

Small Cap Sustainable Growth Portfolio

Third Quarter 2020 | Managed Accounts

Portfolio Review

The Small Cap Sustainable Growth portfolio underperformed the Russell 2000 Growth Index in the third quarter. Poor stock selection in consumer discretionary and consumer staples detracted from performance. Strong stock selection in communication services and information technology helped to offset some of the underperformance.

The biggest contributors to performance during the quarter were Autohome and Rightmove. Autohome's stock rose as market participants increasingly anticipate a recovery in China's economy and new car sales activity as the country recovers from the COVID-19 pandemic. The company's competitive position and profitability remain healthy. After a severe decline during the U.K.'s response to the COVID-19 pandemic, housing market transactions are rebounding significantly amid the country's economic recovery. Rightmove's competitive position and importance to its real estate agent customers remains sound. Other top contributors included Omega Flex, Old Dominion Freight Line and Duck Creek Technologies.

The biggest detractors from the portfolio were Ollie's Bargain Outlet and Fox Factory. Due to COVID-19, Ollie's Bargain Outlet benefitted significantly from its capacity to remain open throughout the pandemic. Recently, the market's enthusiasm for Ollie's performance dampened. However, we believe the fundamental competitive position of Ollie's is likely to improve and we remain shareholders. While COVID-19 has been disruptive to supply-chain aspects of Fox Factory's business, we believe the business continues to be supported by a strong brand in premium and higher performance suspension products that will allow the company to persevere throughout an economic cycle and the resulting impacts from COVID-19. Other bottom contributors included National Research, nCino and Avalara.

Purchases and Sales

During the quarter, we purchased Duck Creek Technologies and nCino. We sold Old Dominion Freight Line. Duck Creek Technologies is one of the leading providers of software solutions to Property and Casualty (P&C) insurance. Duck Creek was spun out of Accenture, though the consultant still owns a substantial share of Duck Creek. Duck Creek provides mission critical software that is the core system used by insurance companies to process new business and existing claims. nCino has emerged as a best-in-class commercial loan origination software provider as evidenced by its client list (nCino boasts 14 of the top 25 banks in the U.S, as measured by assets, as its clients). As integrations with key third-party software vendors increase and more high profile clients are added to the roster, the nCino brand will increasingly garner attention from the C-suite of financial institutions. We sold our position in Old Dominion Freight Line due to the company's larger market capitalization.

Outlook

It will take several years to fully recover from this health crisis, particularly in the hardest hit travel-related areas. But we will recover. A full recovery will be dependent upon the restoration of health confidence brought about by a vaccine becoming widely available or the virus slowly dissipating. However, at some point, taxes will probably be raised materially (regardless of who wins the election) causing future growth to be modest. Earnings growth is likely to continue to recover from the precipitous drop in the second quarter and it should show meaningful improvement over the next two to three years, even in a modest growth environment. 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: \$9,055.1 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 Kutasov 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 Client Portfolio Manager	23†
James B. May, CFA Client Portfolio Manager	32†

Top Five Holdings

As of September 30, 2020

Company	Percent of equity (%)
Ollie's Bargain Outlet	7.6
Paycom Software	6.6
Autohome	6.2
Bill.com Holdings	5.8
Auto Trader	5.8
Total	32.0

†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 Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes

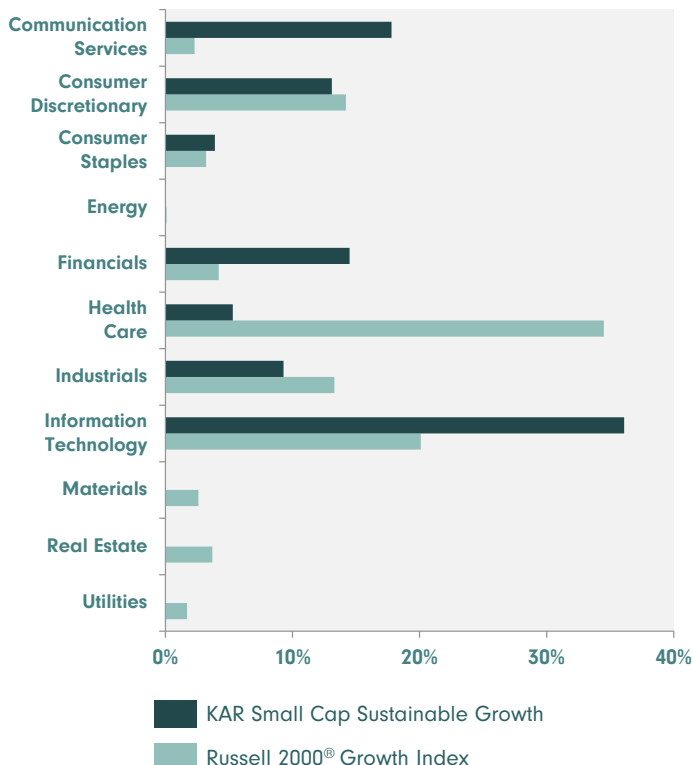
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of September 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 GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of September 30, 2020

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	17.3%	9.4%
Total Debt/EBITDA	5.4 x	7.9 x
Earnings Variability—Past 10 Years	31.6%	71.5%
Growth		
Earnings Per Share Growth—Past 10 Years	12.7%	8.1%
Capital Generation—{ROE x (1-Payout)}	14.4%	8.1%
Value		
P/E Ratio—Trailing 12 Months	59.1 x	-157.6 x
Free Cash Flow Yield [†]	2.2%	1.5%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$6.3 B	\$2.6 B
Largest Market Cap—3-Year Avg.	\$16.8 B	\$9.2 B
Annualized Standard Deviation—Since Inception [‡]	20.9%	25.2%

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

[‡]January 1, 1998

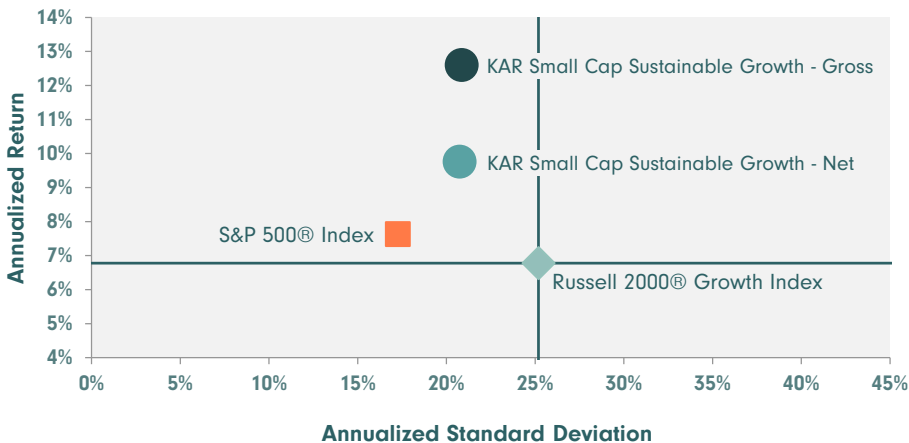
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. 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 September 30, 2020



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
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Annualized Returns (%)[†]

As of September 30, 2020

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
3 rd Quarter	6.42	5.64	7.16
Year to Date	19.56	16.94	3.88
One Year	28.87	25.13	15.71
Three Years	26.49	22.81	8.18
Five Years	30.24	26.53	11.42
Seven Years	21.63	18.49	9.22
Ten Years	22.43	19.38	12.34
Inception*	12.60	9.76	6.78

Annual Returns (%)

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
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	(35.73)	(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

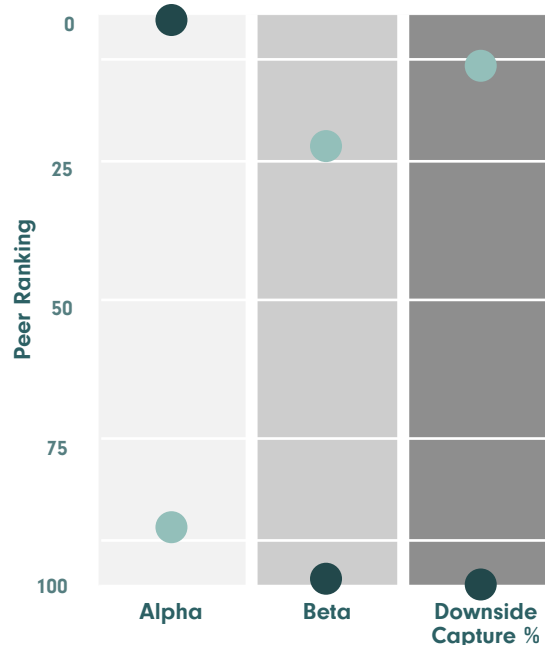
[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

[‡]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 September 30, 2020



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

Performance Statistics

Inception* to September 30, 2020

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Annualized Return	12.60	6.78
Annualized Standard Deviation	20.86	25.19
Alpha	6.56	0.00
Beta	0.74	1.00
Sharpe Ratio	0.51	0.19
R-Squared	80.42	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 fund to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market 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. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread 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 (%)	Percentage of Wrap-Fee Accounts (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	15.44	13.07	29.09	N/A	N/A	100	12	0.55	63	4,729
2011	18.59	15.50	(2.91)	N/A	N/A	100	13	1.04	12	5,232
2012	12.38	10.05	14.59	15.36	21.01	100	32	0.98	31	6,545
2013	40.55	37.73	43.30	11.96	17.52	100	26	0.58	23	7,841
2014	5.16	3.19	5.60	11.97	14.02	100	23	0.30	20	7,989
2015	1.91	(0.07)	(1.38)	13.80	15.16	100	24	0.25	36	8,095
2016	26.59	22.92	11.32	14.67	16.91	100	24	0.38	53	9,989
2017	41.79	37.72	22.17	12.94	14.80	100	26	0.41	119	14,609
2018	12.54	9.24	(9.31)	14.68	16.69	100	48	0.52	269	17,840
2019	39.46	35.44	28.48	15.20	16.60	100	81	0.26	370	25,685

*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, 2019.

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, 2019. The verification and performance examination reports are available upon request.

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 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, which 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.