

## Mid Cap Core Portfolio

First Quarter 2022 | Managed Accounts



**Manager of the Decade for the last 6 years (2016 - 2021)**

### Portfolio Review

The Mid Cap Core portfolio underperformed the Russell Midcap Index in the first quarter. Poor stock selection in consumer discretionary and poor stock selection and an overweight in industrials detracted from performance. An underweight and good stock selection in information technology and an underweight in communication services 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 W. R. Berkley and Aspen Technology.

- W. R. Berkley reported continued strong premium growth driven by pricing and volumes. Management views the underlying insurance market conditions as favorable for the company's underwriters' ability to write profitable policies. Market participants reacted favorably causing the stock to rise.
- 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 LPL Financial, Bentley Systems, and Globus Medical.

The biggest detractors from the portfolio were Latham Group and SiteOne Landscape Supply.

- While we view the long-term cost advantage of fiberglass versus traditional pool construction as still intact, the current inflationary environment has suppressed the margin of Latham's business as the company works through its backlog. The existing backlog will also lag on margins if raw material inflation persists, as it has during the current period. This contrasts with investors' expectation of improving margins at the time of its IPO in Q2 2021. Nevertheless, we believe as commodity inflation subsides the company may continue to see new order growth that is likely to carry higher margins as pricing can be adjusted at a faster pace. There is also opportunity for the fiberglass pool industry to gain faster penetration in the U.S. as it has experienced in other developed markets, such as Australia, Spain, and France.
- SiteOne Landscape Supply has experienced solid results over time. However, this quarter investors rotated away from high performers and there was a sharper decline among consumer discretionary stocks due to worries about the economic cycle.
- Other bottom contributors included Zebra Technologies, Azenta, and Dolby Laboratories.

### Purchases and Sales

During the quarter, we purchased Domino's Pizza and sold Amphenol and Tractor Supply.

- Domino's Pizza was founded in 1960 and has become the largest pizza chain in the world based on global retail sales. Additionally, Domino's has over 29 million active members in its customer loyalty program. The company's footprint consists of 18,300 stores in over 90 markets.
- We sold our shares in Amphenol to fund an increase in Bentley Systems. We believe the long-term growth prospects for Bentley are higher than that of Amphenol.
- Tractor Supply experienced strong growth during the pandemic as its rural-centric customer base was less impacted by stay-at-home restrictions due to the COVID-19 pandemic and initiatives by management to improve its omni-channel strategy paid off. As we slowly move on from the pandemic, we believe the competitive retail environment should heighten and the gains that Tractor Supply has made could see headwinds. We sold our position to invest in Domino's Pizza which we believe offers a solid long-term growth path.

### 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:** Mid Cap  
**Sub-Style:** Core  
**Index:** Russell Midcap®  
**Portfolio Inception:** 2000  
**Portfolio Assets:** \$2,572.8 M\*  
**Portfolio Turnover:** 25%-35%

### Investment Management Team

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

### Top Five Holdings

As of March 31, 2022

Company	Percent of equity (%)
AMETEK	5.5
Aspen Technology	5.5
Globus Medical	5.0
West Pharmaceutical Services	4.8
Azenta	4.5
<b>Total</b>	<b>25.3</b>

\* Figures in USD

<sup>†</sup>Represents years of industry experience.

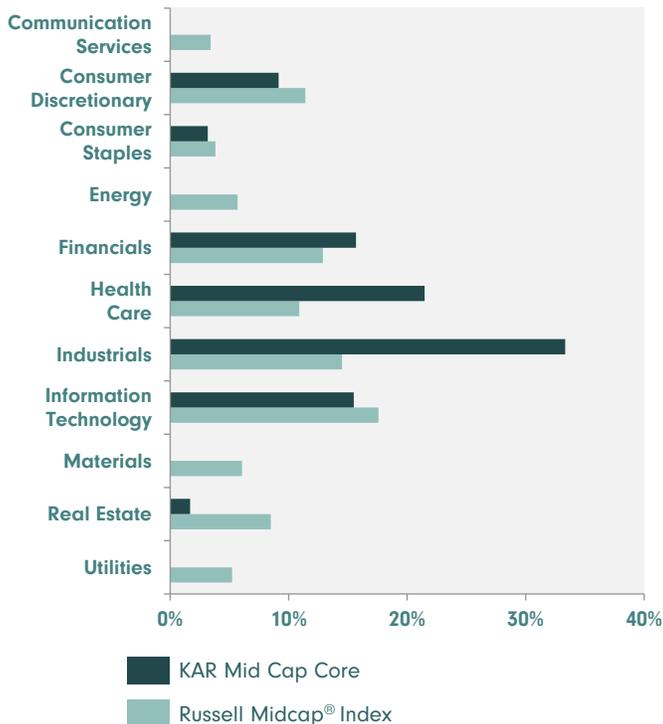
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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

<b>Development of 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>
<b>Higher Quality   Stronger, More Consistent Growth   Better Value</b>			

## 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 Mid Cap Core	Russell Midcap <sup>®</sup> Index
<b>Quality</b>		
Return on Equity—Past 5 Years	21.0%	15.5%
Total Debt/EBITDA	3.8 x	4.1 x
Earnings Variability—Past 10 Years	39.0%	64.8%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	15.7%	13.5%
Earnings Per Share Growth—Past 10 Years	14.4%	9.7%
Dividend Per Share Growth—Past 5 Years	9.4%	6.0%
Dividend Per Share Growth—Past 10 Years	8.9%	9.0%
Capital Generation—{ROE x (1-Payout)}	15.6%	11.1%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	29.9 x	24.5 x
Dividend Yield	0.7%	1.4%
Free Cash Flow Yield*	2.9%	3.3%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$15.2 B	\$19.3 B
Largest Market Cap—3-Year Avg.	\$47.7 B	\$62.5 B
Annualized Standard Deviation—Since Inception <sup>†</sup>	15.7%	19.5%

\*Free cash flow data is as of December 31, 2021. Prices are as of March 31, 2022. Excludes financials.

<sup>†</sup>January 1, 2000

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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First Quarter 2022 | Managed Accounts

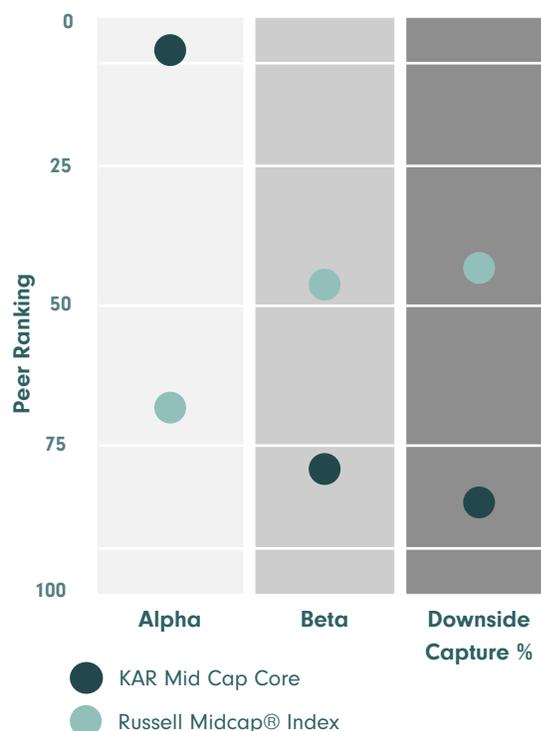
## Strong Risk-Adjusted Returns

Inception\* to March 31, 2022



## Peer Comparison Chart

Ten Years Ending March 31, 2022



## Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) <sup>‡</sup>	Russell Midcap <sup>®</sup> Index
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### Annualized Returns (%)<sup>†</sup>

As of March 31, 2022

1 <sup>st</sup> Quarter	(11.52)	(12.22)	(5.68)
One Year	5.28	2.17	6.92
Three Years	17.73	14.29	14.89
Five Years	16.60	13.18	12.62
Seven Years	13.90	10.78	10.68
Ten Years	15.37	12.76	12.85
Inception*	10.88	8.33	9.54

### Annual Returns (%)

2021	25.64	21.99	22.58
2020	26.23	22.56	17.10
2019	32.71	28.87	30.54
2018	(3.24)	(6.11)	(9.06)
2017	26.60	22.92	18.52
2016	12.24	8.95	13.80
2015	3.87	2.73	(2.44)
2014	17.88	16.68	13.22
2013	28.48	27.15	34.76
2012	16.27	14.45	17.28
2011	4.29	2.95	(1.55)
2010	19.46	17.99	25.48
2009	21.47	19.16	40.48
2008	(28.78)	(30.29)	(41.46)
2007	6.19	4.20	5.60
2006	13.10	10.91	15.26
2005	8.79	5.56	12.65
2004	15.29	11.86	20.22
2003	26.67	23.03	40.06
2002	(12.62)	(15.26)	(16.19)
2001	(2.76)	(5.59)	(5.62)
2000	21.54	17.94	8.25

\*January 1, 2000

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

<sup>‡</sup>Net of all fees and expenses. Assumes a 3% annual fee.

<sup>§</sup>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 Mid Cap Core Universe includes all managers categorized in the mid cap core 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.

## Performance Statistics

Inception\* to March 31, 2022

	KAR Mid Cap Core <sup>§</sup>	Russell Midcap <sup>®</sup> Index
Annualized Standard Deviation	15.69	19.46
Alpha	2.93	0.00
Beta	0.75	1.00
Sharpe Ratio	0.60	0.41
R-Squared	87.33	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 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 Midcap® Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Accounts at Year End	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2011	4.29	2.95	(1.55)	N/A	N/A	6	0.70	25	5,232
2012	16.27	14.45	17.28	15.34	17.44	7	0.16	34	6,545
2013	28.48	27.15	34.76	12.48	14.23	6	0.28	12	7,841
2014	17.88	16.68	13.22	10.27	10.29	5	0.16	7	7,989
2015	3.87	2.73	(2.44)	11.94	11.00	5	N/A	7	8,095
2016	12.24	8.95	13.80	12.33	11.72	5	0.14	9	9,989
2017	26.60	22.92	18.52	10.79	10.51	< 5	N/A	9	14,609
2018	(3.24)	(6.11)	(9.06)	11.37	12.15	6	N/A	15	17,840
2019	32.71	28.87	30.54	12.56	13.08	< 5	N/A	20	25,685
2020	26.21	22.54	17.10	19.12	22.13	< 5	N/A	18	39,582

\*Pure gross returns are supplemental to net returns.

The Russell Midcap® Index and Russell 1000® Index are trademarks/service marks 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 Mid Cap Core Wrap Composite has had a performance examination for the period from January 1, 2000 through December 31, 2020. The verification and performance examination reports are available upon request.

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The composite includes all discretionary Mid Cap Core Wrap Portfolios. Mid Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2000. 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. 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.