

## Small Cap Core Portfolio

First Quarter 2022 | Managed Accounts

### Portfolio Review

The Small Cap Core portfolio underperformed the Russell 2000 Index in the first quarter. Poor stock selection in industrials and an underweight in energy detracted from performance. Good stock selection in information technology and an underweight in health care contributed positively to performance.

From a quality perspective, riskier stocks (as measured by beta greater than 2.0) and companies with higher leverage (as measured by long-term debt/capital greater than 100%) performed better than those companies with lower risk and less leverage. Also, higher dividend paying stocks performed better than those that pay a lower or no dividend during the quarter. All these factors worked as a headwind to our investment strategy.

The biggest contributors to performance during the quarter were Dril-Quip and Aspen Technology. Rising energy prices and warming sentiment toward increasing global crude oil production amid Russia's invasion of Ukraine pushed Dril-Quip's shares higher during the quarter. Aspen Technology saw some slowing of its business as a result of weaker demand from oil and gas clients. That business has stabilized and improved over the last twelve months. Additionally, the company is finding some new success in other verticals. We believe having more diverse end markets that are less dependent on commodity markets should be a positive for the company. Other top contributors included Jack Henry & Associates, Teledyne Technologies, and FTI Consulting.

The biggest detractors from performance during the quarter were Watts Water Technologies and Acushnet. In the current inflationary environment, Watts Water Technologies continues to positively offset cost inflation with pricing. We believe the company's differentiated product portfolio will continue to allow the company to do so. However, in the short-term, we have seen the company's margins moderated primarily due to cost normalization, incentives, and investments. Acushnet has benefitted from the COVID pandemic as people have sparked a renewed or a new interest in golf evidenced by the increase in the number of rounds played. However, we believe near-term uncertainty in the resilience of renewed player participation in the game has likely weighed on the performance of the stock. Other bottom contributors included Rightmove, Simpson Manufacturing, and CorVel.

### Purchases and Sales

During the quarter, we purchased CorVel. There were no complete sales. Founded in 1987, CorVel provides medical cost containment services primarily to the workers' compensation market. Services include third party administration, medical bill review, PPO network, case management, and independent medical examination tied together through a technology platform linking employers, employees, health care providers, third party administrators (TPAs), and insurance carriers in a manner that integrates case management data and removes administrative costs and delays.

### Outlook

The U.S. is in a position of strength economically even creating excess demand currently, but interest rate increases have already affected mortgage rates, car loans, and lease rates here in the U.S. Unless the Fed wants to throw us into a recession (yield curve inversion), the current future shape of the yield curve may prevent as much of an increase in short-term interest rates than what the market is already anticipating. The inflation outlook was particularly cloudy with COVID-19 getting better globally, but the Russian invasion of Ukraine was a clear negative for inflation. Overall, we believe inflation is likely to stay elevated and above the Fed's target for this year at least. However, comparisons of year-over-year inflation do get easier as we move forward. If the trend is headed in the right direction of moderating inflation, the markets may react positively to this development. We will continue to hunt for investment ideas that in our view meet our quality investment philosophy in all sectors of the economy. When inflationary trends begin to moderate, we believe quality companies will become more interesting to investors. Geopolitical risks are clearly still elevated and will continue to be monitored closely.



Manager of the Decade for the last 7 years (2015 - 2021)

### Portfolio Highlights

**Style:** Small Cap  
**Sub-Style:** Core  
**Index:** Russell 2000®  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$9,847.0 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

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

### Top Five Holdings

As of March 31, 2022

Company	Percent of equity (%)
FTI Consulting	6.9
EMCOR Group	5.2
Aspen Technology	5.1
First Hawaiian	4.8
Manhattan Associates	4.7
<b>Total</b>	<b>26.7</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. 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

<b>Development of High-Quality Universe</b>	<b>Proprietary Fundamental Research</b>	<b>Portfolio Construction</b>	<b>Sell Discipline</b>
<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> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>

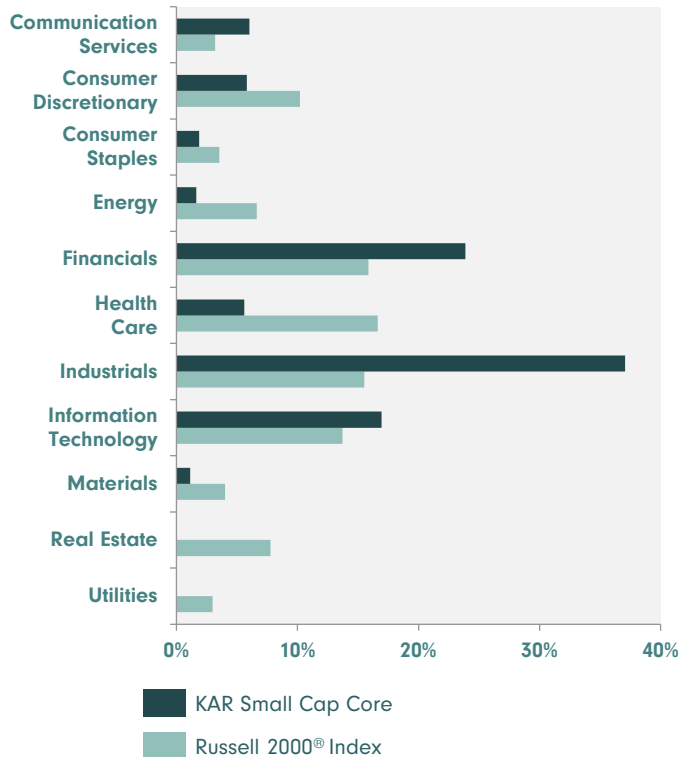
Higher Quality

Stronger, More Consistent Growth

Better Value

## Sector Diversification

As of March 31, 2022



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, 2022

	KAR Small Cap Core	Russell 2000® Index
<b>Quality</b>		
Return on Equity—Past 5 Years	24.2%	8.1%
Total Debt/EBITDA	1.3 x	4.6 x
Earnings Variability—Past 10 Years	27.2%	85.5%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	14.1%	8.8%
Dividend Per Share Growth—Past 10 Years	13.0%	5.4%
Capital Generation—{ROE x (1-Payout)}	18.1%	6.6%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	21.4 x	36.1 x
Dividend Yield	1.2%	1.2%
Free Cash Flow Yield*	3.3%	1.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.7 B	\$2.9 B
Largest Market Cap—3-Year Avg.	\$18.2 B	\$13.8 B
Annualized Standard Deviation—Since Inception†	16.3%	20.9%

\*Free cash flow data is as of December 31, 2021. Prices are as of March 31, 2022. Excludes financials.

†April 1, 1992

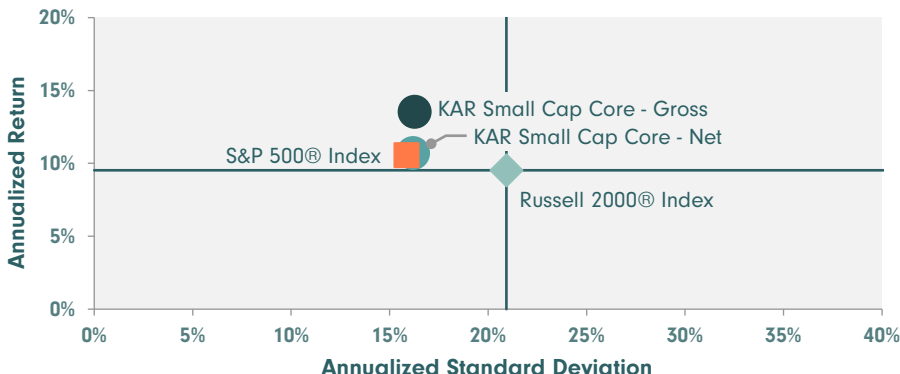
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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## Strong Risk-Adjusted Returns

Inception\* to March 31, 2022



## Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net) <sup>†</sup>	Russell 2000 <sup>®</sup> Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of March 31, 2022			
1 <sup>st</sup> Quarter	(9.48)	(10.18)	(7.53)
One Year	(0.50)	(3.45)	(5.79)
Three Years	14.25	10.90	11.74
Five Years	17.95	14.50	9.74
Seven Years	15.91	12.70	8.87
Ten Years	15.35	12.54	11.04
Inception*	13.55	10.72	9.52

Annual Returns (%)	KAR Small Cap Core (gross)	KAR Small Cap Core (net) <sup>†</sup>	Russell 2000 <sup>®</sup> Index
2021	16.68	13.27	14.82
2020	22.09	18.53	19.96
2019	39.05	35.04	25.52
2018	(0.78)	(3.72)	(11.01)
2017	36.07	32.15	14.65
2016	18.55	15.09	21.31
2015	2.09	0.51	(4.41)
2014	7.31	5.57	4.89
2013	30.89	28.76	38.82
2012	13.75	11.80	16.35
2011	9.64	7.75	(4.18)
2010	24.83	22.56	26.85
2009	31.80	29.72	27.17
2008	(28.15)	(29.36)	(33.79)
2007	3.25	1.71	(1.57)
2006	13.46	11.87	18.37
2005	7.87	4.63	4.55
2004	23.07	19.42	18.33
2003	35.02	31.19	47.25
2002	(13.73)	(16.34)	(20.48)
2001	6.82	3.74	2.49
2000	20.98	17.42	(3.02)
1999	7.02	3.93	21.26
1998	20.98	17.42	(2.55)
1997	21.00	17.45	22.36
1996	26.98	23.22	16.49
1995	18.57	15.07	28.45
1994	2.75	(0.26)	(1.82)
1993	20.00	16.54	18.88
1992 <sup>  </sup>	9.65	7.25	10.16

\*April 1, 1992

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary. Returns could be reduced, or losses incurred, due to currency fluctuations.

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

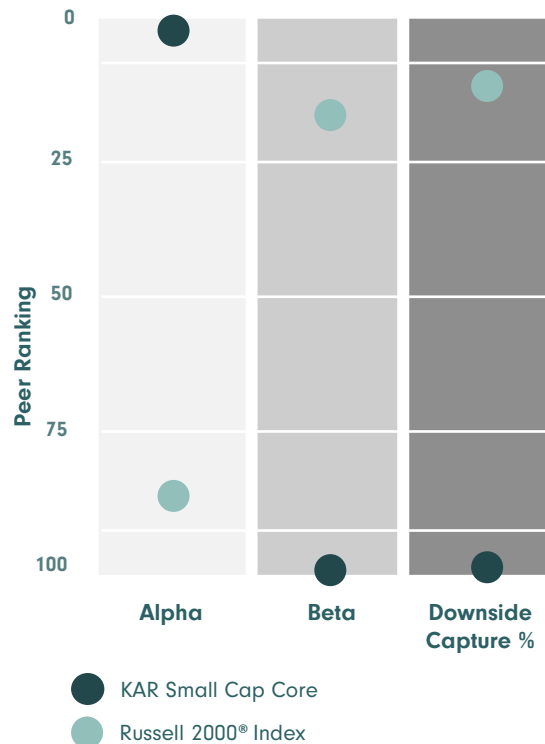
<sup>§</sup>Performance statistics are based on gross of fee returns.

<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 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 Cap Core Universe includes all managers categorized in the small 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 Comparison Chart

Ten Years Ending March 31, 2022



## Performance Statistics

Inception\* to March 31, 2022

	KAR Small Cap Core <sup>§</sup>	Russell 2000 <sup>®</sup> Index
Annualized Standard Deviation	16.27	20.92
Alpha	5.64	0.00
Beta	0.70	1.00
Sharpe Ratio	0.69	0.34
R-Squared	81.27	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 2000® Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2011	9.64	7.75	(4.18)	N/A	N/A	70	0.51	846	5,232
2012	13.75	11.80	16.35	15.37	20.48	71	0.31	1,073	6,545
2013	30.89	28.76	38.82	11.96	16.68	67	0.45	1,336	7,841
2014	7.31	5.57	4.89	9.77	13.31	70	0.27	1,294	7,989
2015	2.09	0.51	(4.41)	11.15	14.16	55	0.38	1,023	8,095
2016	18.55	15.09	21.31	12.19	15.99	74	0.81	1,222	9,989
2017	36.07	32.15	14.65	11.38	14.11	67	0.50	1,818	14,609
2018	(0.78)	(3.72)	(11.01)	13.94	16.01	85	0.24	1,909	17,840
2019	39.05	35.04	25.52	14.65	15.93	101	0.31	2,685	25,685
2020	22.09	18.53	19.96	19.10	25.63	102	0.19	3,131	39,582

\*Pure gross returns are supplemental to net returns.

The Russell 2000® 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, 2020.

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 Cap Core Wrap Composite has had a performance examination for the period from January 1, 1999 through December 31, 2020. 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 Cap Core Wrap Portfolios. Small Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® 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 2000® Index. The Russell 2000® Index is a market capitalization-weighted index of the 2,000 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 October 1995. 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 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. Prior to December 31, 2005, net annual returns are calculated by deducting 1/4th of an assumed maximum annual wrap fee of 3% 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 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.