

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



<b>Performance **</b>	<b>3rd QTR 2025</b>	<b>YTD 2025</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 Core Composite (gross)	2.68%	4.26%	9.68%	16.04%	10.75%	10.98%	10.05%
LKCM SMID Cap Core Composite (net)	2.42%	3.48%	8.59%	14.88%	9.65%	9.88%	8.88%
Russell 2500® Index	9.00%	9.48%	10.16%	15.65%	12.09%	10.52%	9.21%

The Russell 2500® Index, an index composed of SMID cap, public companies, jumped 9.0% during 3Q 2025. The total returns during the quarter were driven by a low-quality rally. During the last six months, twenty-one of twenty-eight subsectors in the smaller company index experienced *unprofitable* companies outperforming profitable companies. Factor-based performance reflected the low-quality rotation of capital in the asset class. High short interest, unprofitable, high volatility, and low price were the four highest performing factors. Two sectors contributed disproportionately during the quarter, with Information Technology and Industrials contributing nearly fifty percent of the total index return. Consumer Staples and Financials were the two worst performing sectors during the quarter.

The sudden move of low quality is typical during the early stages of a SMID cap bull market. SMID cap companies have been under pressure and have, generally, underperformed their large cap peers over the last decade. Leadership has remained narrow within the index. The tone change reflects stimulative policy and fundamental outlook.

Expectations for monetary policy continue to point to further Federal Reserve rate cuts, which disproportionately benefit SMID cap companies over large companies. Lower rates benefit in three ways: lower, imputed costs of equity capital, lower direct interest expenses, and potential expansion of consumer credit – and consumption. The lower equity cost of capital has benefited long duration growth and binary outcome companies such as early-stage biotech.

Additionally, the fiscal impulse expected in early 2026 has overshadowed tariff risks. The tax bill should support additional consumption through extending lower marginal tax rates, increased standard deductions, child tax credit expansion, elimination on tax for overtime, no tax on tips, and enhanced senior deduction. These will contribute to a large tax refund expected in early 2026 and should promote increased marginal consumption, as employment remains strong. Additionally, business investment should benefit from cementing 100% bonus depreciation, full deduction for domestic research and development, and increased interest expense deduction. The improvement in the NFIB SMID Business Optimism Index\*\*\* since April reflects a more constructive outlook.

This favorable outlook for cost of capital and economic activity has complemented expectations for recovery in SMID cap earnings. Revenue growth expectations and operating leverage drive this outlook, and the stimulus, complemented by continued low unemployment, should buttress the outlook. Though low-quality typically leads initially in SMID cap bull markets, their outperformance tends to decelerate after a few quarters; quality tends to outperform over longer horizons, which is more consistent with our investment discipline and historical exposure.

The LKCM SMID Cap Core composite increased by 2.4% net of fees for the quarter-ended September 30, 2025, as compared to an increase of 9.0% for the Russell 2500® Index, its benchmark. Our sector exposures provided tailwinds to the portfolio performance relative to the Russell 2500® Index during the quarter, with the greatest contributions from an overweight in Industrials and underweight in Consumer Staples. Our overweight in Financials and underweight in Utilities were the largest allocation drags on relative portfolio performance. Securities selection detracted from attribution during the quarter as our focus on quality, predictability, and resilience was out-of-favor. Our greatest security selection benefit came from the Real Estate and Communication Services sectors, while the weakest attributions from security selection for the quarter were in the Consumer Discretionary and Financials sectors.

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.

\* 4/01/05 –09/30/25

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

\*\*\* The National Federation of Independent Business (NFIB) Small Business Optimism Index is a monthly survey-based metric that gauges the sentiment of U.S. small business owners about current business conditions and expectations for the next six months.

# LKCM SMID CAP EQUITY COMPOSITE

September 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.

**CONTACT:** Daniel C. Downes, CFA, CPA  
Luther King Capital Management  
(817) 332-3235  
[ddownes@lkcm.com](mailto:ddownes@lkcm.com)

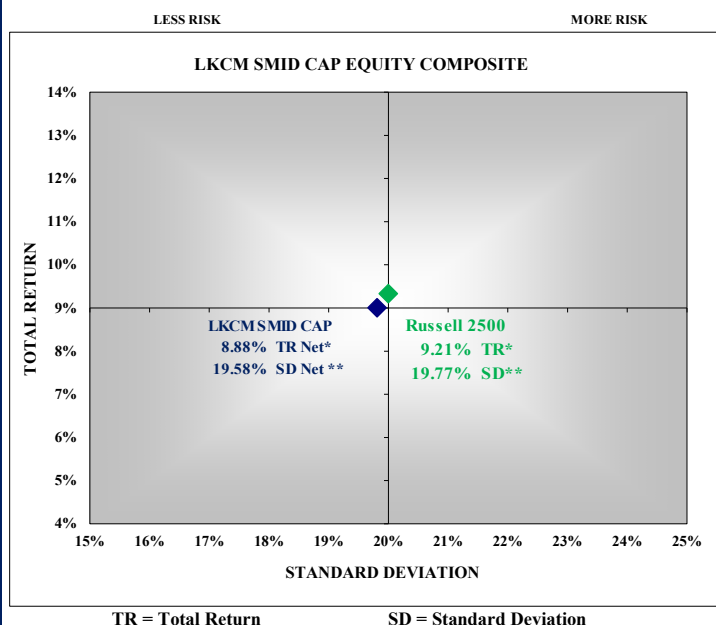
TEN LARGEST HOLDINGS 09/30/25	
TOWER SEMICONDUCTOR LTD	3.1 %
FTAI AVIATION LTD COM	2.9 %
ENSIGN GROUP INC	2.7 %
TRIMBLE INCORPORATED	2.6 %
SEI INVESTMENTS COMPANY	2.5 %
AECOM	2.5 %
FIRSTSERVICE CORP	2.5 %
BWX TECHNOLOGIES INC	2.4 %
MERCURY SYSTEMS INC	2.3 %
COLLIERS INTERNATIONAL GROUP	2.3 %
	25.8 %

PORTFOLIO RESULTS	
(Benchmark - Russell 2500) (Since Inception)	
	Net
ALPHA	0.37%
BETA	0.93
R <sup>2</sup>	89%
UP CAPTURE	
	94%
DOWN CAPTURE	
	94%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	17.0%
LONG TERM DEBT TO TOTAL CAPITAL	24%
P/E FWD 4 Quarters (ex Neg-earnings)	23 x
WTD AVG. MARKET CAPITALIZATION	
	\$11,140 Million
TOTAL SMID CAP EQUITY COMPOSITE ASSETS	\$90 Million
#HOLDINGS	54
PORTFOLIO TURNOVER*	37%
ACTIVE SHARE	95%

\*The largest ten holdings are at 09/30/25 and may not reflect current holdings.

\*Turnover rate is based on a representative portfolio for a rolling one year period ending 09/30/25.



ATTRIBUTION (3Q 2025)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
INDUSTRIALS	29.6%	3.25%	20.24%	2.36%
FINANCIALS	19.5%	-1.99%	17.74%	0.75%
INFORMATION TECHNOLOGY	14.8%	0.85%	13.64%	1.93%
CONSUMER DISCRETIONARY	8.5%	-1.00%	11.98%	0.80%
HEALTH CARE	10.9%	0.82%	11.24%	1.46%
REAL ESTATE	4.8%	0.61%	6.65%	0.40%
MATERIALS	3.2%	-0.01%	5.17%	0.47%
ENERGY	4.4%	-0.22%	3.70%	0.40%
CONSUMER STAPLES	0.0%	0.00%	3.62%	-0.13%
COMMUNICATION SERVICES	0.9%	0.12%	3.05%	0.24%
UTILITIES	0.0%	0.00%	2.97%	0.36%
CASH & EQUIVALENTS	3.3%	0.04%	0.00%	0.00%
TOTAL PORTFOLIO	100.0%	2.7%	100.0%	9.0%

\*Total Net Return Since Inception (4/01/05 to 09/30/25) Annualized

\*\*Standard deviation and performance characteristics reporting period (4/01/05 to 09/30/25)

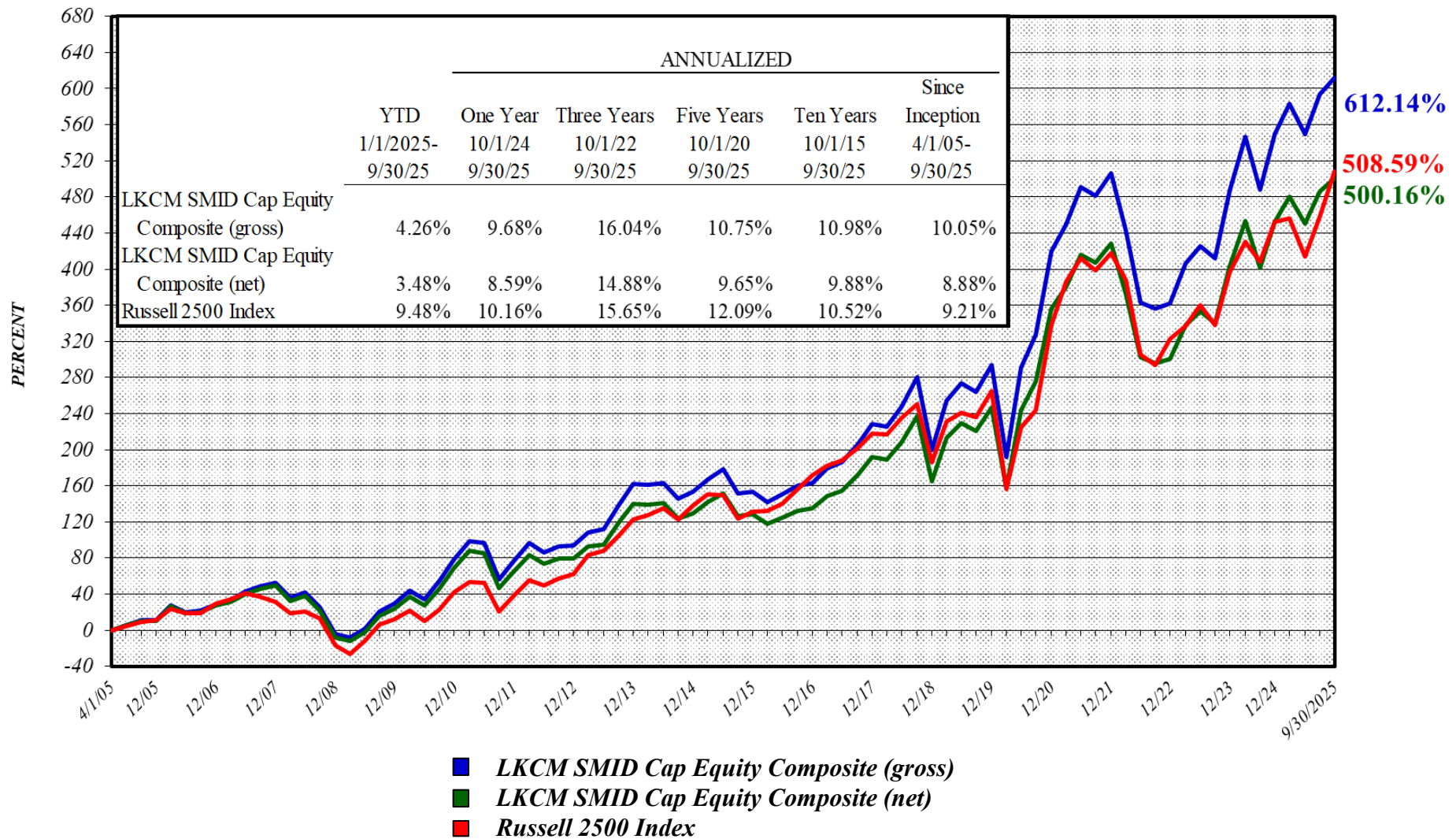
Source: LSEG Data and Analytics. Performance results calculated by Refinitiv may differ significantly from those calculated by LKCM due to differences in methodology for transaction pricing and accounting for capital transactions.

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 – 9/30/25)***



*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 September 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 - 9/30)	4.26 %	3.48 %	9.48 %	NA %	NA %	NA %	18	93	30.1
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		Russell 2500 Index
	Total Return		
	Gross of Fees	Net of Fees	
1 year ending 09/30/25	9.68 %	8.59 %	10.16 %
5 years ending 09/30/25	10.75	9.65	12.09
10 years ending 09/30/25	10.98	9.88	10.52

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 SEPTEMBER 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 – SEPTEMBER 30, 2025**

	Total Return		Equity Return		Russell
	Gross of Fees	Net of Fees	Gross of Fees	Net of Fees	2500 Index
Annualized Returns Ending 09/30/25					
1 Year	9.68 %	8.59 %	10.14 %	9.05 %	10.16 %
2 Years	17.96	16.79	18.61	17.43	17.89
3 Years	16.04	14.88	16.91	15.75	15.65
4 Years	5.22	4.17	5.20	4.16	5.10
5 Years	10.75	9.65	11.04	9.94	12.09
6 Years	11.84	10.73	12.22	11.11	10.38
7 Years	9.39	8.31	9.69	8.60	8.20
8 Years	11.19	10.09	11.63	10.52	9.17
9 Years	11.87	10.76	12.37	11.25	10.09
10 Years	10.98	9.88	11.59	10.48	10.52
11 Years	10.16	9.06	10.76	9.65	9.56
12 Years	9.57	8.46	10.11	8.99	9.51
13 Years	10.56	9.42	11.13	9.99	10.95
14 Years	11.42	10.26	12.01	10.85	12.27
15 Years	10.75	9.58	11.37	10.20	11.24
16 Years	11.72	10.54	12.42	11.23	11.53
17 Years	10.75	9.57	11.37	10.18	10.43
18 Years	9.10	7.93	9.48	8.31	8.62
19 Years	9.76	8.59	10.12	8.95	8.96
20 Years	9.76	8.59	10.10	8.93	8.95
20 1/2 Years	10.05	8.88	10.35	9.18	9.21

\*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.