

LUTHER KING CAPITAL MANAGEMENT
LKCM SMID CAP EQUITY COMPOSITE
Second Quarter, 2024 Update



Performance **	2nd QTR 2024	YTD 2024	One Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
LKCM SMID Cap Equity Composite (gross)	-9.14%	0.12%	11.80%	-0.14%	9.52%	8.36%
LKCM SMID Cap Equity Composite (net)	-9.36%	-0.38%	10.69%	-1.13%	8.43%	7.27%
Russell 2500 Index	-4.27%	2.35%	10.47%	-0.29%	8.31%	7.99%

The Russell 2500® Index, an index composed of SMID cap, public companies, decreased by 4.3% during 2Q 2024. The index experienced selling pressure, as the change in interest rate expectations took a toll on the broader market with smaller companies underperforming larger companies, and longer duration, growth constituents underperforming value. Utilities were the only sector in the index with positive returns during the second quarter.

Rising earnings multiples took a pause in the second quarter as disinflation slowed and “higher for longer” created headwinds. As the quarter progressed, the inflation outlook stabilized, and economic growth persisted. Optimism returned for a “soft landing” where the economy avoids recession, while we move gradually towards a better balance in the labor markets. Such a transition would allow for the Federal Reserve to become more accommodative so that monetary policy can promote economic activity while becoming less dependent upon profligate fiscal support. The federal deficit spending has promoted growth while the central bankers work to normalize policy and combat inflation.

Labor markets have started to develop slack with unemployment rising, quits rate dropping, and Beveridge ratio (job openings/unemployed workers) declining towards pre-COVID levels. Government – federal, state, and local – have been relatively strong contributors to GDP growth, and consumption has held up, as lower earning cohorts, which are the most vulnerable to inflationary pressure, contribute disproportionately low levels to total domestic consumption. The top percentage of income earners contribute a disproportionate amount of personal consumption in gross domestic product. Cracks have started to develop in consumption, but in the absence of further weakness in the labor markets, we don’t expect consumption to hit a cliff despite increased credit card balances, elevated delinquencies, and deplete excess savings that is stressing many consumers. Manufacturing activity, as measured by ISM Manufacturing Purchasing Managers’ Index, has remained in contractionary territory (<50), though it has improved from lows in mid-2023. ISM Services PMI slid below 50 in two of the last three prints, leaving some concern for further deceleration. While the consensus remains optimistic, the underlying data remains mixed and economic outlook uncertain.

Earnings for the SMID cap universe, as measured by Russell 2500® constituents, continue to look towards an improvement during the second half of 2024. The current environment continues to hold optimism, but the earnings recovery has not seen the momentum of the largest companies (Magnificent Seven) who have seen earnings accelerations this year, sucking the capital (or financial “oxygen”) from many other parts of the equity markets, including the SMID cap universe, while creating historically narrow leadership. The SMID cap universe, as measured by the index, shows many historical breaks from large cap, which, barring a nasty recession, should present better value in the event of a reversal in these wide spreads in valuation multiples, aggregate market capitalization, and relative performance.

The LKCM SMID Cap Core composite returned -9.4% net of fees for the quarter ended June 30, 2024, as compared to -4.3% for the Russell 2000® Index, its benchmark. From a sector standpoint, our underweight in Consumer Discretionary had the greatest positive impact on our sector allocation, while our underweight in Utilities had the most detrimental impact to allocation effect. Stock selection decisions in the Information Technology and Consumer Discretionary sectors were the largest contributors to positive security selection effect, which were more than offset by security selection effects 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 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.

* 4/1/05 – 6/30/24

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

LKCM SMID CAP EQUITY COMPOSITE

June 30, 2024

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 06/30/24	
Q2 HOLDINGS INC	3.4 %
ENOVIS CORPORATION	3.2 %
MURPHY USA INC	2.5 %
PALOMAR HOLDINGS INC	2.5 %
TOWER SEMICONDUCTOR LTD	2.3 %
ALTAIR ENGINEERING INC - A	2.2 %
PERMIAN RESOURCES CORP	2.2 %
CSW INDUSTRIALS	2.2 %
ENSIGN GROUP INC	2.2 %
NATERA INC	<u>2.1</u> %
	24.8 %

PORTFOLIO RESULTS	
(Benchmark - Russell 2500) (Since Inception)	
	<u>Net</u>
ALPHA	0.27%
BETA	0.94
R ²	89%

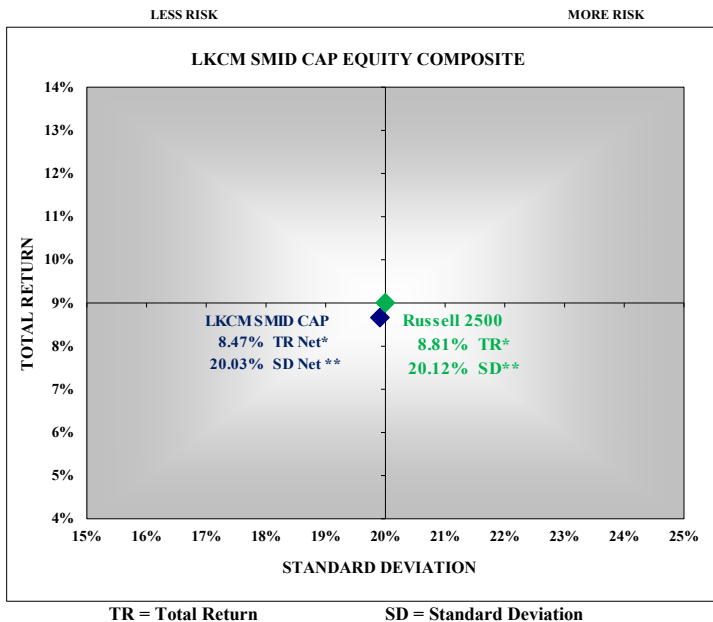
UP CAPTURE	94%
DOWN CAPTURE	95%

PORTFOLIO CHARACTERISTICS	
RETURN ON EQUITY (Median)	19%
LONG TERM DEBT TO TOTAL CAPITAL	28%
P/E FWD 4 Quarters (ex Neg-earnings)	19 x

WTD AVG. MARKET CAPITALIZATION	\$8,888 Million
TOTAL SMID CAP EQUITY COMPOSITE ASSETS	\$85 Million
#HOLDINGS	56
PORTFOLIO TURNOVER*	39%
ACTIVE SHARE	94%

*The largest ten holdings are at 06/30/24 and may not reflect current holdings.

*Turnover rate is based on a representative portfolio for a rolling one year period ending 06/30/24



ATTRIBUTION (2Q 2024)				
	Avg. Portfolio Weight	Portfolio Contribution	Avg. Benchmark Weight	Benchmark Contribution
INDUSTRIALS	26.5%	-2.77%	20.70%	-1.36%
FINANCIALS	14.9%	-1.74%	15.97%	-0.48%
INFORMATION TECHNOLOGY	11.4%	-0.08%	13.13%	-0.39%
CONSUMER DISCRETIONARY	10.7%	-0.68%	12.77%	-0.94%
HEALTH CARE	10.5%	-1.63%	11.63%	-0.62%
REAL ESTATE	4.9%	-0.75%	6.46%	-0.09%
MATERIALS	5.2%	-0.97%	5.57%	-0.37%
ENERGY	6.5%	-0.22%	5.29%	-0.11%
CONSUMER STAPLES	3.6%	-0.60%	3.28%	-0.04%
UTILITIES	0.0%	0.00%	2.85%	0.17%
COMMUNICATION SERVICES	1.4%	-0.03%	2.35%	-0.05%
CASH & EQUIVALENTS	4.4%	0.05%	0.00%	0.00%
TOTAL PORTFOLIO	100.0%	-9.1%	100.0%	-4.3%

*Total Net Return Since Inception (4/01/05 to 06/30/24) Annualized
 **Standard deviation and performance characteristics reporting period (4/01/05 to 06/30/24)

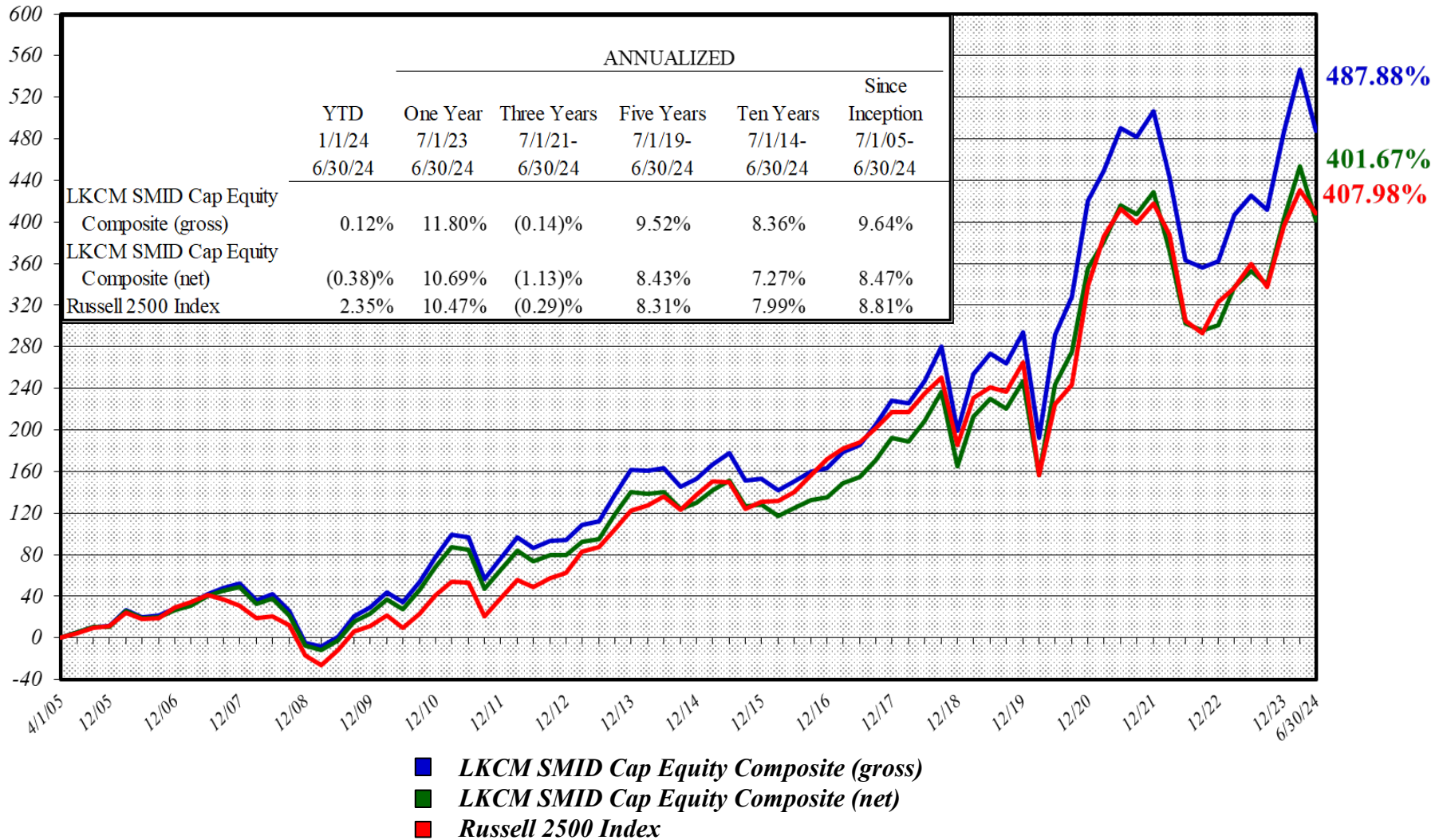
Source: LSEG Data and Analytics. Performance results calculated by Refinitiv may differ significantly from those calculated by LKCM due to differences in methodology for transaction pricing and accounting for capital transactions.

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 – 6/30/24)



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, 2024**

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			
2024 (1/1 - 6/30)	0.12 %	-0.38 %	2.35 %	NA %	NA %	NA %	18	77	27.8
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
2014	-3.41	-4.56	7.07	0.3	12.04	11.67	23	557	15.0

	Annualized Returns		
	Total Return		Russell 2500 Index
	Gross of Fees	Net of Fees	
1 year ending 06/30/24	11.80 %	10.69 %	10.47 %
5 years ending 06/30/24	9.52	8.43	8.31
10 years ending 06/30/24	8.36	7.27	7.99

- 1) **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, 2023. 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 been examined for the periods April 1, 2005 to December 31, 2023. 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:** 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 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.

LKCM SMID CAP EQUITY COMPOSITE
GIPS REPORT AS OF JUNE 30, 2024

- 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 20.41% as of 12/31/23. The SMID Cap Equity Composite included portfolio(s) that pay a bundled fee, which includes all charges for trading costs, portfolio management, custody, and other administrative fees. The year-end percent of composite assets is as follows: 2014, 2.25%. Gross returns for bundled fee portfolio(s) are presented as supplemental information as they do not reflect the deduction of any trading costs, fees, or expenses. Net returns for bundled fee portfolio(s) reflect the deduction of all charges for trading costs, portfolio management, custody, and other administrative fees. 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, 2024

	<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 06/30/24					
1 Year	11.80 %	10.69 %	12.13 %	11.02 %	10.47 %
2 Years	12.67	11.55	13.52	12.40	12.01
3 Years	(0.14)	(1.13)	(0.41)	(1.40)	(0.29)
4 Years	10.73	9.63	11.08	9.98	11.83
5 Years	9.52	8.43	9.78	8.69	8.31
6 Years	9.17	8.09	9.43	8.35	7.19
7 Years	10.86	9.76	11.27	10.17	8.44
8 Years	11.25	10.15	11.72	10.61	9.80
9 Years	8.68	7.60	9.19	8.10	8.22
10 Years	8.36	7.27	8.89	7.79	7.99
11 Years	9.73	8.61	10.27	9.14	9.48
12 Years	10.06	8.92	10.63	9.49	10.74
13 Years	8.79	7.65	9.28	8.14	9.68
14 Years	11.13	9.95	11.83	10.65	11.57
15 Years	12.43	11.23	13.18	11.97	12.36
16 Years	9.30	8.13	9.71	8.53	9.39
17 Years	8.70	7.53	9.04	7.87	7.84
18 Years	9.23	8.06	9.56	8.39	8.42
19 Years	9.46	8.29	9.78	8.61	8.68
19 1/4 Years	9.64	8.47	9.91	8.74	8.81

*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.

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.