

**LUTHER KING CAPITAL MANAGEMENT**

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FORT WORTH, TEXAS 76102

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April 23, 2021

Dr. Greta Zeimetz  
Executive Vice President  
AAPL  
800 Fournier Street  
Fort Worth, TX 76102

Dear Greta:

Enclosed with this letter you will find the American Association of Professional Landman investment appraisals for the period ending March 31, 2021. This includes a listing of current holdings, recent transactions, asset mix, dividends, and portfolio yield. The summary page following delineates pertinent financial data for each portfolio.

The first quarter of 2021 showed a continuation of the stock market momentum from the fourth quarter of last year. In our view, the continued comfort level with investing in stocks after the strong rally from the low levels in the first quarter of last year relates to confidence in a broader availability of vaccinations, a sharper than expected recovery in corporate profits, and continued fiscal stimulus from Washington.

There is little question the domestic economy is recovering rapidly, with high consumer savings levels, strong wage growth, and pent-up demand leading to near unprecedented projected GDP growth expectations. Clearly the severe weather-related storms, the irregular reopening of the economy around COVID-19 concerns, and highly disruptive port delivery issues will cause the economic recovery to be inconsistent but will also likely extend the period for expansion into 2022. Our current outlook for Standard & Poor's 500 Index earnings growth for 2021 is a gain of 25% from the depressed (down 12%) levels of last year. While earnings gains will be broad based, the recovery should be more pronounced in more cyclical or value-oriented names, leading to a further broadening of the stock market, a trend we saw during the fourth quarter, after an extended period of an emphasis on growth-oriented names.

We remain optimistic on the long-term outlook for the economy. Millennials are now the largest segment of the population and their median age is entering the period typically associated with new home purchases and family formation. Additionally, companies should continue to raise dividends and increase share buybacks, typically a good backdrop support for security prices. There is no question stock market valuations are extended but further support is given by rising earnings and dividend yields relative to fixed income options.

Over the short to intermediate term there are a number of issues that give us pause. Our projection for higher interest rates (10-year Treasuries) is now being realized and while the Federal Reserve has been outspoken on its willingness to see inflation overshoot the long-term target of 2% before they raise rates, there is some level of interest rates that will cause the stock market to pause at a minimum. We are also concerned investor focus will shift from COVID-19 to the tax rate increases proposed by the new Administration. While higher tax rates may not be a 2021 issue, it may become more of a concern as the year progresses. It should be noted that as proposed the legislation would lower reported Standard & Poor's 500 Index projected 2022 earnings by approximately 7-8%, but of course this may change before becoming law. The stock market is off to a good start this year and the economy is building strength, but a correction after the extended move should not come as a surprise.

Dr. Greta Zeimetz  
April 23, 2021  
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As always, we welcome your questions and comments. We have enclosed our "First Quarter 2021 Review," which we are happy to discuss with you. Please feel free to contact any member of our organization to discuss current holdings, our strategy, or to elaborate on any of this material. As always, we appreciate your continued confidence in our firm.

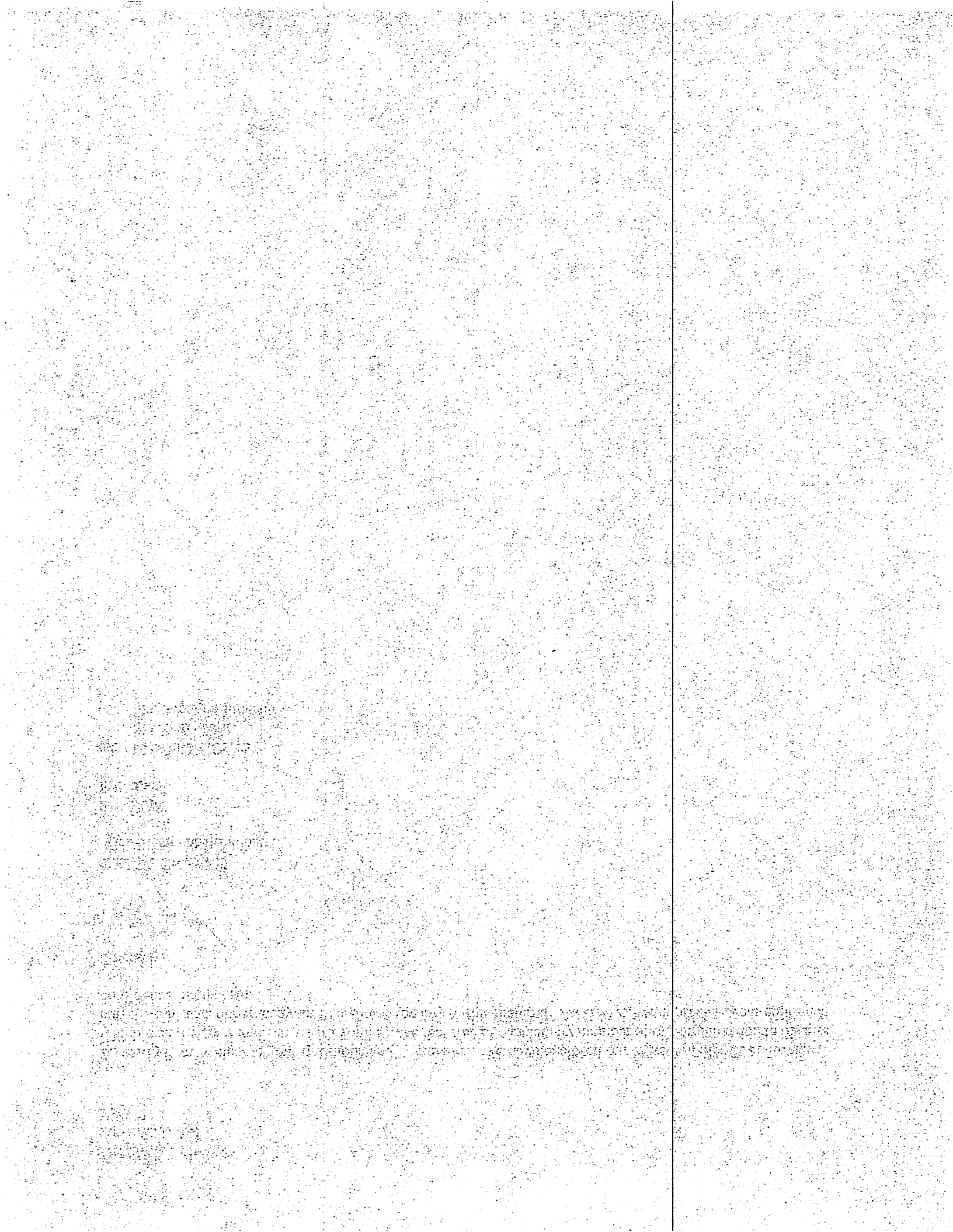
Sincerely,

A handwritten signature in black ink, appearing to read "P. Greenwell", written in a cursive style.

Paul W. Greenwell  
Vice President-Principal

PWG/tlm  
Enclosures

cc: Mr. Harold Carter  
Mr. Don Clark  
Ms. Amanda Johnson



**AAPL LANDMAN  
INVESTMENT PORTFOLIOS  
March 31, 2021**

**ASSET ALLOCATION**

|   | <b>Market<br/>Value</b> | <b>Equities</b> | <b>% of<br/>Portfolio</b> | <b>Fixed<br/>Income</b> | <b>% of<br/>Portfolio</b> |
|---|-------------------------|-----------------|---------------------------|-------------------------|---------------------------|
| AAPL Operating Cash Custody               | \$ 36,991,279           | \$ 28,331,586   | 76.6                      | \$7,557,925             | 20.4                      |
| AAPL Education Foundation Revocable Trust | 5,123,060               | 3,823,410       | 74.6                      | 919,548                 | 17.9                      |
| Landman Scholarship Trust                 | 9,337,734               | 7,096,812       | 76.0                      | 1,725,172               | 18.5                      |
| NAPE Expo Charities Fund                  | 1,384,836               | 1,046,115       | 75.5                      | 212,014                 | 15.3                      |

**INVESTMENT PERFORMANCE\***

|   | <b>FIRST QUARTER</b>                                 |  |  | <b>YEAR-TO-DATE</b>                                  |  |  |
|---|--|--|--|--|--|--|
|   | <b>Total Portfolio<br/>(01/01/21 -<br/>03/31/21)</b> | <b>Equities Only<br/>(01/01/21 -<br/>03/31/21)</b> | <b>Standard &amp; Poor's<br/>500 Index<br/>(01/01/21 -<br/>03/31/21)</b> | <b>Total Portfolio<br/>(01/01/21 -<br/>03/31/21)</b> | <b>Equities<br/>Only<br/>(01/01/21 -<br/>03/31/21)</b> | <b>Standard &amp; Poor's<br/>500 Index<br/>(01/01/21 -<br/>03/31/21)</b> |
| AAPL Operating Cash Custody               | 4.7 %  | 6.7 %  | 6.2 %  | 4.7 %  | 6.7 %  | 6.2 %  |
| AAPL Education Foundation Revocable Trust | 4.8  | 6.7  | 6.2  | 4.8  | 6.7  | 6.2  |
| Landman Scholarship Trust                 | 4.7  | 6.6  | 6.2  | 4.7  | 6.6  | 6.2  |
| NAPE Expo Charities Fund                  | 4.6  | 6.4  | 6.2  | 4.6  | 6.4  | 6.2  |

*(Inception Date: 07 10 2019)*

\* *Investment performance results are gross of investment management fees and include realized and unrealized gains and losses and dividends and interest.*

# **AAPL Operating Cash Custody**

**Quarterly Statement: 03/31/2021**

This statement has been prepared by Luther King Capital Management and provides important information regarding your portfolio for the period indicated. We encourage you to compare account statements that you receive from us with account statements that you receive from your custodian.

Please contact us at (817) 332-3235 if you are not receiving account statements directly from your custodian or if you have any questions regarding your account statement.

## AAPL Operating Cash Custody

| <b>Summary of Investments</b> |                        |                        |                      |                    |                 |
|-------------------------------|------------------------|------------------------|----------------------|--------------------|-----------------|
|                               | Total Cost             | Market Value           | % of Total Portfolio | Est. Annual Income | Current Yield % |
| <b>Cash Equivalents</b>       |                        |                        |                      |                    |                 |
| CASH INSTRUMENTS              | 1,101,767.97           | 1,101,767.97           | 3.0                  | 110                | 0.0             |
| <b>Total Cash Equivalents</b> | <b>1,101,767.97</b>    | <b>1,101,767.97</b>    | <b>3.0</b>           | <b>110</b>         | <b>0.0</b>      |
| <b>Equities</b>               |                        |                        |                      |                    |                 |
| COMMUNICATION SERVICES        | 813,924.35             | 2,091,668.00           | 5.7                  | 0                  | 0.0             |
| CONSUMER DISCRETIONARY        | 842,723.12             | 2,635,340.00           | 7.1                  | 30,828             | 1.2             |
| CONSUMER STAPLES              | 1,011,128.09           | 1,469,400.50           | 4.0                  | 33,502             | 2.3             |
| ENERGY                        | 1,170,016.96           | 1,235,766.00           | 3.3                  | 66,489             | 5.4             |
| FINANCIALS                    | 1,785,269.20           | 3,563,529.04           | 9.6                  | 93,219             | 2.6             |
| HEALTH CARE                   | 2,452,177.16           | 6,382,286.00           | 17.3                 | 33,794             | 0.5             |
| INDUSTRIALS                   | 1,062,405.49           | 3,284,367.75           | 8.9                  | 45,877             | 1.4             |
| INFORMATION TECHNOLOGY        | 2,371,640.16           | 5,093,999.00           | 13.8                 | 27,120             | 0.5             |
| MATERIALS                     | 1,488,445.91           | 2,551,746.00           | 6.9                  | 41,520             | 1.6             |
| <b>Total Equities</b>         | <b>12,997,730.44</b>   | <b>28,308,102.29</b>   | <b>76.5</b>          | <b>372,349</b>     | <b>1.3</b>      |
| <b>Fixed Income</b>           |                        |                        |                      |                    |                 |
| MUTUAL FUNDS - BONDS          | 7,323,380.79           | 7,557,924.76           | 20.4                 | 120,927            | 1.6             |
| <b>Total Fixed Income</b>     | <b>7,323,380.79</b>    | <b>7,557,924.76</b>    | <b>20.4</b>          | <b>120,927</b>     | <b>1.6</b>      |
| <b>TOTAL INVESTMENTS</b>      | <b>\$21,422,879.20</b> | <b>\$36,967,795.02</b> | <b>99.9%</b>         | <b>\$493,386</b>   | <b>1.3%</b>     |
| Accrued Interest              |                        | 0.00                   | 0.0                  |                    |                 |
| Accrued Dividends             |                        | 23,484.00              | 0.1                  |                    |                 |
| <b>TOTAL PORTFOLIO</b>        |                        | <b>\$36,991,279.02</b> | <b>100.0%</b>        |                    |                 |

**AAPL Education Foundation Revocable Trust**  
**Quarterly Statement: 03/31/2021**

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## AAPL Education Foundation Revocable Trust

## Summary of Investments

|                               | Total Cost            | Market Value          | % of Total Portfolio | Est. Annual Income | Current Yield % |
|-------------------------------|-----------------------|-----------------------|----------------------|--------------------|-----------------|
| <b>Cash Equivalents</b>       |                       |                       |                      |                    |                 |
| CASH INSTRUMENTS              | 380,102.47            | 380,102.47            | 7.4                  | 38                 | 0.0             |
| <b>Total Cash Equivalents</b> | <b>380,102.47</b>     | <b>380,102.47</b>     | <b>7.4</b>           | <b>38</b>          | <b>0.0</b>      |
| <b>Equities</b>               |                       |                       |                      |                    |                 |
| COMMUNICATION SERVICES        | 92,617.02             | 240,761.70            | 4.7                  | 0                  | 0.0             |
| CONSUMER DISCRETIONARY        | 148,103.73            | 362,073.56            | 7.1                  | 3,940              | 1.1             |
| CONSUMER STAPLES              | 131,404.10            | 180,094.00            | 3.5                  | 4,194              | 2.3             |
| ENERGY                        | 186,697.39            | 190,194.00            | 3.7                  | 10,401             | 5.5             |
| FINANCIALS                    | 267,189.51            | 505,753.00            | 9.9                  | 13,360             | 2.6             |
| HEALTH CARE                   | 332,759.81            | 823,368.00            | 16.1                 | 4,732              | 0.6             |
| INDUSTRIALS                   | 181,170.11            | 438,484.00            | 8.6                  | 6,426              | 1.5             |
| INFORMATION TECHNOLOGY        | 355,969.65            | 761,697.00            | 14.9                 | 3,738              | 0.5             |
| MATERIALS                     | 193,922.72            | 317,817.50            | 6.2                  | 5,076              | 1.6             |
| <b>Total Equities</b>         | <b>1,889,834.04</b>   | <b>3,820,242.76</b>   | <b>74.6</b>          | <b>51,867</b>      | <b>1.4</b>      |
| <b>Fixed Income</b>           |                       |                       |                      |                    |                 |
| MUTUAL FUNDS - BONDS          | 896,339.40            | 919,547.88            | 17.9                 | 14,713             | 1.6             |
| <b>Total Fixed Income</b>     | <b>896,339.40</b>     | <b>919,547.88</b>     | <b>17.9</b>          | <b>14,713</b>      | <b>1.6</b>      |
| <b>TOTAL INVESTMENTS</b>      | <b>\$3,166,275.91</b> | <b>\$5,119,893.11</b> | <b>99.9%</b>         | <b>\$66,618</b>    | <b>1.3%</b>     |
| Accrued Interest              |                       | 0.00                  | 0.0                  |                    |                 |
| Accrued Dividends             |                       | 3,167.00              | 0.1                  |                    |                 |
| <b>TOTAL PORTFOLIO</b>        |                       | <b>\$5,123,060.11</b> | <b>100.0%</b>        |                    |                 |



# **Landman Scholarship Trust**

**Quarterly Statement: 03/31/2021**

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## Landman Scholarship Trust

## Summary of Investments

|                               | Total Cost            | Market Value          | % of Total Portfolio | Est. Annual Income | Current Yield % |
|-------------------------------|-----------------------|-----------------------|----------------------|--------------------|-----------------|
| <b>Cash Equivalents</b>       |                       |                       |                      |                    |                 |
| CASH INSTRUMENTS              | 515,750.98            | 515,750.98            | 5.5                  | 52                 | 0.0             |
| <b>Total Cash Equivalents</b> | <b>515,750.98</b>     | <b>515,750.98</b>     | <b>5.5</b>           | <b>52</b>          | <b>0.0</b>      |
| <b>Equities</b>               |                       |                       |                      |                    |                 |
| COMMUNICATION SERVICES        | 168,831.63            | 466,508.60            | 5.0                  | 0                  | 0.0             |
| CONSUMER DISCRETIONARY        | 243,154.26            | 694,343.80            | 7.4                  | 7,364              | 1.1             |
| CONSUMER STAPLES              | 274,441.39            | 384,234.00            | 4.1                  | 9,129              | 2.4             |
| ENERGY                        | 323,258.62            | 327,993.00            | 3.5                  | 18,222             | 5.6             |
| FINANCIALS                    | 436,493.07            | 849,759.80            | 9.1                  | 21,822             | 2.6             |
| HEALTH CARE                   | 591,071.02            | 1,553,071.00          | 16.6                 | 8,868              | 0.6             |
| INDUSTRIALS                   | 256,417.95            | 748,502.50            | 8.0                  | 10,972             | 1.5             |
| INFORMATION TECHNOLOGY        | 643,335.22            | 1,436,274.00          | 15.4                 | 7,370              | 0.5             |
| MATERIALS                     | 378,476.59            | 630,239.00            | 6.7                  | 10,392             | 1.6             |
| <b>Total Equities</b>         | <b>3,315,479.75</b>   | <b>7,090,925.70</b>   | <b>75.9</b>          | <b>94,139</b>      | <b>1.3</b>      |
| <b>Fixed Income</b>           |                       |                       |                      |                    |                 |
| MUTUAL FUNDS - BONDS          | 1,727,943.53          | 1,725,171.51          | 18.5                 | 27,603             | 1.6             |
| <b>Total Fixed Income</b>     | <b>1,727,943.53</b>   | <b>1,725,171.51</b>   | <b>18.5</b>          | <b>27,603</b>      | <b>1.6</b>      |
| <b>TOTAL INVESTMENTS</b>      | <b>\$5,559,174.26</b> | <b>\$9,331,848.19</b> | <b>99.9%</b>         | <b>\$121,793</b>   | <b>1.3%</b>     |
| Accrued Interest              |                       | 0.00                  | 0.0                  |                    |                 |
| Accrued Dividends             |                       | 5,886.00              | 0.1                  |                    |                 |
| <b>TOTAL PORTFOLIO</b>        |                       | <b>\$9,337,734.19</b> | <b>100.0%</b>        |                    |                 |

# **NAPE Expo Charities Fund**

**Quarterly Statement: 03/31/2021**

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## NAPE Expo Charities Fund

## Summary of Investments

|                               | Total Cost            | Market Value          | % of Total Portfolio | Est. Annual Income | Current Yield % |
|-------------------------------|-----------------------|-----------------------|----------------------|--------------------|-----------------|
| <b>Cash Equivalents</b>       |                       |                       |                      |                    |                 |
| CASH INSTRUMENTS              | 126,707.50            | 126,707.50            | 9.1                  | 13                 | 0.0             |
| <b>Total Cash Equivalents</b> | <b>126,707.50</b>     | <b>126,707.50</b>     | <b>9.1</b>           | <b>13</b>          | <b>0.0</b>      |
| <b>Equities</b>               |                       |                       |                      |                    |                 |
| COMMUNICATION SERVICES        | 45,535.10             | 80,824.80             | 5.8                  | 0                  | 0.0             |
| CONSUMER DISCRETIONARY        | 79,687.18             | 93,612.47             | 6.8                  | 985                | 1.1             |
| CONSUMER STAPLES              | 49,910.82             | 55,382.50             | 4.0                  | 1,290              | 2.3             |
| ENERGY                        | 57,071.22             | 56,412.00             | 4.1                  | 3,123              | 5.5             |
| FINANCIALS                    | 107,646.22            | 131,526.76            | 9.5                  | 3,452              | 2.6             |
| HEALTH CARE                   | 145,536.63            | 210,797.50            | 15.2                 | 1,184              | 0.6             |
| INDUSTRIALS                   | 81,553.99             | 112,194.00            | 8.1                  | 1,619              | 1.4             |
| INFORMATION TECHNOLOGY        | 144,472.96            | 204,955.00            | 14.8                 | 1,030              | 0.5             |
| MATERIALS                     | 84,957.97             | 99,504.25             | 7.2                  | 1,614              | 1.6             |
| <b>Total Equities</b>         | <b>796,372.09</b>     | <b>1,045,209.28</b>   | <b>75.5</b>          | <b>14,297</b>      | <b>1.4</b>      |
| <b>Fixed Income</b>           |                       |                       |                      |                    |                 |
| MUTUAL FUNDS - BONDS          | 208,818.72            | 212,014.39            | 15.3                 | 3,392              | 1.6             |
| <b>Total Fixed Income</b>     | <b>208,818.72</b>     | <b>212,014.39</b>     | <b>15.3</b>          | <b>3,392</b>       | <b>1.6</b>      |
| <b>TOTAL INVESTMENTS</b>      | <b>\$1,131,898.31</b> | <b>\$1,383,931.17</b> | <b>99.9%</b>         | <b>\$17,702</b>    | <b>1.3%</b>     |
| Accrued Interest              |                       | 0.00                  | 0.0                  |                    |                 |
| Accrued Dividends             |                       | 905.25                | 0.1                  |                    |                 |
| <b>TOTAL PORTFOLIO</b>        |                       | <b>\$1,384,836.42</b> | <b>100.0%</b>        |                    |                 |

# LUTHER KING CAPITAL MANAGEMENT

## *FIRST QUARTER 2021 REVIEW*

We anticipate the global economy will strongly rebound this year, as the pandemic recedes with broader vaccine distribution. The economic reopening should finally revive the ailing service sector, thus adding to a recovery that has already been underway in manufacturing. The services recovery could lead the domestic economy to expand at the fastest pace in nearly four decades, eclipsing the 7.2% expansion in 1984 that was driven in part by heavy inventory restocking following a sharp rebound in consumer spending on the heels of the 1982 recession. This pattern looks remarkably familiar to us today. Inventory levels are currently very lean as public health measures resulted in manufacturing being shuttered which laid bare the fragility of a global “just-in-time” inventory web. Even as management teams bring production back online, logistics remain in disarray as evidenced by significant port congestion and increases in transport costs.

The services portion of the U.S. economy, which includes industries such as banking, health care, information technology, travel, and restaurants, represents 45% of the nation’s economic output. Businesses in some service industries have been especially hard hit with social distancing requirements. One year ago, weekly initial jobless claims climbed to 6.6 million people, the highest figure on record by a wide margin. The report represented a ten-fold increase from the previous high of nearly 700,000 lost jobs during the Reagan-era recession in October 1982. As implied above, most of these jobs were lost in the service industry, which accounts for more than 80% of total U.S. jobs. Employment data should continue to improve as the services economy rebounds, underpinning consumer confidence and supporting consumption.

The equity market, as measured by the Standard & Poor’s 500 Index, rose 6.2% during the first quarter, including dividends. The bond market, however, declined during the first quarter as market interest rates have risen sharply in anticipation of accelerating economic growth and the prospect of higher inflation.

Long duration bonds, such as the 30-Year Government Bond, had a negative total return of 16.3% during the first quarter. Rising interest rates are consistent with our economic outlook, and we have therefore intentionally focused on short duration bonds in client portfolios.

## ***ECONOMY***

The U.S. economy produced \$21.4 trillion worth of goods and services in the year leading up to the pandemic. Each economic cycle is unique. One of the distinguishing characteristics of this current cycle is that market participants immediately acknowledged that the economy would contract sharply. The specter of a near halt in economy activity catalyzed the government to launch numerous fiscal stimulus initiatives. Thus far, the federal government has appropriated \$6 trillion of fiscal stimulus, equal to 28% of the nation's annual economic outlook prior to the pandemic. As a result, we find ourselves amidst an intriguing economic experiment. There have been multiple examples of significant fiscal stimulus in the nation's history, but nothing approaching the scale of the four major legislative packages that have been enacted within the past year.

What we know about fiscal stimulus - whether spending increases, transfer payments, or tax cuts - is that it can raise economic output and incomes in the short-run by boosting overall demand. However, to have the greatest impact with the least amount of long-run cost, the stimulus should be timely, temporary, and targeted. The impact on Gross Domestic Product (GDP) of an incremental dollar of federal aid depends on how quickly the federal aid is disbursed. If fiscal stimulus is enacted too slowly, its ability to blunt a contraction in economic output and incomes is diminished. If, however, the fiscal stimulus is injected once the economic recovery has already firmly taken hold, then the economy is at risk of overheating and spurring inflation. If this were to occur, the central bank could potentially tighten monetary policy prematurely and truncate the economic expansion.

Economic data related to employment, manufacturing, and housing all suggest that an economic recovery has firmly taken hold. As a result, by the time the recent \$1.9 trillion stimulus works its way into circulation we will likely have already seen a surge in economic activity. This sequence almost ensures a meaningful rise in inflation readings. Part of this rise in inflation readings is due to what economists refer to as the "base effect," the distortions in the comparative monthly inflation figures because of abnormally low levels of inflation in the year-ago period. Federal Reserve Chairman Jerome Powell has been clear that he views any statistical uptick in inflation readings as "transitory." Therefore, the Federal Reserve currently does not plan on altering the central bank's very easy monetary posture. The clear message

being sent by the central bank is at odds with the “muscle memory” of capital markets, which have been conditioned over multiple economic cycles to anticipate and position for monetary tightening in advance of any action by the Federal Reserve.

As outlined by the Federal Reserve in August of last year, the central bank made a structural shift in its framework for managing money supply. The current Federal Reserve’s messaging around maintaining very easy monetary policy is consistent with this shift in framework, which allows inflation readings to be symmetrical around a 2% inflation target. The change implies that the central bank is comfortable with higher inflation. In the current environment, our concern is that the move back to full employment in the economy could happen much faster than the slow healing job market that followed the 2007 recession. As a significant portion of the population is inoculated, economic activity is likely to rebound sharply. Consumers have amassed nearly \$2 trillion in excess savings and have been aggressively reducing household debt. For example, consumer revolving credit, which consists primarily of credit cards, has fallen by \$132 billion since the peak in February of last year. Americans have less revolving credit debt today than they did in 2007, despite an economy that is 48% larger and has 30 million more people.

As the economy reaches full employment, and assuming inflation has reached 2% and is expected to keep climbing, then the Federal Reserve will likely be compelled to begin tightening monetary policy. This introduces the risk that the central bank believes it is too far behind the curve and begins briskly tightening monetary policy which could startle the capital markets. The risk of rising inflation expectations, an important input into the central bank’s mosaic, is especially noteworthy because the economy is already experiencing multi-year high prices in products such as lumber, copper, steel, shipping container rates, energy, cotton, corn, wheat, and used autos, just to name several. Lumber and plywood prices have risen close to 60% since the beginning of last year. Demand for construction material has accelerated due to cheap financing cost and new housing starts due to low inventory levels. The management of a large private plywood company recently shared with us that the company used to warehouse significant quantities of product to optimize mill production run-time. However, the demand pull has emptied the warehouses, and the mill is running at capacity. Now they are shipping directly to builders from the mill. Management teams are also starting to tell us that the skilled labor market is already tightening. We will continue to watch the labor market closely because the Federal Reserve has been clear that it is focused on the health of the labor market, but the labor market also holds the key to whether a durable inflationary pressure emerges in the economy. This is not our base case, but it bears close watch. Congress may also further stoke inflation if minimum wage legislation progresses.

## ***CAPITAL MARKETS***

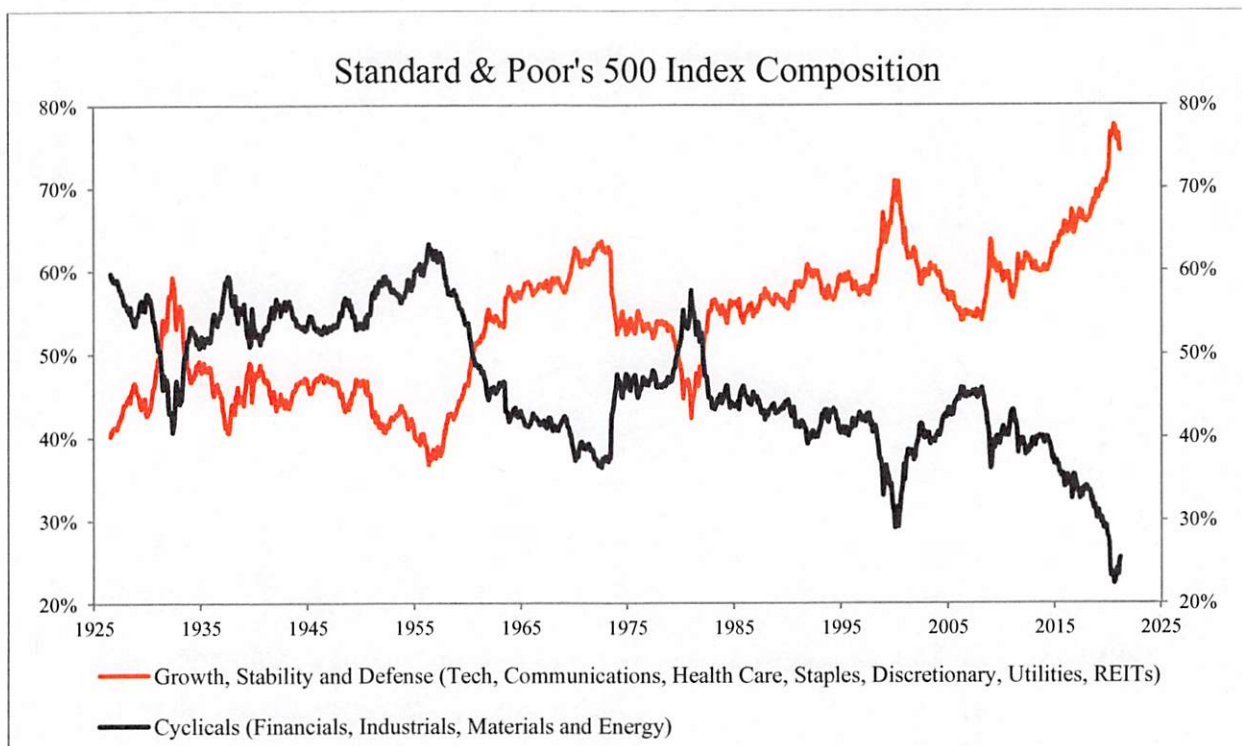
Capital markets have entered a “reflationary” period which is characterized by accelerating economic growth and rising inflation. When economies are in a reflation regime, there are often significant implications for capital market leadership. In general, reflation is good for commodities and equity values at the expense of bond prices and, in certain circumstances, the U.S. dollar. Equity markets typically tilt in favor of small companies over large, and investors seek shares of companies in the Energy, Financials, Materials, and Industrial sectors because they benefit from rising inflation and/or higher interest rates. Businesses in these four “cyclical” sectors of the economy are generally very sensitive to the business cycle, such that revenues generally are much higher in periods of economic prosperity and lower in periods of economic downturn. In essence, the volatility of their revenue growth is generally greater than that of non-cyclical sectors such as Technology, Communications, Health Care, Consumer Staples, Consumer Discretion, Utilities, and REITs.

The weightings of the eleven economic sectors fluctuate considerably over time as the fortunes of different segments of the economy rise and fall. Energy is one such example. The Energy sector represented 16.5% of the Standard & Poor’s 500 Index in July 2008 (and 29% in 1979 when LKCM opened for business), only to fall to 2.8% today. Reflecting record-breaking profits in 2008, ExxonMobil was the world’s most valuable publicly traded company every quarter of that year. Market indices must evolve over time to remain a relevant yardstick for the broader market and, to a lesser extent, the overall economy. As ExxonMobil’s market cap fell from over \$500 billion in 2008 to around \$175 billion last August, Dow Jones made the decision to replace ExxonMobil in favor of a software company, Salesforce.com, in the Dow Jones Industrial Average. The decision to reduce the index’s exposure to energy from two companies (Chevron and ExxonMobil) to one company reflected the substantially reduced market capitalization of the Energy sector relative to the broader market. This action ended ExxonMobil’s 92-year run as a constituent of the Dow Jones Industrial Average. A similar tale can be told about the weighting of the Financial sector within the Standard & Poor’s 500 Index, which reached a peak of 22.3% in December of 2006 prior to the Global Financial Crisis before falling to 11.3% currently. These data points also tell us how much more important information technology is in our lives.

The pandemic brought the longest economic expansion on record to a close, which was remarkable not only for its duration, but also for its tepid growth. It is little surprise that in a relatively placid economic backdrop with lackluster growth and little inflation that cyclical portions of the economy were outshined



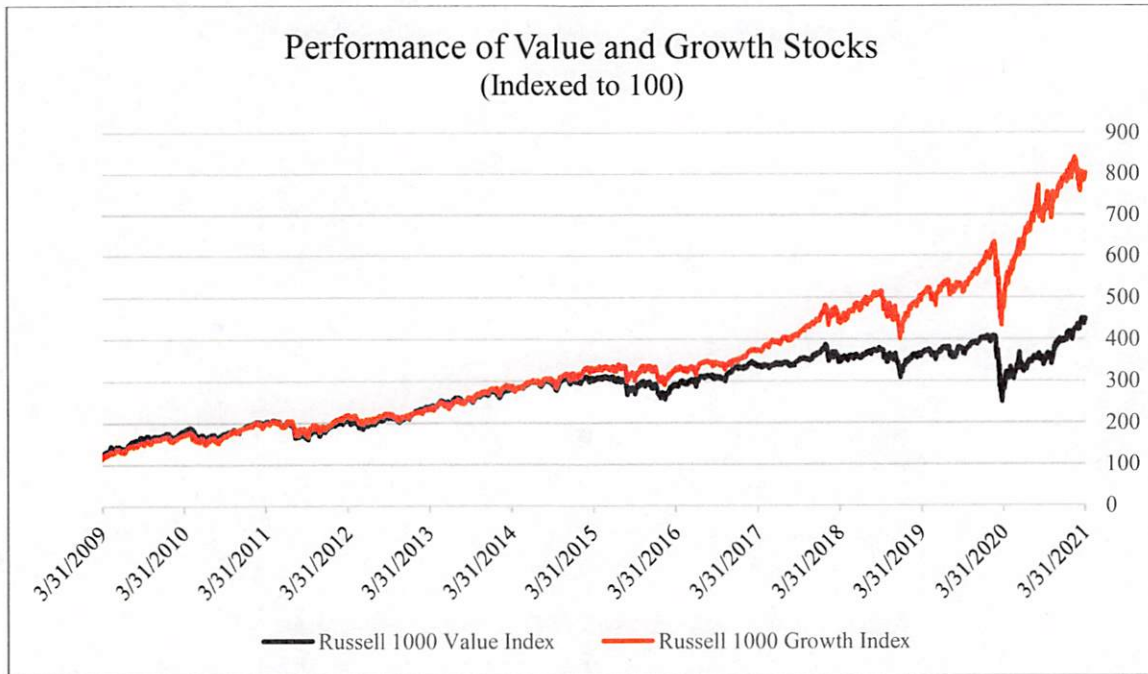
by growth areas - Technology, Communications, Health Care, and Consumer Discretion - in the last economic cycle. The chart below illustrates the stark contrast in the cumulative weighting of cyclical and non-cyclical sectors within the Standard & Poor's 500 Index. The pandemic accentuated the eroding market share of the cyclical sectors and depressed the weighting of the cyclical sectors within the Standard & Poor's 500 Index to a low of only 22.4% last August. Because of the wide divergence in index weightings, if investors sold a mere 1% of non-cyclicals and redeployed those dollars in the cyclical parts of the market, cyclicals would experience a 2.9% increase. Not surprisingly, the four best performing sectors in the first quarter were Energy, Financials, Industrials, and Materials. With the economy set to deliver the best economic growth in almost four decades this year, market leadership is reminiscent of the more volatile economic cycles prevalent in the 1950's through the 1980's when cyclical performance rose and fell sharply with a boom-and-bust economic rhythm.



Source: CSM, LKCM

Because the Price/Earnings ratios of cyclical sectors has been lower than for non-cyclical sectors such as Technology, Communication, or Health Care, the current market rotation in the first quarter can be described as investor preference for "value" over "growth," a sharp reversal of the past several years. The chart on the following page illustrates the divergence between the cumulative performance of growth stocks and value stocks from the monthly bottom of the market low in the Global Financial Crisis in March 2009 through the end of the first quarter of this year. The relative performance of value versus growth

closed in the first quarter and may well narrow further as the year progresses as near-term earnings growth for value stocks is likely to outpace the earnings progression of growth stocks. We have never embraced this traditional dichotomy as an overarching investment thesis but it is interesting to observe.



Source: Bloomberg, LKCM

## ***SUMMARY***

Continued success in the domestic vaccine rollout should bolster an economic reawakening characterized by pent-up demand from consumers and businesses, both of which have ample liquidity. The significant amount of fiscal stimulus, which is still being injected into the economy, should spur economic growth to levels not seen in almost forty years. The recent back-up in long-term bond yields is understandable within the context of accelerating economic growth and higher near-term inflation readings. As long as bond yields do not rise enough to trigger a recession, which we view as very unlikely given the amount of fiscal support the economy is receiving, then we continue to remain constructive on equities.

A key unknown in our economic and capital markets outlook is the potential passage of the Biden administration's roughly \$2 trillion infrastructure package to be paid for by \$2 trillion in tax increases on U.S. corporations spread out over 15 years. Such levels of federal investment could crowd out investment by the state, local, and private sectors according to the Congressional Budget Office. Higher corporate tax rates raise the cost of capital for businesses. Aside from corporate taxes, there are a myriad of potential

tax changes to areas such as the top personal income tax rate, estate taxes, limiting federal deductibility of state and local taxes, and capital gains rates, among others. Investors will have to navigate any changes to existing tax laws and understand how legislative changes may impact consumer, investor, and corporate behavior.

***FINANCIAL MARKET TOTAL RETURN\****

|   | <b>First<br/>Quarter<br/>2021</b> | <b>Six<br/>Months<br/>Ending<br/>03/31/21</b> | <b>One<br/>Year<br/>Ending<br/>03/31/21</b> | <b>Annualized<br/>Return<br/>Two Years<br/>Ending<br/>03/31/21</b> | <b>Annualized<br/>Return<br/>Three Years<br/>Ending<br/>03/31/21</b> | <b>Annualized<br/>Return<br/>Five Years<br/>Ending<br/>03/31/21</b> |
|---|-----------------------------------|---|---|--|--|---|
| Standard & Poor's 500 Index   | 6.17%                             | 19.07%  | 56.35%                                      | 20.60%   | 16.78%   | 16.29%  |
| Russell 2000 Index  | 12.70%                            | 48.05%  | 94.85%                                      | 21.70%   | 14.76%   | 16.35%  |
| Value Line Composite Index  | 12.98%                            | 40.98%  | 83.92%                                      | 11.74%   | 7.49%  | 9.29%   |
| Dow Jones Industrial Average  | 8.29%                             | 19.91%  | 53.78%                                      | 15.41%   | 13.61%   | 15.99%  |
| NASDAQ (OTC) Composite  | 2.96%                             | 19.09%  | 73.47%                                      | 32.17%   | 24.58%   | 23.50%  |
| Bloomberg Barclays Capital<br>Gov't/Credit Intermediate<br>Bond Index | (1.86%)                           | (1.39%)                                       | 2.01%                                       | 4.42%  | 4.36%  | 2.75%   |

*\* Total Return Includes Income*

Michael C. Yeager, CFA  
April 3, 2021

### Fund Facts

**CUSIP:** 501885404  
**Ticker Symbol:** LKFIX  
**Inception Date:** 12/30/1997  
**Minimum Investment:** \$2,000  
**Portfolio Turnover Rate\*** 18%

**Investment Objective:** The Fund seeks current income.  
**Managers:** Joan M. Maynard, Scot C. Hollmann, CFA, CIC, Mark L. Johnson, CFA, CIC  
**Web:** www.lkcmfunds.com  
**Phone:** 1-800-688-LKCM

### LKCM Fixed Income Fund

#### About The Adviser

Luther King Capital Management Corporation was founded in 1979 and provides investment management services to investment companies, employee benefit plans, endowments, foundations, pension and profit sharing plans, trusts, estates, and high net-worth individuals.

#### Portfolio Managers

Joan M. Maynard is the lead portfolio manager of the LKCM Fixed Income Fund and oversees the investment team responsible for the LKCM Fixed Income Fund. Ms. Maynard joined Luther King Capital Management in 1986 and serves as Principal, Vice President and Portfolio Manager.

Scot C. Hollmann, CFA, CIC, is a member of the investment team responsible for the LKCM Fixed Income Fund. Mr. Hollmann joined Luther King Capital Management in 1983 and serves as Principal, Vice President and Portfolio Manager.

Mark L. Johnson, CFA, CIC, is a member of the investment team responsible for the LKCM Fixed Income Fund. Mr. Johnson joined Luther King Capital Management in 2002 and serves as Principal, Vice President and Portfolio Manager.

**Contact us at**  
**1-800-688-LKCM**  
**www.lkcmfunds.com**

### Performance

Returns as of 03/31/21

|   | Expense Ratio    |       | Average Annual Total Returns Since Incept |        |       |       |       |       |          |
|---|------------------|-------|---|--------|-------|-------|-------|-------|----------|
|   | Net <sup>1</sup> | Gross | 3 Month                                   | YTD    | 1YR   | 3YR   | 5YR   | 10YR  | 12/30/97 |
| LKCM Fixed Income Fund                                  | 0.50%            | 0.79% | -1.35%                                    | -1.35% | 3.66% | 3.59% | 2.64% | 2.61% | 4.15%    |
| Bloomberg Barclays Intern. Gov/Credit Bond Index        |                  |       | -1.86%                                    | -1.86% | 2.01% | 4.36% | 2.75% | 2.88% | 4.42%    |
| Lipper Short Intermediate Invest. Grade Debt Funds Indx |                  |       | -0.58%                                    | -0.58% | 6.02% | 4.05% | 2.98% | 2.69% | 3.92%    |

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 1-800-688-LKCM. The fund imposes a 1.00% redemption fee on shares held less than 30 days, and if reflected, the fee would reduce the performance shown.

### Top Ten Holdings\*\*

|                                   | (% of Net Assets) |          |       |
|-----------------------------------|-------------------|----------|-------|
| L3Harris Tech, Inc.               | 3.85%             | 06/15/23 | 2.32% |
| Danaher Corp.                     | 3.35%             | 09/15/25 | 2.09% |
| Emerson Elec. Co.                 | 3.15%             | 06/01/25 | 1.87% |
| Bristol-Myers Squibb Co.          | 3.63%             | 05/15/24 | 1.79% |
| Amazon.com, Inc.                  | 2.50%             | 11/29/22 | 1.79% |
| Burlington Northern Santa Fe, LLC | 3.00%             | 03/15/23 | 1.70% |
| Ball Corp.                        | 5.25%             | 07/01/25 | 1.67% |
| Trimble, Inc.                     | 4.15%             | 06/15/23 | 1.67% |
| Suntrust Bank                     | 3.30%             | 05/15/26 | 1.63% |
| Abbvie Inc.                       | 2.15%             | 11/19/21 | 1.58% |

\*\*Excludes Cash and Equivalents.

The composition of the Fund's holdings and sector weightings are subject to change and are not recommendations to buy or sell any securities.

### Sector Weightings

|                          |       |
|--------------------------|-------|
| Financials               | 15.9% |
| Industrials              | 13.8% |
| Health Care              | 13.3% |
| Information Technology   | 10.3% |
| U.S. Govt Spon. Entities | 10.2% |
| U.S. Govt Issues         | 9.1%  |
| Communication Services   | 8.2%  |
| Energy                   | 5.5%  |
| Materials                | 4.5%  |
| Real Estate              | 4.1%  |
| Consumer Discretionary   | 3.6%  |
| Cash & Equivalents       | 1.0%  |
| Consumer Staples         | 0.5%  |



### Fixed Income Quality Distribution

|           | (% of Net Assets as of 03/31/21) |  |
|-----------|----------------------------------|--|
| A         | 34.6%                            |  |
| BBB       | 33.6%                            |  |
| AA        | 27.1%                            |  |
| BB        | 3.0%                             |  |
| Non-Rated | 0.0%                             |  |

### Portfolio Composition

|                  | (% of Net Assets) |
|------------------|-------------------|
| Fixed Income     | 98.3%             |
| Cash Equivalents | 1.7%              |

\*Fiscal year to date from 1/1/21 to 03/31/21.

The fixed income quality distribution uses the Standard and Poor's scale. Bond ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'C' ("junk"), which is the lowest grade.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The Funds' summary and statutory prospectuses contain this and other important information about the Funds. Please read the summary and statutory prospectuses carefully before investing. To obtain a hardcopy, please call 1-800-688-LKCM. Read carefully before investing.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

<sup>1</sup>Expense ratios above are as December 31, 2019, the Fund's prior fiscal year end, as reported in the Fund's current prospectus. Luther King Capital Management has contractually agreed to waive all or a portion of its management fee and/or reimburse the Fund through May 1, 2022 to maintain designated expense ratios. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Investment performance for the last quarter is based upon the net expense ratio.

The Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged market value weighted index measuring both the principal price changes of, and income provided by, the underlying universe of securities that comprise the index. The Lipper Short Intermediate Investment-Grade Debt Funds Index is an unmanaged index generally considered representative of short intermediate investment grade mutual funds tracked by Lipper, Inc. You cannot invest directly in an index.

The Fund is distributed by Quasar Distributors, LLC.