

**LUTHER KING CAPITAL MANAGEMENT**  
**LKCM SMID CAP CORE COMPOSITE**  
**Second Quarter, 2025 Update**



<u>Performance **</u>	<u>2nd QTR 2025</u>	<u>YTD 2025</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 SMID Cap Equity Composite (gross)	6.72%	1.54%	17.98%	14.41%	12.14%	9.57%	10.04%
LKCM SMID Cap Equity Composite (net)	6.45%	1.03%	16.81%	13.27%	11.03%	8.49%	8.87%
Russell 2500® Index	8.59%	0.44%	9.91%	11.31%	11.44%	8.39%	8.86%

The Russell 2500® Index, an index composed of SMID cap, public companies, *increased* by 8.6% during 2Q 2025. The price returns during the quarter were incredibly volatile, *decreasing* 14% from April 1<sup>st</sup>-8<sup>th</sup> and then *increasing* 26% afterwards. The acute drawdown came from “Liberation Day” and concerns for tariff disruptions impacting trade activity and domestic prices. Smaller capitalization companies tend to be more sensitive to sourcing, supply chains, and related costs. Despite the price recovery for the index later in the quarter, the index remained 9% *below* prior highs in Q4 2024. Our bias towards quality fundamentals narrows our investable universe in the benchmark but mitigated against some of the downside capture during the quarter, although we lagged when the market moved dramatically higher later in the period. Information Technology, Industrials, and Consumer Discretionary were the best performing sectors during the second quarter.

Actions taken by Trump on tariffs on April 2<sup>nd</sup> soured sentiment early in the quarter, as reflected by University of Michigan Consumer Sentiment survey. Economic pundits increased the probability of recession in 2025 to 60%, as weaker soft data was expected to spill over into subsequent hard data. Reduced economic activity and the prospect for higher prices presented a possibility for stagflation. Economists expected to see inflation rise, resulting from “tariff tax” on consumer prices. The deterioration in hard data at this point does not reflect the concern, but they could materialize as tariff policy remains uncertain.

Though the ISM Manufacturing PMI fell slightly below the 50-level, signifying contraction, this level remained above median levels for the survey in *both* 2023 and 2024. Concerns for weakness in employment have not materialized, despite a reduction in the federal workforce. The monthly job vacancies actually increased during the past quarter, while non-farm payrolls continued to sequentially increase. The unemployment rate dropped to 4.1% in June. The dip in consumer sentiment minimally impacted retail sales, excluding gas, food, auto and building materials, with only one sequential print in April showing a 0.1% decline, before increasing by 0.4% in May. Job markets have normalized after the pandemic disruption, and current strength in labor and wages provides support for consumption. Average hourly earnings have slowed to 3.7%, which remains higher than any time during the decade prior to the pandemic. Additionally, lower inflation has provided *real* hourly earnings to increase at 1.0%, which is also higher than most 2010-2019 data. Inflation has remained subdued despite concern for price “step changes” resulting from tariffs. Strength in real earnings and wealth effect from market recovery should support purchasing power for consumption, though we remain vigilant to risks associated with elevated credit balances.

There remains plenty of policy and economic uncertainty, but the recent passing of the “Big Beautiful Bill” should provide a positive offset in an uncertain environment resulting from tariff policy. Additionally, the deregulation push should ease the regulatory “tax” on business activity and growth. These two offsets should be long-term benefits to U.S. businesses. The economic pundits, in aggregate, now assign a 20% probability for recession in 2025.

The LKCM SMID Cap Core composite *increased* by 6.5% net of fees for the quarter-ended June 30, 2025, as compared to a increase of 8.6% for the Russell 2500® Index, its benchmark. Our underweight in Consumer Discretionary was the largest allocation drag on portfolio relative performance. The largest contributions to relative performance due to allocation resulted from our overweight of the Industrials sectors. Overall, our sector exposures provided tailwinds to the portfolio performance relative to the Russell 2500® Index during the quarter. Securities selection in the Healthcare and Real Estate sectors were the largest contributors to positive security selection effect, which were more than offset by security selection in Industrials and Financials, where we experienced volatility during the quarterly earnings season.

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 enterprise 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.

4/1/05 – 06/30/25

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

# LKCM SMID CAP EQUITY COMPOSITE

June 30, 2025

**LEAD MANAGER:** DANIEL C. DOWNES, CFA, CPA  
**CO-MANAGERS:** J. LUTHER KING, JR., CFA  
MASON D. KING, 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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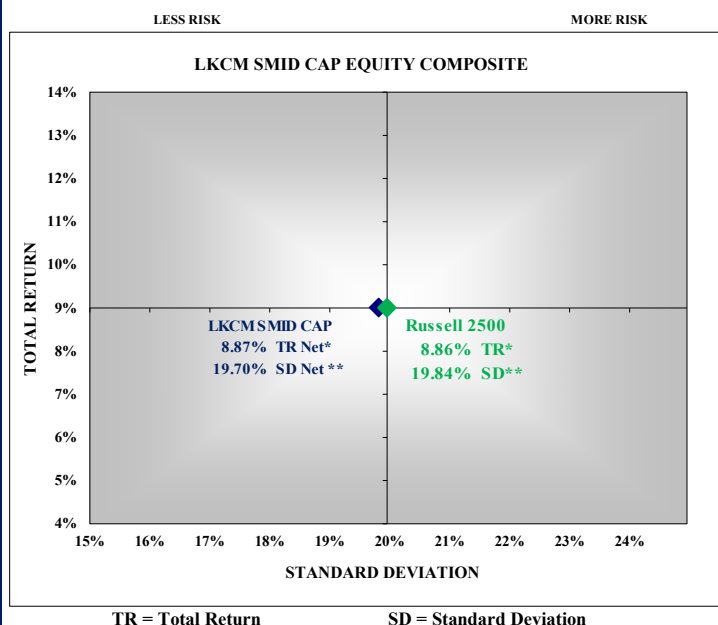
TEN LARGEST HOLDINGS 06/30/25	
Q2 HOLDINGS INC	3.1 %
SEI INVESTMENTS COMPANY	2.8 %
PALOMAR HOLDINGS INC	2.8 %
LPL FINANCIAL HOLDINGS INC	2.7 %
TWILIO INC	2.6 %
ENSIGN GROUP INC	2.5 %
TRIMBLE INCORPORATED	2.5 %
AECOM	2.4 %
FIRSTSERVICE CORP	2.3 %
WINGSTOP INC	2.3 %
	26.0 %

\*The largest ten holdings are at 06/30/25 and may not reflect current holdings.

PORTFOLIO RESULTS	
(Benchmark - Russell 2500) (Since Inception)	
	Net
ALPHA	0.62%
BETA	0.94
R <sup>2</sup>	89%
UP CAPTURE	
	95%
DOWN CAPTURE	
	94%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	19%
LONG TERM DEBT TO TOTAL CAPITAL	24%
P/E FWD 4 Quarters (ex Neg-earnings)	21 x
WTD AVG. MARKET CAPITALIZATION	\$11,213 Million
TOTAL SMID CAP EQUITY COMPOSITE ASSETS	\$90 Million
#HOLDINGS	53
PORTFOLIO TURNOVER*	31%
ACTIVE SHARE	95%

\*Turnover rate is based on a representative portfolio for a rolling one year period ending 06/30/25.



\*Total Net Return Since Inception (4/01/05 to 06/30/25) Annualized  
\*\*Standard deviation and performance characteristics reporting period (4/01/05 to 06/30/25)

ATTRIBUTION (2Q 2025)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
INDUSTRIALS	26.1%	1.81%	19.23%	2.57%
FINANCIALS	23.7%	1.28%	18.43%	1.70%
INFORMATION TECHNOLOGY	12.6%	2.39%	11.71%	2.19%
CONSUMER DISCRETIONARY	9.1%	0.71%	12.13%	1.28%
HEALTH CARE	9.5%	0.86%	11.37%	0.25%
REAL ESTATE	4.4%	0.30%	6.91%	-0.18%
MATERIALS	3.5%	-0.02%	5.34%	0.29%
ENERGY	3.7%	0.07%	5.07%	-0.08%
CONSUMER STAPLES	0.8%	-0.32%	3.75%	0.10%
COMMUNICATION SERVICES	1.2%	-0.05%	3.04%	0.25%
UTILITIES	0.0%	0.00%	3.02%	0.23%
CASH & EQUIVALENTS	5.3%	0.06%	0.00%	0.00%
TOTAL PORTFOLIO	100.0%	6.7%	100.0%	8.6%

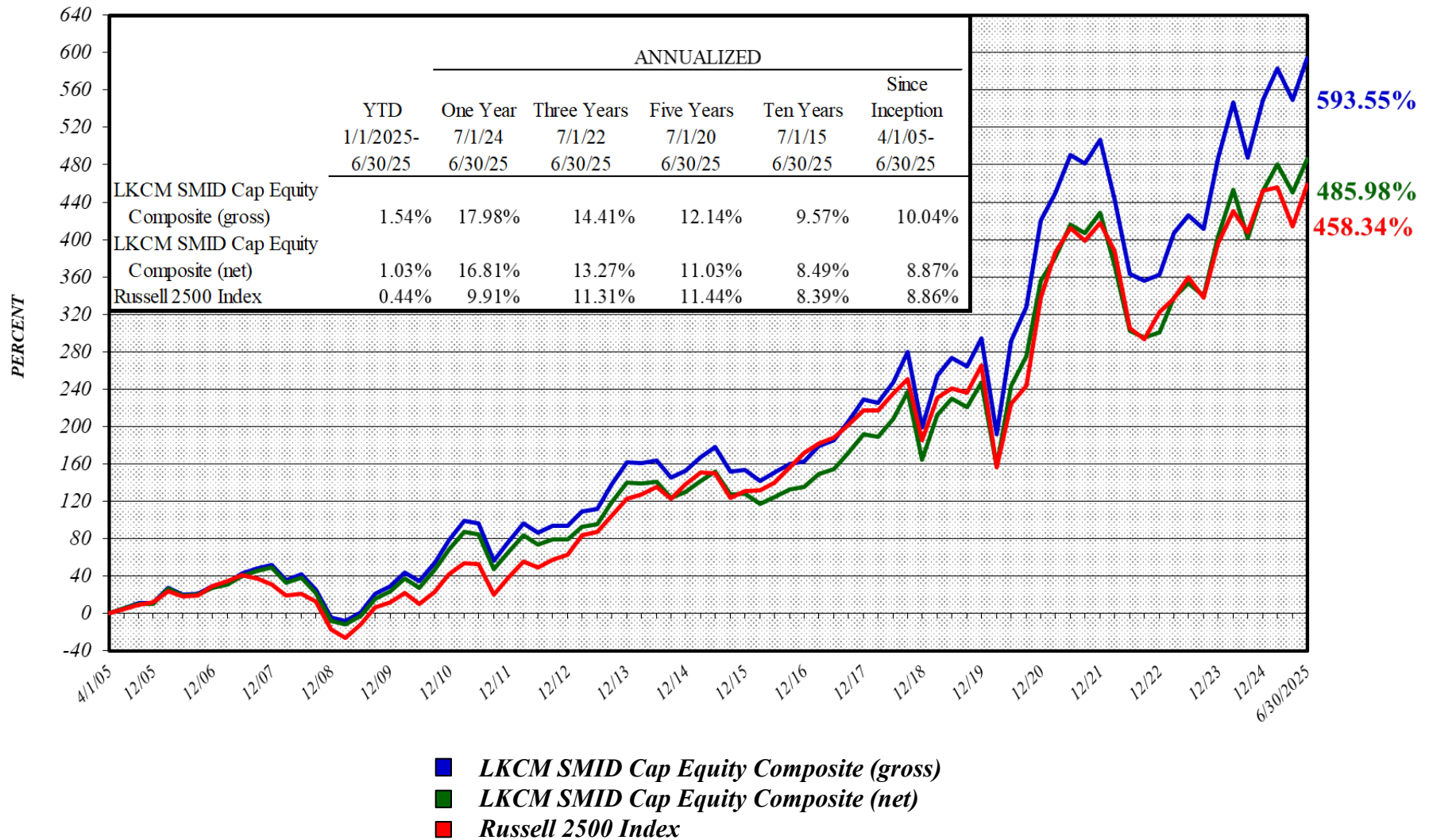
Source: LSEG Data and Analytics. Performance results calculated by Refinitiv may differ significantly from those calculated by LKCM due to differences in methodology for transaction pricing and accounting for capital transactions.

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

Sources: LKCM Smid Cap Equity Composite, Zephyr Informa Financial Intelligence and LSEG Data and Analytics.

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

## ***Cumulative Returns Since Inception (4/1/05 – 6/30/25)***



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

**LUTHER KING CAPITAL MANAGEMENT**  
**SMID CAP EQUITY COMPOSITE**  
**GIPS Report as of June 30, 2025**

Year	Total Return		Russell 2500 Index	SMID Cap Eq Comp Annual Standard Deviation	3-Year Annualized Gross Standard Deviation		Number of Accounts	SMID Cap Eq Composite Assets (millions)	Total Firm Assets (billions)
	Gross of Fees	Net of Fees			SMID Cap Eq Comp	Russell 2500 Index			
2025 (1/1 - 6/30)	1.54 %	1.03 %	0.44 %	NA %	NA %	NA %	18	90	28.6
2024	16.33	15.18	12.00	0.3	21.36	21.70	19	94	28.8
2023	26.96	25.70	17.42	0.8	19.78	20.15	21	74	26.3
2022	-23.71	-24.47	-18.37	1.2	24.52	25.16	21	54	23.6
2021	16.60	15.44	18.18	0.8	22.47	22.48	6	48	27.0
2020	32.03	30.71	19.99	1.2	24.44	24.21	6	45	21.6
2019	31.64	30.34	27.77	0.7	15.93	14.58	5	33	18.2
2018	-8.89	-9.80	-10.00	0.1	14.48	14.10	5	28	14.5
2017	24.92	23.68	16.81	0.7	11.82	12.13	6	40	15.3
2016	3.81	2.78	17.59	1.2	13.24	13.67	9	66	13.1
2015	0.10	-0.89	-2.90	0.8	13.13	12.42	16	453	13.1

	Annualized Returns		
	Total Return		Russell 2500 Index
	Gross of Fees	Net of Fees	
1 year ending 06/30/25	17.98 %	16.81 %	9.91 %
5 years ending 06/30/25	12.14	11.03	11.44
10 years ending 06/30/25	9.57	8.49	8.39

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) is an independent registered investment adviser under the Investment Advisers Act of 1940 and is defined as an independent investment management firm. 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, 2024. 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 SMID Cap Equity Composite has had a performance examination for the periods April 1, 2005 to December 31, 2024. 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:** April 1, 2005 is the effective creation date of the SMID Cap Equity Composite and April 1, 2005 is the inception date of the SMID Cap Equity Composite. 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 \$2 billion and \$20 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. Material risks related to the investment strategy include, without limitation, those associated with



LKCM SMID CAP EQUITY COMPOSITE  
GIPS REPORT AS OF JUNE 30, 2025

cybersecurity, equity securities, foreign securities, general market and economic conditions and factors, inflation, investment selection, liquidity, investment management, mid cap companies, 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. In accordance with the SEC Marketing Rule that went into effect November 4, 2022, net of fee returns are calculated by reducing the gross returns by the maximum fee charged to any account in the composite for the respective period. The percent of composite assets that paid zero commissions was 20.92% as of 12/31/24. The current management fee schedule for this composite is as follows: 1.00% on the first \$5,000,000; 0.75% on the next \$5,000,000; 0.50% over \$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 Small-Mid 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 2022, the portfolios in this composite stay at or over 75% invested in stocks. From 2010-2021, the portfolios in this composite stayed at or over 80% invested in stocks. 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 model 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 –JUNE 30, 2025**

	Total Return		Equity Return		Russell 2500 Index
	Gross of Fees	Net of Fees	Gross of Fees	Net of Fees	
Annualized Returns Ending 06/30/25					
1 Year	17.98 %	16.81 %	18.80 %	17.61 %	9.91 %
2 Years	14.85	13.71	15.41	14.27	10.19
3 Years	14.41	13.27	15.25	14.11	11.31
4 Years	4.11	3.08	4.08	3.05	2.16
5 Years	12.14	11.03	12.58	11.46	11.44
6 Years	10.88	9.78	11.24	10.13	8.58
7 Years	10.39	9.29	10.72	9.62	7.58
8 Years	11.73	10.62	12.19	11.07	8.62
9 Years	11.98	10.87	12.49	11.37	9.82
10 Years	9.57	8.49	10.11	9.02	8.39
11 Years	9.20	8.11	9.75	8.65	8.16
12 Years	10.40	9.27	10.96	9.83	9.51
13 Years	10.65	9.50	11.24	10.09	10.68
14 Years	9.42	8.28	9.93	8.79	9.69
15 Years	11.57	10.40	12.28	11.10	11.45
16 Years	12.77	11.57	13.52	12.32	12.20
17 Years	9.79	8.62	10.23	9.05	9.42
18 Years	9.20	8.03	9.56	8.39	7.95
19 Years	9.67	8.50	10.03	8.86	8.49
20 Years	9.87	8.71	10.21	9.04	8.74
20 1/4 Years	10.04	8.87	10.33	9.16	8.86

\*The results shown above should be reviewed along with LKCM SMID Cap Equity Composite GIPS Report. If you have not received a copy of the GIPS Report, please contact Luther King Capital Management for a copy. Equity returns are supplemental information to this composite. In accordance with the SEC Marketing Rule that went into effect November 4, 2022, April 1, 2005-December 31, 2022, net of fee returns are calculated by reducing the gross returns by the maximum fee charged to any account in the composite for the respective period. 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.