

## Small-Mid Cap Core Portfolio

Fourth Quarter 2022 | Managed Accounts

### Portfolio Review

The Small-Mid Cap Core portfolio outperformed the Russell 2500 Index in the fourth quarter. Good stock selection in health care and good stock selection and an overweight in industrials contributed positively to performance. Poor stock selection in consumer discretionary and an underweight in materials detracted from performance.

The biggest contributors to performance during the quarter were Cooper Companies and Fair Isaac. Cooper's business remains steady, with growth in its premium vision solutions as well as the non-core fertility and medical device business. Margins have been hurt by changes in currency and higher labor and transport costs. Nonetheless, demand remains robust for the company's products. Fair Isaac reported a good quarter despite a tough macroeconomic environment with large mortgage declines. In addition, the company's fiscal year 2023 guidance was stronger than expected. As a result, shares increased in the quarter. Other top contributors included Bentley Systems, W. R. Berkley, and Globus Medical.

The biggest detractors from performance were Aspen Technology and POOLCORP. Aspen Technology's merger with another software business closed in May 2022, which made the comparability of reported financials this quarter relative to previous quarters challenging. The main takeaways from the current quarter were that despite the uncertain macro environment, demand from clients remains strong and the merger business has already helped Aspen source deals in new industry verticals. Management reiterated their guidance for the current fiscal year and touted the company's increased scale, and access to new geographies and verticals. Despite these positives, the share price came under pressure in December as markets became more challenging and concerns rose about a highly anticipated recession in 2023. Despite having a business model that is resilient during recessionary environments, as seen during past economic cycles, investors sold housing-related stocks and POOLCORP was no exception. Thus, the shares declined in the quarter. Other bottom detractors included Zebra Technologies, Jack Henry & Associates, and Watsco.

### Purchases and Sales

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

### Outlook

The Federal Reserve's hawkish monetary policy combined with improving supply chain issues appear to be working in reducing the core inflation rate. Inflation concerns, however, have been replaced by impending recession fears in the market. We certainly have witnessed a growth slowdown over the last year, and we are likely to see a continued growth slowdown over the next six-to-twelve months. The stock market seems to be already pricing in a moderate recession for 2023. This has to be the most anticipated recession in the history of corporate America. This does not mean that a recession cannot occur, but it does suggest a hard landing is less probable. Recession fears will not disappear overnight so investors should expect continued volatility in 2023 and will need to be patient. Additionally, the top-heavy S&P 500 companies, MAMAA (Meta, Apple, Microsoft, Amazon, and Alphabet) in particular, are having significant fundamental growth issues which has not been the case since 2008. In our view, this may bode well for many small- and medium-sized companies, which can continue to grow in a lackluster economic environment.

### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Core  
**Index:** Russell 2500™  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$13,614.6 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

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

### Top Five Holdings

As of December 31, 2022

| Company          | Percent of equity (%) |
|------------------|-----------------------|
| W. R. Berkley    | 5.8                   |
| Cooper Companies | 4.7                   |
| Nordson          | 4.6                   |
| POOLCORP         | 4.5                   |
| Bentley Systems  | 4.4                   |
| <b>Total</b>     | <b>24.0</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   |
|---|---|--|---|
| <b>Quantitative Screens</b> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul> <b>Other Resources</b> <ul style="list-style-type: none"> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul> | <b>Qualitative Analysis</b> <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> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <b>Valuation Analysis</b> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul> | <b>Position Weights</b> <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> <b>Sector Tolerances</b> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <b>Non-U.S. Holdings</b> <ul style="list-style-type: none"> <li>Up to 20%</li> </ul> <b>Holding Period</b> <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> <b>Cash Levels</b> <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> | <b>Extended Valuation</b><br><b>Portfolio Upgrade</b><br><b>Acquisition Activity</b><br><b>Negative Company or Industry Changes</b> |

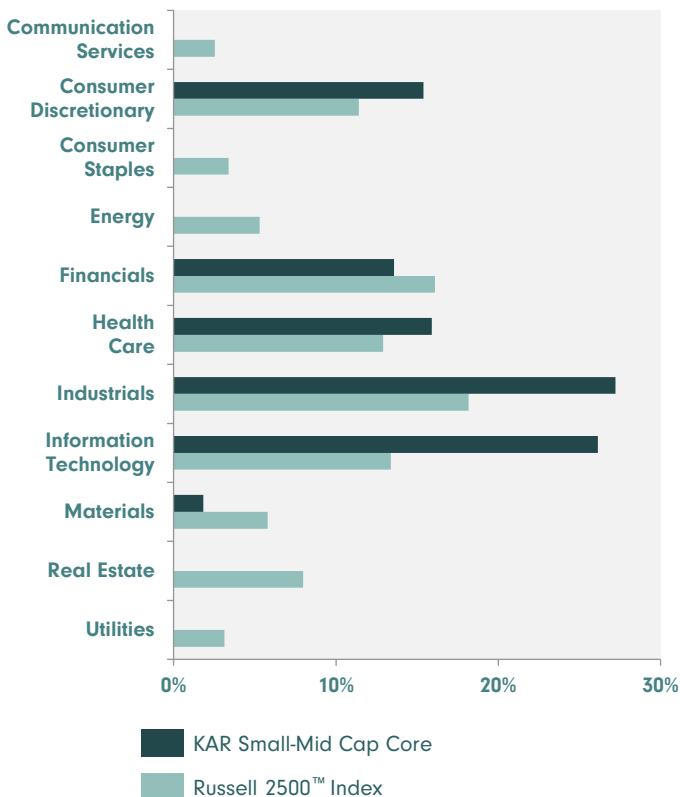
Higher Quality

Stronger, More Consistent Growth

Better Value

## Sector Diversification

As of December 31, 2022



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 December 31, 2022

|  | KAR Small-Mid Cap Core | Russell 2500™ Index |
|--|------------------------|---------------------|
| <b>Quality</b>                                 |                        |                     |
| Return on Equity—Past 5 Years                  | 23.4%                  | 13.1%               |
| Total Debt/EBITDA*                             | 1.5 x                  | 2.4 x               |
| Earnings Variability—Past 10 Years             | 40.0%                  | 72.2%               |
| <b>Growth</b>                                  |                        |                     |
| Earnings Per Share Growth—Past 5 Years         | 19.8%                  | 13.9%               |
| Earnings Per Share Growth—Past 10 Years        | 14.1%                  | 10.2%               |
| Capital Generation—{ROE x (1-Payout)}          | 18.7%                  | 10.0%               |
| <b>Value</b>                                   |                        |                     |
| P/E Ratio—Trailing 12 Months                   | 25.0 x                 | 21.0 x              |
| Dividend Yield                                 | 0.8%                   | 1.6%                |
| Free Cash Flow Yield†                          | 3.1%                   | 2.5%                |
| <b>Market Characteristics</b>                  |                        |                     |
| \$ Weighted Average Market Cap—3-Year Avg.     | \$14.7 B               | \$6.4 B             |
| Largest Market Cap—3-Year Avg.                 | \$36.9 B               | \$27.3 B            |
| Annualized Standard Deviation—Since Inception‡ | 16.4%                  | 20.1%               |

\*KAR utilizes the interquartile method when calculating TD/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.

†Free cash flow data is as of September 30, 2022. Prices are as of December 31, 2022. Excludes financials. ‡April 1, 1992. Standard deviation for the KAR strategy is based on net-of-fee returns.

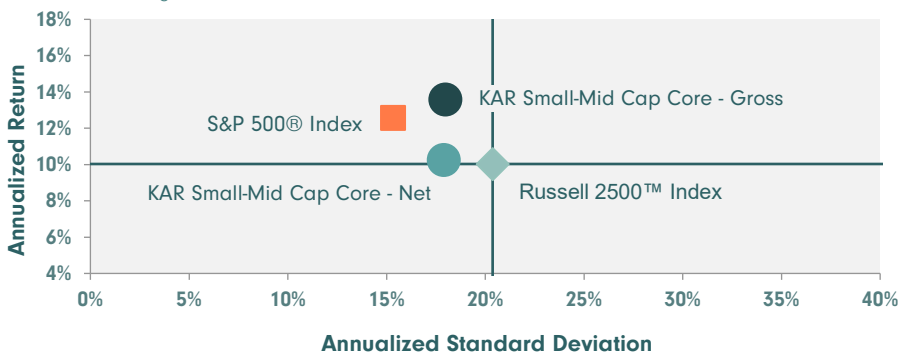
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

# Small-Mid Cap Core Portfolio

Fourth Quarter 2022 | Managed Accounts

## Risk-Return Analysis

Ten Years Ending December 31, 2022

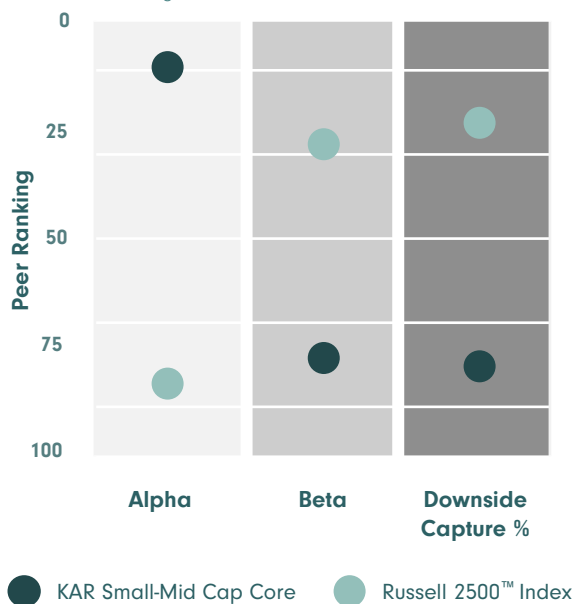


## Historical Returns

|   | KAR Small-Mid Cap Core (gross) | KAR Small-Mid Cap Core (net) <sup>†</sup> | Russell 2500™ Index |
|---|--------------------------------|---|---------------------|
| <b>Annualized Returns (%)<sup>†</sup></b> |                                |   |                     |
| As of December 31, 2022                   |                                |   |                     |
| 4 <sup>th</sup> Quarter                   | 10.52                          | 9.72                                      | 7.43                |
| One Year                                  | (23.72)                        | (26.03)                                   | (18.37)             |
| Three Years                               | 8.07                           | 4.88                                      | 5.00                |
| Five Years                                | 11.00                          | 7.74                                      | 5.89                |
| Seven Years                               | 13.07                          | 9.75                                      | 9.00                |
| Ten Years                                 | 13.59                          | 10.26                                     | 10.03               |
| Inception*                                | 11.29                          | 8.05                                      | 10.06               |
| <b>Annual Returns (%)</b>                 |                                |   |                     |
| 2022                                      | (23.72)                        | (26.03)                                   | (18.37)             |
| 2021                                      | 20.90                          | 17.38                                     | 18.18               |
| 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                           | 2.65                                      | (2.90)              |
| 2014                                      | 9.25                           | 6.04                                      | 7.07                |
| 2013                                      | 31.04                          | 27.25                                     | 36.80               |
| 2012                                      | 9.25                           | 6.04                                      | 17.88               |
| 2011                                      | 8.43                           | 5.24                                      | (2.51)              |
| 2010                                      | 20.23                          | 16.73                                     | 26.71               |
| 2009                                      | 31.12                          | 27.46                                     | 34.39               |
| 2008                                      | (29.90)                        | (32.18)                                   | (36.79)             |
| 2007                                      | 0.26                           | (2.71)                                    | 1.38                |
| 2006                                      | 14.04                          | 10.76                                     | 16.17               |
| 2005                                      | 3.24                           | 0.20                                      | 8.11                |
| 2004                                      | 13.69                          | 10.42                                     | 18.29               |
| 2003                                      | 25.54                          | 22.01                                     | 45.51               |
| 2002                                      | (17.31)                        | (19.90)                                   | (17.80)             |
| 2001                                      | 4.57                           | 1.48                                      | 1.22                |
| 2000                                      | 23.47                          | 19.99                                     | 4.27                |
| 1999                                      | 7.02                           | 3.89                                      | 24.14               |
| 1998                                      | 20.98                          | 17.54                                     | 0.38                |
| 1997                                      | 21.00                          | 17.57                                     | 24.36               |
| 1996                                      | 26.98                          | 23.43                                     | 19.03               |
| 1995                                      | 18.57                          | 15.20                                     | 31.70               |
| 1994                                      | 2.75                           | (0.28)                                    | (1.05)              |
| 1993                                      | 20.00                          | 16.60                                     | 16.55               |
| 1992 <sup>  </sup>                        | 9.65                           | 7.28                                      | 11.36               |

## Peer Chart

Ten Years Ending December 31, 2022



The eVestment Small Mid-Cap Core Universe includes 49 managers categorized in the small-mid cap asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small Mid-Cap Core 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.**

## Performance Statistics

Ten Years Ending December 31, 2022

|                               | KAR Small-Mid Cap Core (gross) | KAR Small Mid-Cap Core (net) | Russell 2500™ Index |
|-------------------------------|--------------------------------|------------------------------|---------------------|
| Annualized Standard Deviation | 17.97                          | 17.88                        | 20.36               |
| Alpha                         | 4.84                           | 1.74                         | 0.00                |
| Beta                          | 0.82                           | 0.82                         | 1.00                |
| Sharpe Ratio                  | 0.72                           | 0.54                         | 0.46                |
| R-Squared                     | 86.19                          | 86.19                        | 100.00              |

\*April 1, 1992

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

<sup>‡</sup>Net of all fees and expenses. Assumes a 3% annual fee.

<sup>||</sup>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 for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For periods prior to July 1, 2000, the Small-Mid Cap Core composite calculations have been linked to the firm's Small Cap Core composite performance, which represents all taxable and nontaxable, fully discretionary Small Cap Core Portfolios (including cash) under management for at least one full quarter. Beginning on July 1, 2000, only Small-Mid Cap Core Portfolios are included in the composite. For further details on the composite, please see the disclosure statement in this presentation. 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.

**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 (%) | Number of Accounts | Internal Dispersion (%) | Composite Assets (\$ Millions) | Firm Assets (\$ Millions) |
|------|----------------------------------|--------------------------|--------------------------------|----------------------------|----------------------------|--------------------|-------------------------|--------------------------------|---------------------------|
| 2012 | 9.25                             | 6.04                     | 17.88                          | 15.22                      | 19.24                      | 44                 | 0.62                    | 422                            | 6,545                     |
| 2013 | 31.04                            | 27.25                    | 36.80                          | 12.17                      | 15.85                      | 39                 | 0.36                    | 362                            | 7,841                     |
| 2014 | 9.25                             | 6.04                     | 7.07                           | 10.13                      | 11.84                      | 35                 | 0.16                    | 373                            | 7,989                     |
| 2015 | 5.76                             | 2.65                     | (2.90)                         | 12.17                      | 12.59                      | 30                 | 0.19                    | 378                            | 8,095                     |
| 2016 | 17.03                            | 13.61                    | 17.59                          | 12.62                      | 13.86                      | 30                 | 0.38                    | 369                            | 9,989                     |
| 2017 | 19.77                            | 16.28                    | 16.81                          | 11.16                      | 12.31                      | 32                 | 0.26                    | 518                            | 14,609                    |
| 2018 | (5.23)                           | (8.05)                   | (10.00)                        | 13.27                      | 14.30                      | 24                 | 0.17                    | 618                            | 17,840                    |
| 2019 | 40.90                            | 36.84                    | 27.77                          | 14.85                      | 14.79                      | 28                 | 0.51                    | 1,117                          | 25,685                    |
| 2020 | 36.85                            | 32.89                    | 19.99                          | 21.37                      | 24.55                      | 30                 | 0.33                    | 2,556                          | 39,582                    |
| 2021 | 20.90                            | 17.38                    | 18.18                          | 19.30                      | 22.80                      | 42                 | 0.29                    | 4,773                          | 47,269                    |

\*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, 2021.

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.

The Small-Mid Cap Core Wrap Composite has had a performance examination for the period from January 1, 1999 through December 31, 2021. The verification and performance examination reports are available upon request.

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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 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 inception date of the composite is April 1992. The composite was created in July 2000. 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.

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. 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 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 measures the variability of the composite (using pure gross returns) and the benchmark for the 36-month period.

#### 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 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. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.