

## Small Cap Core Portfolio

First Quarter 2023 | Managed Accounts

### Portfolio Review

The Small Cap Core portfolio outperformed the Russell 2000 Index in the first quarter. Good stock selection and an overweight in industrials and good stock selection and an underweight in health care contributed positively to performance. An underweight in materials and information technology detracted from performance.

The biggest contributors to performance during the quarter were FTI Consulting and Simpson Manufacturing. FTI Consulting experienced strong revenue and earnings growth this quarter and provided a favorable outlook for 2023, driving the share price higher. Shares of Simpson Manufacturing performed strongly following the company's reports of better-than-expected operating results. We believe Simpson's recent acquisition of a French-based company should also meaningfully enhance the company's market position and profitability profile in Europe. Other top contributors included CorVel, Primerica, and Manhattan Associates.

The biggest detractors from performance during the quarter were First Hawaiian and Jack Henry & Associates. First Hawaiian's shares, like other regional banks, came under pressure late in the quarter as investors became concerned about deposit outflows after the failure of Silicon Valley Bank and Signature Bank. We believe the bank has a strong deposit franchise as evidenced by the long tenure of its deposit accounts and consistent deposit market share over many years in Hawaii. In the most recent quarter, Jack Henry & Associates lowered guidance for the full-year due to cyclical issues, which sent the share price lower. The recent turmoil in the regional banking market, which is a key customer segment of the company's, also hurt the share price as investors became concerned that smaller banks could face long-lasting profitability headwinds. Other bottom contributors included BancFirst, Clearwater Analytics, and Toro.

### Purchases and Sales

During the quarter, we sold Autohome, a Chinese company, due to the exogenous risk of a conflict between China and Taiwan. While we have no special ability to predict the likelihood or timing of such an event, we prefer to avoid, when possible, placing our investment dollars in geographies where there are sufficient high-level risks that would overwhelm the merits of a specific business.

### Outlook

Perceived safe havens and quality stocks performed well in the first quarter as investors have continued to grapple with high uncertainty in the market outlook. We came into 2023 with clear consensus among investors that the year would bring at least a mild recession. January data was stronger than expected and the market quickly priced in a "no landing" scenario. February data was somewhat weaker, and the market started to price in a "soft landing" outcome. Then a regional bank crisis emerged, and the market started to price in a "hard landing" scenario. Fortunately, banking fears started to dissipate the last two weeks of the quarter. Multiple cross currents in interest rates, inflation, economic growth, and investor sentiment have made for a difficult forecasting environment for investors. While the short-term outlook is somewhat murky, we believe that the long-term outlook should be attractive. Cash is piling up on the sidelines, investors are generally negative, speculation is absent from equities (IPOs, SPACs, and memes are dormant), and businesses are very cautious in hiring and expansion plans. Historically, these types of conditions have led to meaningful long-term investing outcomes, although it will remain to be seen how markets will respond for the remainder of 2023.

### Portfolio Highlights

**Style:** Small Cap  
**Sub-Style:** Core  
**Index:** Russell 2000®  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$10,480.3 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	37
<b>Todd Bailey, CFA</b> Portfolio Manager + Senior Research Analyst	24
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	28
<b>Julie Biel, CFA</b> Senior Research Analyst	15
<b>Julie Kutsov</b> Senior Research Analyst	22
<b>Craig Stone</b> Senior Research Analyst	34
<b>Chris Wright, CFA</b> Senior Research Analyst	11
<b>Sean Dixon</b> Research Analyst	15
<b>Arthur Su, CFA</b> Research Analyst	8
<b>Adam Xiao, CFA</b> Research Analyst	10
<b>Jordan Greenhouse</b> Senior Client Portfolio Manager	26†
<b>James B. May, CFA</b> Client Portfolio Manager	35†
<b>Jason Pomatto</b> Client Portfolio Manager	29†

### Top Five Holdings

As of March 31, 2023

Company	Percent of equity (%)
FTI Consulting	8.0
EMCOR Group	6.8
Simpson Manufacturing	5.9
Primerica	5.4
Acushnet Holdings	4.9
<b>Total</b>	<b>30.9</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.**

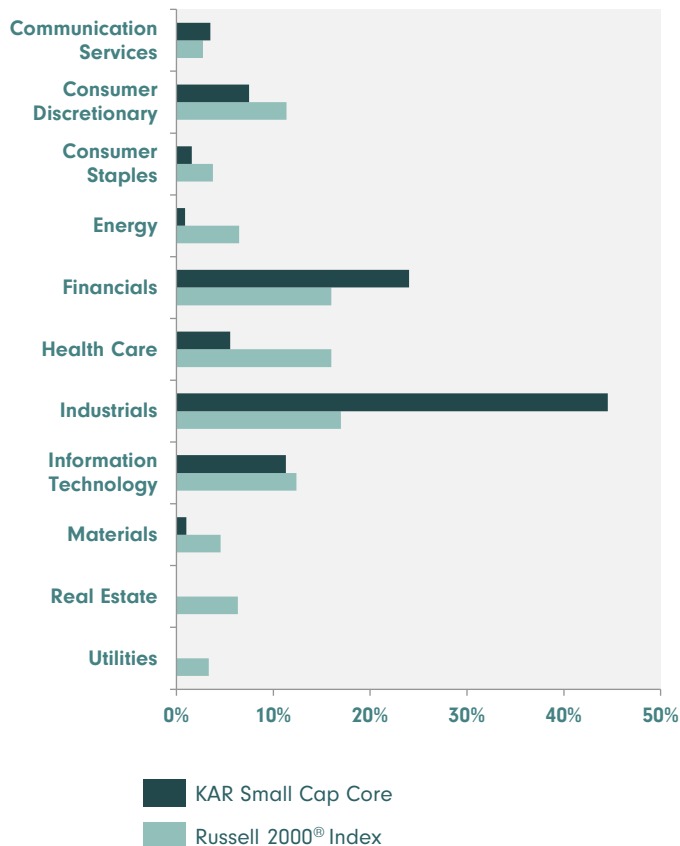
## Investment Process: Discovering Quality

<b>Development of KAR 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, 2023



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## Portfolio Characteristics

As of March 31, 2023

	KAR Small Cap Core	Russell 2000® Index
<b>Quality</b>		
Return on Equity—Past 5 Years	25.0%	9.9%
Total Debt/EBITDA*	0.6 x	2.4 x
Earnings Variability—Past 10 Years	28.3%	83.3%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	13.2%	9.2%
Dividend Per Share Growth—Past 10 Years	11.7%	5.2%
Capital Generation—{ROE x (1-Payout)}	18.5%	8.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	19.8 x	27.7 x
Dividend Yield	1.3%	1.5%
Free Cash Flow Yield <sup>†</sup>	3.7%	2.0%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.1 B	\$3.0 B
Largest Market Cap—3-Year Avg.	\$19.6 B	\$14.3 B
Annualized Standard Deviation—Since Inception <sup>‡</sup>	16.2%	20.9%

\*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.

<sup>†</sup>Free cash flow data is as of December 31, 2022. Prices are as of March 31, 2023. Excludes financials.

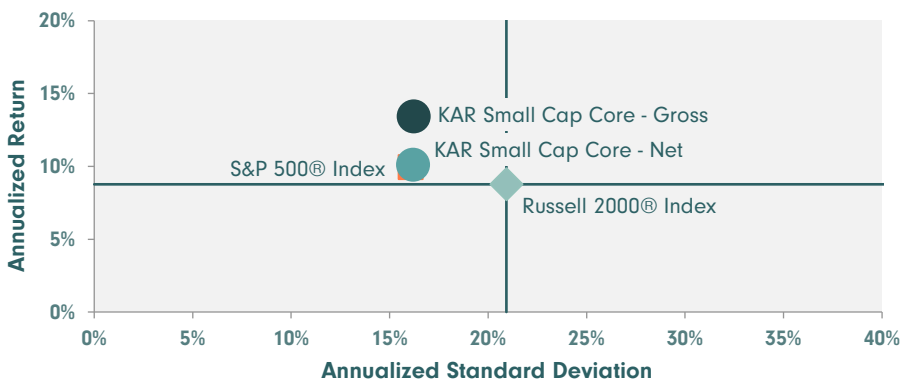
<sup>‡</sup>April 1, 1992. Standard deviation for the KAR strategy is based on net-of-fee returns. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. 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.

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## Risk-Return Analysis

Inception\* to March 31, 2023

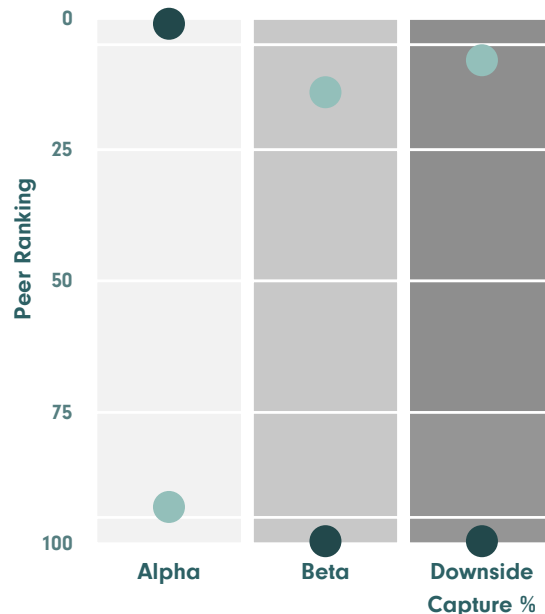


## Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net) <sup>‡</sup>	Russell 2000® Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of March 31, 2023			
1 <sup>st</sup> Quarter	11.01	10.21	2.74
One Year	9.42	6.20	(11.61)
Three Years	19.50	16.01	17.51
Five Years	12.92	9.61	4.71
Seven Years	17.19	13.77	8.55
Ten Years	15.09	11.72	8.04
Inception*	13.42	10.12	8.77
<b>Annual Returns (%)</b>			
2022	(10.77)	(13.44)	(20.44)
2021	16.68	13.27	14.82
2020	22.09	18.53	19.96
2019	39.05	35.04	25.52
2018	(0.79)	(3.73)	(11.01)
2017	36.06	32.14	14.65
2016	18.55	15.09	21.31
2015	2.09	(0.93)	(4.41)
2014	7.31	4.15	4.89
2013	30.89	27.10	38.82
2012	13.75	10.42	16.35
2011	9.64	6.42	(4.18)
2010	24.83	21.19	26.85
2009	31.80	28.12	27.17
2008	(28.15)	(30.48)	(33.79)
2007	3.25	0.21	(1.57)
2006	13.46	10.19	18.37
2005	7.87	4.72	4.55
2004	23.07	19.60	18.33
2003	35.02	31.29	47.25
2002	(13.73)	(16.39)	(20.48)
2001	6.82	3.66	2.49
2000	20.98	17.55	(3.02)
1999	7.02	3.89	21.26
1998	20.98	17.54	(2.55)
1997	21.00	17.57	22.36
1996	26.98	23.43	16.49
1995	18.57	15.20	28.45
1994	2.75	(0.28)	(1.82)
1993	20.00	16.60	18.88
1992 <sup>ll</sup>	9.65	7.28	10.16

## Peer Comparison Chart

Ten Years Ending March 31, 2023



● KAR Small Cap Core ● Russell 2000® Index

The eVestment Small Cap Core Universe includes 114 managers categorized in the small cap core asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small 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

Inception\* to March 31, 2023

	KAR Small Cap Core (gross)	KAR Small Cap Core (net)	Russell 2000® Index
Alpha	6.06	2.94	N/A
Sharpe Ratio	0.69	0.48	0.31
Information Ratio	0.49	0.14	N/A
Beta	0.70	0.70	1.00
Downside Capture	53.50	61.91	100.00
Tracking Error	9.49	9.50	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.

\*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>ll</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 unless otherwise specified. 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.**

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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)
2012	13.75	10.42	16.35	15.37	20.48	71	0.31	1,073	6,545
2013	30.89	27.10	38.82	11.96	16.68	67	0.45	1,336	7,841
2014	7.31	4.15	4.89	9.77	13.31	70	0.27	1,294	7,989
2015	2.09	(0.93)	(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	36.06	32.14	14.65	11.38	14.11	67	0.50	1,818	14,609
2018	(0.79)	(3.73)	(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	103	0.19	3,135	39,582
2021	16.68	13.27	14.82	16.33	23.68	111	1.19	3,781	47,269

\*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, 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 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.

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 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 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

**Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Information Ratio:** The information ratio (IR) is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Downside Capture Ratio:** A statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped.

**Tracking Error:** The divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. It is reported as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark they were attempting to imitate.

### INDEX DEFINITION

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