

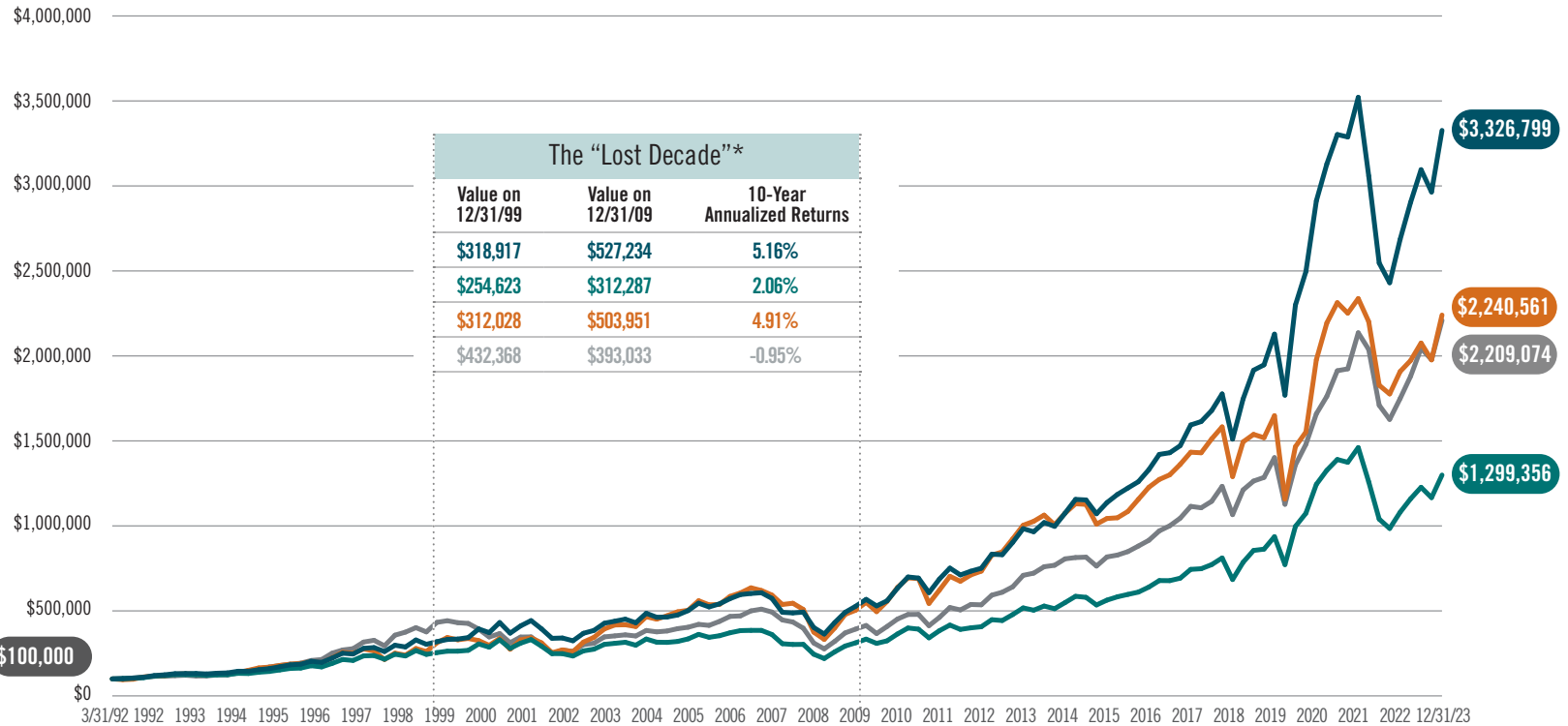
# KAR SMALL-MID CAP CORE SEPARATELY MANAGED ACCOUNT

## OUTSMARTING VOLATILITY WITH A QUALITY FOCUS

Kayne Anderson Rudnick (KAR) believes that superior long-term risk-adjusted returns may be achieved by investing in high-quality companies with market dominance, excellent management, financial strength, and consistent growth, purchased at reasonable prices.

### GROWTH OF \$100,000: KAR SMALL-MID CAP CORE VS. RUSSELL 2500™ AND S&P 500® INDEXES

The KAR Small-Mid Cap Core portfolio has generated compelling long-term performance going back to its April 1992 inception, with fewer down years, versus broader equity markets—even during the “lost decade” of the 2000s.



### AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/23

	1-Year	5-Year	10-Year	Since Inception (4/1/1992)	
	23.87	17.11	12.95	11.67	KAR Small-Mid Cap Core (Gross)
	20.26	13.68	9.64	8.41	KAR Small-Mid Cap Core (Net)
	17.42	11.67	8.36	10.29	Russell 2500™ Index
	26.29	15.59	12.03	10.24	S&P 500® Index

Past performance is no guarantee of future results.

This material is deemed supplemental and complements the performance and disclosures on page 4.

Source: FactSet Research Systems, as compiled by Kayne Anderson Rudnick. All periods less than one year are total returns and are not annualized. Returns are final. Assumes a 3% annual fee. Any net of fees returns shown reflect the payment of investment management fees and in some instances, other fees and expenses, while any gross of fees returns shown do not. For any gross of fees returns shown, a client’s return will be reduced over time by the investment management fees and other expenses their account incurs over time as a client are compounded. To the extent actual performance results are shown in comparison to an index, the index is not actively managed and does not reflect the deduction of any investment management or other fees and expenses. For further details on the composite and the indexes, please see the disclosure statement on page 4. Returns shown for 1992 represent nine months of performance only from April 1, 1992 (inception date of the strategy).

\*“Lost Decade” reflects the time period between January 1, 2000 to December 31, 2009 when the S&P 500 Index posted its first negative “named” decade since inception of the index in 1926. “Lost Decade” returns are annualized. Chart reflects cumulative returns since the inception of the KAR Small-Mid Cap Core strategy, April 1, 1992 through December 31, 2023.

## USING HIGH-QUALITY EQUITIES FOR RETIREMENT INCOME REPLACEMENT

The quest for reliable income in retirement often means establishing income streams. Annual withdrawals from an equity portfolio can be a potential solution. The challenge is that market volatility can severely disrupt smart planning. Therefore, choosing investments with the potential for steadier compounding and better downside risk mitigation can help keep savings and withdrawals on track.

### CONSIDER THE FOLLOWING:

- Let's look at a \$100,000 investment in the KAR Small-Mid Cap Core portfolio, Russell 2500™ Index, and S&P 500® Index and the effect of systematically withdrawing 5% (\$5,000) in year one, then adjusting those withdrawals upward each subsequent year to account for a 3% inflation rate†
- The KAR portfolio (gross and net), Russell 2500® Index, and S&P 500® Index generated sufficient income through withdrawals as of 12/31/23, though their ending values varied

	Initial Investment 3/31/92	Total Withdrawals† (1992-2023)	Ending Value 12/31/23
KAR SMID Core (Gross)	\$100,000	\$262,514	<b>\$1,611,835</b>
KAR SMID Core (Net)	\$100,000	\$262,514	<b>\$351,604</b>
Russell 2500™ Index	\$100,000	\$262,514	<b>\$1,010,618</b>
S&P 500® Index	\$100,000	\$262,514	<b>\$900,432</b>

Even after withdrawing an inflation-adjusted 5% per year—a total of \$262,514—the KAR portfolio (gross) outpaced both its benchmark, the Russell 2500™ Index, and the S&P 500® Index.

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Source: Kayne Anderson Rudnick Performance Analytics. For illustrative purposes only. Calculations are based on a historically average inflation rate to demonstrate the impact of inflation over time. Actual inflation rates will vary and may be more or less than shown. The indexes are not actively managed and do not reflect the deduction of any investment management or other fees and expenses. For further details on the composite and the indexes, please see the disclosure statement on page 4.

†Withdrawals taken on December 31st of each calendar year. Withdrawals may require the selling of shares, which may include principal.

Source: FactSet Research Systems, as compiled by Kayne Anderson Rudnick.

## STARTING RETIREMENT DURING A MARKET DECLINE

As seen in this example, an investment that offered a more consistent return pattern, including smaller drawdowns, was better able to contribute to a healthy retirement account. This matters a lot in the long run, but the benefit is harder to see in a long bull market with big gains in the early years. It's easier to recognize when portfolio losses occur at the start of the decumulation phase of retirement. The table shows what happens when withdrawals from the three portfolios are started in 2000—the onset of a bear market—and the subsequent impact. It supports KAR's belief that an emphasis on profitable high-quality companies may provide a distinct advantage over passive vehicles that track broad equity indexes.

	Annual Withdrawal Amount (\$)‡	Market Value (\$)*				Return (%)				
		KAR SMID Core (Gross)	KAR SMID Core (Net)	Russell 2500™ Index	S&P 500® Index	KAR SMID Core (Gross)	KAR SMID Core (Net)	Russell 2500™ Index	S&P 500® Index	
2000	5,000	118,473	114,992	99,267	85,896	23.47	19.99	4.27	-9.10	
2001	5,150	118,740	111,545	95,328	70,536	4.57	1.48	1.22	-11.89	
2002	5,305	92,876	84,047	73,060	49,643	-17.31	-19.90	-17.80	-22.10	
2003	5,464	111,129	97,080	100,845	58,419	25.54	22.01	45.51	28.68	
2004	5,628	120,719	101,568	113,667	59,149	13.69	10.42	18.29	10.88	
2005	5,796	118,831	95,972	117,086	56,258	3.24	0.20	8.11	4.91	
2006	5,970	129,538	100,325	130,043	59,173	14.04	10.76	16.17	15.79	
2007	6,149	123,727	91,454	125,684	56,274	0.26	-2.71	1.38	5.49	
2008	6,334	80,403	55,693	73,113	29,120	-29.90	-32.18	-36.79	-37.00	
2009	6,524	98,898	64,463	91,731	30,303	31.12	27.46	34.39	26.46	
2010	6,720	112,190	68,525	109,512	28,148	20.23	16.73	26.71	15.06	
2011	6,921	114,730	65,196	99,843	21,821	8.43	5.24	-2.51	2.11	
2012	7,129	118,210	62,003	110,563	18,185	9.25	6.04	17.88	16.00	
2013	7,343	147,559	71,553	143,904	16,732	31.04	27.25	36.80	32.39	
2014	7,563	153,647	68,312	146,515	11,459	9.25	6.04	7.07	13.69	
2015**	7,790	154,712	62,329	134,474	3,828	5.76	2.65	-2.90	1.38	
2016	8,024	173,039	62,790	150,103	0	17.03	13.61	17.59	11.96	
2017	8,264	198,988	64,748	167,072	0	19.77	16.28	16.81	21.83	
2018	8,512	180,075	51,025	141,849	0	-5.23	-8.05	-10.00	-4.38	
2019	8,768	244,953	61,055	172,468	0	40.90	36.84	27.77	31.49	
2020	9,031	326,188	72,106	197,919	0	36.85	32.89	19.99	18.40	
2021	9,301	385,075	75,337	224,603	0	20.90	17.38	18.18	28.71	
2022	9,581	284,120	46,137	173,765	0	-23.73	-26.04	-18.37	-18.11	
2023***	9,868	<b>\$342,072</b>	<b>\$45,618</b>	<b>\$194,173</b>	<b>\$0</b>	23.87	20.26	17.42	26.29	
Total Withdrawn	<b>\$172,132</b>					Average Annual Returns	10.26	7.03	8.56	7.03

## KEY TAKEAWAY

Because it played defense well in the early choppy markets, the KAR portfolio provided the required withdrawals and created the larger nest egg. Despite a sharp market rebound in 2003 after a difficult start, the S&P 500® portfolio never fully recovered and ran out of money.

To learn more about Kayne Anderson Rudnick's relentless focus on high-quality businesses, contact us at 800-243-4361 or visit [virtus.com](https://www.virtus.com).

### Past performance is no guarantee of future results.

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‡Withdrawals taken in December 31st of each calendar year. \*Initial investment of \$100,000 at 1/1/00. \*\*The S&P 500 falls short of the income goal, providing a partial distribution of \$3,828 in 2015, which reduced the value to zero and did not allow for distributions in 2016 and subsequent years. \*\*\*Market Values as of 12/31/23. Source: FactSet Research Systems, as compiled by Kayne Anderson Rudnick.

## KAR SMALL-MID CAP CORE SEPARATELY MANAGED ACCOUNT PORTFOLIO DISCLOSURE

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, 2022.

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-Mid Cap Core Wrap Composite has had a performance examination for the period from January 1, 1999 through December 31, 2022. 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-Mid Cap Core Wrap Portfolios. Small-Mid Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index of the 2,500 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 July 2000. 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.

Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell 2500™ Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2013	31.04	27.25	36.80	12.17	15.85	39	0.36	362	7,841
2014	9.25	6.04	7.07	10.13	11.84	35	0.16	373	7,989
2015	5.76	2.65	-2.90	12.17	12.59	30	0.19	378	8,095
2016	17.03	13.61	17.59	12.62	13.86	30	0.38	369	9,989
2017	19.77	16.28	16.81	11.16	12.31	32	0.26	518	14,609
2018	-5.23	-8.05	-10.00	13.27	14.30	24	0.17	618	17,840
2019	40.90	36.84	27.77	14.85	14.79	28	0.51	1,117	25,685
2020	36.85	32.89	19.99	21.37	24.55	30	0.33	2,556	39,582
2021	20.90	17.38	18.18	19.30	22.80	42	0.29	4,773	47,269
2022	-23.73	-26.04	-18.37	23.35	25.52	52	0.08	3,922	33,531

**IMPORTANT KAR SMALL-MID CAP CORE 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, medium, or large-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. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **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. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

**INDEX DEFINITIONS:** The **Russell 2500™ Index** is a market capitalization-weighted index of the 2,500 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The indexes are calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

\*Pure gross returns are supplemental to net returns.

The Russell 2500™ Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.

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