

Small-Mid Cap Quality Value Portfolio

Second Quarter 2022 | Managed Accounts

Portfolio Review

The Small-Mid Cap Quality Value portfolio outperformed the Russell 2500 Value Index in the second quarter. Good stock selection in financials and consumer staples contributed positively to performance. An underweight in utilities and energy detracted from performance.

The biggest contributors to performance during the quarter were National Beverage and MGM Growth Properties.

- National Beverage raised average selling prices to combat inflation, which helped the company's shares to perform well during the quarter.
- In August 2021, MGM Growth Properties agreed to be acquired by a competitor. We believe our investment in MGM Growth Properties has been a robust one, especially given that the company was well-protected during the pandemic with continuation of dividend payments even while many of its Las Vegas properties were forced to temporarily shut down.
- Other top contributors included CDK Global, WD-40, and W. R. Berkley.

The biggest detractors to performance were Scotts Miracle-Gro and Zebra Technologies.

- Scotts Miracle-Gro's shares lagged due to higher-than-expected inflation costs outpacing significant pricing actions. In early June, management reduced the company's annual sales and earnings outlook because of a lower-than-anticipated level of order replenishment by retailers. In addition, cannabis oversupply issues continue to weigh on the outlook for Hawthorne, the company's hydroponics division.
- Investors sold shares of Zebra Technologies during the quarter as the company's stock was caught among a sector rotation away from technology.
- Other bottom contributors included The Cheesecake Factory, TransUnion, and Teradyne.

Purchases and Sales

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

Outlook

Signs of an economic slowdown and/or a recession are becoming increasingly obvious. Starting with the consumer (70% of gross domestic product), we have seen material retail sales shortfalls at large retailers and consumer confidence has hit 40-year lows. New orders for the Purchasing Managers' Index have fallen below 50, which signals contraction. Raw materials, such as copper, aluminum, nickel, and zinc, have already experienced significant declines in price in the second quarter. Even the strongest sectors (oil and semiconductors) started to show significant weakness late in the quarter. This may suggest that the U.S. is already in at least a technical recession (two consecutive quarters of negative GDP), and the Fed may be closer than investors realize to bringing inflation under control. Regardless, we believe valuations have become attractive longer term. Many stocks have declined off their highs, and speculation in IPOs, SPACs, and meme stocks is non-existent which makes for a more favorable long-term investing environment. In our view, quality companies have started to perform better on a relative basis given the slowing environment and flattening yield curve.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Value
Index: Russell 2500™ Value
Portfolio Inception: 2008
Portfolio Assets: \$539.1 M*
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	36
Julie Kutsov Portfolio Manager + Senior Research Analyst	21
Craig Stone Portfolio Manager + Senior Research Analyst	33
Todd Beiley, CFA Senior Research Analyst	23
Julie Biel, CFA Senior Research Analyst	14
Jon Christensen, CFA Senior Research Analyst	27
Chris Wright, CFA Senior Research Analyst	10
Sean Dixon Research Analyst	14
Arthur Su, CFA Research Analyst	7
Adam Xiao, CFA Research Analyst	9
Jordan Greenhouse Senior Client Portfolio Manager	25†
James B. May, CFA Client Portfolio Manager	34†
Jason Pomatto Client Portfolio Manager	28†

Top Five Holdings

As of June 30, 2022

Company	Percent of equity (%)
W. R. Berkley	6.4
Jack Henry & Associates	4.9
Terminix Global Holdings	4.7
RBC Bearings	4.3
VICI Properties	4.2
Total	24.4

*Figures in USD

†Represents years of industry experience.

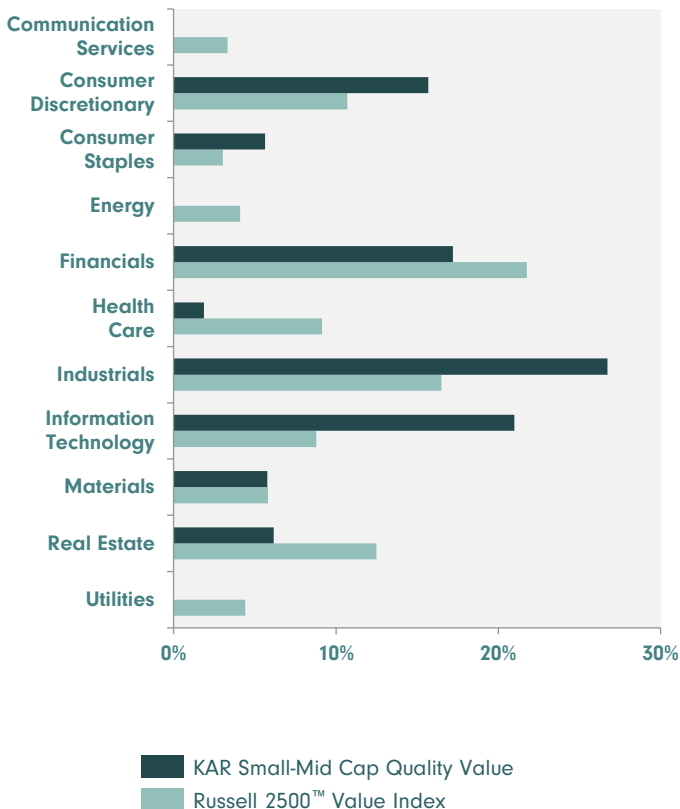
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
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, 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 June 30, 2022

	KAR Small-Mid Cap Quality Value	Russell 2500™ Value Index
Quality		
Return on Equity—Past 5 Years	26.4%	11.2%
Total Debt/EBITDA	2.3 x	4.8 x
Earnings Variability—Past 10 Years	30.7%	76.2%
Growth		
Earnings Per Share Growth—Past 5 Years	7.7%	11.8%
Earnings Per Share Growth—Past 10 Years	10.2%	8.3%
Dividend Per Share Growth—Past 5 Years	9.3%	3.7%
Dividend Per Share Growth—Past 10 Years	11.6%	7.9%
Capital Generation—{ROE x (1-Payout)}	17.3%	7.8%
Value		
P/E Ratio—Trailing 12 Months	18.8 x	16.6 x
Dividend Yield	1.4%	2.0%
Free Cash Flow Yield*	4.5%	3.6%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$9.7 B	\$6.1 B
Largest Market Cap—3-Year Avg.	\$31.7 B	\$22.8 B
Annualized Standard Deviation—Since Inception†	17.4%	19.9%

*Free cash flow data is as of March 31, 2022. Prices are as of June 30, 2022. Excludes financials.

†January 1, 2008

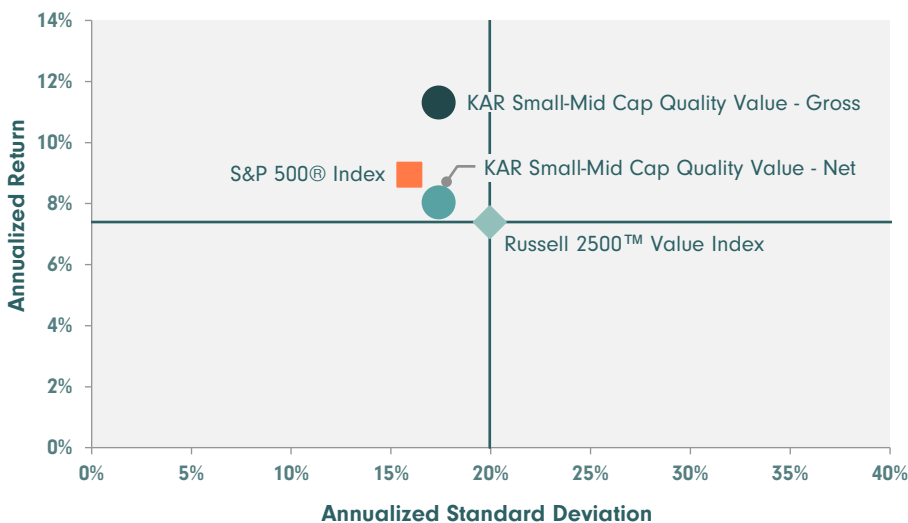
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. 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 June 30, 2022



Historical Returns

	KAR Small-Mid Cap Quality Value (gross)	KAR Small-Mid Cap Quality Value (net) [†]	Russell 2500 [™] Value Index
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Annualized Returns (%)[†]

As of June 30, 2022

2 nd Quarter	(10.80)	(11.50)	(15.39)
Year to Date	(21.19)	(22.41)	(16.66)
One Year	(16.83)	(19.33)	(13.19)
Three Years	9.03	5.82	6.19
Five Years	9.12	5.91	5.54
Seven Years	9.67	6.45	6.49
Ten Years	12.02	8.72	9.54
Inception*	11.32	8.05	7.40

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	32.42	33.32
2012	11.01	7.72	19.21
2011	7.40	4.32	(3.36)
2010	25.85	22.18	24.82
2009	32.51	28.68	27.68
2008	(18.99)	(21.47)	(31.99)

*January 1, 2008

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

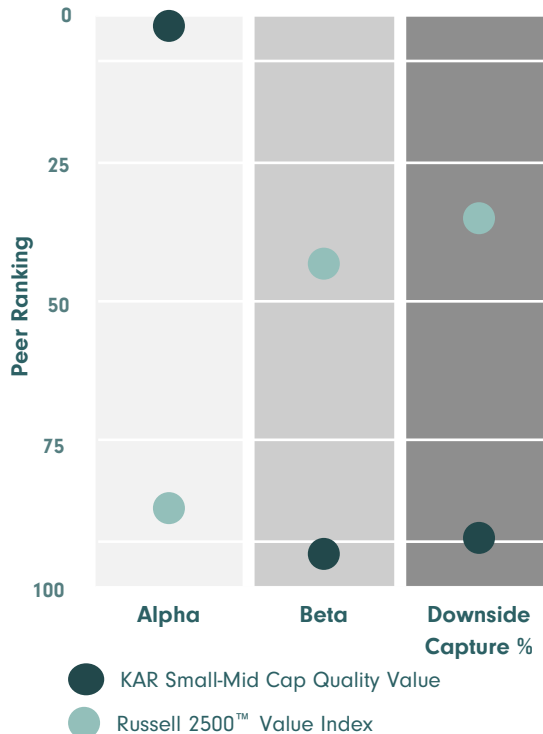
[‡]Net of all fees and expenses. Assumes a 3% annual fee.

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

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.

Peer Comparison Chart

Inception* to June 30, 2022



Performance Statistics

Inception* to June 30, 2022

	KAR Small-Mid Cap Quality Value [§]	Russell 2500 [™] Value Index
Annualized Standard Deviation	17.39	19.94
Alpha	4.74	0.00
Beta	0.82	1.00
Sharpe Ratio	0.62	0.34
R-Squared	88.69	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 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	32.42	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.