

Small Cap Quality Value Portfolio

Second Quarter 2021 | Managed Accounts



Portfolio Review

The Small Cap Quality Value portfolio delivered positive performance but underperformed the Russell 2000 Value Index in the second quarter. Poor stock selection in materials and consumer discretionary detracted from performance. Good stock selection and an underweight in financials and good stock selection in information technology contributed positively to performance.

The biggest contributors to performance during the quarter were Houlihan Lokey and Brooks Automation. Houlihan Lokey continued to benefit from the robust M&A environment in the most recent quarter. The company's model proved resilient during COVID-19 and its bankers have remained active as the economy has reopened. Brook Automation's semiconductor business has remained strong due to clear differentiation from the competition. The company's Life Sciences segment has recovered and is showing strong profitability. The company also announced its intention to split the two businesses into separate public companies, which we believe is prudent and good for shareholders. Other top contributors included Armstrong World Industries, MGM Growth Properties, and EVERTEC.

The biggest detractors to performance were Scotts Miracle-Gro and Thor Industries. Scotts Miracle-Gro continued to see robust sales and profit results in the most recent quarter from strength in lawn and gardening due to continued stay-at-home behavior, and strength in hydroponics due to increasing U.S. cannabis legalization. However, shares pulled back from recent highs as market participants seem concerned about price inflation and the potential of reduced demand for lawn and garden products in the post-pandemic reopening economy. While the RV industry experienced healthy demand during the COVID-19 pandemic, Thor's underperformance appears to be related to the market's view that long-term demand for RVs is overstated relative to current results. Other detractors included WD-40, The Cheesecake Factory, and Bank of Hawaii.

Purchases and Sales

During the quarter, we purchased Latham Group and sold CoreLogic from the portfolio. Latham Group is one of the largest designers, manufacturers, and marketers of fiberglass pools in the U.S., Australia, and New Zealand. The company has the largest scale in fiberglass pool manufacturing with a roughly 50% market share in North America. This is more than four times that of the second largest fiberglass competitor. CoreLogic accepted a takeover offer from a private equity firm. With the stock at a very small discount to the cash price, we used the proceeds to invest in a new company in the portfolio.

Outlook

Despite elevated valuations, we believe investors should stay the course and remain invested. Price/earnings (PE) ratios are higher than normal, but this is not unusual when earnings are rapidly recovering and corporate earnings were strong in the first quarter. Ironically, PE ratios may decline as the earnings recovery unfolds. However, as long as earnings growth exceeds multiple contractions, we believe returns should be favorable for investors. As always, our focus remains on high quality businesses regardless of the current economic regime. We believe competitive protections and differentiation are the key investment metrics that matter the most over the long term.

Portfolio Highlights

Style: Small Cap
Sub-Style: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$7,226.7 M
Portfolio Turnover: 25%–35%

Investment Management Team

| Name | Years of research experience |
|--|------------------------------|
| Douglas S. Foreman, CFA Chief Investment Officer | 35 |
| Julie Kutsov 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 June 30, 2021

| Company | Percent of equity (%) |
|--------------------------|-----------------------|
| Scotts Miracle-Gro | 6.2 |
| Brooks Automation | 5.8 |
| SiteOne Landscape Supply | 4.7 |
| Watsco | 4.6 |
| Houlihan Lokey | 4.5 |
| Total | 25.7 |

†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 |
|---|---|--|---|
| Quantitative Screens <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 Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research | Qualitative Analysis <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 Financial Analysis <ul style="list-style-type: none"> Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business | Position Weights <ul style="list-style-type: none"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints Non-U.S. Holdings <ul style="list-style-type: none"> Up to 20% Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10% | Extended Valuation Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes |

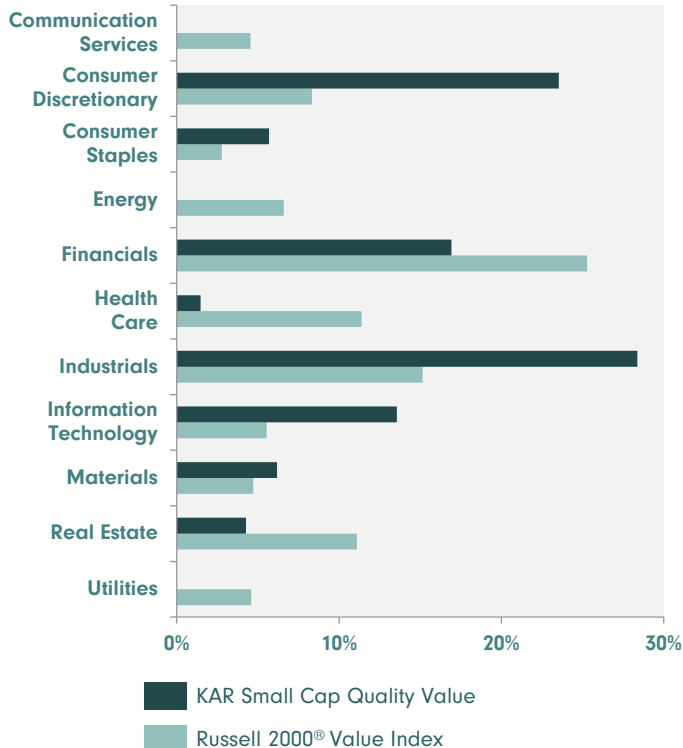
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of June 30, 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 June 30, 2021

| | KAR Small Cap Quality Value | Russell 2000 [®] Value Index |
|--|-----------------------------|---------------------------------------|
| Quality | | |
| Return on Equity—Past 5 Years | 23.4% | 7.5% |
| Total Debt/EBITDA | 1.4 x | 6.6 x |
| Earnings Variability—Past 10 Years | 41.2% | 82.5% |
| Growth | | |
| Earnings Per Share Growth—Past 5 Years | 14.4% | 8.0% |
| Earnings Per Share Growth—Past 10 Years | 6.2% | 5.5% |
| Dividend Per Share Growth—Past 5 Years | 9.9% | 2.0% |
| Dividend Per Share Growth—Past 10 Years | 11.2% | 5.9% |
| Capital Generation—{ROE x (1-Payout)} | 14.3% | 5.4% |
| Value | | |
| P/E Ratio—Trailing 12 Months | 32.8 x | 42.6 x |
| Dividend Yield | 1.1% | 1.5% |
| Free Cash Flow Yield [†] | 4.3% | 4.6% |
| Market Characteristics | | |
| \$ Weighted Average Market Cap—3-Year Avg. | \$4.2 B | \$2.2 B |
| Largest Market Cap—3-Year Avg. | \$11.8 B | \$9.7 B |
| Annualized Standard Deviation—Since Inception [‡] | 19.3% | 19.3% |

[†]Free cash flow data is as of March 31, 2021. Prices are as of June 30, 2021. Excludes financials.

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

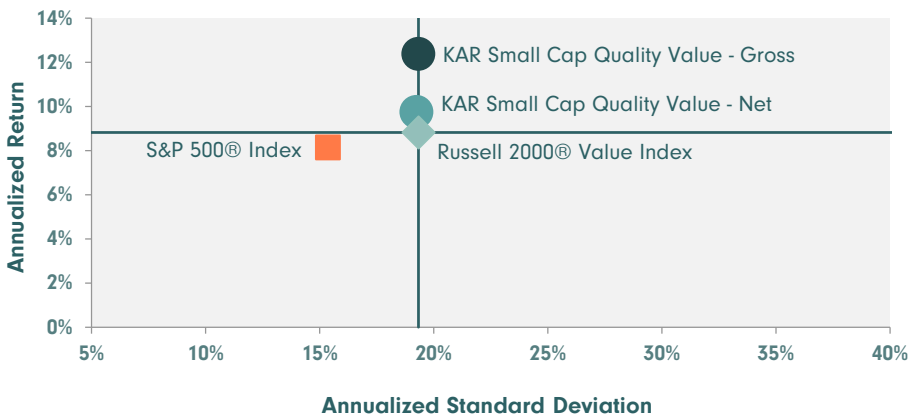
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Small Cap Quality Value Portfolio

Second Quarter 2021 | Managed Accounts

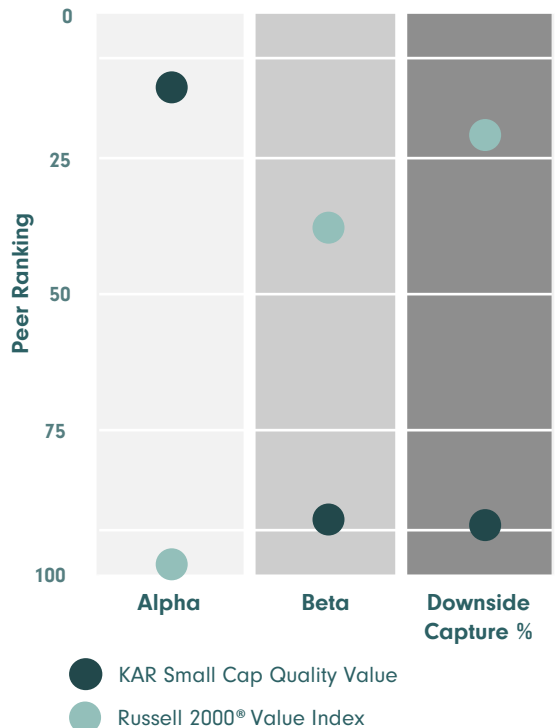
Strong Risk-Adjusted Returns

Inception* to June 30, 2021



Peer Comparison Chart

Inception* to June 30, 2021



Historical Returns

| | KAR Small Cap Quality Value (gross) | KAR Small Cap Quality Value (net) [§] | Russell 2000 [®] Value Index |
|---|-------------------------------------|--|---------------------------------------|
| Annualized Returns (%)[‡] | | | |
| As of June 30, 2021 | | | |
| 2 nd Quarter | 1.90 | 1.15 | 4.56 |
| Year to Date | 15.69 | 14.00 | 26.69 |
| One Year | 48.85 | 44.58 | 73.28 |
| Three Years | 17.02 | 13.60 | 10.27 |
| Five Years | 17.02 | 13.59 | 13.62 |
| Seven Years | 14.27 | 11.28 | 9.26 |
| Ten Years | 13.74 | 11.07 | 10.85 |
| Inception [†] | 12.38 | 9.75 | 8.82 |

| 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 June 30, 2021

| | KAR Small Cap Quality Value | Russell 2000 [®] Value Index |
|-------------------------------|---|---------------------------------------|
| Annualized Standard Deviation | 19.32 | 19.33 |
| Alpha | 4.77 | 0.00 |
| Beta | 0.79 | 1.00 |
| Sharpe Ratio | 0.55 | 0.36 |
| R-Squared | 82.04 | 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.