

Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2023 | Managed Accounts

Portfolio Overview

The Mid Cap Sustainable Growth portfolio underperformed the Russell Midcap Growth Index in the fourth quarter. Poor stock selection and an overweight in consumer staples and poor stock selection in consumer discretionary detracted from performance. Good stock selection and an underweight in industrials and an underweight in materials contributed to performance.

The biggest contributors to performance during the quarter were Fair Isaac and Gartner.

- Fair Isaac's shares outperformed in the quarter as the company continued to produce strong financial results despite a weak loan origination market due to its ability to raise scores pricing. Meanwhile, its software business continues to deliver on its land-and-expand strategy.
- Gartner's subscription contract value is sold to what it calls "technology vendor clients." These clients use the company to help select technology vendors. This is a high margin business for Gartner, as leads with the vendors are also often monetized. After decelerating for several quarters, technology-vendor growth stabilized and the company guided to a rebound. Additionally, the company was in intense competition for talent with well-funded start-ups over the years. Recently it has seen talent pressures abate and has ramped its sales team significantly. We believe these new sales representatives may add to sales momentum.
- Other top contributors included MercadoLibre, Equifax, and IDEXX Laboratories.

The biggest detractors to performance during the quarter were Paycom Software and BILL.

- Paycom's BETI product is a self-service payroll tool that allows employees to review pay for accuracy prior to running payroll, which helps reduce errors and saves human resource and accounting teams hours of labor each pay period. This quarter the company's strategy missed revenue estimates due to some errors occurring in BETI, which guided shares down for the year. Over time, we believe the company should be able to effectively monetize BETI. We trimmed our position due to the uncertainty of that timing as well as the general weakness across its customer base.
- BILL reported growth in both revenues and profitability over the past four quarters. However, macroeconomic headwinds facing its small-to-medium business customer base slowed transaction volume flowing through the company's payment solutions. These economic headwinds have also caused customers to trade down to lower-fee payment methods and caused the company to proactively limit credit lines provided to its customers. These headwinds caused shares to underperform.
- Other bottom contributors included Celsius, Lattice Semiconductor, and The Trade Desk.

Outlook

With the Federal Reserve hiking cycle behind us and corporate earnings growth likely to resume, we believe 2024 should be a favorable year for equity returns. Coming into 2024, investor sentiment is nowhere near as negative as it was coming into 2023 but there is still plenty of cash on the sidelines built up over the last year. As short-term interest rates decline and the yield curve moves to flat, or even positively sloped, we believe this capital will make its way into fixed income and equity markets. From our perspective, returns in 2024 are unlikely to be as robust as 2023 but are likely to generate returns in line with earnings growth. We expect that 2024 will experience more volatility due to the election, which is likely to be contentious.

Purchases and Sales

New Purchases	Complete Sales
Ulta Beauty	Las Vegas Sands
	Waters

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap® Growth
Portfolio Assets: \$2,011.7 M*
Portfolio Turnover: 25%-35%

Investment Management Team

Name	Research Start Date
Chris Armbruster, CFA Portfolio Manager + Senior Research Analyst	2005
Noran Eid Portfolio Manager + Senior Research Analyst	2012
Douglas S. Foreman, CFA Portfolio Manager	1986
Richard Sherry, CFA Senior Research Analyst	1998
Katie Advena Research Analyst	2011
Luke Longinotti ESG Research Analyst	2020
Clarissa Ali Associate Research Analyst	2023

Top Five Holdings

As of December 31, 2023

Company	Percent of equity (%)
Celsius Holdings	6.9
Fair Isaac	6.5
Gartner	5.7
MercadoLibre	4.0
Amphenol	3.7
Total	27.0

*Figures in USD

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. 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 KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
Qualitative Methods <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Earnings surprise Long and resilient earnings history High return on net operating assets Minimal debt 	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 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% 	Negative Company or Industry Changes Portfolio Upgrade Acquisition Activity Extended Valuation

Higher Quality

Stronger, More Consistent Growth

Portfolio Characteristics

As of December 31, 2023

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	21.1%	21.4%
Debt/EBITDA*	1.2 x	1.4 x
Earnings Variability—Past 10 Years	51.7%	60.7%
Growth		
Sales Per Share Growth—Past 5 Years	14.3%	14.5%
Earnings Per Share Growth—Past 5 Years	21.6%	16.6%
Earnings Per Share Growth—Past 10 Years	15.0%	15.0%
Value		
P/E Ratio—Trailing 12 Months	48.7 x	39.1 x
P/E Ratio—1 Year Forecast FY EPS	31.5 x	24.7 x
Free Cash Flow Yield†	2.4%	3.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$28.9 B	\$28.4 B
Largest Market Cap	\$91.3 B	\$73.3 B

*KAR utilizes the interquartile method when calculating Debt/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers—only the extreme ends are excluded—and that it can be applied consistently as a quantitative method for most fundamental characteristics. Debt/EBITDA utilizes net debt for the calculation.

†Free cash flow data is as of September 30, 2023. Prices are as of December 31, 2023. Excludes financials.

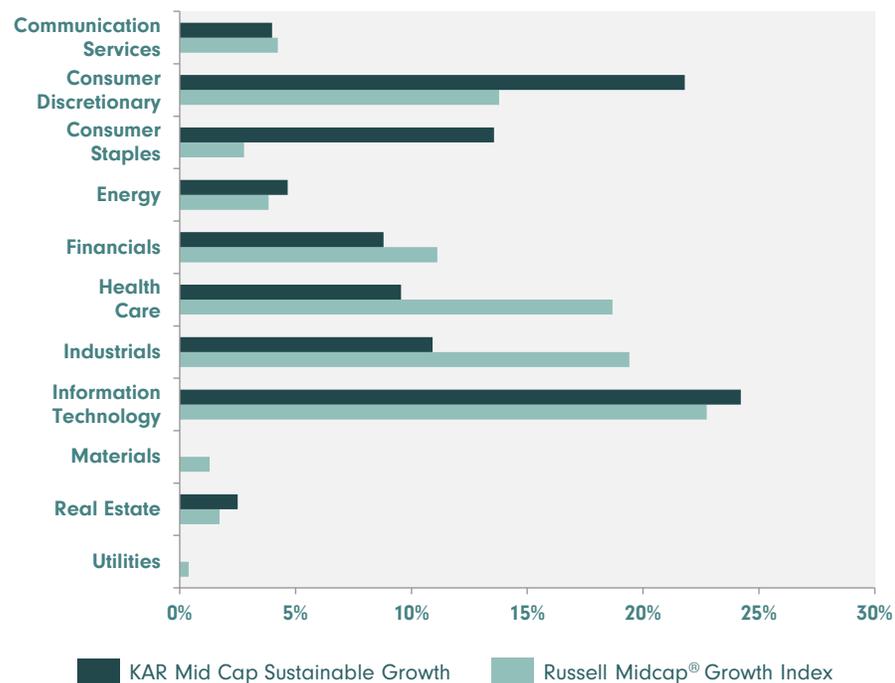
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

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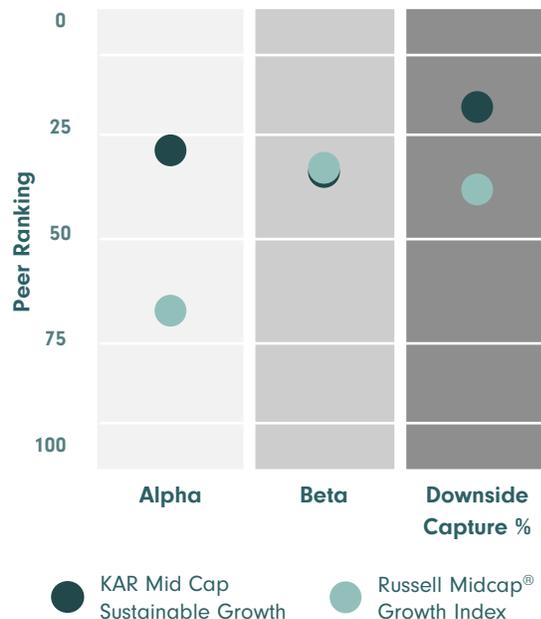
Sector Diversification

As of December 31, 2023



Peer Comparison Chart

Five Years Ending December 31, 2023



The eVestment Mid Cap Growth Universe includes 92 managers categorized in the mid cap growth asset class by eVestment. KAR does not pay any fees to be included in the eVestment Mid Cap Growth Universe or for the ranking itself. KAR does pay fees for the use of certain products and services provided by eVestment. eVestment rankings are based on gross of fee returns. Gross of fee returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Management fees are described in KAR's Form ADV Part 2A, which is available upon request and can also be found at <https://kayne.com/wp-content/uploads/ADV-Part-2A.pdf>. Returns could be reduced or losses incurred due to currency fluctuations. **Past performance is no guarantee of future results.**

Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [†]	Russell Midcap Growth Index
Annualized Returns (%)[†]			
As of December 31, 2023			
4 th Quarter	9.52	8.72	14.55
One Year	21.40	17.86	25.87
Three Years	(5.29)	(8.11)	1.31
Five Years	15.48	12.09	13.81
Seven Years	17.15	13.72	12.49
Ten Years	13.07	9.76	10.57
Inception*	14.21	10.86	12.91
Annual Returns (%)			
2023	21.40	17.86	25.87
2022	(30.96)	(33.07)	(26.72)
2021	1.35	(1.65)	12.73
2020	67.52	62.76	35.59
2019	44.29	40.15	35.47
2018	9.04	5.83	(4.75)
2017	35.26	31.36	25.27
2016	3.27	0.22	7.33
2015	4.06	0.99	(0.20)
2014	4.98	1.89	11.90
2013	26.46	22.78	35.74
2012	13.97	10.63	15.81

Performance Statistics

Inception* to December 31, 2023

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net)	Russell Midcap Growth Index
Alpha	1.37	(1.63)	0.00
Sharpe Ratio	0.72	0.54	0.70
Information Ratio	0.20	(0.32)	N/A
Beta	1.00	1.00	1.00
Downside Capture	102.76	109.70	100.00
Tracking Error	6.46	6.46	N/A

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, medium, or large-sized companies may enhance that risk. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **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:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

*January 1, 2012

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

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

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 final. For further details on the composite, please see the disclosure statement in this presentation. 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 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.

Mid Cap Sustainable Growth (Wrap) Composite

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Disclosure

Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell Midcap® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2013	26.46	22.78	35.74	N/A	N/A	< 5	N/A	93	7,841
2014	4.98	1.89	11.90	11.25	11.02	< 5	N/A	90	7,989
2015	4.06	0.99	(0.20)	13.28	11.47	< 5	N/A	88	8,095
2016	3.27	0.22	7.33	14.38	12.35	< 5	N/A	83	9,989
2017	35.26	31.36	25.27	13.14	11.04	< 5	N/A	98	14,609
2018	9.04	5.83	(4.75)	14.52	13.00	7	N/A	172	17,840
2019	44.29	40.15	35.47	15.87	14.07	38	N/A	688	25,685
2020	67.52	62.76	35.59	22.29	21.75	203	N/A	3,513	39,582
2021	1.35	(1.65)	12.73	21.74	20.47	9	N/A	28	47,269
2022	(30.96)	(33.07)	(26.72)	26.01	24.87	11	0.37	3	33,531

*Pure gross returns are supplemental to net returns.

The Russell Midcap® Growth Index and Russell 1000® Index are a trademarks/service marks 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, 2022. 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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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 Mid Cap Sustainable Growth Wrap Portfolios. Mid Cap Sustainable Growth Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® Growth 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 Midcap® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2012. The composite was created in June 2021. 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 from January 2012 through April 2021, the composite calculations have been linked to the firm's Mid Cap Sustainable Growth actual historical non-wrap fee composite performance. All portfolios included in this composite after April 2021 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 2A 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 1/12th 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 not presented for periods prior to 2014 because 36 monthly composite returns are not available.

GLOSSARY

Alpha: A risk-adjusted measure of an investment's excess return relative to a benchmark. Beta: A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. R2: A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. Sharpe Ratio: A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Standard Deviation: Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

INDEX DEFINITION

The Russell Midcap® Growth Index is a market capitalization-weighted index of medium-capitalization, growth-oriented stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.