

## Mid Cap Sustainable Growth Portfolio

### Second Quarter 2023 | Managed Accounts

#### Portfolio Overview

The Mid Cap Sustainable Growth portfolio outperformed the Russell Midcap Growth Index in the second quarter. Good stock selection in consumer staples and information technology contributed positively to performance. Poor stock selection in health care and an underweight in industrials detracted from performance.

The biggest contributors to performance during the quarter were Celsius Holdings and MongoDB.

- In the first quarter of 2023, Celsius Holdings reported it had spent heavily in conjunction with its distribution deal causing it to miss fourth quarter 2022 numbers. The company normalized its spending just one quarter later. Revenue growth was broad-based with older channels still growing and newer channels now contributing to revenue.
- Since all artificial intelligence (AI) applications need data at their core in a format that is easy to access and manipulate, we believe MongoDB's document database is uniquely positioned to be a key beneficiary of the AI revolution. During the quarter, the company announced strong growth in customers and launched a suite of new enabling products.
- Other top contributors included SiteOne Landscape Supply, BILL, and The Trade Desk.

The biggest detractors from the portfolio during the quarter were MarketAxess and Mettler-Toledo International.

- MarketAxess has seen its market share in the core U.S. high-grade market continue to deteriorate, offsetting the success it is having in other credit products. It appears that a competitor that offers a broader platform for trading fixed income securities is successfully encroaching on MarketAxess's market share.
- Mettler-Toledo International declined in the quarter as constrained spending from its customers led to a miss in its Lab segment and the company moderated its guidance for the segment for the year. We remain optimistic about the company given its pricing power and burgeoning sources of demand for building and developing lithium-ion batteries and sustainable polymers.
- Other bottom contributors included MercadoLibre, STAAR Surgical, and Silk Road Medical.

#### Outlook

Inflation data continues to head in the right direction, which we believe may set the stage for little to no further short-term interest rate increases from here. If you exclude the P/E ratios of the top 7 companies in the S&P 500 Index, valuations decline to the 13-to-17x earnings for the rest of the market. This valuation backdrop can help offset any mild decline in earnings even if the economy does slip into a mild or shallow recession. We have seen some improvements in breadth over the last half of this quarter, but not robust enough yet to call it a trend. If breadth expands, this would be a positive sign for equities.

#### Purchases and Sales

##### New Purchases

Cloudflare  
Murphy USA

##### Complete Sales

Definitive Healthcare  
DocuSign  
National Beverage

#### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell Midcap® Growth  
**Portfolio Assets:** \$2,025.1 M\*  
**Portfolio Turnover:** 25%-35%

#### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	37
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	18
<b>Richard Sherry, CFA</b> Senior Research Analyst	25
<b>Ekaterina Advena</b> Research Analyst	14
<b>Noran Eid</b> Research Analyst	10
<b>Clarissa Ali</b> Junior Research Analyst	<1
<b>James B. May, CFA</b> Client Portfolio Manager	35†
<b>Jason Pomatto</b> Client Portfolio Manager	29†

#### Top Five Holdings

As of June 30, 2023

Company	Percent of equity (%)
Celsius Holdings	6.6
Fair Isaac	4.8
SiteOne Landscape Supply	4.7
Gartner	4.4
Paycom Software	3.8
<b>Total</b>	<b>24.3</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. 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
<p><b>Qualitative Methods</b></p> <ul style="list-style-type: none"> <li>Investment conferences</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Research on existing portfolio holdings</li> <li>Third-party research</li> </ul> <p><b>Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Earnings surprise</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul>	<p><b>Qualitative Analysis</b></p> <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> <p><b>Financial Analysis</b></p> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <p><b>Valuation Analysis</b></p> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<p><b>Position Weights</b></p> <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> <p><b>Sector Tolerances</b></p> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <p><b>Holding Period</b></p> <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> <p><b>Cash Levels</b></p> <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>	<p><b>Negative Company or Industry Changes</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Acquisition Activity</b></p> <p><b>Extended Valuation</b></p>

Higher Quality

Stronger, More Consistent Growth

## Portfolio Characteristics

As of June 30, 2023

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	21.4%	21.4%
Debt/EBITDA*	1.4 x	1.5 x
Earnings Variability—Past 10 Years	62.7%	64.4%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	14.8%	14.5%
Earnings Per Share Growth—Past 5 Years	20.3%	16.0%
Earnings Per Share Growth—Past 10 Years	16.5%	14.4%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	51.0 x	48.8 x
P/E Ratio—1 Year Forecast FY EPS	32.0 x	23.9 x
Free Cash Flow Yield†	2.3%	2.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$25.0 B	\$25.4 B
Largest Market Cap	\$79.7 B	\$50.6 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 March 31, 2023. Prices are as of June 30, 2023. Excludes financials.

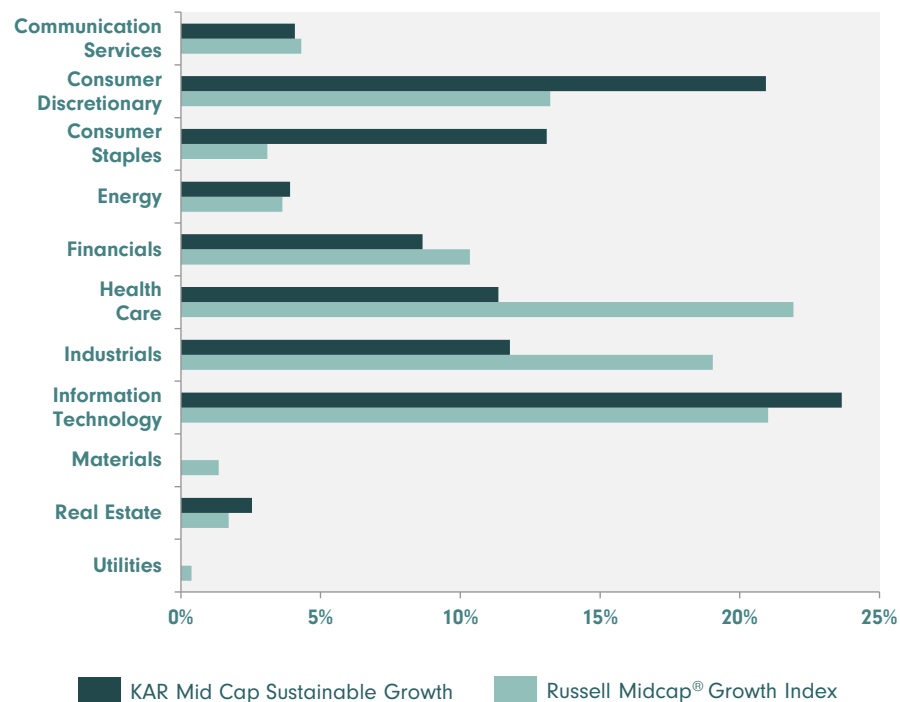
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future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

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### Sector Diversification

As of June 30, 2023



### Peer Comparison Chart

Annualized Gross Returns Ending June 30, 2023



The eVestment Mid Cap Growth Universe includes 84 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) <sup>†</sup>	Russell Midcap Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2023			
2 <sup>nd</sup> Quarter	10.02	9.22	6.23
Year to Date	15.37	13.69	15.94
One Year	22.72	19.14	23.13
Three Years	2.02	(1.00)	7.63
Five Years	11.62	8.34	9.71
Seven Years	16.56	13.15	11.96
Ten Years	13.93	10.59	11.53
Inception*	14.36	11.01	12.70
<b>Annual Returns (%)</b>			
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 June 30, 2023

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net)	Russell Midcap Growth Index
Alpha	1.65	(1.35)	0.00
Sharpe Ratio	0.75	0.56	0.71
Information Ratio	0.26	(0.26)	N/A
Beta	1.01	1.01	1.00
Downside Capture	102.31	109.35	100.00
Tracking Error	6.48	6.48	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 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:** 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. Price changes may be short- or long-term. Local, regional, or global events such as war or military conflict (e.g., Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness (e.g., COVID-19 pandemic) 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's manager(s) to invest the portfolio's assets as intended.

\*January 1, 2012

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

<sup>†</sup>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.

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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.