

Small Cap Sustainable Growth Portfolio

First Quarter 2022 | Managed Accounts



Manager of the Decade
(2016–2017, 2020–2021)

Portfolio Review

The Small Cap Sustainable Growth portfolio underperformed the Russell 2000 Growth Index in the first quarter. Poor stock selection in consumer discretionary and an underweight in energy detracted from performance. Good stock selection and an underweight in health care and good stock selection in consumer staples 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 ServisFirst Bancshares and Aspen Technology. ServisFirst Bancshares' stock appreciated in the quarter after the company reported a pickup in loan growth and a strong return on equity. Investors were also encouraged by the likelihood of multiple interest rate increases by the Fed in 2022, which we believe should benefit the company. Aspen Technology saw some stabilization in its core petrochemical business over the last few quarters. It has experienced better retention despite contraction in sales. The recent increase in the price of oil also likely improved sentiment for the company's prospects. Other top contributors included Grocery Outlet, MediaAlpha, and U.S. Physical Therapy.

The biggest detractors from performance were Fox Factory and Rightmove. Fox Factory continued to benefit from consumers renewed or newly formed interest in outdoor activities such as mountain biking and off-roading that was ignited during the COVID pandemic. Recently, the company has experienced margin compression due to the impacts of inflation on its cost structure across labor, materials, and freight, but we believe the competitive posture and forward opportunity set for the business remains intact. Rightmove's shares slid amid a global decline in technology stocks. However, we believe the company's fundamentals remain healthy with continued strength in market share, pricing power, and profitability. Other bottom contributors included AAON, BlackLine and Auto Trader.

Purchases and Sales

During the quarter, we purchased Dream Finders Home and ServisFirst Bancshares. There were no complete sales. Founded in 2009, Dream Finders Home is an asset-light homebuilder. In our view, the company utilizes a unique business approach allowing the company to assume less risk than other homebuilders and produce higher returns on tangible capital. ServisFirst Bancshares is a bank holding company that engages in the provision of consumer and commercial banking services. A consistent focus on building long-term client relationships, conservative underwriting, and a preference for de novo growth instead of acquisitions has resulted in what we believe to be an enviable track record of solid financial performance.

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.

Portfolio Highlights

Style: Small Cap
Sub-Style: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$7,368.2 M*
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of March 31, 2022

Company	Percent of equity (%)
Bill.com	8.6
Ryan Specialty Group Holdings	7.0
Fox Factory	6.8
Auto Trader	6.1
Rightmove	5.5
Total	34.0

* 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

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

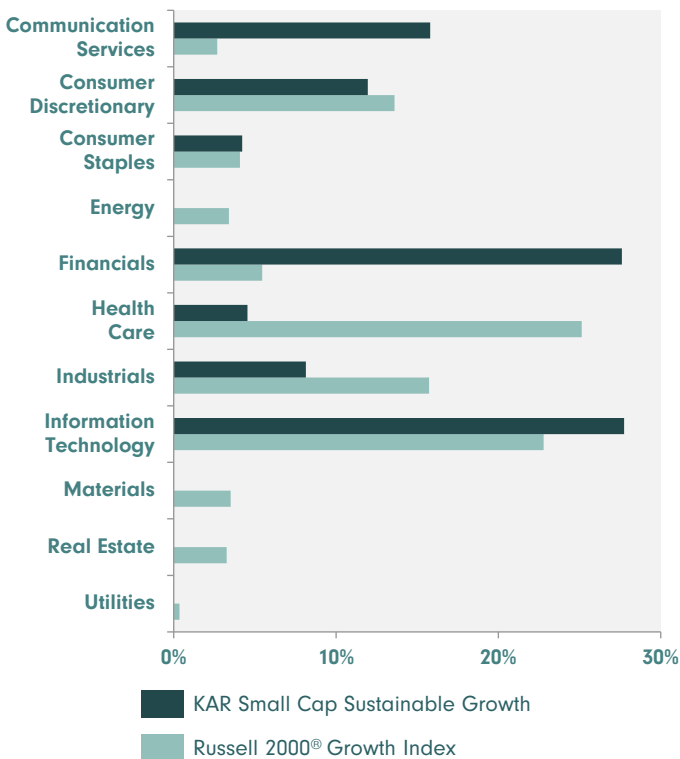
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of March 31, 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 Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	19.6%	8.6%
Total Debt/EBITDA	3.8 x	3.5 x
Earnings Variability—Past 10 Years	26.5%	86.4%
Growth		
Earnings Per Share Growth—Past 10 Years	17.0%	11.7%
Capital Generation—{ROE x (1-Payout)}	16.2%	7.6%
Value		
P/E Ratio—Trailing 12 Months	47.9 x	96.3 x
Free Cash Flow Yield [†]	1.6%	1.2%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.6 B	\$3.3 B
Largest Market Cap—3-Year Avg.	\$21.7 B	\$12.1 B
Annualized Standard Deviation—Since Inception [‡]	20.8%	25.3%

[†]Free cash flow data is as of December 31, 2021. Prices are as of March 31, 2022. Excludes financials.

[‡]January 1, 1998

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 Cap Sustainable Growth Portfolio

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Strong Risk-Adjusted Returns

Inception* to March 31, 2022



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000 [®] Growth Index
Annualized Returns (%)[†]			
As of March 31, 2022			
1 st Quarter	(15.30)	(15.97)	(12.63)
One Year	(9.24)	(11.95)	(14.33)
Three Years	12.64	9.33	9.88
Five Years	21.27	17.73	10.33
Seven Years	19.31	15.96	8.52
Ten Years	18.50	15.47	11.21
Inception*	11.97	9.12	7.02

Year	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000 [®] Growth Index
2021	5.69	2.58	2.83
2020	39.37	35.35	34.63
2019	39.46	35.45	28.48
2018	12.54	9.24	(9.31)
2017	41.79	37.72	22.17
2016	26.59	22.92	11.32
2015	1.91	(0.07)	(1.38)
2014	5.16	3.19	5.60
2013	40.55	37.73	43.30
2012	12.38	10.05	14.59
2011	18.59	15.50	(2.91)
2010	15.44	13.07	29.09
2009	39.32	36.77	34.47
2008	(33.73)	(34.93)	(38.54)
2007	(0.61)	(2.14)	7.05
2006	15.47	13.12	13.35
2005	2.71	(0.39)	4.15
2004	13.42	10.02	14.31
2003	39.90	35.88	48.54
2002	(23.82)	(26.14)	(30.26)
2001	0.48	(2.42)	(9.23)
2000	6.28	3.13	(22.43)
1999	31.19	27.42	43.09
1998	3.33	0.20	1.23

*January 1, 1998

[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

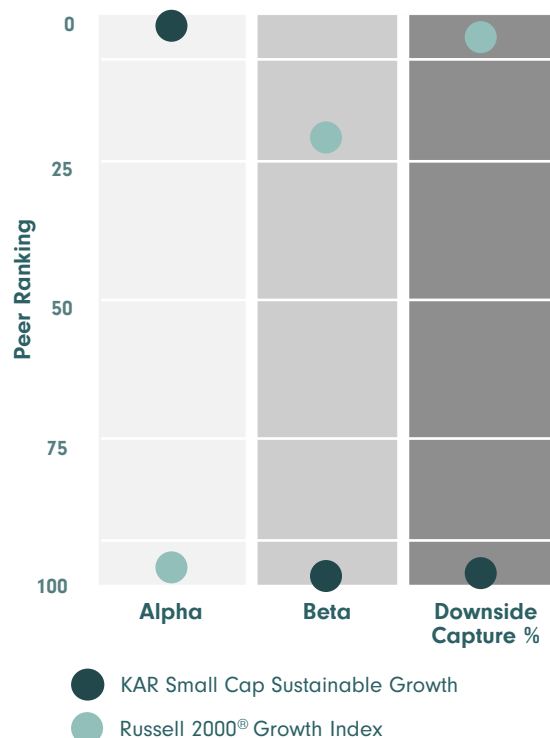
[‡]Net of all fees and expenses. Assumes a 3% annual fee.

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

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 Growth Universe includes all managers categorized in the small cap growth 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

Peer Comparison Chart

Ten Years Ending March 31, 2022



Performance Statistics

Inception* to March 31, 2022

	KAR Small Cap Sustainable Growth [§]	Russell 2000 [®] Growth Index
Annualized Standard Deviation	20.76	25.27
Alpha	5.87	0.00
Beta	0.73	1.00
Sharpe Ratio	0.49	0.21
R-Squared	79.90	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. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market 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® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2011	18.59	15.50	(2.91)	N/A	N/A	13	1.04	12	5,232
2012	12.38	10.05	14.59	15.36	21.01	32	0.98	31	6,545
2013	40.55	37.73	43.30	11.96	17.52	26	0.58	23	7,841
2014	5.16	3.19	5.60	11.97	14.02	23	0.30	20	7,989
2015	1.91	(0.07)	(1.38)	13.80	15.16	24	0.25	36	8,095
2016	26.59	22.92	11.32	14.67	16.91	24	0.38	53	9,989
2017	41.79	37.72	22.17	12.94	14.80	26	0.41	119	14,609
2018	12.54	9.24	(9.31)	14.68	16.69	48	0.52	269	17,840
2019	39.46	35.45	28.48	15.20	16.60	81	0.26	370	25,685
2020	39.38	35.36	34.63	20.75	25.46	89	0.52	535	39,582

*Pure gross returns are supplemental to net returns.

The Russell 2000® Growth 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 Sustainable Growth 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.

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 Sustainable Growth Wrap Portfolios. Small Cap Sustainable Growth Wrap Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® 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 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 January 1998. The composite was created in July 2003. 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.