

Mid Cap Core Portfolio

Third 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 third quarter. Good stock selection in industrials and health care contributed positively to performance. Poor stock selection in consumer discretionary and consumer staples detracted from performance.

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

- West Pharmaceutical's shares rose in the quarter, despite ongoing COVID-19 issues, as far fewer clinical trials have been cancelled and the need for the company's delivery products during this health crisis have helped to create strong performance.
- During the quarter, Exponent saw a continued rebound in growth and utilization as court re-openings progressed. The company's shares appreciated as a result.
- Other top contributors included SiteOne Landscape Supply, Verisk Analytics and Old Dominion Freight Line.

The biggest detractors from the portfolio were Latham Group and Lamb Weston.

- The current inflationary environment is pressuring Latham's business margins as the company works through its backlog, which weighed on the shares during the quarter.
- Lamb Weston reported a rebound in sales towards pre-pandemic levels, but lower gross margins triggered by inflation and transportation cost increases due to re-opening supply-chain disruptions. The negative margin surprise caused shares to underperform.
- Other bottom contributors included Ross Stores, AMETEK and Aspen Technology.

Purchases and Sales

During the quarter, we purchased W. R. Berkley and sold Autohome and Moody's.

- W. R. Berkley is an insurance holding company which engages in the property casualty insurance business. The company focuses on niches with low hazards where it can leverage its underwriting expertise to achieve long-term favorable risk-adjusted returns. We believe the company's focus on organic growth has contributed to its strong long-term profitability.
- Shares of Autohome suffered as a multiple of issues have arisen over the recent past, including concerns about the competitive environment in China, the recent resignations of both the CEO and CFO and general weakness in the Chinese stock market. These issues have created high levels of uncertainty and weakness in the shares. We sold our position to use the funds for other ideas in the portfolio in which we have a higher level of conviction over the medium term.
- We sold our position in Moody's as the company's market cap of over \$70 billion exceeded the market cap mandate for the portfolio.

Outlook

We believe the two most important variables affecting equity markets are interest rates and corporate profitability. The Federal Reserve will start tapering their purchases of bonds next month, but this has been well telegraphed to investors. Relatively benign interest rates and strong corporate profitability are a prescription for rising equity prices over time. However, we believe investors should expect a more selective market going forward and more muted equity returns. It is more likely that we will continue to grow but at a more moderate and sustainable pace. We believe this should be an environment where stocks of high-quality businesses can perform well.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$2,455.3 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 September 30, 2021

Company	Percent of equity (%)
West Pharmaceutical Services	6.9
Brooks Automation	5.3
AMETEK	4.9
Globus Medical	4.8
Exponent	4.2
Total	26.2

**Represents years of industry experience.*

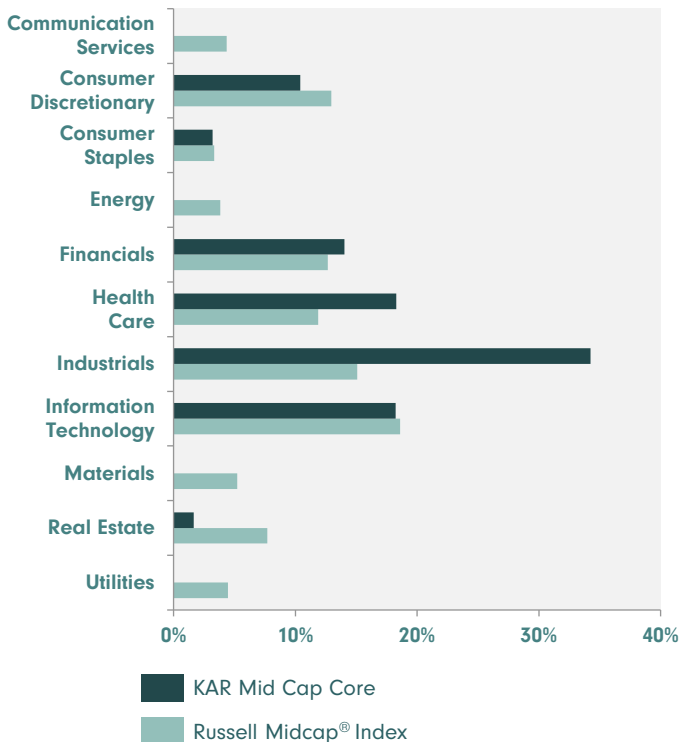
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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 September 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 September 30, 2021

	KAR Mid Cap Core	Russell Midcap Index
Quality		
Return on Equity—Past 5 Years	22.2%	14.8%
Total Debt/EBITDA	2.3 x	4.7 x
Earnings Variability—Past 10 Years	42.8%	62.7%
Growth		
Earnings Per Share Growth—Past 5 Years	15.5%	12.2%
Earnings Per Share Growth—Past 10 Years	10.2%	10.0%
Dividend Per Share Growth—Past 5 Years	10.9%	6.7%
Dividend Per Share Growth—Past 10 Years	11.7%	9.9%
Capital Generation—{ROE x (1-Payout)}	16.7%	10.6%
Value		
P/E Ratio—Trailing 12 Months	34.2 x	31.3 x
Dividend Yield	0.6%	1.3%
Free Cash Flow Yield*	3.1%	2.8%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$14.3 B	\$17.7 B
Largest Market Cap—3-Year Avg.	\$47.0 B	\$58.8 B
Annualized Standard Deviation—Since Inception†	15.5%	19.6%

*Free cash flow data is as of June 30, 2021. Prices are as of September 30, 2021. Excludes financials.

†January 1, 2000

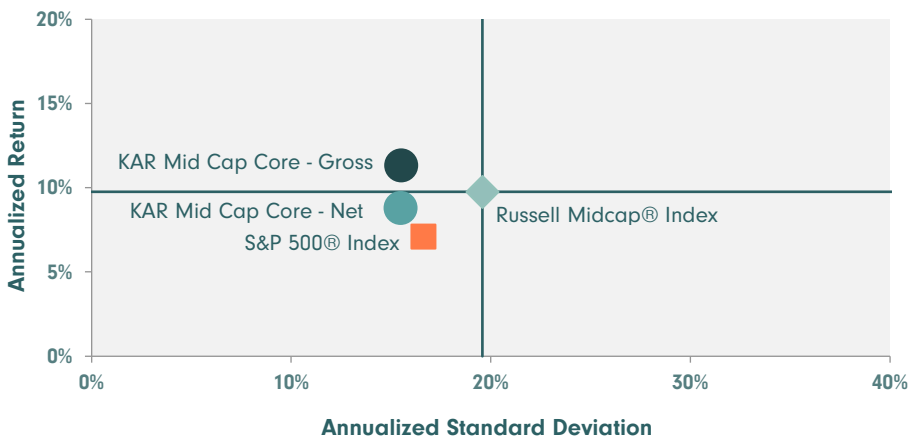
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. 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 September 30, 2021



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [‡]	Russell Midcap [®] Index
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Annualized Returns (%)[†]

As of September 30, 2021

3 rd Quarter	0.15	(0.60)	(0.93)
Year to Date	15.56	13.02	15.17
One Year	36.49	32.55	38.11
Three Years	18.74	15.27	14.22
Five Years	19.54	16.05	14.39
Seven Years	17.27	14.23	12.15
Ten Years	18.47	15.89	15.52
Inception*	11.34	8.80	9.75

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.

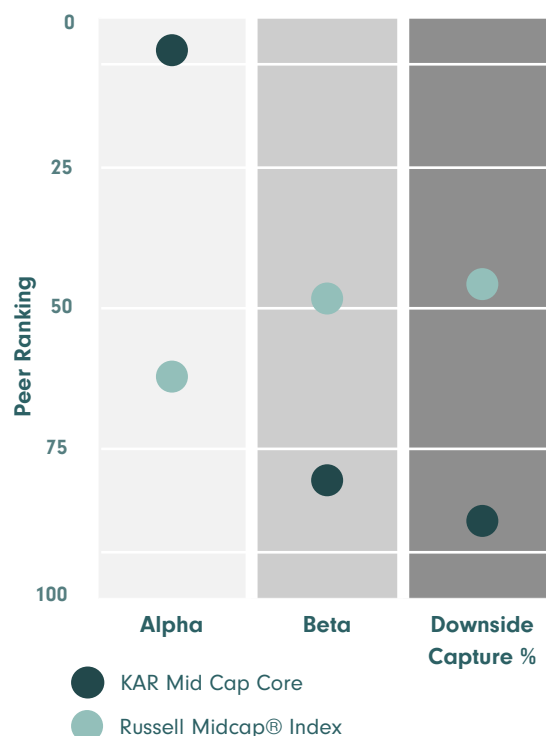
[‡]Net of all fees and expenses. Assumes a 3% annual fee.

[§]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 September 30, 2021



Performance Statistics

Inception* to September 30, 2021

	KAR Mid Cap Core [§]	Russell Midcap [®] Index
Annualized Standard Deviation	15.51	19.58
Alpha	3.25	0.00
Beta	0.74	1.00
Sharpe Ratio	0.63	0.42
R-Squared	88.19	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.