

Small Cap Sustainable Growth Portfolio

Second Quarter 2020 | Managed Accounts

Portfolio Review

The Small Cap Sustainable Growth portfolio outperformed the Russell 2000 Growth Index in the second quarter. An overweight and strong stock selection in the technology sector and an overweight in the consumer discretionary sector contributed positively to performance. Poor stock selection in materials & processing and poor stock selection and an underweight in health care detracted from performance.

The biggest contributors to performance during the quarter were Ollie's Bargain Outlet and Fox Factory. Due to COVID-19, Ollie's is likely to benefit significantly from increased deal-flow that will yield strong bargains for customers and will likely result in a fundamentally stronger business position for the company going forward. While COVID-19 has been disruptive to supply-chain aspects of Fox's business, we believe the company continues to be supported by a strong brand in premium and higher performance suspension products that will allow it to persevere throughout an economic cycle and any impacts from COVID-19. Other top contributors included Paycom Software, DocuSign and Avalara.

The biggest detractors from the portfolio were Interactive Brokers Group and Mesa Laboratories. Due to global Central Banks' interest rate actions to support the economy, benchmark rates fell in the beginning of 2020, causing concern over Interactive Brokers' earnings power. The company also recognized a one-time loss related to the Black Swan event of West Texas Intermediate crude contracts going negative and having to make counterparties whole. Mesa's results were negatively impacted by COVID-19 this quarter. Hospitals pared back capital spending, which negatively impacted both instruments and monitoring. Sterilization and disinfection, the more consumable categories, performed well. Other bottom contributors included Oportun Financial, NVE and PriceSmart.

Purchases and Sales

During the quarter we purchased Bill.com. We sold ANSYS and DocuSign. Bill.com is the largest provider of automated accounts receivable and payables for the small- and medium-sized business (SMB) market. The company has a unique position in the SMB market, offering a sophisticated solution to users that need to modernize. Approximately 90% of business-to-business transactions are still paid for with checks. Bill.com's software allows for seamless cash-flow tracking as well as invoice management and collaboration. We sold ANSYS and DocuSign due to their larger market capitalization.

Outlook

Although the market has greatly recovered this quarter, we do not believe it is anticipating a robust economic recovery as many market commentators have suggested. If businesses were to get back to normal quickly, then many of the hardest hit areas in the stock market would not be 40% to 80% off of their 52-week highs set over the last year when the economy was not in a recession. Additionally, with the 10-year yield at a paltry 0.65% and the yield curve with only a slightly positive slope, this suggests a modest but not robust recovery. While there continues to be above-average uncertainty (second wave risk, election results, and economic recovery timeline) in the near term, we continue to believe our time-tested strategy of owning quality companies will continue to be rewarded over the long haul.



Portfolio Highlights

Style: Small Cap
Sub-Style: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$8,317.1 M
Portfolio Turnover: 25%-35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	21
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	25
Julie Biel, CFA Senior Research Analyst	12
Julie Kutsov Senior Research Analyst	19
Craig Stone Senior Research Analyst	31
Chris Wright, CFA Senior Research Analyst	8
Sean Dixon Research Analyst	11
Adam Xiao, CFA Research Analyst	5
Jordan Greenhouse Senior Portfolio Specialist	23†
James B. May, CFA Portfolio Specialist	32†

Top Five Holdings

As of June 30, 2020

Company	Percent of equity (%)
Ollie's Bargain Outlet	9.0
Paycom Software	7.0
Fox Factory	6.6
Old Dominion Freight Line	6.1
Bill.com	5.6
Total	34.3

†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 superior 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 <ul style="list-style-type: none"> Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes

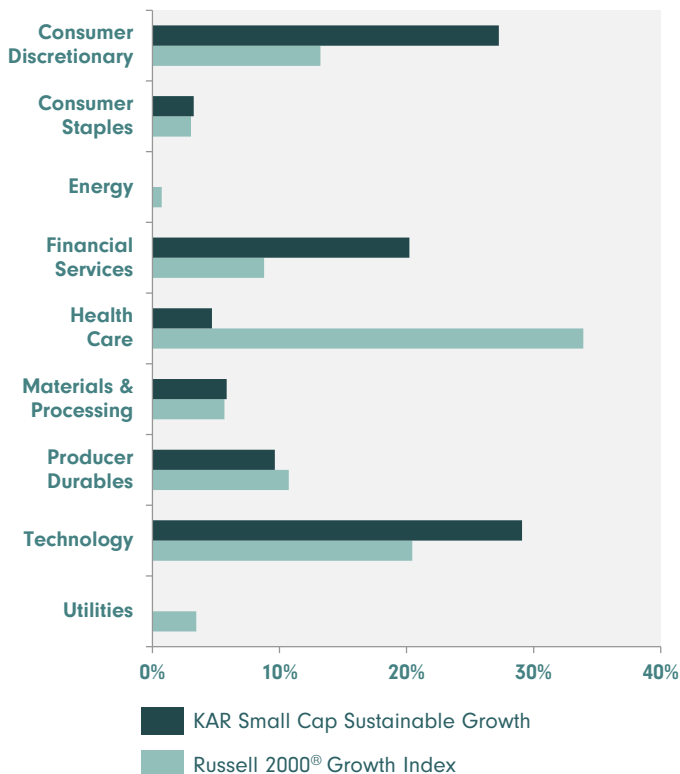
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of June 30, 2020



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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of June 30, 2020

	KAR Small Cap Sustainable Growth	Russell 2000 [®] Growth Index
Quality		
Return on Equity—Past 5 Years	24.1%	8.9%
Total Debt/EBITDA	7.8 x	4.6 x
Earnings Variability—Past 10 Years	32.3%	69.1%
Growth		
Earnings Per Share Growth—Past 10 Years	14.2%	8.8%
Capital Generation—[ROE x (1-Payout)]	20.5%	7.6%
Value		
P/E Ratio—Trailing 12 Months	51.5 x	-187.7 x
Free Cash Flow Yield [†]	1.8%	0.7%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$6.0 B	\$2.6 B
Largest Market Cap—3-Year Avg.	\$16.0 B	\$9.2 B
Annualized Standard Deviation—Since Inception [‡]	21.0%	25.3%

[†]Free cash flow data is as of March 31, 2020. Prices are as of June 30, 2020. Excludes financials.

[‡]January 1, 1998

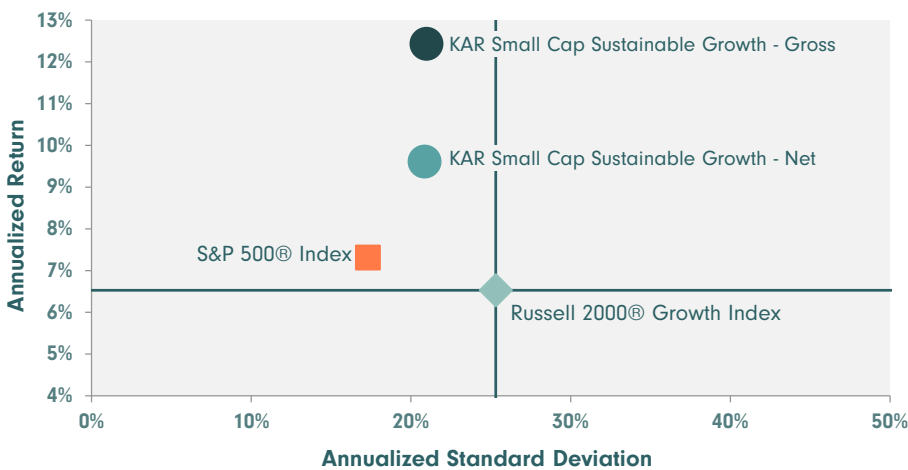
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Strong Risk-Adjusted Returns

Inception* to June 30, 2020



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
Annualized Returns (%)[†]			
As of June 30, 2020			
2 nd Quarter	33.64	32.73	30.58
Year to Date	12.35	10.70	(3.06)
One Year	19.64	16.14	3.48
Three Years	28.60	24.87	7.86
Five Years	24.92	21.41	6.86
Seven Years	22.16	19.05	10.03
Ten Years	22.33	19.29	12.92
Inception*	12.43	9.61	6.53

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
Annual Returns (%)			
2019	39.46	35.44	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

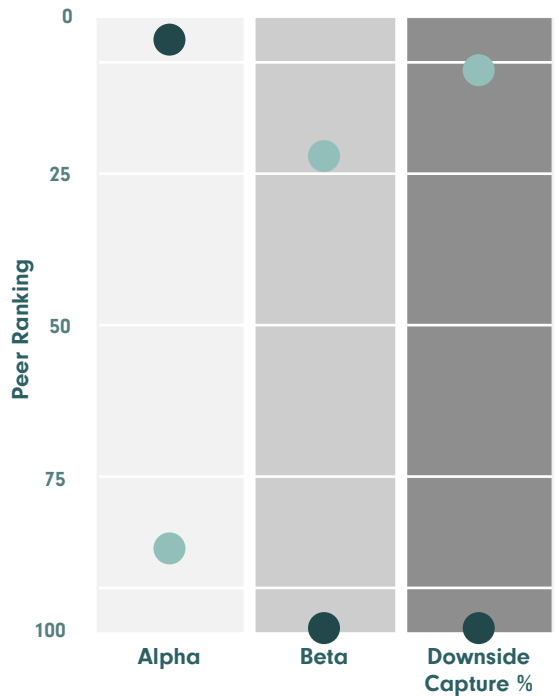
[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

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

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.**

Peer Comparison Chart

Ten Years Ending June 30, 2020



- KAR Small Cap Sustainable Growth
- Russell 2000® Growth Index

Performance Statistics

Inception* to June 30, 2020

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Annualized Return	12.43	6.53
Annualized Standard Deviation	20.97	25.31
Alpha	6.58	0.00
Beta	0.74	1.00
Sharpe Ratio	0.50	0.18
R-Squared	80.41	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 fund has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a less concentrated fund. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund.

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Disclosure

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small Cap Sustainable Growth Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2018. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC, 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. Kayne Anderson Rudnick Investment Management, LLC 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 composite was created in July 2003. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. Prior to December 31, 2010, the composite minimum was \$100,000.

The standard wrap fee schedule in effect is 3.00% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part IIA of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Performance results include the reinvestment of all income. 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 gross returns) and the benchmark for the 36-month period is presented starting December 31, 2012, because prior to January 1, 2010, the composite return was calculated quarterly and 36 monthly returns are not available.

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2012	15.36	21.01
2013	11.96	17.52
2014	11.97	14.02
2015	13.80	15.16
2016	14.67	16.91
2017	12.94	14.80
2018	14.68	16.69

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Wrap Accounts as % of Composite Assets	Accounts at Year End	Pure Gross Annual Return (%)*	Net Annual Return (%)	Russell 2000® Growth Index Annual Return (%)	Internal Dispersion
2009	4,010	77	100%	13	39.32	36.77	34.47	1.11
2010	4,729	63	100%	12	15.44	13.07	29.09	0.55
2011	5,232	12	100%	13	18.59	15.50	(2.91)	1.04
2012	6,545	31	100%	32	12.38	10.05	14.59	0.98
2013	7,841	23	100%	26	40.55	37.73	43.30	0.58
2014	7,989	20	100%	23	5.16	3.19	5.60	0.30
2015	8,095	36	100%	24	1.91	(0.07)	(1.38)	0.25
2016	9,989	53	100%	24	26.59	22.92	11.32	0.38
2017	14,609	119	100%	26	41.79	37.72	22.17	0.41
2018	17,840	269	100%	48	12.54	9.24	(9.31)	0.52

*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.