

# Fayez Sarofim & Co. Large Cap Equity

SEPARATELY MANAGED ACCOUNTS

## Market Review

The theme of economic recovery propelled the S&P 500 ahead by 8.6% in the second quarter of 2021. The strong performance is attributable to consumer demand for goods and services as the economy continues to reopen. Coupled with significant vaccination progress, these two factors worked in tandem to support a rapid recovery in spending and business activity. Vaccination progress reduced infection rates, allowing states to accelerate their reopening efforts. As the recovery made headway, the American consumer was back with pent up demand to spend on everything from gasoline to new homes. Savings from lockdowns and stimulus checks helped consumers and businesses return to normalcy, as evidenced by rising prices at the pump and positive spending and retail sales data. Volatility was prevalent in the market, driven by factors that could potentially derail the recovery, including the discovery of the Delta variant of the virus and fear of rising inflation. The return of the American consumer combined with global supply chain disruptions created the perfect conditions for inflation.

“Growth outperformed value in the second quarter, a reversal of what we saw in the prior quarter, to carry the S&P 500 index to new record highs.”

## Performance Summary

Fayez Sarofim & Co.’s strategy outperformed the S&P 500 Index during the second quarter of 2021 on a gross-of-fees basis.

## Average Annual Total Returns (6/30/21)

### Fayez Sarofim & Co. Large Cap Equity (SMA Composite)

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	10.61%	14.80%	39.75%	21.31%	19.03%	13.54%
Net Return (Net 3% Man. Wrap Fee)	9.82%	13.15%	35.77%	17.82%	15.60%	10.26%
S&P 500 Index	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%

**DUE TO RECENT MARKET VOLATILITY, CURRENT PERFORMANCE MAY BE DIFFERENT THAN THE FIGURES SHOWN. Investors should note that the SMA strategy’s short-term performance is highly unusual, in part to unusually favorable market conditions, and is unlikely to be repeated or consistently achieved in the future.** Source: Fayez Sarofim & Co. **Past performance is no guarantee of future results.** “Pure” gross-of-fee returns are supplemental to net-of-fee returns and do not reflect the deduction of any expenses, including transaction charges. Please see the notes at the end of this presentation for more information regarding performance statistics. Returns for less than one year are not annualized. The S&P 500® Index is a widely accepted, unmanaged index of U.S. stock market performance. An investor cannot invest directly in any index.

Prior to April 1, 2018, for each portfolio within the Composite for the investment periods presented, the monthly total returns for the time period were calculated in accordance with the modified Dietz method derived by taking the change in the value of the portfolio, including realized and unrealized appreciation/depreciation and income, as a percent of the beginning monthly market value of the portfolio adjusted for the weighted net value of all contributions and withdrawals (the cash flows). Monthly composite returns, which include returns on cash and short-term investments, were computed as the sum of each portfolio’s monthly return within the Composite weighted by their respective beginning market values. Annual Composite returns were derived by geometrically linking monthly Composite returns. Portfolios included in the Composites are valued on the last business day of each month included in the respective reporting period.

Effective April 1, 2018, the Company transitioned the portfolios to a new portfolio accounting system. For each portfolio transferred, the portfolio total return is calculated by taking the change in the value of the portfolio, including realized and unrealized appreciation/depreciation and accrued income on a daily basis. The daily returns are linked to create a monthly return. Monthly returns are geometrically linked to create quarterly and annual returns.

## Market Review (Continued)

Prices on durables, automotive, and homes rose quickly in the period, leading to investor concerns of rapid inflation and the possibility that the Federal Reserve will have to raise interest rates to temper it. The subsequent higher interest rates could hinder the economic recovery because it would slow consumer spending and business investment. Fed officials reiterated their belief that inflation is transitory in nature and signaled no plans to raise interest rates or start tapering asset purchases. During the 1Q21 earnings season, these key themes were echoed by companies reporting better than expected earnings results. The consumer drove sales and earnings beats while the companies noted pressure from rising input costs and supply chain disruptions. Growth outperformed value in the second quarter, a reversal of what we saw in the prior quarter, to carry the S&P 500 index to new record highs. Within the index, the relative outperformers include the real estate, energy, technology, and communication services sectors while laggards include the utilities and consumer staples sectors.

## Performance Review

The strategy outperformed the S&P 500 index in the quarter, driven by a positive stock selection effect. Stock selection in the communication services sector contributed positively to results, driven by holdings Facebook and Alphabet, which reported better than expected earnings in the period. Stock selection within the technology sector was a positive contributor to results as holdings in hardware, software, and semiconductor subsectors delivered strong results in the period. Within the health care sector, the portfolio's strategic holdings in the health care equipment and pharmaceutical subsectors added value to the strategy. The portfolio's strategic underweight of the utilities sector was timely, as the sector delivered negative returns in the quarter. Conversely, inopportune stock selection combined with an underweight allocation to the rebounding energy sector negatively contributed to performance for the period. The portfolio's strategic underweight of the real estate sector contributed to a slight negative contribution impact for the quarter.

## Key Contributors – Q2 21

The largest contributors to performance include Microsoft, Alphabet, Facebook, Apple, and Amazon.

## Key Detractors – Q2 21

The largest detractors to relative results include Abbott Laboratories, Marriott International, Altria, Verisk Analytics, and Union Pacific.

## Investment Outlook

As we enter a period of economic recovery and growth, Faye Sarofim & Co.'s investment approach remains focused on the long-term with an emphasis on companies that we believe possess resilient cash flows, solid balance sheets, and geographically diverse revenue streams. We believe those characteristics offer protection against uncertainty associated with additional waves of infections while positioning the strategy to benefit from economic growth. We continue to monitor important issues including inflation, trade negotiations, geopolitics, and regulatory developments. We believe that the strategy's focus on what we view as quality businesses operating in attractive, growing industries, and led by management teams we consider excellent allocators of capital, positions the strategy to consistently deliver revenue and earnings growth over the long-term.

### Top 10 Holdings (6/30/21)\*

Microsoft Corporation	7.50%
Amazon.com, Inc.	7.00%
Facebook Inc.	6.00%
Apple Inc.	5.00%
Alphabet Inc. Class C	4.50%
UnitedHealth Group Inc.	3.00%
Abbott Laboratories	3.00%
Texas Instruments Incorporated	3.00%
Visa Inc.	3.00%
BlackRock, Inc.	2.50%

Source: Faye Sarofim & Co. Based on a Faye Sarofim & Co. SMA model portfolio and subject to change; actual individual accounts may vary. There is no assurance that the securities will remain in the portfolio or that other securities have not been purchased. The holdings listed should not be considered recommendations to purchase or sell a particular security. It should not be assumed that securities bought or sold in the future will be profitable or will equal the performance of the securities in this list. Faye Sarofim & Co. will provide a list of all securities purchased and sold during the past year upon request.

## Fayez Sarofim & Co. Large Cap Equity

### FAYEZ SAROFIM & CO. LARGE CAP EQUITY PORTFOLIOS NOTES TO INVESTMENT RESULTS FOR PERIODS ENDED March 31, 2021

#### 1. Annual Rates of Return (Dollars in Millions)

The following table presents the annual returns for the SMA Large Cap Equity Composite (the Composite), as well as certain information with regard to the size of the Composite, its size relative to the assets under management by Fayez Sarofim & Co. (the Company) and a measure of dispersion. The information presented below is calculated in and expressed in United States dollars.

Year/Period Ended	Time-Weighted Rate of Return (Pure Gross) (1)	Time-Weighted Rate of Return (Net of Fee) (2)	# of Portfolios	Total Composite Assets	Total Firm Assets	% of Total Managed Assets	% of Managed Equity Assets (1)	Dispersion of Returns	3 Year Standard Deviation of Returns	Standard & Poor's 500 Return	3 Year Standard Deviation of the Benchmark
<b>1Q21</b>	3.8%	3.0%	994	\$647	\$21,742	3%	3%	0.1	17.0	6.2%	18.4
<b>YTD</b>	3.8%	3.0%	994	\$647	\$21,742	3%	3%	0.1	17.0	6.2%	18.4
<b>2020</b>	24.1%	20.5%	970	\$581	\$21,072	3%	3%	0.1	17.4	18.4%	18.5
<b>2019</b>	35.1%	31.2%	1,005	\$513	\$18,448	3%	3%	0.6	11.3	31.5%	11.9
<b>2018</b>	-5.8%	-8.6%	884	\$331	\$15,489	2%	2%	0.4	9.7	-4.4%	10.8
<b>2017</b>	26.0%	22.4%	1,192	\$530	\$19,021	3%	3%	0.4	9.4	21.8%	9.9
<b>2016</b>	7.8%	4.7%	1,357	\$480	\$17,882	3%	3%	0.4	10.5	12.0%	10.6
<b>2015</b>	(2.2%)	(5.1%)	2,641	\$892	\$18,931	5%	5%	0.5	10.8	1.4%	10.5
<b>2014</b>	8.8%	5.6%	3,300	\$1,253	\$25,393	5%	5%	0.1	9.7	13.7%	9.0
<b>2013</b>	22.0%	18.5%	4,091	\$1,532	\$24,847	6%	6%	1.2	11.2	32.3%	11.9
<b>2012</b>	11.1%	7.9%	3,992	\$1,368	\$23,352	6%	6%	1.1	14.0	15.9%	15.1
<b>2011</b>	8.6%	5.5%	5,238	\$1,596	\$20,792	8%	9%	0.8	16.4	2.0%	18.7
<b>2010</b>	15.6%	12.3%	5,159	\$1,459	\$19,498	7%	9%	1.0	19.8	15.1%	21.9
<b>2009</b>	25.2%	21.7%	5,870	\$1,477	\$17,984	8%	10%	1.1	17.7	26.6%	19.6

(1) Information presented is supplemental information to the fully compliant presentation.

(2) The time weighted rate of return of the Composite has been reduced by 3.0%, the publicized industry standard maximum wrap fee. Actual fees charged may be lower.

#### 2. Basis of Presentation

The accompanying Investment Results chart sets forth certain net rates of return for the SMA Large Cap Equity Composite of the Company. The composite creation date, as defined for the Composite, is January 1, 2005. Fayez Sarofim & Co. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Fayez Sarofim & Co. has been independently verified for the periods from January 1, 1993 through December 31, 2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Composite has been verified for the annual periods from January 1, 2005 through December 31, 2019. The verification and performance examination reports are available upon request.

Accounts in the Composite are invested using a top-down/bottom-up process that focuses on identifying high quality companies displaying some or all of the following characteristics: industry dominance, global prominence, management expertise, financial strength, and stable, predictable earnings and dividend growth. This strategy is rooted in the firm's belief that over the long run, stock price appreciation is driven by underlying earnings growth.

The Standard and Poor's 500 Index (the Index) is presented as a benchmark for the returns of the Composite. The Index is used for comparative purposes only, and generally reflects the risk or investment style of the investments included in the reported Composite. The investment portfolios managed by the Company and included in the Composite are structured differently than the Index. The Index is published by Standard & Poor's, a division of S&P Global, Inc. The Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the Index are those of large publicly held companies that trade on either of the two largest American stock exchanges: the New York Stock Exchange and the NASDAQ. Benchmark returns are not covered by the report of independent verifiers.

The Company is not aware of any differences in exchange rates or valuation sources used among the portfolios within the Composite, and between the Composite and the Index.

Past performance may not be an indication of future results.

### 3. Company and Composite

The Company is an independent, registered investment adviser that is wholly owned by The Sarofim Group, Inc., a private company. The Company provides investment management services to institutions, high net worth individuals, mutual funds and SMA platforms sponsored by unaffiliated third parties.

The Company has three wholly owned subsidiaries that are also registered with the United States Securities and Exchange Commission as follows: Sarofim Trust Co., a manager of separate accounts and trustee and investment adviser to various trusts, Sarofim International Management Company, a manager to several offshore corporations based, for the most part, on continental Europe, and Sarofim Realty Advisors Co., a manager of institutional real estate portfolios. Each of the four registered investment advisers is defined separately due to the different markets served by the firms.

Portfolios included in the Composite from January 1, 2003 through March 31, 2021 are discretionary, fee-paying, portfolios. The Company reviews all managed portfolios for proper inclusion in the Composite and excludes those where the client prohibits implementation of the Company's investment strategy on the basis that the portfolio is not fully discretionary. The Composite is composed of portfolios that are managed on a basis wherein all, or substantially all, of the securities in the portfolios are equity securities.

A complete list of the Company's composites and performance results is available upon request. Additionally, the Company's policies on valuation, calculating performance and preparing GIPS compliant performance presentations are available upon request.

### 4. Investment Return Calculation

Prior to April 1, 2018, for each portfolio within the Composite for the investment periods presented, the monthly total returns for the time period were calculated in accordance with the modified Dietz method derived by taking the change in the value of the portfolio, including realized and unrealized appreciation/depreciation and income, as a percent of the beginning monthly market value of the portfolio adjusted for the weighted net value of all contributions and withdrawals (the cash flows). Monthly composite returns, which include returns on cash and short-term investments, were computed as the sum of each portfolio's monthly return within the Composite weighted by their respective beginning market values. Annual Composite returns were derived by geometrically linking monthly Composite returns. Portfolios included in the Composites are valued on the last business day of each month included in the respective reporting period.

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Portfolios that experience a significant cash flow, which is defined as a cash flow that is 30% or greater than the value of the portfolio, may impair the Company's ability to implement its strategy, and are removed from the Composite for the period the portfolio is impaired. Prior to October 2014, a significant cash flow was defined as a cash flow that was 50% or greater than the value of the portfolio. The dispersion of the returns within the Composite uses the asset weighted method for its calculation.

The percentage of Composite assets represented by portfolios with separately managed account (or wrap) fees is 100% for all periods presented.

### 5. Investment in Securities

Investments in securities held in the portfolios included in the Composite that are traded on a national securities exchange are valued at the last sale price reported or, if there has been no sale that day, at the last known bid price. Securities traded on the over-the-counter market and quoted by the National Association of Securities Dealers Automated Quotation Service (NASDAQ) are valued at the last bid price quoted by NASDAQ. Securities traded on the over-the-counter market not quoted on NASDAQ are valued at the last known bid price. Non-U.S. based securities are valued based upon the last sale price reported on the exchange's composite tape using the home exchange of the security (and converted to U.S. dollars using the current currency exchange rate) or, if there has been no sale that day, at the last known bid price. Investment transactions are recorded on a trade date basis. Dividend income is accrued on the ex-dividend date. The valuation hierarchy utilized by the Company does not materially differ from the recommended hierarchy included in the GIPS.

### 6. Management Fees

The net returns presented are annual rates of return adjusted for wrap program fees. Wrap program fees may include investment management, custodial, brokerage and other fees paid to the program sponsor. The wrap program fee used to calculate the net-of-fee returns is the publicized industry standard maximum wrap fee, 3.0%. Actual fees may differ and may be lower. The portion of this fee received by Faye Sarofim & Co. for investment management services is 0.2175% per annum.

## LEARN MORE

For more information about **Fayez Sarofim & Co. Large Cap Equity** separately managed accounts, please call BNY Mellon Securities Corporation at **1-877-334-6899**.

## RISKS

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

*Recent market risks include pandemic risks related to COVID-19. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others. To the extent the Strategy may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase a client's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.*

The S&P 500® Index is a widely accepted, unmanaged index of U.S. stock market performance. An investor cannot invest directly in any index.

Fayez Sarofim & Co. is an SEC-registered investment adviser and a wholly owned subsidiary of The Sarofim Group, Inc. Sarofim, among other services, provides advisory services for equity portfolios under various agreements related to wrap-fee programs, and is introduced to wrap-fee program sponsors primarily through the efforts of BNY Mellon Securities Corporation under the terms of a solicitation agreement between Sarofim and BNY Mellon Securities Corporation. With respect to such wrap-fee programs, BNY Mellon Securities Corporation acts as the account administrator and serves as the liaison between Sarofim and the program sponsors and the program sponsors' clients, and receives in consequence a portion of the fee charged by the program sponsor for its account administration services. BNY Mellon Securities Corporation plays a similar role with respect to the UMA programs for which Sarofim provides investment management or supervisory services. For such UMA programs, BNY Mellon Securities Corporation functions on behalf of Sarofim as the primary administrative contact with program sponsors and acts as account administrator, and receives in consequence a portion of the fee charged by the program sponsor for providing such services. Sarofim is not affiliated with BNY Mellon Securities Corporation or The Bank of New York Mellon Corporation.

The views expressed in this commentary reflect those of the portfolio managers and associated analysts only through the end of the period covered and do not necessarily represent the views of Fayez Sarofim & Co. or BNY Mellon Securities Corporation. The comments provided herein are a general market overview and do not constitute investment advice, are not predictive of any future market performance, are not provided as a sales or advertising communication, and do not represent an offer to sell or a solicitation of an offer to buy any security. Similarly, this information is not intended to provide specific advice, recommendations or projected returns of any particular product. These views are current as of the date of this communication and are subject to rapid change as economic and market conditions dictate. Though these views may be informed by information from publicly available sources that we believe to be accurate, we can make no representation as to the accuracy of such sources or the completeness of such information. Please contact us for current information about our views of the economy and the markets. Portfolio composition is subject to change, and past performance is no indication of future performance.

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