

March 31, 2023

**Vaughan Nelson Investment Management, L.P.** (“Vaughan Nelson”); registered as an Investment Adviser with the Securities and Exchange Commission (“SEC”).

The intent of this summary, as required by the Investment Advisers Act of 1940, is to outline important differences for you, the retail investor, between the services and fees provided by a brokerage firm and that provided by an investment advisory firm. To further assist you, there are free and simple tools available to research firms and financial professionals at Investor.gov/CRS, which provides educational materials about broker-dealers, investment advisers, and investing.

*Examples of questions to ask of us or any investment adviser are boxed in blue.*

### ***What investment services and advice can you provide me?***

Vaughan Nelson offers investment advisory services to retail investors through direct investments in exchange-traded equity and/or fixed income securities on an ongoing continuous basis. Vaughan Nelson will be a fiduciary to your account which requires that we act with due care in managing your account and that we not put our interest ahead of yours. Following an agreed-upon strategy, Vaughan Nelson will determine and implement investment decisions without consultation with you (on a fully discretionary basis) in accordance with any agreed-upon guidelines or restrictions.

Vaughan Nelson will monitor your account as part of our standard service primarily by trading your account concurrently with the model associated with your selected strategy. At the same time, our compliance system will monitor each trade against your guidelines and restrictions. Your account will also be monitored for a variety of other reasons as discussed in Item 13 of Vaughan Nelson’s Form ADV Part 2A. Vaughan Nelson generally manages accounts in excess of \$3mm.

Please see reference at end of document to Form ADV Part 2A Items 4, 7 and 13 for more information.

*Given my financial situation, should I choose an investment advisory service? Why or why not?*

*How will you choose investments to recommend to me?*

*What is your relevant experience, including your licenses, education, and other qualifications?  
What do these qualifications mean?*

### ***What fees will I pay?***

Vaughan Nelson’s fees for investment advisory services are either 1) Asset Based – charged as an annual rate as a percentage of the market value of assets managed at each calendar quarter end, or 2) Performance Based – a Base Fee as a percentage of the market value of assets managed at each quarter end plus an annual incentive fee based upon investment returns as compared to a benchmark.

Vaughan Nelson has a conflict to encourage you to invest more assets into your account in order to generate more fees to the firm as well as a conflict to promote accounts with Performance Based fees, which have the potential to generate additional fees. For accounts with Performance Based fees, Vaughan Nelson has an incentive to make relatively more risky investments in order to seek to generate higher returns (which would increase our incentive compensation) and has an incentive to favor Performance Based fee accounts over those not paying such fees.

Vaughan Nelson’s fees are exclusive of brokerage commissions, transaction costs, and other related costs and expenses which shall be incurred by you. In addition, you will incur custodial, account maintenance and/or consultant fees as stipulated within an agreement entered into by you and such parties.

Please see reference at end of document to Form ADV Part 2A Item 5 and 6 for more information.

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.**

*Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

## **What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**When we act as your investment adviser**, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.

For Retail Investors who desire additional, broader asset class / geographical exposures outside of the primary strategy selected, Vaughan Nelson may make investments for you into mutual funds / ETFs advised or sub-advised by Vaughan Nelson or an affiliate to satisfy the request, which will indirectly increase our revenue from fees paid to us as advisor / sub-advisor to the mutual fund. Such investments (other than strategy benchmarks) will not be included in the calculation of Vaughan Nelson's fees described above.

Please see reference at end of document to Form ADV Part 2A Items 5 and 12 for more information.

*How might your conflicts of interest affect me, and how will you address them?*

## **How do your financial professionals make money?**

The compensation program at Vaughan Nelson is designed to align the interests of financial professionals with your interests. Compensation for investment professionals includes a fixed base salary, a variable bonus and deferral plan (paid out over three years) which, as a whole, is based upon a percentage of Vaughan Nelson's net profit each year. Each investment professional's participation is based on the:

- Performance of the strategy managed (both absolute and relative to peers)
- Amount of revenue derived from the strategy managed
- Contribution to the development and execution of the firm's investment philosophy and process
- Participation and effectiveness in performing client service activities and marketing initiatives

There is no distinction for purposes of compensation as to the performance of individual accounts managed.

Marketing professionals are compensated through a fixed base salary and a discretionary bonus based on a combination of the accomplishment of established goals and new client development.

## **Do you or your financial professionals have legal or disciplinary history?**

Yes, related to a remote, upstream parent. Please reference Form ADV Part 1 Item 11.A.(2) and related DRP. Please visit [Investor.gov/CRS](http://Investor.gov/CRS) for free and simple tools to research Vaughan Nelson and our financial professionals.

*As a financial professional, do you have any disciplinary history? For what type of conduct?*

### **ADDITIONAL INFORMATION**

You can obtain additional information regarding Vaughan Nelson and our investment advisory services by visiting our website at [vaughannelson.com](http://vaughannelson.com) and reading our **Form ADV Parts 1 and 2A at [vaughannelson.com/firm.html](http://vaughannelson.com/firm.html)**.

To request a copy of this summary or to contact us directly you may email us at [contactVN@vaughannelson.com](mailto:contactVN@vaughannelson.com) or call us at 888.888.8676.

*Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?*