

Small Cap Quality Value Portfolio

First Quarter 2021 | Managed Accounts

Portfolio Review

The Small Cap Quality Value portfolio delivered positive performance but underperformed the Russell 2000 Value Index as more cyclical, lower quality names outperformed in the first quarter. Poor stock selection and an overweight in industrials and poor stock selection in consumer discretionary detracted from performance. An underweight in utilities and real estate contributed positively to performance.

The biggest contributors to performance during the quarter were National Beverage and Cheesecake Factory. Alongside market share recovery, National Beverage's profits outgrew its sales growth. We continue to monitor market share and we believe that National Beverage continues to retain its position as one of the leaders in the growing sparkling water category. Cheesecake Factory initially came under significant pressure due to the impacts and restrictions from physical distancing orders across the United States. As a result of these restrictions, dining within Cheesecake Factory's restaurants continue to be operating at a limited capacity as permitted by state and local governments. However, we believe Cheesecake Factory continues to demonstrate its value proposition to customers and is recapturing a meaningful share of its pre-COVID-19 restaurant level performance through a combination of on- and off-premise dining. Other top contributors included Scotts Miracle-Gro, Thor Industries and Brooks Automation.

The biggest detractors to performance were Leslie's Pool Supply and Terminix Global Holdings. While Leslie's saw strong fiscal year first quarter results, the early winter months represent a small share of the company's annual revenues due to seasonality. During the quarter, we also saw investors rotate into more cyclical businesses in anticipation of a post-pandemic rebound in other businesses. We added to our position in the quarter as we believe the company's enviable long-term track record of consistent revenue growth should continue. Terminix was down slightly after the company transitioned to a pure pest and termite company, divesting its other operations. Terminix is currently executing on the planned operational improvements to improve customer retention and accelerate organic growth, and market participants are waiting for the company to show proof of the improvement. Other detractors included Anika Therapeutics, EVERTEC and Jack Henry & Associates.

Purchases and Sales

During the quarter, there were no new purchases or complete sales.

Outlook

We believe the 2021/2022 economic outlook is becoming increasingly robust given significant pent-up consumer demand combined with record net worth, several trillion dollars of federal stimulus being distributed this year, vaccinations, and declining COVID-19 hospitalizations, all of which are improving consumer confidence. In a rapidly accelerating economic growth environment, low quality stocks tend to outperform high quality businesses as investors seek out companies with more operating and financial leverage. In our experience, equity markets are often 6 to 12 months ahead in assessing the business and economic environment. Once the acceleration in GDP starts to stabilize, we expect the relative performance of high-quality stocks will start to improve.

Portfolio Highlights

Style: Small Cap
Sub-Style: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$6,346.9 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	35
Julie Kutasov Portfolio Manager + Senior Research Analyst	20
Craig Stone Portfolio Manager + Senior Research Analyst	32
Todd Bailey, CFA Senior Research Analyst	22
Julie Biel, CFA Senior Research Analyst	13
Jon Christensen, CFA Senior Research Analyst	26
Chris Wright, CFA Senior Research Analyst	9
Sean Dixon Research Analyst	12
Adam Xiao, CFA Research Analyst	6
Jordan Greenhouse Senior Client Portfolio Manager	24†
James B. May, CFA Client Portfolio Manager	33†

Top Five Holdings

As of March 31, 2021

Company	Percent of equity (%)
Scotts Miracle-Gro	7.9
Thor Industries	5.4
Cheesecake Factory	5.0
Brooks Automation	4.8
SiteOne Landscape Supply	4.8
Total	27.9

†Represents years of industry experience.

This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. Data is obtained by FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. Past performance is no guarantee of future results.

Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<p>Quantitative Screens</p> <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt <p>Other Resources</p> <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	<p>Qualitative Analysis</p> <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market <p>Financial Analysis</p> <ul style="list-style-type: none"> Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately <p>Valuation Analysis</p> <ul style="list-style-type: none"> Determine the current and potential value of the business 	<p>Position Weights</p> <ul style="list-style-type: none"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints <p>Non-U.S. Holdings</p> <ul style="list-style-type: none"> Up to 20% <p>Holding Period</p> <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% <p>Cash Levels</p> <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10% 	<p>Extended Valuation</p> <p>Portfolio Upgrade</p> <p>Acquisition Activity</p> <p>Negative Company or Industry Changes</p>

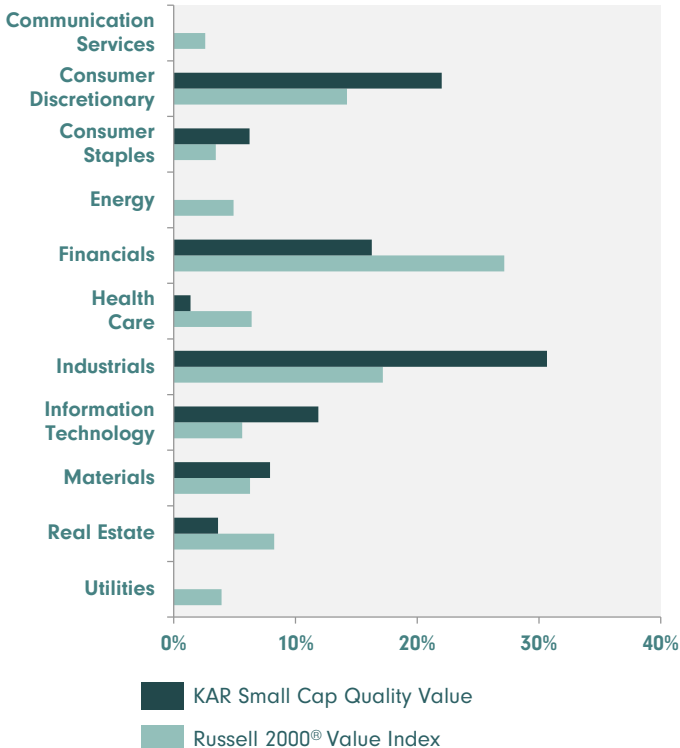
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of March 31, 2021



A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of March 31, 2021

	KAR Small Cap Quality Value	Russell 2000 Value Index
Quality		
Return on Equity—Past 5 Years	21.3%	7.2%
Total Debt/EBITDA*	1.6 x	10.2 x
Earnings Variability—Past 10 Years	44.7%	85.1%
Growth		
Earnings Per Share Growth—Past 5 Years	9.7%	7.3%
Earnings Per Share Growth—Past 10 Years	5.9%	5.7%
Dividend Per Share Growth—Past 5 Years	10.9%	2.6%
Dividend Per Share Growth—Past 10 Years	12.0%	6.2%
Capital Generation—{ROE x (1-Payout)}	12.8%	5.4%
Value		
P/E Ratio—Trailing 12 Months	50.5 x	140.2 x
Dividend Yield	1.1%	1.4%
Free Cash Flow Yield†	4.1%	5.1%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$4.0 B	\$2.1 B
Largest Market Cap—3-Year Avg.	\$11.5 B	\$8.4 B
Annualized Standard Deviation—Since Inception‡	19.4%	19.4%

*There was a material difference in Total Debt/EBITDA and Interest Coverage Expense quality indicators for the strategy as of March 31, 2021 over the prior quarter end of December 31, 2020. This is primarily due to a single issuer in the portfolio experiencing a depressed EBITDA due to the effect of the pandemic on that issuer's business.

†Free cash flow data is as of December 31, 2020. Prices are as of March 31, 2021. Excludes financials.

‡June 1, 1998

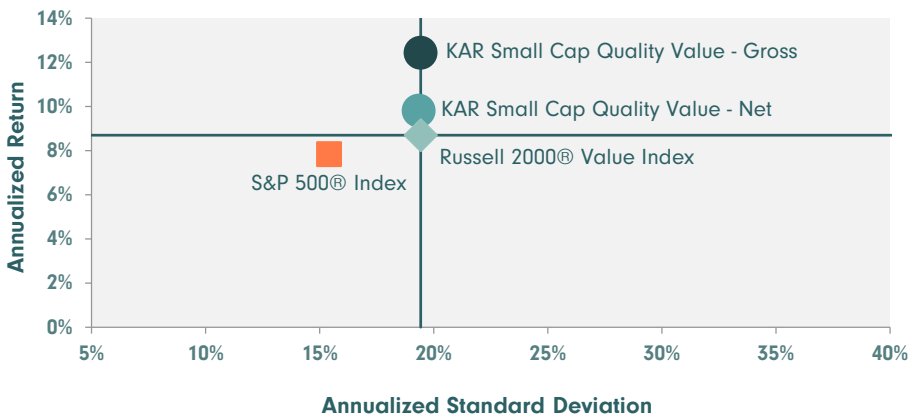
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

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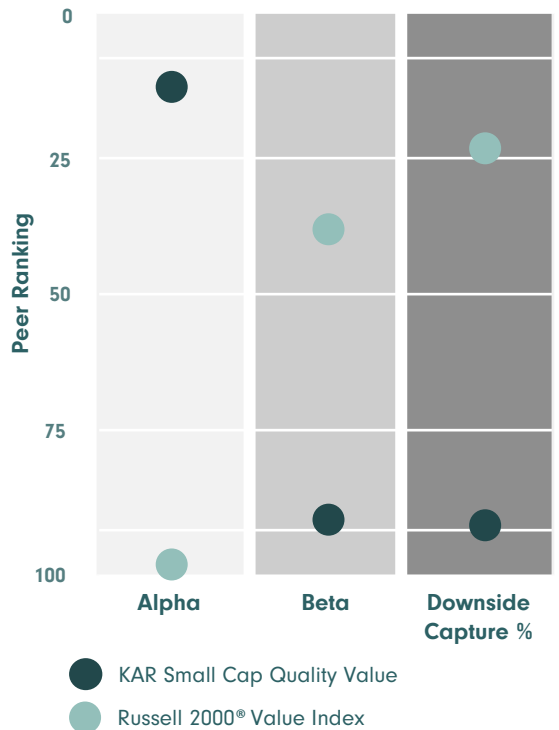
Strong Risk-Adjusted Returns

Inception* to March 31, 2021



Peer Comparison Chart

Inception* to March 31, 2021



Historical Returns

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [§]	Russell 2000 [®] Value Index
Annualized Returns (%)[‡]			
As of March 31, 2021			
1st Quarter	13.53	12.71	21.17
One Year	87.83	82.55	97.05
Three Years	17.01	13.58	11.57
Five Years	17.61	14.17	13.56
Seven Years	14.20	11.24	8.93
Ten Years	13.88	11.24	10.06
Inception [†]	12.43	9.81	8.70

Annual Returns (%)	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [§]	Russell 2000 [®] Value Index
2020	28.86	25.11	4.63
2019	25.09	21.45	22.39
2018	(14.14)	(16.72)	(12.86)
2017	20.66	17.14	7.84
2016	26.17	22.50	31.74
2015	(0.27)	(1.80)	(7.47)
2014	2.51	0.85	4.22
2013	40.00	37.83	34.52
2012	10.01	8.32	18.05
2011	6.73	4.58	(5.50)
2010	24.75	22.81	24.50
2009	27.82	25.92	20.58
2008	(28.62)	(29.99)	(28.92)
2007	1.93	0.27	(9.78)
2006	23.72	21.87	23.48
2005	8.53	5.31	4.71
2004	27.59	23.80	22.25
2003	22.12	18.59	46.03
2002	0.48	(2.52)	(11.43)
2001	19.42	16.06	14.02
2000	24.92	21.28	22.83
1999	(7.69)	(10.39)	(1.49)
1998 [¶]	9.61	7.99	(10.93)

*Actual inception date is June 1, 1998. July 1, 1998 is used for calculation purposes of quarterly information.

[†]June 1, 1998

[‡]All periods less than one year are total returns and are not annualized. Returns are preliminary.

[§]Net of all fees and expenses. Assumes a 3% annual fee.

[¶]Performance statistics are based on gross of fee returns.

[¶]Performance calculations are for the seven months ended December 31, 1998.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns of the Kayne Anderson Rudnick composite are preliminary and gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. The Small Cap Value Universe includes all managers categorized in the small cap value asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.**

Performance Statistics

Inception* to March 31, 2021

	KAR Small Cap Quality Value [¶]	Russell 2000 [®] Value Index
Annualized Standard Deviation	19.42	19.43
Alpha	4.89	0.00
Beta	0.79	1.00
Sharpe Ratio	0.55	0.35
R-Squared	82.14	100.00

IMPORTANT RISK CONSIDERATIONS: Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the speed of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

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Disclosure

Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell 2000™ Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Percentage of Wrap-Fee Accounts (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	24.75	22.81	24.50	N/A	N/A	100	38	0.75	651	4,729
2011	6.73	4.58	(5.50)	N/A	N/A	100	36	0.33	478	5,232
2012	10.01	8.32	18.05	16.04	20.17	100	31	0.43	622	6,545
2013	40.00	37.83	34.52	14.24	16.05	100	27	0.42	637	7,841
2014	2.51	0.85	4.22	12.88	12.98	100	26	0.43	648	7,989
2015	(0.27)	(1.80)	(7.47)	13.64	13.65	100	24	0.32	624	8,095
2016	26.17	22.50	31.74	14.09	15.72	100	26	0.55	641	9,989
2017	20.66	17.14	7.84	12.17	14.17	100	28	0.22	803	14,609
2018	(14.14)	(16.72)	(12.86)	14.39	15.98	100	30	0.19	644	17,840
2019	25.09	21.45	22.39	14.54	15.90	100	32	0.15	779	25,685

*Pure gross returns are supplemental to net returns.

The Russell 2000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.

KAR (as defined below) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. KAR has been independently verified for the period from January 1, 1999 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 Small Cap Quality Value Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2019. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC ("KAR"), a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. KAR manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary Small Cap Quality Value Wrap Portfolios. Small Cap Quality Value Wrap Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value Index, that have market control, rising free cash

flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 2000® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2002. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. Prior to January 1, 2011, the composite minimum was \$100,000.

The standard wrap fee schedule in effect is 3.00% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part IIA of Form ADV, which is available on request. The performance

information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Performance results include the reinvestment of all income. Pure gross returns do not reflect the deduction of any expenses, including trading costs. Prior to December 31, 2005, net annual returns are calculated after deducting 1/4th of an assumed maximum annual wrap fee of 3% on a quarterly basis. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. Beginning January 1, 2016, net annual returns are calculated by deducting 1/12th of an assumed maximum annual wrap fee of 3% on a monthly basis. Wrap fees include all charges for trading costs, portfolio management, custody and other administrative expenses.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation, which measures the variability of the composite (using pure gross returns) and the benchmark for the 36-month period, is presented starting 2012 because prior to January 1, 2010, the composite return was calculated quarterly and 36 monthly returns are not available.