

## Small-Mid Cap Quality Value Portfolio

First Quarter 2022 | Managed Accounts

### Portfolio Review

The Small-Mid Cap Quality Value portfolio underperformed the Russell 2500 Value Index in the first quarter. Poor stock selection and an overweight in industrials and poor stock selection in materials detracted from performance. Good stock selection in financials and an underweight in real estate contributed positively to performance. From a quality perspective, riskier stocks (as measured by beta greater than 2.0) and companies with higher leverage (as measured by long-term debt/capital greater than 100%) performed better than those companies with lower risk and less leverage. Also, higher dividend paying stocks performed better than those that pay no dividend during the quarter. All of these factors worked as a headwind to our investment strategy.

The biggest contributors to performance during the quarter were W. R. Berkley and Jack Henry & Associates. W. R. Berkley reported continued strong premium growth driven by pricing and volumes. Management views the underlying insurance market conditions as favorable for the company's underwriters' ability to write profitable policies. Market participants reacted favorably causing the stock to rise. Jack Henry & Associates has underperformed for some time but experienced strong performance in the most recent quarter after the company reported its highest organic growth rate in over four years. As a result, management increased its guidance for the year. From our perspective, the company continues to take share in many of its businesses while generating attractive margins. Other top contributors included LPL Financial, CDK Global, and Terminix.

The biggest detractors to performance were Zebra Technologies and Scotts Miracle-Gro. Investors sold Zebra Technologies' shares as the company was caught among the sector rotation away from technology names. Longer-term, we believe Zebra should see continued growth, which in our view will translate into higher operating profit growth as the company's revenues mix in software increases. Scotts Miracle-Gro is facing headwinds in its lawn and garden business due to commodity inflation. Another business segment continues to face sales volume pressures due to cannabis oversupply in California. The company is exercising its pricing power in its lawn and garden business to pass through cost inflation, and the cannabis industry is driving consolidation in favor of the company's more professional, higher-volume growers. Other bottom contributors included Teradyne, Thor Industries, and Axalta Coating Systems.

### Purchases and Sales

During the quarter, we purchased LPL Financial Holdings and Oshkosh. There were no complete sales in the portfolio. LPL Financial Holdings serves independent financial advisors and financial institutions, providing them with the technology, research, clearing, compliance, and practice management programs they need to create and grow their practices. It provides financial guidance to millions of American families seeking wealth management, retirement planning, financial planning, and asset management solutions. The company was founded in 1989 and is headquartered in San Diego, CA. Oshkosh is a designer and manufacturer of specialty vehicle equipment across four segments: Access Equipment (aerial work platforms and telehandlers), Defense (military tactical wheeled vehicles and the USPS delivery vehicle), Fire & Emergency (firetrucks, aircraft rescue vehicles, and snow removal vehicles), and Commercial (trash collection vehicles, concrete mixer vehicles, and truck mounted cranes).

### Outlook

The U.S. is in a position of strength economically even creating excess demand currently, but interest rate increases have already affected mortgage rates, car loans, and lease rates here in the U.S. Unless the Fed wants to throw us into a recession (yield curve inversion), the current future shape of the yield curve may prevent as much of an increase in short-term interest rates than what the market is already anticipating. The inflation outlook was particularly cloudy with COVID-19 getting better globally, but the Russian invasion of Ukraine was a clear negative for inflation. Overall, we believe inflation is likely to stay elevated and above the Fed's target for this year at least. However, comparisons of year-over-year inflation do get easier as we move forward. If the trend is headed in the right direction of moderating inflation, the markets may react positively to this development. We will continue to hunt for investment ideas that in our view meet our quality investment philosophy in all sectors of the economy. When inflationary trends begin to moderate, we believe quality companies will become more interesting to investors. Geopolitical risks are clearly still elevated and will continue to be monitored closely.

### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Value  
**Index:** Russell 2500™ Value  
**Portfolio Inception:** 2008  
**Portfolio Assets:** \$611.8 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	36
<b>Julie Kutasov</b> Portfolio Manager + Senior Research Analyst	21
<b>Craig Stone</b> Portfolio Manager + Senior Research Analyst	33
<b>Todd Beiley, CFA</b> Senior Research Analyst	23
<b>Julie Biel, CFA</b> Senior Research Analyst	14
<b>Jon Christensen, CFA</b> Senior Research Analyst	27
<b>Chris Wright, CFA</b> Senior Research Analyst	10
<b>Sean Dixon</b> Research Analyst	14
<b>Adam Xiao, CFA</b> Research Analyst	9
<b>Jordan Greenhouse</b> Senior Client Portfolio Manager	25†
<b>James B. May, CFA</b> Client Portfolio Manager	34†
<b>Jason Pomatto</b> Client Portfolio Manager	28†

### Top Five Holdings

As of March 31, 2022

Company	Percent of equity (%)
W. R. Berkley	5.4
Jack Henry & Associates	4.9
Terminix Global Holdings	4.6
TransUnion	4.3
Scotts Miracle-Gro	4.3
<b>Total</b>	<b>23.4</b>

\*Figures in USD

†Represents years of industry experience.

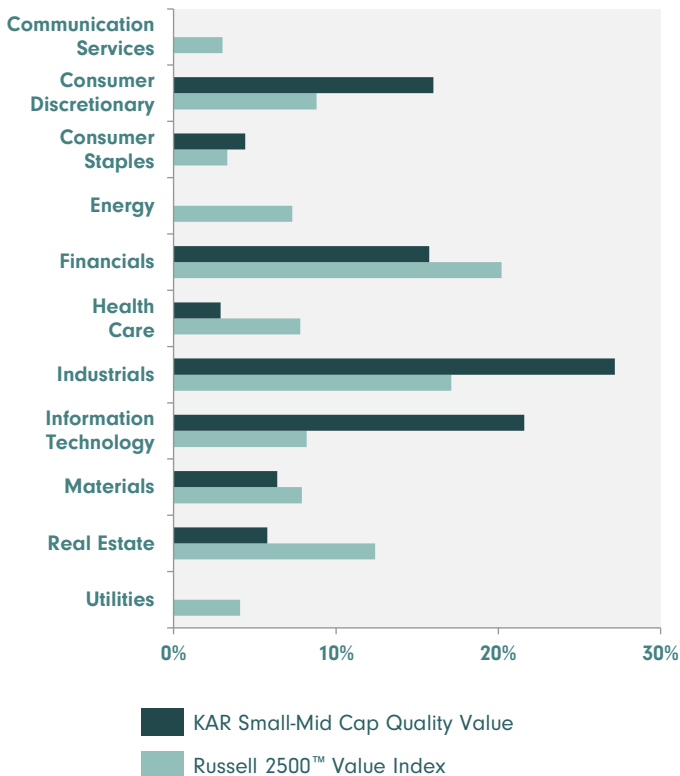
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<b>Quantitative Screens</b> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul> <b>Other Resources</b> <ul style="list-style-type: none"> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul>	<b>Qualitative Analysis</b> <ul style="list-style-type: none"> <li>Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market</li> </ul> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <b>Valuation Analysis</b> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<b>Position Weights</b> <ul style="list-style-type: none"> <li>Maximum initial position size is 5% (at cost)</li> <li>Maximum position size is 10% (at market)</li> </ul> <b>Sector Tolerances</b> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <b>Non-U.S. Holdings</b> <ul style="list-style-type: none"> <li>Up to 20%</li> </ul> <b>Holding Period</b> <ul style="list-style-type: none"> <li>Typically 3-to-5 years, but is often longer</li> <li>Portfolio turnover is typically 25% to 35%</li> </ul> <b>Cash Levels</b> <ul style="list-style-type: none"> <li>Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%</li> </ul>	<b>Extended Valuation</b> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>
Higher Quality   Stronger, More Consistent Growth   Better Value			

## Sector Diversification

As of March 31, 2022



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, 2022

	KAR Small-Mid Cap Quality Value	Russell 2500™ Value Index
<b>Quality</b>		
Return on Equity—Past 5 Years	24.4%	11.4%
Total Debt/EBITDA	2.5 x	4.7 x
Earnings Variability—Past 10 Years	37.9%	77.3%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	9.6%	10.8%
Earnings Per Share Growth—Past 10 Years	11.5%	7.5%
Dividend Per Share Growth—Past 5 Years	8.3%	3.3%
Dividend Per Share Growth—Past 10 Years	11.2%	7.5%
Capital Generation—{ROE x (1-Payout)}	16.1%	8.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	23.9 x	20.0 x
Dividend Yield	1.2%	1.7%
Free Cash Flow Yield*	4.1%	3.8%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$9.5 B	\$5.9 B
Largest Market Cap—3-Year Avg.	\$31.1 B	\$21.2 B
Annualized Standard Deviation—Since Inception†	17.3%	19.8%

\*Free cash flow data is as of December 31, 2021. Prices are as of March 31, 2022.

Excludes financials.

†January 1, 2008

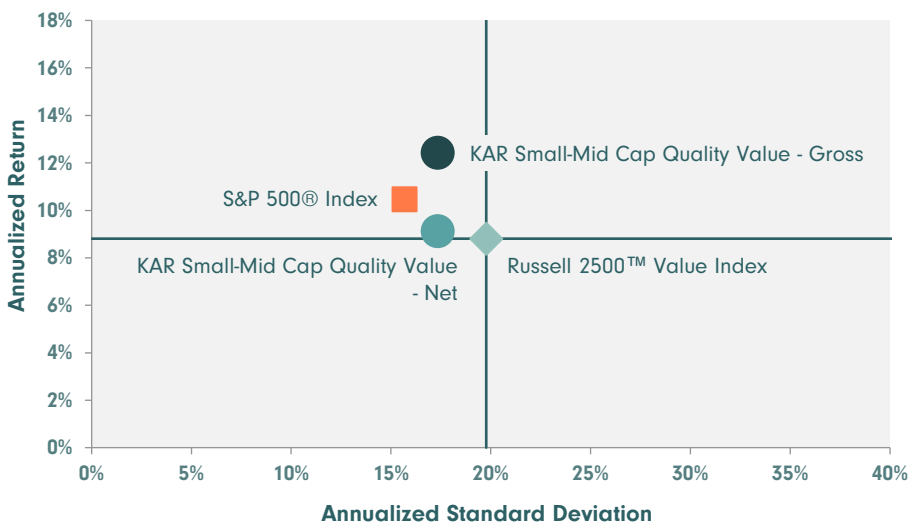
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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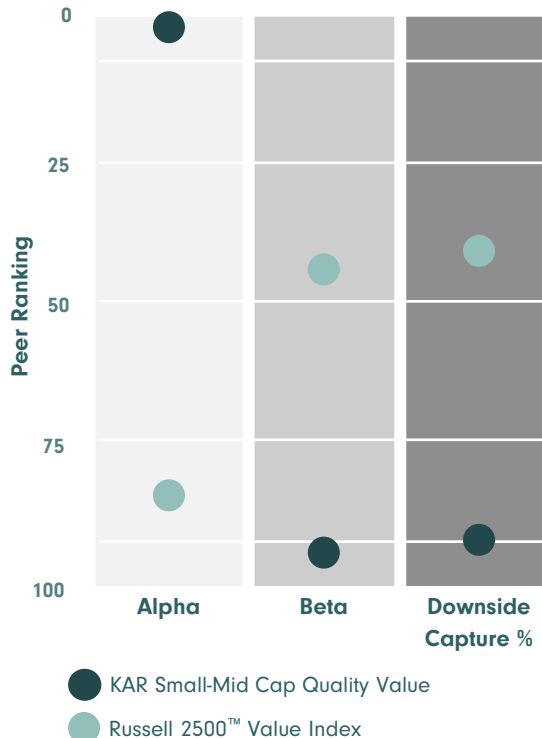
## Strong Risk-Adjusted Returns

Inception\* to March 31, 2022



## Peer Comparison Chart

Inception\* to March 31, 2022



## Historical Returns

	KAR Small-Mid Cap Quality Value (gross)	KAR Small-Mid Cap Quality Value (net) <sup>†</sup>	Russell 2500 <sup>™</sup> Value Index
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### Annualized Returns (%)<sup>†</sup>

As of March 31, 2022

1 <sup>st</sup> Quarter	(11.64)	(12.33)	(1.50)
One Year	(4.14)	(6.99)	7.73
Three Years	15.76	12.37	12.98
Five Years	12.17	8.88	9.19
Seven Years	11.28	8.02	8.86
Ten Years	12.85	9.51	11.04
Inception*	12.45	9.13	8.81

### Annual Returns (%)

2021	22.18	18.62	27.78
2020	23.53	19.93	4.88
2019	32.48	28.65	23.56
2018	(11.08)	(13.74)	(12.36)
2017	19.17	15.69	10.36
2016	19.40	15.91	25.20
2015	(0.59)	(3.53)	(5.49)
2014	8.88	5.60	7.11
2013	36.30	32.41	33.32
2012	11.01	7.72	19.21
2011	7.40	4.32	(3.36)
2010	25.83	22.18	24.82
2009	32.51	28.68	27.68
2008	(18.99)	(21.47)	(31.99)

\*January 1, 2008

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

<sup>‡</sup>Net of all fees and expenses. Assumes a 3% annual fee.

<sup>§</sup>Performance statistics are based on gross of fee returns.

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-Mid Cap Core Universe includes all managers categorized in the small-mid cap core 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

## Performance Statistics

Inception\* to March 31, 2022

	KAR Small-Mid Cap Quality Value <sup>§</sup>	Russell 2500 <sup>™</sup> Value Index
Annualized Standard Deviation	17.34	19.77
Alpha	4.64	0.00
Beta	0.83	1.00
Sharpe Ratio	0.69	0.42
R-Squared	88.54	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 Gross Return (%)	Composite Net Return (%)	Russell 2500™ Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2011	7.40	4.32	(3.36)	N/A	N/A	< 5	N/A	1	5,232
2012	11.01	7.72	19.21	13.97	18.67	< 5	N/A	85	6,545
2013	36.30	32.41	33.32	12.01	15.29	6	0.13	138	7,841
2014	8.88	5.60	7.11	10.65	11.41	12	0.09	140	7,989
2015	(0.59)	(3.53)	(5.49)	12.26	12.19	< 5	N/A	< 1	8,095
2016	19.40	15.91	25.20	12.26	13.36	< 5	N/A	< 1	9,989
2017	19.17	15.69	10.36	10.95	11.98	< 5	N/A	< 1	14,609
2018	(11.08)	(13.74)	(12.36)	12.82	13.77	< 5	N/A	< 1	17,840
2019	32.48	28.65	23.56	13.58	14.43	< 5	N/A	< 1	25,685
2020	23.53	19.93	4.88	21.90	25.40	20	N/A	143	39,582

\*Pure gross returns are supplemental to net returns.

The Russell 2500™ 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, 2020. The verification reports are available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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The composite includes all fully discretionary Small-Mid Cap Quality Value Wrap Portfolios. Small-Mid Cap Quality Value Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Value Index. The Russell 2500™ Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,500 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 inception date of the composite is January 2008. The composite was created in July 2015. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm's list of composite descriptions, list of broad distribution pooled fund and the list of limited distribution pooled funds descriptions are available upon request.

For periods prior to July 1, 2015, the composite calculations have been linked to the firm's Small-Mid Cap Quality Value actual historical non-wrap fee composite performance. All portfolios included in this composite for all periods are wrap portfolios.

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. Net annual returns are calculated by deducting 1/4th of an assumed maximum annual wrap fee of 3% on a quarterly basis. 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 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.