

GLOBAL EQUITY SMID FUND



Q2 2022 Fact Sheet

This report is for the unlisted and quoted class of units in the Vaughan Nelson Global Equity SMID Fund ('Fund')

- Vaughan Nelson Global Equity SMID Fund is the unlisted class of units
- Vaughan Nelson Global Equity SMID Fund (Quoted Managed Fund) is the quoted class of units (ASX: VNGS)

Objective

The Fund aims to outperform its MSCI ACWI SMID Cap Index benchmark (after fees and expenses and before taxes) on a rolling five-year basis.

Global Equity SMID Fund Performance as at June, 2022

Total Return	1 month	Since inception ¹
Fund	-5.5%	-5.5%
Quoted Managed Fund	-5.5%	-5.5%
MSCI ACWI SMID Cap Net Index	-6.0%	-6.0%

¹Since inception returns calculated from 31 May 2022. Fund returns are calculated using the net asset value per unit at the start and end of the relevant period in AUD, net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

Quarterly Manager Commentary

Market Overview

Global equity markets generally produced negative returns from the inception of the fund on 1 June 2022 through to the end of the quarter. In all, forty-one out of the forty-seven markets represented in the index produced negative equity returns for the period, with the top performing markets being Hong Kong and China, where Chinese stimulus plans and an easing of Covid related lockdowns were the drivers of positive returns for the quarter.

Risk assets faced continued pressure from accelerating inflation, decelerating economic growth, and tightening financial conditions. Inflationary pressures in the U.S. have moved from goods to services and housing, in the form of owner's equivalent rent. Inflation will ease as we move through the third and fourth quarter, but it will remain elevated entering 2023. While interest rates have shifted materially higher, the yield curve has flattened with the M2 money supply decelerating materially. The rapid slowdown in economic growth and tightening financial conditions are creating a recessionary environment in the U.S., Europe, and most export led economies.

A rapid decline in commodity prices, flattening yield curves, widening credit spreads and an inverted Eurodollar futures curve are all indications that capital market participants are shifting their focus to the increasing likelihood of a recession. In prior slowdowns, the U.S. Federal Reserve quickly loosened financial conditions to support the market and the economy. During this cycle, the Federal Reserve will be procyclical as it continues to tighten financial conditions to bring down inflation, despite the recessionary warnings. Many other central banks will face similar tough choices as rising inflationary pressure and slowing growth are a global issue, while sovereign balance sheets are much worse than they were prior to the Great Financial Crisis.

Fund Commentary

The fund is positioned for slowing global economic growth. Given the potential for slowing growth to turn into negative growth in the near term, we maintain a slightly elevated cash balance. Due to geopolitical uncertainties, supply chain disruptions and the tightening of monetary policy by Central Banks, we continue to believe there is more downside risk than upside risk in the current market environment. That said, it is unclear what the reaction function of global Central Banks would be to a sustained economic or market downturn, which keeps us from becoming overly defensive in our positioning.

During the month, through a combination of market action and trading, we decreased our fund weightings in the United Kingdom and Germany, while increasing our weightings in Japan and the United States. At the sector level, our weightings in Information Technology, Communication Services, Healthcare and Financials increased, while our weightings in Energy, Materials, Consumer Discretionary and Real Estate decreased.

For the month, the fund produced a negative absolute return but outperformed the MSCI ACWI SMID benchmark. At the country level, the largest positive contributor to the fund's performance was the United States, with the outperformance driven by stock selection within the Information Technology and Financial sectors. The largest country level detractors from relative performance were the United Kingdom and Norway, where stock selection in the Industrial sector was the primary drag on the performance.

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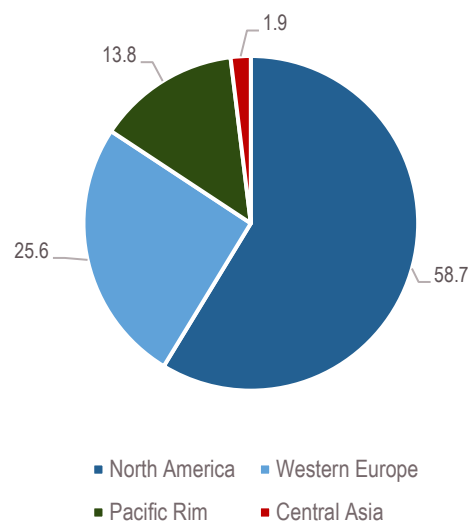


Portfolio Data

as at 30 June 2022

Top 10 Holdings	Country	Sector	% of Portfolio
Exl Service Holdings	United States	Information	3.9
Brown & Brown	United States	Financials	3.1
Element Solutions	United States	Materials	3.0
Tower Semiconductor	Israel	Information Technology	2.9
Insight Enterprises	United States	Information Technology	2.9
Avantor	United States	Health Care	2.8
Marlowe	United Kingdom	Industrials	2.8
Syneos Health	United States	Health Care	2.6
Jack Henry & Associates	United States	Information Technology	2.2
Steadfast Group	Australia	Financials	2.1

Fund Geographic Weightings (%)



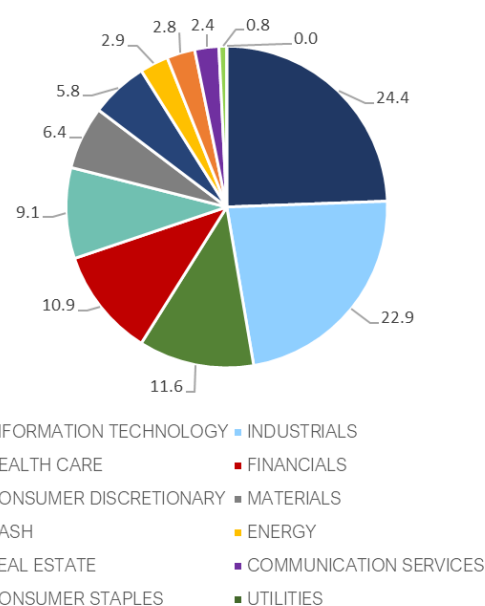
Portfolio Changes*

New Holdings	Diamondback Energy; Pandora
Exited Holdings	Bally's Corporation; Pioneer Natural Resources

*30 day lag on portfolio changes

Portfolio Characteristics	Fund	Index
Number of Holdings	71	7,928
Wtd. Avg. Mkt. Cap (\$B)	8.63	12.45
Price/Book	2.3	1.7
Price/Cash Flow	10.49	8.12
P/E NTM	12.67	11.71
ROA (%)	6.97	6.46
ROE (%)	15.24	14.20
Dividend Yield (%)	1.33	2.22
Net Debt/Equity	0.47	0.48

Fund Sector Weightings (%)



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Strategy Highlights

Best ideas portfolio - Based on deep fundamental research, our team has high conviction in the companies selected for this portfolio.

Focus on targeted return - Built on investments we have identified with the ability, in our view, to generate attractive returns over the longer-term.

We trade time for value - Exploits short-term volatility and poor short-term price discovery due to the fund's longer time horizon.

SMID cap expertise - Managed by a global team with deep research expertise and strong capital allocation track record.

Fund Facts	
Assets	\$18.9 M
Investment Horizon	4-5 years
Distributions	Generally annually
Management fee*	1.12%
Performance fee	N/A
Inception date	1 June 2022

*Inclusive of the net effect of GST

Global Equity SMID Fund

APIR	IML1199AU
Application price	0.9463
Redemption price	0.9435

Global Equity SMID Fund (Quoted Managed Fund)

APIR	IML9286AU
ASX ticker	VNGS
NAV	2.3623

About Vaughan Nelson

Founded in 1970 with a Houston-based HQ, today we manage US \$13.0 billion* of equity and fixed income portfolios for non-profit, public and corporate plans and individuals. Our investment process focuses on targeted returns designed to help our clients meet their future obligations.

Vaughan Nelson is an affiliate of global asset management company Natixis Investment Managers.

*as at 30 June 2022



VaughanNelson.com.au



Invest@VaughanNelson.com.au



1300 219 207

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