 (1/1 - 9/30)	-26.29	-26.69	-25.10	NA	NA	NA	5	192	22.1
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 09/30/22	-26.12 %	-26.66 %	-23.50 %
5 years ending 09/30/22	7.18	6.43	3.55
10 years ending 09/30/22	8.28	7.50	8.55

NA – Information is not statistically meaningful due to insufficient number of portfolios in the composite for the entire year and/or the 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, 2021. 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, 2021. 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.

- 4) 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.

LUTHER KING CAPITAL MANAGEMENT
SMALL CAP CORE COMPOSITE
PERFORMANCE RESULTS*
OCTOBER 1, 1994 – SEPTEMBER 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 09/30/22					
1 Year	(26.12) %	(26.66) %	(27.19) %	0.51 %	(23.50) %
2 Years	5.96	5.21	5.77	0.27	6.29
3 Years	7.81	7.04	7.91	0.44	4.29
4 Years	3.15	2.41	3.30	0.84	0.82
5 Years	7.18	6.43	7.47	0.82	3.55
6 Years	8.98	8.21	9.35	0.69	6.24
7 Years	8.41	7.63	8.81	0.60	7.51
8 Years	7.75	6.98	8.16	0.55	6.71
9 Years	6.70	5.93	7.06	0.50	6.39
10 Years	8.28	7.50	8.69	0.46	8.55
11 Years	9.89	9.09	10.41	0.43	10.49
12 Years	9.81	9.00	10.28	0.41	9.25
13 Years	11.89	11.05	12.48	0.41	11.06
14 Years	9.10	8.28	9.50	0.46	8.07
15 Years	6.90	6.10	7.17	0.66	6.40
16 Years	7.29	6.48	7.57	0.93	6.76
17 Years	7.62	6.80	7.91	1.11	6.94
18 Years	8.50	7.68	8.85	1.16	7.53
19 Years	9.32	8.50	9.72	1.14	8.09
20 Years	9.94	9.13	10.41	1.14	9.36
21 Years	9.45	8.64	9.92	1.18	8.39
22 Years	9.15	8.35	9.59	1.32	6.83
23 Years	9.43	8.63	9.92	1.45	7.50
24 Years	9.84	9.04	10.38	1.57	7.96
25 Years	8.44	7.65	8.72	1.68	6.73
26 Years	9.47	8.67	9.82	1.81	7.64
27 Years	10.03	9.22	10.47	1.94	7.84
28 Years	10.55	9.74	11.08	2.07	8.36

- 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.