

Small-Mid Cap Core Portfolio

First Quarter 2021 | Managed Accounts



Portfolio Review

The Small-Mid Cap Core portfolio delivered positive performance but underperformed the Russell 2500 Index in the first quarter as more cyclical, lower quality names outperformed in the first quarter. Poor stock selection in industrials and consumer discretionary detracted from performance. Good stock selection in information technology and materials contributed positively to performance.

The biggest contributors to performance during the quarter were Scotts Miracle-Gro and Thor Industries.

- Scotts Miracle-Gro continues to see demand for its gardening products due to lockdowns, and has executed well to meet the unprecedented demand. Hawthorne, the company's hydroponics segment that services cannabis growers, continued to see growth as well.
- Due to COVID-19 and its impact on consumers' lack of interest in utilizing airplanes and hotels for travel purposes, the RV industry has experienced healthy demand for Thor's products, as traveling in an RV can permit physical distancing from others while traveling in one's own living space.
- Other top contributors included Zebra Technologies, CDW and Charles River Laboratories.

The biggest detractors to performance were Copart and Chemed.

- Copart underperformed this calendar quarter potentially due to concerns of auction volume declines, or due to market participants rotating into other businesses more likely to see a larger profit rebound from economies re-opening.
- Chemed's VITAS business was negatively impacted by the decline in nursing home patient referrals as nursing home admissions have declined throughout the pandemic. We view the decline in nursing home utilization as a short-term issue as nursing homes continue to serve a structural need in the economy. We believe nursing home enrollments will normalize over time.
- Other bottom contributors included POOLCORP, MSCI and Rollins.

Purchases and Sales

During the quarter, we purchased Duck Creek Technologies and LPL Financial Holdings. We sold DocuSign due to the company's larger market capitalization.

- Duck Creek Technologies is one of the leading providers of software solutions to Property and Casualty (P&C) insurance. Duck Creek was spun out of a large multi-national consulting firm, though the consulting firm still owns a material share of Duck Creek. Duck Creek provides mission critical software. Once implemented, the software is the core system used by insurance companies to process new business and existing claims. As such, we believe an insurance company is unlikely to replace the software for a less expensive competitor.
- LPL Financial Holdings serves independent financial advisors and financial institutions, providing them with the technology, research, clearing and compliance services, 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. From our perspective, LPL has experienced above-market organic growth and high advisor retention rates as a result of these dynamics.

Outlook

We believe the 2021/2022 economic outlook is becoming increasingly robust given significant pent-up consumer demand combined with record net worth, several trillion dollars of federal stimulus being distributed this year, vaccinations, and declining COVID-19 hospitalizations, all of which are improving consumer confidence. In a rapidly accelerating economic growth environment, low quality stocks tend to outperform high quality businesses as investors seek out companies with more operating and financial leverage. In our experience, equity markets are often 6 to 12 months ahead in assessing the business and economic environment. Once the acceleration in GDP starts to stabilize, we expect the relative performance of high-quality stocks will start to improve.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$12,444.1 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	35
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	26
Julie Kutasov Portfolio Manager + Senior Research Analyst	20
Craig Stone Portfolio Manager + Senior Research Analyst	32
Todd Beiley, CFA Senior Research Analyst	22
Julie Biel, CFA Senior Research Analyst	13
Chris Wright, CFA Senior Research Analyst	9
Sean Dixon Research Analyst	12
Adam Xiao, CFA Research Analyst	6
Jordan Greenhouse Senior Client Portfolio Manager	24†
James B. May, CFA Client Portfolio Manager	33†

Top Five Holdings

As of March 31, 2021

Company	Percent of equity (%)
Scotts Miracle-Gro	7.6
Zebra Technologies	5.7
SiteOne Landscape Supply	4.7
Charles River Laboratories International	4.6
Thor Industries	4.6
Total	27.2

†Represents years of industry experience.

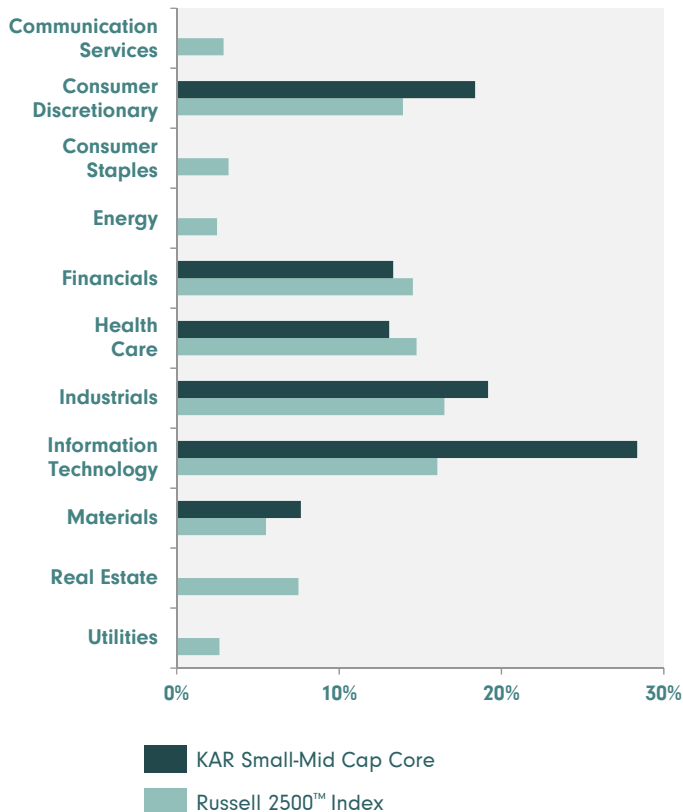
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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 March 31, 2021



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, 2021

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity—Past 5 Years	22.6%	10.4%
Total Debt/EBITDA	195.5 x	9.0 x
Earnings Variability—Past 10 Years	44.8%	72.2%
Growth		
Earnings Per Share Growth—Past 5 Years	17.7%	8.9%
Earnings Per Share Growth—Past 10 Years	13.5%	8.0%
Capital Generation—[ROE x (1-Payout)]	17.7%	8.0%
Value		
P/E Ratio—Trailing 12 Months	36.7 x	105.2 x
Dividend Yield	0.5%	1.1%
Free Cash Flow Yield†	3.0%	2.9%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$10.7 B	\$5.4 B
Largest Market Cap—3-Year Avg.	\$24.5 B	\$22.7 B
Annualized Standard Deviation—Since Inception*	16.1%	20.2%

*Free cash flow data is as of December 31, 2020. Prices are as of March 31, 2021. Excludes financials.

†April 1, 1992

There was a material difference in Total Debt/EBITDA and Interest Coverage Expense quality indicators for the strategy as of March 31, 2021 over the prior quarter end of December 31, 2020. This is primarily due to a single issuer in the portfolio experiencing a depressed EBITDA due to the effect of the pandemic on that issuer's business.

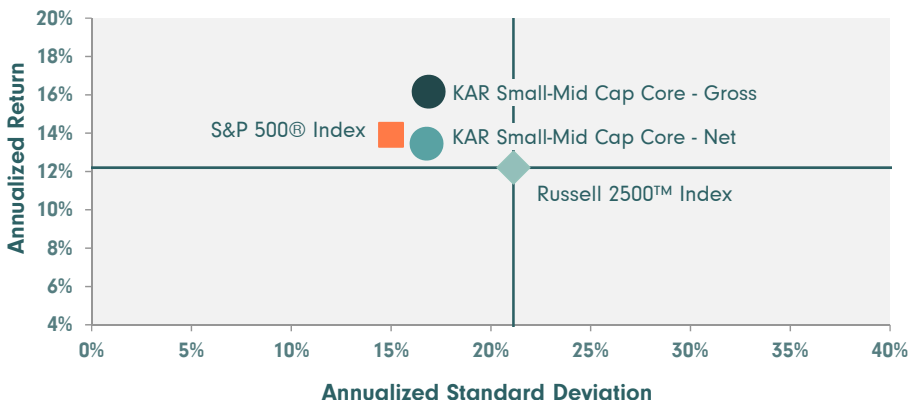
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Strong Risk-Adjusted Returns

Ten Years Ending March 31, 2021



Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) [†]	Russell 2500™ Index
Annualized Returns (%)[†]			
As of March 31, 2021			
1 st Quarter	7.43	6.64	10.93
One Year	76.86	71.86	89.40
Three Years	24.69	21.06	15.34
Five Years	21.43	17.89	15.93
Seven Years	18.29	15.21	11.46
Ten Years	16.16	13.45	12.20
Inception*	12.61	9.74	11.24
Annual Returns (%)			
2020	36.85	32.89	19.99
2019	40.90	36.84	27.77
2018	(5.23)	(8.05)	(10.00)
2017	19.77	16.28	16.81
2016	17.03	13.61	17.59
2015	5.76	4.10	(2.90)
2014	9.25	7.37	7.07
2013	31.04	29.07	36.80
2012	9.25	7.55	17.88
2011	8.43	6.02	(2.51)
2010	20.23	17.70	26.71
2009	31.12	28.86	34.39
2008	(29.90)	(31.33)	(36.79)
2007	0.26	(1.37)	1.38
2006	14.04	11.75	16.17
2005	3.24	0.14	8.11
2004	13.69	10.26	18.29
2003	25.54	21.91	45.51
2002	(17.31)	(19.84)	(17.80)
2001	4.57	1.53	1.22
2000	23.47	19.85	4.27
1999	7.02	3.93	24.14
1998	20.98	17.42	0.38
1997	21.00	17.45	24.36
1996	26.98	23.22	19.03
1995	18.57	15.07	31.70
1994	2.75	(0.26)	(1.05)
1993	20.00	16.54	16.55
1992	9.65	7.25	11.36

*April 1, 1992

[†]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.

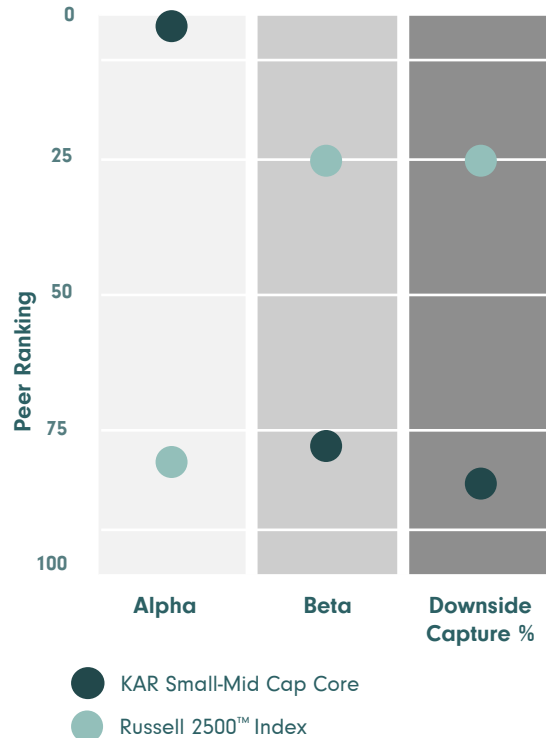
[§]Performance statistics are based on gross of fee returns.

^{||}Performance calculations are for the nine months ended December 31, 1992.

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.**

Peer Chart

Ten Years Ending March 31, 2021



Performance Statistics

Ten Years Ending March 31, 2021

	KAR Small-Mid Cap Core [§]	Russell 2500™ Index
Annualized Standard Deviation	16.88	21.13
Alpha	6.13	0.00
Beta	0.75	1.00
Sharpe Ratio	0.93	0.56
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 Pure Gross Return* (%)	Composite Net Return (%)	Russell 2500™ Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Percentage of Wrap-Fee Accounts (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	20.23	17.70	26.71	N/A	N/A	100	59	0.35	316	4,729
2011	8.43	6.02	(2.51)	N/A	N/A	100	53	0.78	337	5,232
2012	9.25	7.55	17.88	15.22	19.24	100	44	0.62	422	6,545
2013	31.04	29.07	36.80	12.17	15.85	100	39	0.36	362	7,841
2014	9.25	7.37	7.07	10.13	11.84	100	35	0.16	373	7,989
2015	5.76	4.10	(2.90)	12.17	12.59	100	30	0.19	378	8,095
2016	17.03	13.61	17.59	12.62	13.86	100	30	0.38	369	9,989
2017	19.77	16.28	16.81	11.16	12.31	100	32	0.26	518	14,609
2018	(5.23)	(8.05)	(10.00)	13.27	14.30	100	24	0.17	618	17,840
2019	40.90	36.84	27.77	14.85	14.79	100	28	0.51	1,117	25,685

*Pure gross returns are supplemental to net returns.

The Russell 2500™ 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, 2019.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small-Mid Cap Core Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2019. The verification and performance examination reports are available upon request.

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 Small-Mid Cap Core Wrap Portfolios. Small-Mid Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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™ Index. The Russell 2500™ Index is a market capitalization-weighted index 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 composite was created in July 2000. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. Prior to January 1, 2011, the composite minimum was \$100,000.

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. Prior to December 31, 2005, net annual returns are calculated by deducting 1/4th of an assumed maximum annual wrap fee of 3% from the gross returns on a quarterly basis. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. 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, which 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.