

Mid Cap Core Portfolio

Second Quarter 2021 | Managed Accounts



Manager of the Decade
for the last 5 years
(2016 - 2020)

Portfolio Review

The Mid Cap Core portfolio outperformed the Russell Midcap Index in the second quarter. Good stock selection in health care and industrials contributed positively to performance. Poor stock selection in communication services and an underweight in energy detracted from performance.

The biggest contributors to performance during the quarter were West Pharmaceutical Services and Globus Medical.

- West Pharmaceutical saw its shares rise in the quarter as the company's organic growth rate accelerated, clinical trials ramped back up, and the pandemic created demand for its delivery products.
- Globus Medical's shares were strong in the quarter as elective surgeries returned and sales of the company's robotic systems surged.
- Other top contributors included Equifax, Bentley Systems, and Brooks Automation.

The biggest detractors from the portfolio were Autohome and Exponent.

- Autohome's shares fell due to recent gains in market share made by a competitor, uncertainty with a new CEO, weakening new car sales in China, and intensified regulatory scrutiny of internet companies in the country.
- During the quarter, Exponent shares gave back gains seen in the prior quarter and finished the year-to-date roughly flat.
- Other bottom contributors included Aspen Technology, LPL Financial, and SiteOne Landscape Supply.

Purchases and Sales

During the quarter, we purchased Latham Group. There were no complete sales from the portfolio.

Latham Group is one of the largest designers, manufacturers, and marketers of fiberglass pools in the U.S., Australia, and New Zealand. The company has the largest scale in fiberglass pool manufacturing with a roughly 50% market share in North America. This is more than four times that of the second largest fiberglass competitor.

Outlook

Despite elevated valuations, we believe investors should stay the course and remain invested. Price/earnings (PE) ratios are higher than normal, but this is not unusual when earnings are rapidly recovering and corporate earnings were strong in the first quarter. Ironically, PE ratios may decline as the earnings recovery unfolds. However, as long as earnings growth exceeds multiple contractions, we believe returns should be favorable for investors. As always, our focus remains on high quality businesses regardless of the current economic regime. We believe competitive protections and differentiation are the key investment metrics that matter the most over the long term.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$2,341.0 M
Portfolio Turnover: 25%-35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	35
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	26
Craig Stone Portfolio Manager + Senior Research Analyst	32
Todd Beiley, CFA Senior Research Analyst	22
Julie Biel, CFA Senior Research Analyst	13
Julie Kutasov Senior Research Analyst	20
Chris Wright, CFA Senior Research Analyst	9
Sean Dixon Research Analyst	12
Adam Xiao, CFA Research Analyst	6
Jordan Greenhouse Senior Client Portfolio Manager	24†
James B. May, CFA Client Portfolio Manager	33†

Top Five Holdings

As of June 30, 2021

Company	Percent of equity (%)
West Pharmaceutical Services	6.0
AMETEK	5.3
Zebra Technologies	5.2
Brooks Automation	5.1
Globus Medical	4.9
Total	26.5

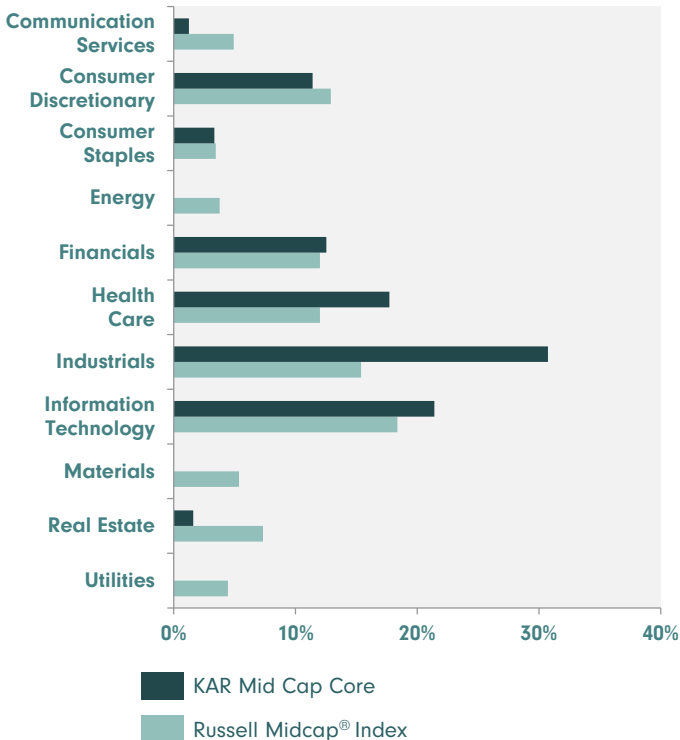
**Represents years of industry experience. This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should 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 June 30, 2021



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 June 30, 2021

	KAR Mid Cap Core	Russell Midcap [®] Index
Quality		
Return on Equity—Past 5 Years	22.4%	14.1%
Total Debt/EBITDA	2.3 x	4.3 x
Earnings Variability—Past 10 Years	42.9%	62.3%
Growth		
Earnings Per Share Growth—Past 5 Years	15.8%	12.1%
Earnings Per Share Growth—Past 10 Years	10.2%	9.5%
Dividend Per Share Growth—Past 5 Years	10.4%	6.7%
Dividend Per Share Growth—Past 10 Years	11.7%	10.5%
Capital Generation—{ROE x (1-Payout)}	17.2%	10.1%
Value		
P/E Ratio—Trailing 12 Months	39.3 x	38.7 x
Dividend Yield	0.6%	1.2%
Free Cash Flow Yield*	3.2%	2.6%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$14.0 B	\$17.1 B
Largest Market Cap—3-Year Avg.	\$46.9 B	\$56.9 B
Annualized Standard Deviation—Since Inception [†]	15.6%	19.7%

*Free cash flow data is as of March 31, 2021. Prices are as of June 30, 2021. Excludes financials.
[†]January 1, 2000

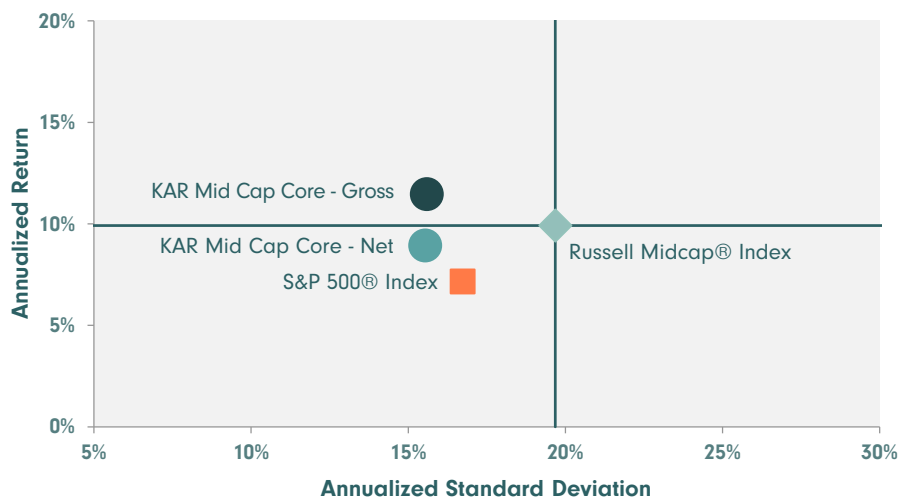
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Strong Risk-Adjusted Returns

Inception* to June 30, 2021



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [‡]	Russell Midcap [®] Index
Annualized Returns (%)[†]			
As of June 30, 2021			
2 nd Quarter	9.19	8.40	7.50
Year to Date	15.29	13.61	16.25
One Year	46.02	41.83	49.80
Three Years	21.00	17.47	16.45
Five Years	20.46	16.95	15.62
Seven Years	17.61	14.64	12.03
Ten Years	16.51	14.02	13.24
Inception*	11.46	8.93	9.92
Annual Returns (%)			
2020	26.21	22.54	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

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

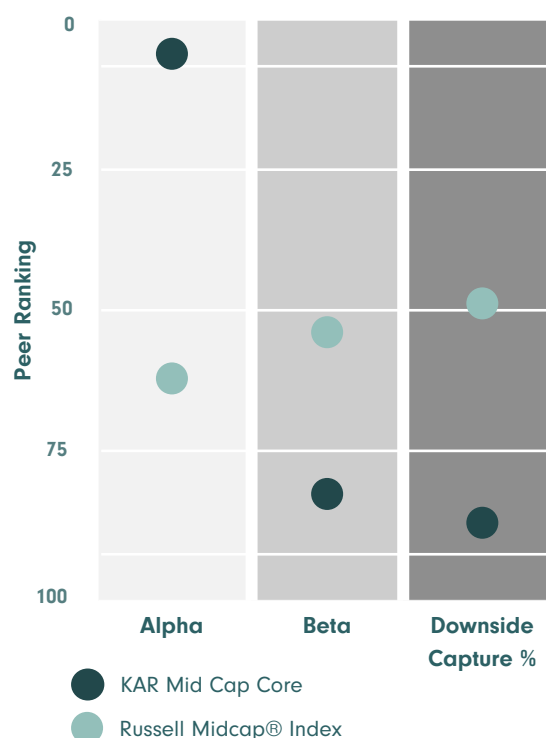
[‡]Net of all fees and expenses. Assumes a 3% annual fee.

[§]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 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.**

Peer Comparison Chart

Ten Years Ending June 30, 2021



Performance Statistics

Inception* to June 30, 2021

	KAR Mid Cap Core [§]	Russell Midcap [®] Index
Annualized Standard Deviation	15.59	19.68
Alpha	3.25	0.00
Beta	0.74	1.00
Sharpe Ratio	0.64	0.43
R-Squared	88.18	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 (%)	Percentage of Wrap-Free Accounts (%)	Accounts at Year End	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	19.46	17.99	25.48	N/A	N/A	100	8	0.87	28	4,729
2011	4.29	2.95	(1.55)	N/A	N/A	100	6	0.70	25	5,232
2012	16.27	14.45	17.28	15.34	17.44	100	7	0.16	34	6,545
2013	28.48	27.15	34.76	12.48	14.23	100	6	0.28	12	7,841
2014	17.88	16.68	13.22	10.27	10.29	100	5	0.16	7	7,989
2015	3.87	2.73	(2.44)	11.94	11.00	100	5	N/A	7	8,095
2016	12.24	8.95	13.80	12.33	11.72	100	5	0.14	9	9,989
2017	26.60	22.92	18.52	10.79	10.51	100	<5	N/A	9	14,609
2018	(3.24)	(6.11)	(9.06)	11.37	12.15	100	6	N/A	15	17,840
2019	32.71	28.87	30.54	12.56	13.08	100	<5	N/A	20	25,685

*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, 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 Mid Cap Core Wrap Composite has been examined for the period from January 1, 2000 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 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 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. 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.