

Mid Cap Sustainable Growth Portfolio

Second Quarter 2022 | Managed Accounts

Portfolio Overview

The Mid Cap Sustainable Growth portfolio underperformed the Russell Midcap Growth Index in the second quarter. Poor stock selection and an overweight in information technology and poor stock selection in financials detracted from performance. An overweight in consumer staples and good stock selection in health care contributed positively to performance.

The biggest contributors to performance during the quarter were Celsius and Monster Beverage. During the first quarter, Celsius delayed filing its quarter-end regulatory documents due to some accounting issues with stock option calculations. During the second quarter, the company filed, and optimism strengthened for its longer-term opportunity versus other competitor brands, one of which experienced a large beverage company terminating its distribution agreement, which allows Celsius to potentially capture additional market share. Further, demand for Celsius, as measured by independent third parties, has remained robust. Monster Beverage performed strongly in the quarter as the company won an important arbitration case against a competitor over the use of its brand name and the competitor will be forced to pay \$175 million in damages and royalties. A large beverage company also terminated the competitor's distribution agreement, allowing Monster Beverage to potentially capture additional market share. Other top contributors included National Beverage, Brown-Forman, and STAAR Surgical.

The biggest detractors from the portfolio during the quarter were Bill.com and Signature Bank. Bill.com is moving up market, leveraging partnerships with large financial institutions and building differentiated integrations with important software providers for mid-market customers. Despite our long-term optimism for the business, the company's growth is slowing in the near term, causing the shares to decline in the quarter. While rising interest rates are generally positive for Signature Bank, a potential recession could reduce business activity. The larger challenge is the bank's digital asset platform. Signature Bank became the first FDIC-insured bank to launch a blockchain-based payments platform which helped it amass digital asset deposits and positioned the bank to benefit from the increased utility of digital currencies. The decline of crypto has investors on edge and worried about the bank's exposure to digital assets, which has hurt performance. Other bottom contributors included MercadoLibre, The Trade Desk, and Datadog.

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.

Purchases and Sales

New Purchases

Diamondback Energy

Complete Sales

Elanco Animal Health
 Workday



Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap[®] Growth
Portfolio Assets: \$1,978.1 M*
Portfolio Turnover: 25%-35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	36
Chris Armbruster, CFA Portfolio Manager + Senior Research Analyst	17
Richard Sherry, CFA Senior Research Analyst	24
Noran Eid 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 (%)
Gartner	4.5
SiteOne Landscape Supply	4.4
Paycom Software	4.3
Fair Isaac	3.5
Brown-Forman	3.4
Total	20.0

*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
<p>Qualitative Methods</p> <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research <p>Quantitative Screens</p> <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 	<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>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>Negative Company or Industry Changes</p> <p>Portfolio Upgrade</p> <p>Acquisition Activity</p> <p>Extended Valuation</p>
Higher Quality		Stronger, More Consistent Growth	

Portfolio Characteristics

As of June 30, 2022

	KAR Mid Cap Sustainable Growth	Russell Midcap [®] Growth Index
Quality		
Return on Equity—Past 5 Years	25.0%	22.0%
Total Debt/EBITDA	2.9 x	3.6 x
Earnings Variability—Past 10 Years	44.3%	65.4%
Growth		
Sales Per Share Growth—Past 5 Years	14.8%	12.4%
Earnings Per Share Growth—Past 5 Years	19.2%	21.1%
Earnings Per Share Growth—Past 10 Years	17.2%	13.9%
Value		
P/E Ratio—Trailing 12 Months	41.4 x	35.5 x
P/E Ratio—1 Year Forecast FY EPS	23.8 x	19.1 x
Free Cash Flow Yield*	2.3%	3.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$17.9 B	\$21.8 B
Largest Market Cap	\$80.9 B	\$46.5 B

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

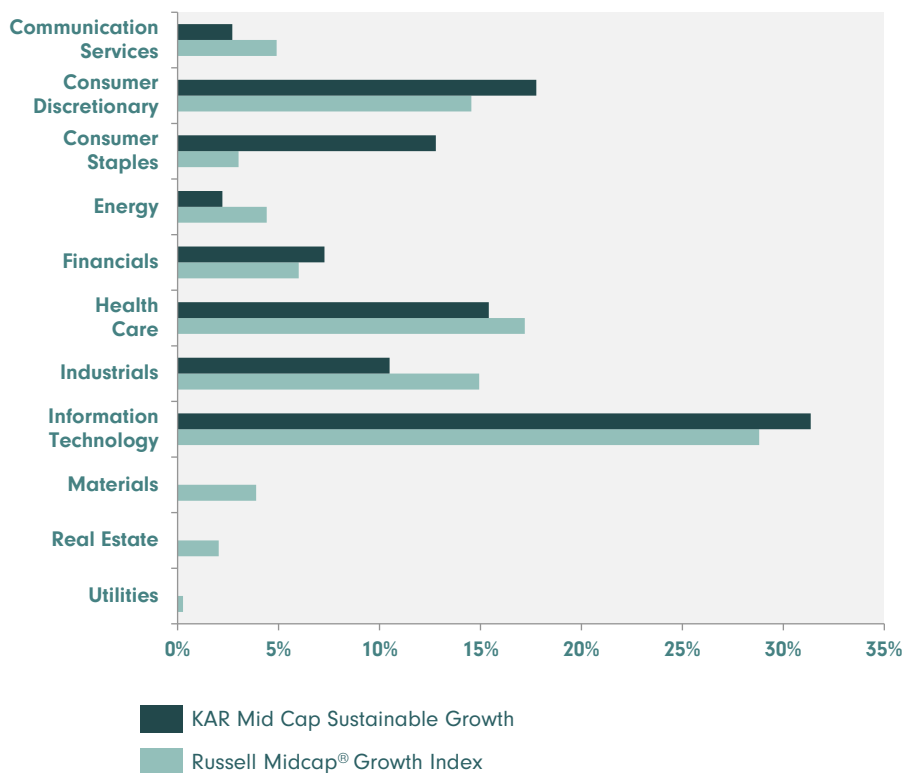
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future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

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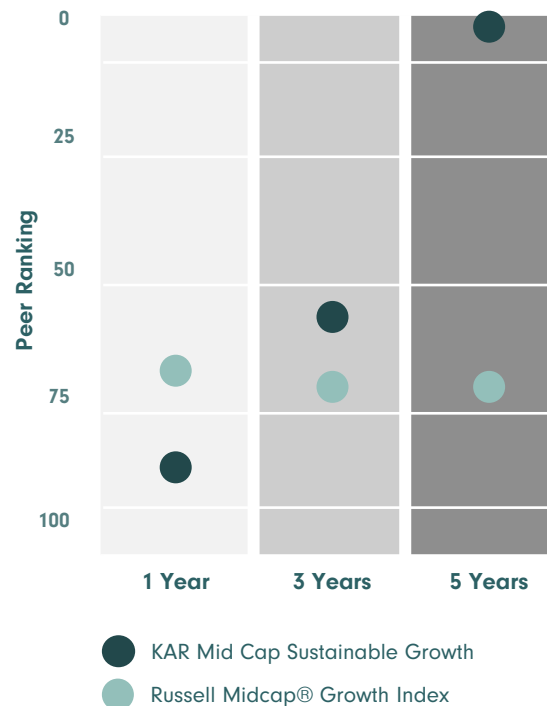
Sector Diversification

As of June 30, 2022



Peer Comparison Chart

Annualized Gross Returns Ending June 30, 2022



Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [‡]	Russell Midcap Growth Index
Annualized Returns (%)[†]			
As of June 30, 2022			
2 nd Quarter	(24.38)	(25.00)	(21.07)
Year to Date	(35.09)	(36.13)	(31.00)
One Year	(35.82)	(37.79)	(29.57)
Three Years	5.23	2.12	4.25
Five Years	14.28	10.93	8.88
Seven Years	12.97	9.65	8.35
Ten Years	13.53	10.20	11.50
Inception*	13.60	10.27	11.75
Annual Returns (%)			
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

*January 1, 2012

[†]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. 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.

Performance Statistics

Inception* to June 30, 2022

	KAR Mid Cap Sustainable Growth [§]	Russell Midcap Growth Index
Annualized Standard Deviation	17.73	16.23
Alpha	1.76	0.00
Beta	1.01	1.00
Sharpe Ratio	0.74	0.69
R-Squared	86.22	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 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)
2012	13.97	10.63	15.81	N/A	N/A	< 5	N/A	82	6,545
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

*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, 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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 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 1/12th 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.