Texas Capital
ETF & FUNDS MANAGEMENT

Texas Capital Texas Equity Index

Tracking Texas and Its Dynamic Economic Growth

April 2025

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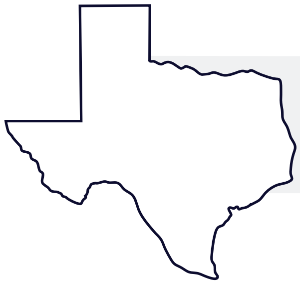


PROVIDING INVESTMENT EXPOSURE TO
COMPANIES HEADQUARTERED IN TEXAS,
THE FASTEST-GROWING STATE

KEY TAKEAWAYS

- Texas continues to experience robust growth as its nominal GDP has grown, on average, 8.1% over the past five years.[1]
- Texas represents 22% of the total exports of the United States and produces more than 9% of the country's GDP.[2]
- On a standalone basis, Texas would be the eighth-largest country in the world based on GDP; it is home to 52 Fortune 500 companies and the home of 10% of publicly traded U.S. companies.[2]
- The Texas Capital Texas Equity Index provides the ability to measure the growing economic activity of the state by including public companies headquartered in Texas.
- Based on the volume and diversity of businesses headquartered in Texas, holding the Index's components can be considered a strong core equity position. It is also a complement to the technology-heavy S&P 500 as it has little overlap, with an active share[3] of 92%.

Overview

Texas is a driving force in the U.S. economy, and its diverse industries continue to be well-positioned for the future. Texas represents 22% of all U.S. exports, and the state has been the leader of U.S. technology exports for the past 12 years.[2] Industry-leading firms like Tesla, Caterpillar, ExxonMobil, Charles Schwab and AT&T are a small sampling of the 52 Fortune 500 companies that call Texas their home.[4]

Over the years, waves of people and companies have migrated to Texas because of a number of positive factors, including:

- No individual or corporate state income tax.
- A favorable business environment and attractive benefits for corporate relocations.
- A skilled workforce and access to higher education.
- A lower cost of living, particularly when compared to California and New York.[5]

Since 2015, Texas has attracted more than 300 companies to move their headquarters to the state, and Texas has been the leading state in direct foreign investments for the past 20 years.[2]

In addition, the new administration's focus on energy independence is a potential tailwind for Texas, the top energy producer in the country. While known for its oil production, Texas produced 27% of the natural gas in the U.S. in 2023, and the state had the second most solar installations in the country.[6]

Recognizing the dynamic nature of the Texas economy and its attractive positioning looking forward, Texas Capital created the Texas Capital Texas Equity Index (index symbol: SYTXSX), calculated and maintained by Syntax, to

[1] *https://comptroller.texas.gov/transparency/reports/forecasts/fall2024/*

[2] *Top Texas Touts: Economy*

[3] *Active share is a measure of the percentage of stock holdings in an index or portfolio that differs from the benchmark.*

[4] *https://us500.com/fortune-500-companies*

[5] *Why Texas is the Best State for Business*

[6] *Trump's Energy Dominance Agenda Looks Like Texas | RealClearEnergy*

provide investors with access to companies headquartered in the state of Texas. The Index is designed to reflect the performance of a diversified group of companies that are representative of the Texas economy by using GDP-based sector weights and market capitalization-based company weights. The Index selects eligible Texas companies that meet the investment criteria from the Syntax 3000 universe of public companies, which is representative of the broader U.S. stock market.

This paper reviews the constituents and performance of SYTXSX as of December 31, 2024, and provides insights into the characteristics of the businesses found in the Index.

Texas Capital Texas Equity Index

The analysis starts by looking at the weights of the Index to the 11 primary sectors within Syntax's proprietary FIS® Industry classification system and drills down into sub-sector descriptions that are more informative regarding the underlying business exposures.

Given the history of Texas, it is not surprising to see Energy as the largest sector, with a weight of about 21%, of which 17% is tied to Energy Production. The 4% balance is allocated to Oilfield Services and Equipment.

The weight to Energy is interesting. Compared to the importance of energy to the U.S. economy, this sector is often underrepresented in most portfolios. For example, Energy only accounts for around 3.2% of the weight of the S&P 500, compared to 20.9% in the SYTXSX Index. From this perspective, the Index can be viewed as a complement to the S&P 500. This energy exposure is diversified among key players in the energy supply chain. The Energy Production subsector includes oil and gas mainstays like ExxonMobil and ConocoPhillips, but also companies like Cheniere Energy Inc., a leader in liquefied natural gas (LNG), and Kinder Morgan, a large player in the pipeline market. Oilfield Services and Equipment includes brand names like SLB, Baker Hughes and Halliburton.

But Texas does a lot more today than just produce energy, as highlighted by the roughly 80% of the Index allocated to businesses outside the Energy sector. There is sizable representation from Technology, Industrials, Real Estate and Healthcare, each at over 10% of the Index's weight.

EXHIBIT 1

SYTXSX Sector & Sub-Sector Weights[7]

SECTOR (SUBSECTOR)	% INDEX
Energy	20.9%
Energy Production	17.0%
Oilfield Services and Equipment	3.9%
Consumer Discretionary	18.3%
Automotive	7.5%
Consumer Services	6.1%
Consumer Retailing	4.5%
Durables and Apparel	0.2%
Technology	13.6%
Software and Services	12.2%
Hardware	1.4%
Industrials	12.8%
Commercial Services	9.3%
Transportation and Distribution	2.1%
Capital Goods	1.5%
Real Estate	10.6%
RE Lessors	5.5%
RE Services and Technology	2.8%
RE Developers and Operators	2.3%
Healthcare	10.5%
Healthcare Services	10.1%
Healthcare Products	0.4%
Financials	6.2%
Capital Markets	3.7%
Banking	1.6%
Insurance	0.8%
Payments	0.1%
Consumer Staples	2.7%
Consumer Staples Retailing	2.4%
Personal Care Products	0.2%
Food	0.1%
Communications	1.9%
Telecommunications	1.2%
Digital Platforms	0.5%
Media and Advertising	0.1%
Utilities	1.8%
Gas Utilities	0.3%
Electric Utilities	0.3%
Deregulated Electricity	1.2%
Basic Materials	0.6%
Chemicals	0.3%
Metals and Mining	0.1%
Construction Materials	0.1%

[7]Sector and sub-sector weights as of 12.31.24, based on primary business exposures and Syntax FIS industry classification system. Source: Syntax

Overall, the Index is well diversified. The meaningful weight to Energy at 21% is complemented by Index holdings in six subsectors with weights of between 5% and 12% that comprise 51% of the portfolio. These subsectors and representative companies are listed below:

SOFTWARE • 12.2%

Digital Realty Trust Inc. (4.3%) is a datacenter, and CrowdStrike (4.2%) is a cybersecurity company. Oracle (2.0%) and Tyler Technologies (1.3%) are the other notable software companies headquartered in Texas found in the Index.

HEALTHCARE SERVICES • 10.1%

Tenet Healthcare (4.5%) is a diversified healthcare services company focused on Hospital Operations and Services as well as ambulatory care. McKesson Corp. (3.8%) generates the majority of its revenue from distributing pharmaceuticals to pharmacies.

COMMERCIAL SERVICES • 9.3%

This group of companies is led by Waste Management (3.8%) and Quanta Services (2.1%), a provider of infrastructure solutions for electric and gas utilities.

AUTOMOTIVE • 7.5%

This is driven by the 6.1% weight to Tesla; Group 1 Automotive Inc., an automotive retailer in the U.S. and U.K., is 1.5 % of the Index.

CONSUMER SERVICES • 6.1%

This group includes food service companies Wingstop (1.7%); Brinker International (1.2%), the owner of Chili's Grill & Bar and Maggiano's Little Italy brands; and Dave & Buster's Entertainment (0.8%). Service Corp International (1.9%) provides funeral-related services.

REAL ESTATE LESSORS • 5.5%

This group includes exposure to Crown Castle (2.9%), which leases cell towers; Invitation Homes (1.4%), a leading single family home leasing and real estate management company; and Camden Property Trust (0.9%), which is focused on multifamily apartment communities.

To quantify the diversification benefits of the Texas Capital Texas Equity Index, we calculated its active share relative to the S&P 500 as of December 31, 2024. The analysis shows the Index has an active share of 92%. Stated alternatively, there is roughly an 8% overlap in the stocks held between these two indices, indicating considerable diversification benefits.

The Index had 209 holdings as of December 31, 2024. Exhibit 2 profiles the top 10 holdings in the Index and includes each company's weight, as well as their sector, subsector and primary business. This group makes up 39% of the Index.

EXHIBIT 2

SYTXSX Top 10 Holdings by Sector, Subsector and Primary Business

RANK	COMPANY	% INDEX	SECTOR	SUBSECTOR	PRIMARY BUSINESS
1	Tesla, Inc.	6.1%	Consumer Discretionary	Automotive	Electric Automobiles; Direct Sales
2	Tenet Healthcare Corp.	4.5%	Healthcare	Healthcare Services	General Medical Services; Private Insurance
3	Digital Realty Trust	4.3%	Technology	Software and Services	Colocation Services for Businesses and Governments
4	CrowdStrike Holdings	4.2%	Technology	Software and Services	Cloud Security Software for Businesses and Governments
5	McKesson Corp.	3.8%	Healthcare	Healthcare Services	Pharmaceutical Distribution to Pharmacies
6	Waste Management	3.8%	Industrials	Commercial Services	Non-Hazardous Waste Collection
7	GameStop Corp.	3.4%	Consumer Discretionary	Consumer Retailing	Video Game Console Retail
8	Charles Schwab Corp.	3.4%	Financials	Capital Markets	Securities Broker for Businesses and Consumers
9	Crown Castle Inc.	2.9%	Real Estate	Real Estate Lessors	Communication Tower Lessor
10	CBRE Group, Inc.	2.8%	Real Estate	RE Services and Tech	Property Management for Businesses
	Total	**39.2%**			

Source: Syntax Affinity Platform

While two companies may share a subsector, they may have considerably different business models. We used Syntax's granular classification data to help illustrate this concept. As an example, consider Digital Realty Trust and CrowdStrike Holdings, two stocks that share the Technology sector and Software and Services subsector.

- Digital Realty Trust's primary business is Colocation Services for Businesses and Governments. Digital Realty is a leading global provider of data centers, providing investors exposure to this high demand sector of the economy tied to a growing need for AI-related infrastructure.
- CrowdStrike Holdings is focused on Cloud Security Software for Businesses and Governments. Whereas Digital Realty Trust owns and manages physical assets, CrowdStrike is a cloud software company.

The remaining companies in the top 10 are a diversified group, with only Tesla being an overlap with the top 10 companies in the S&P 500. Tesla is also the only overlap with the Magnificent Seven technology giants, whose performance has driven markets in recent years. Notably, the technology bias found in the top holdings of the S&P 500 and that index overall is not found in SYTXSX. The weight to the Technology sector in SYTXSX is 13.6%, compared to 32.5% for the S&P 500. But, as we examine below, a lower exposure to technology doesn't mean giving up growth.

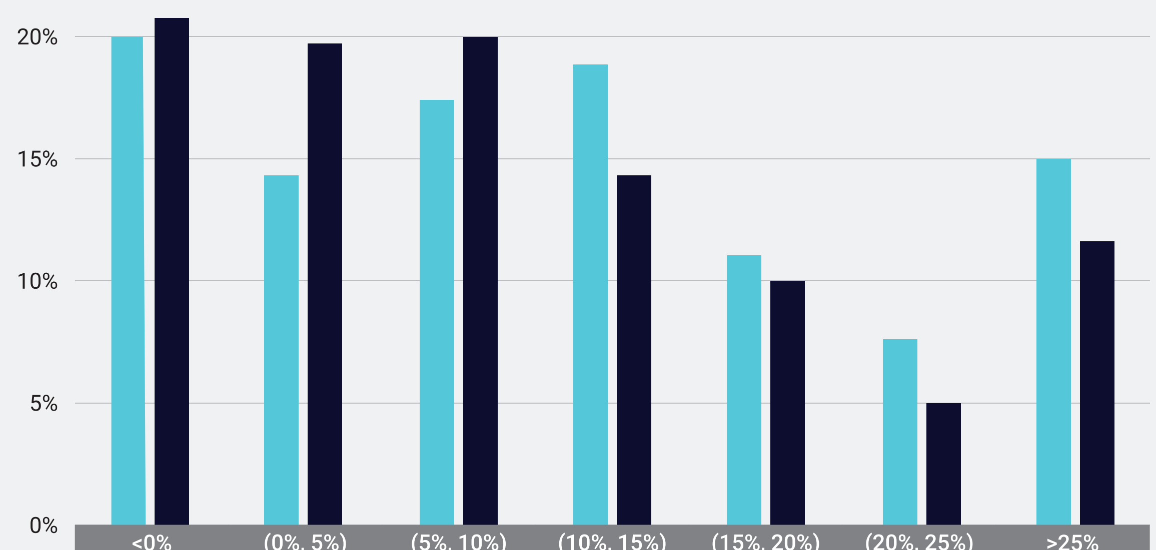
Revenue and Earnings Per Share Growth

One of the appealing factors of Texas as a state is its growth rate. In this section, we look at the growth in revenue and earnings per share (EPS) for the constituents of the SYTXSX Index and compare the results to those of its Syntax 800 benchmark. This benchmark, which holds U.S. companies between market capitalization ranks 201 and 1000, is used as a proxy for the overall capitalization profile of the SYTXSX Index, including large-, mid- and small-cap companies, but excludes the mega-cap names.

To assess the growth in revenue, we annualized the sales growth of each constituent over the trailing three years. It is important to note the starting point for measuring revenue and EPS growth was influenced by the effects of the COVID pandemic on businesses and the economy.

EXHIBIT 3

SYTXSX Trailing Three Years Revenue Growth Annualized vs. Syntax US Midcap 800 Index (SY800)



	<0%	(0%, 5%)	(5%, 10%)	(10%, 15%)	(15%, 20%)	(20%, 25%)	>25%
SYTXSX	20%	14%	17%	18%	11%	7%	15%
SY800	21%	19%	20%	14%	10%	5%	12%

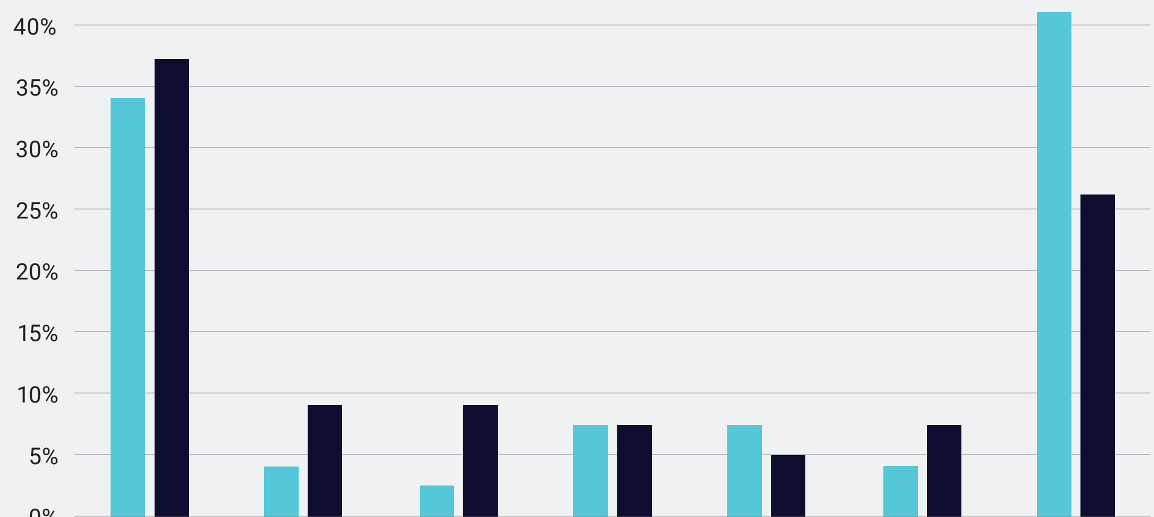
Distribution of annualized trailing three-year revenue growth of constituents of SYTXSX and SY800 as of 12.31.24. Source: Syntax, LSEG Data & Analytics

Exhibit 3 shows that SYTXSX (light blue bars) had more favorable growth than the Syntax Midcap 800 Index (SY800, navy bars) benchmark. The graph shows the favorable skew to SYTXSX, with better results for higher growth companies (greater than 10%) and fewer companies with negative or moderate growth. Fifty percent of the companies in the SYTXSX index had annualized growth rates greater than 10%, compared to 40% for SY800.

The story is similar for the growth in EPS; SYTXSX had a smaller percentage of companies with negative earnings growth than the benchmark (34% vs. 37%, respectively) and a higher percentage of companies with greater than 25% EPS growth (41%) relative to the benchmark (26%).

EXHIBIT 4

SYTXSX Trailing Three Years EPS Growth Annualized vs. Syntax US Midcap 800 Index (SY800)



	<0%	(0%, 5%)	(5%, 10%)	(10%, 15%)	(15%, 20%)	(20%, 25%)	>25%
SYTXSX	34%	4%	3%	7%	7%	4%	41%
SY800	37%	9%	9%	7%	5%	7%	26%

SYTXSX SY800

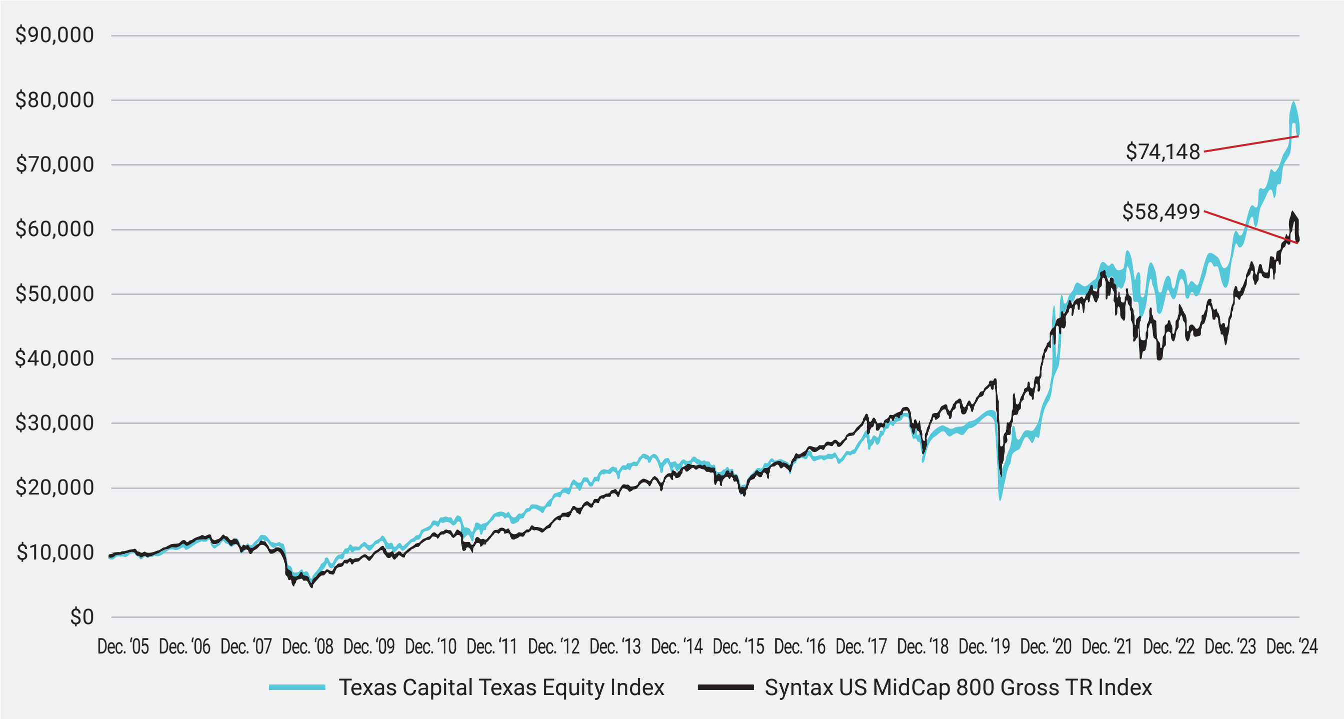
Distribution of annualized trailing three-year EPS growth of constituents of SYTXSX and SY800 as of 12.31.24. Source: Syntax, LSEG Data & Analytics

Performance

To assess the effectiveness of the Index, we conducted a backtest from September 2005 through the Index's March 30, 2023, inception date. We also included live performance through December 31, 2024. Exhibit 5 shows the growth of a hypothetical $10,000 investment in the Index and the Syntax Midcap 800 Index.

EXHIBIT 5

Growth of a Hypothetical $10,000 Investment: Texas Capital Texas Equity Index vs. Syntax US Midcap 800 Index



Gross Total Return, 9.16.2005–12.31.2024. Performance does not reflect fees, taxes or implementation costs as an investor cannot directly invest in an index. Please see important disclaimers regarding backtested data prior to index inception. Source: Syntax

The SYTXSX Index posted an annualized since inception return of 10.95% vs 9.59% for the Syntax benchmark, an outperformance of 1.36% per year. Exhibit 5 shows that the cumulative return of a hypothetical $10,000 investment in the SYTXSX Index in September 2005 would have returned $74,148 in total as of December 31, 2024, compared to $58,499 for the Syntax benchmark, a cumulative increase of 26% over the benchmark.

Conclusion

The Texas economy is large, diverse and growing. On a standalone basis, Texas would be one of the 10 largest economies in the world. The state's economy continues to be robust, and its business climate continues to attract people and companies. The Texas Capital Texas Equity Index was designed to be representative of the economic activity of the state as accessed through an index of public companies headquartered in Texas. Like Texas, the Texas Capital Texas Equity Index has favorable revenue and EPS growth characteristics. Given the robust nature of the Texas economy, the wide range of business opportunities and the potential tailwind tied to a focus on energy independence with the new administration, the Index can be a strong core position in a portfolio or serve as a complement to a broad range of tech-focused ETFs, as well as the S&P 500, with its heightened exposure to the Magnificent Seven.

Texas Capital Texas Equity Index

Index returns do not represent returns of any fund. An investor cannot invest directly in an index. Neither the underlying Index nor the benchmark indexes charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments and fees and expenses associated with an investment in a mutual fund or ETF.

The Syntax US MidCap 800 Index is the property of Syntax LLC, which calculates and maintains the Index. Syntax® is a registered trademark of Syntax LLC and/or its affiliate.

Index performance does not represent the performance of any specific fund or portfolio, and such performance does not reflect the actual investment experience of any investor. An investor cannot invest directly in an index. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments and fees and expenses associated with an investment in a portfolio invested in accordance with an index. None of the Syntax Indices or the benchmark indices portrayed herein charge management fees or incur brokerage expenses, and no such fees or expenses were deducted from the performance shown, provided, however, that the returns of any investment portfolio invested in accordance with such indices would be net of such fees and expenses. Additionally, none of these indices lend securities, and no revenues from securities lending were added to the performance shown. Performance shown is unaudited and subject to revision. This document may include forward-looking statements, which are based on our expectations and projections as of the date made. Past returns are not necessarily predictive of future returns.

***Geographic Concentration Risk**. A portfolio of investments concentrated in a particular geographic region is subject to additional risk as its performance is expected to be closely tied to various factors such as social, financial, economic and political conditions within that region. Events that negatively affect that region may cause the value of the portfolio to decrease, in some cases significantly. As a result, such a portfolio may be more volatile than one with more geographically diverse investments.*

Asset allocation and diversification strategies do not ensure a profit and cannot protect against losses in a declining market.

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