



Kayne Anderson Rudnick  
Investment Management

Small Cap Quality Value Portfolio  
Managed Accounts  
Fourth Quarter 2022 Review

# Firm Overview

As of December 31, 2022



Kayne Anderson Rudnick  
Investment Management

## Profile

- Originally established to manage founder capital
- Over three decades of experience
- A differentiated “business analyst” investment approach focusing on high-quality businesses†
- A disciplined and repeatable investment process that produces high-conviction portfolios
- A wholly owned, independent subsidiary of Virtus Investment Partners

## At a Glance

Year Founded	1984
Headquarters	Los Angeles, CA
AUM	\$47.5 billion*
Number of Equity Investment Professionals	18
Average Investment Experience	17 Years

\*Figures in USD.

†Please refer to the “Tenets of Quality: Our Quality Business Assessment” slide later in this presentation for KAR’s definition of high-quality businesses.

### Investment Philosophy

We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle

### Investment Objectives

- To achieve a return meaningfully above that of the Russell 2000® Value Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics\*



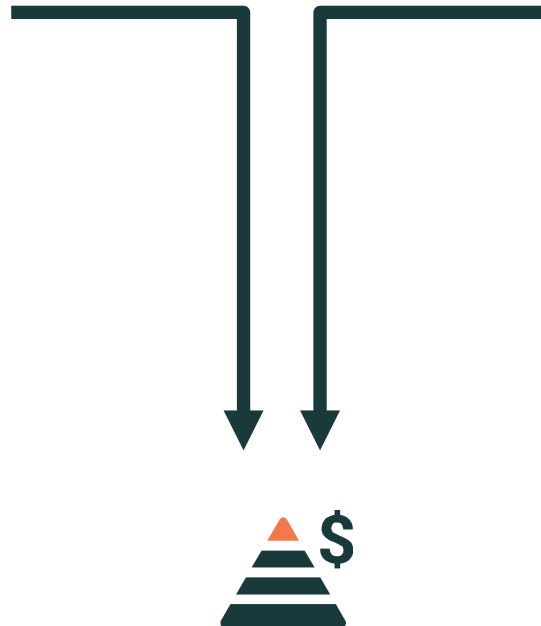
## Competitive Protection

- Brand/Reputation
- Network Effect
- Scale/Cost Advantage
- Benchmarking Standard
- High Customer Switching Costs
- Barriers to Entry/Unique Asset
- Low Obsolescence Risk



## Owner-Oriented Management

- Cultivates Competitive Advantage
- Rational Capital Allocation
- Considers Stakeholder Interests



## HIGH QUALITY BUSINESS

- Protect and Grow Market Share
- High Economic Return on Capital
- Business Returns → Shareholder Returns

# Small Cap Quality Value Team



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Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	36 Years	11 Years
Julie Kutasov	Portfolio Manager and Senior Research Analyst Sector Coverage: Materials, Industrials and Utilities	21 Years	21 Years
Craig Stone	Portfolio Manager and Senior Research Analyst Sector Coverage: Real Estate and Consumer Discretionary	33 Years	22 Years
Todd Bailey, CFA	Senior Research Analyst Sector Coverage: Financials and Information Technology	23 Years	20 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology and Health Care	14 Years	9 Years
Jon Christensen, CFA	Senior Research Analyst Sector Coverage: Health Care and Industrials	27 Years	21 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Financials, Information Technology, Energy and Industrials	10 Years	10 Years
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Industrials	14 Years	4 Years
Arthur Su, CFA	Research Analyst Sector Coverage: Information Technology, Industrials and Consumer Staples	7 Years	<1 Year
Adam Xiao, CFA	Research Analyst Sector Coverage: Financials, Communication Services, Consumer Discretionary, Consumer Staples and Information Technology	9 Years	4 Years
Jordan Greenhouse	Managing Director - Senior Client Portfolio Manager	25 Years <sup>†</sup>	6 Years
James B. May, CFA	Managing Director - Client Portfolio Manager	34 Years <sup>†</sup>	3 Years
Jason Pomatto	Managing Director - Client Portfolio Manager	28 Years <sup>†</sup>	<1 Year

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

# Market Review

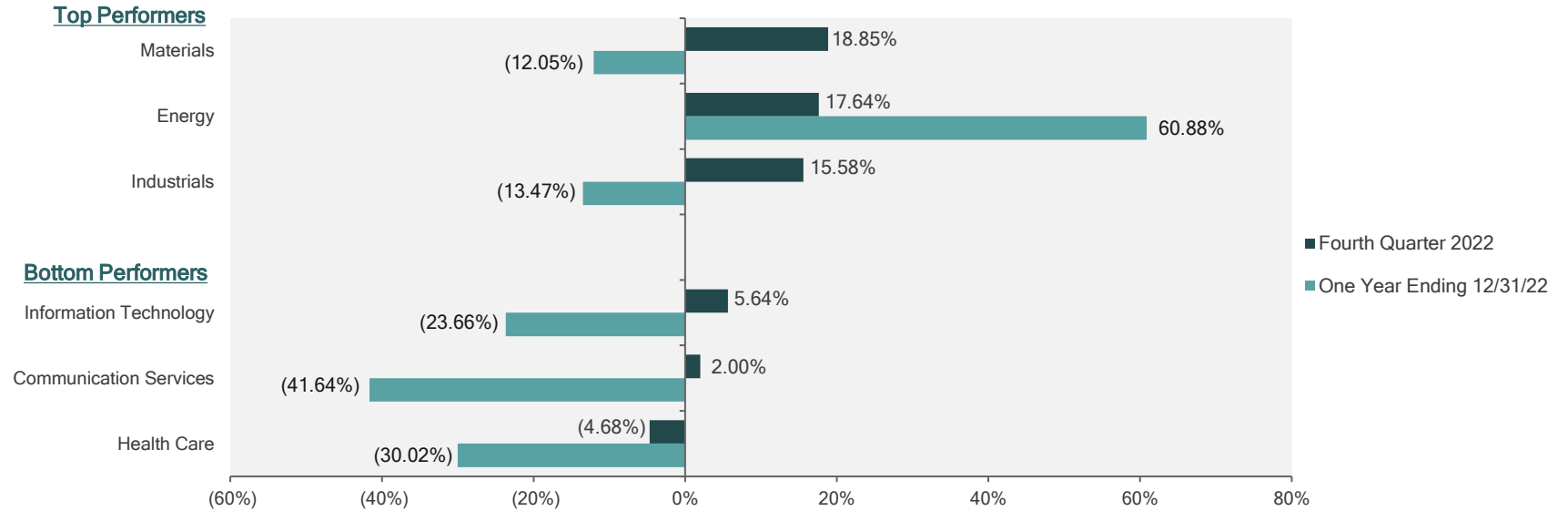
## Performance by Sector and Style



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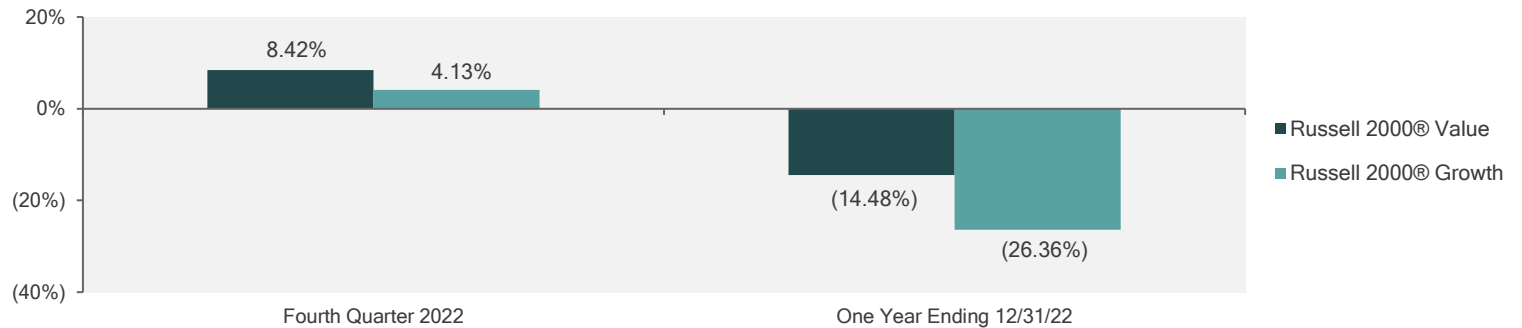
### Sector Performance

Russell 2000® Value Index



### Performance by Style

Russell 2000® Value Index vs. Russell 2000® Growth Index



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*Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.*

# Market Review

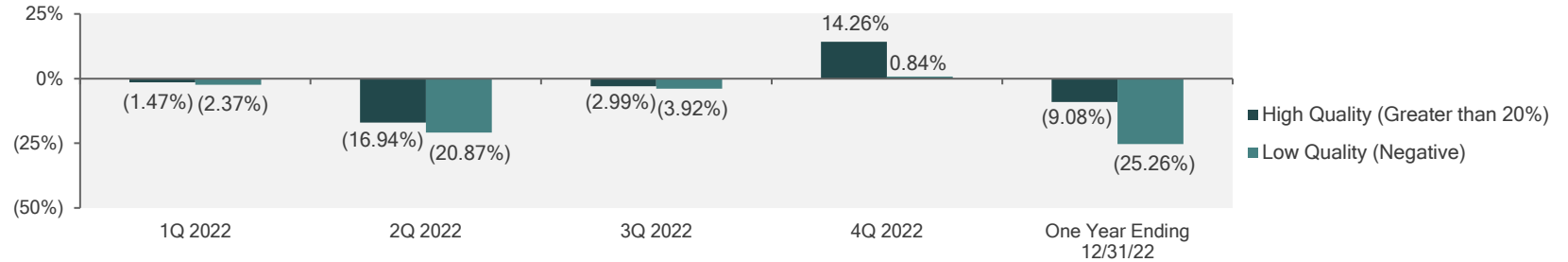
## Performance by Financial Metric



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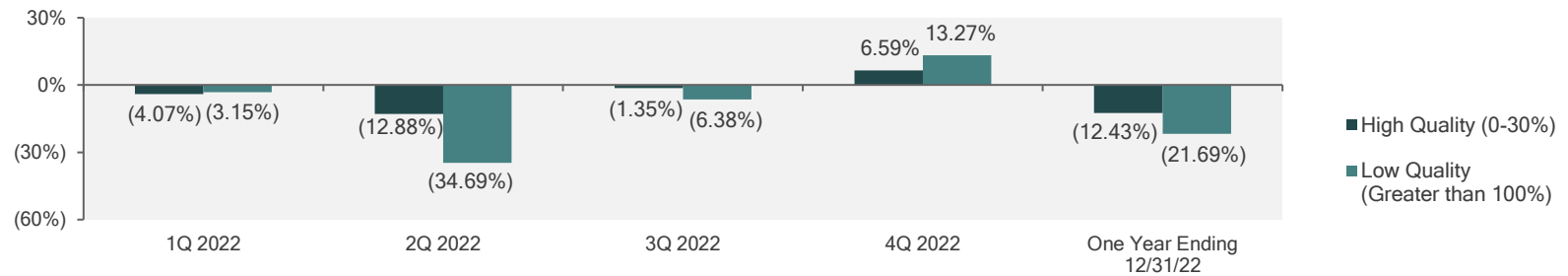
### Performance by Return on Equity

Russell 2000® Value Index



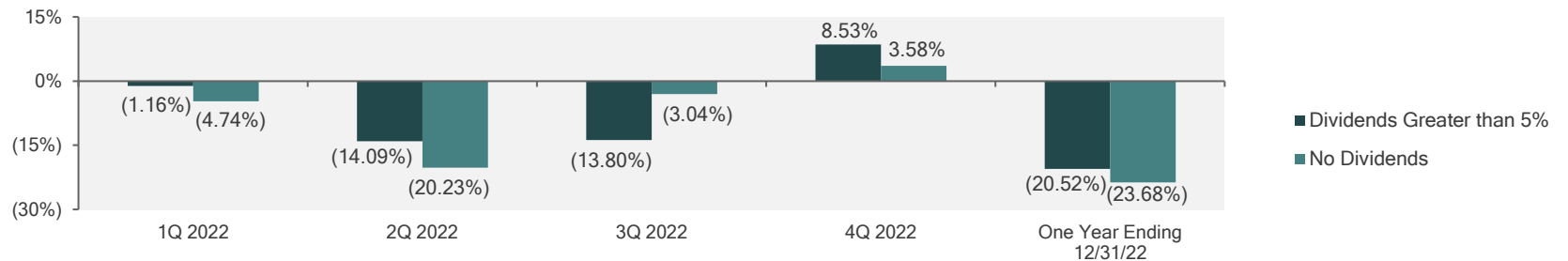
### Performance by Debt/Capital Ratio

Russell 2000® Value Index



### Performance by Dividend Yield

Russell 2000® Value Index



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# Quarterly Performance Overview

## Small Cap Quality Value Portfolio

### Periods Ending December 31, 2022



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#### Monthly and Quarterly Performance

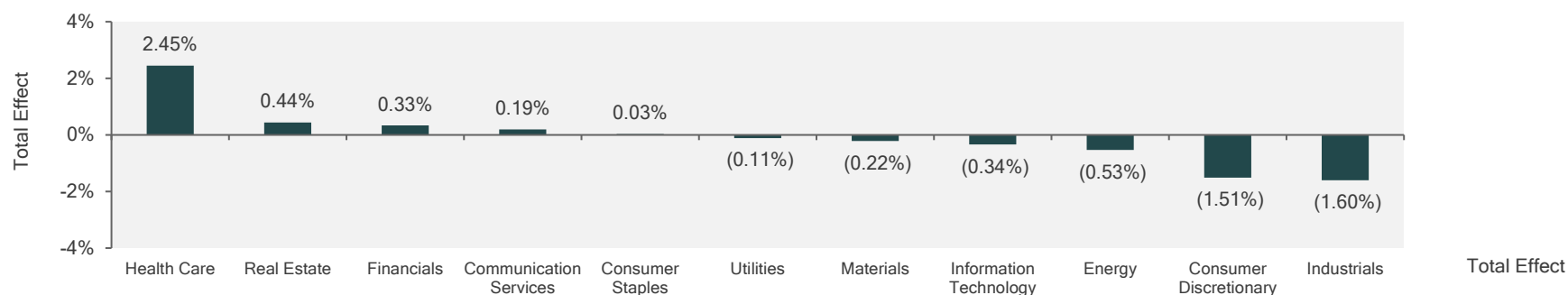
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
October	10.60	10.35	12.59	(224)
November	2.99	2.74	3.06	(31)
December	(6.52)	(6.77)	(6.56)	(21)
Fourth Quarter	6.47	5.69	8.42	(272)

#### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)
1 Year	(23.46)	(25.78)	(14.48)
5 Years	4.87	1.77	4.13
10 Years	10.70	7.45	8.48

#### Attribution by Sector

Quarter Ending December 31, 2022



Russell 2000® Value Returns	(4.68%)	7.36%	7.42%	2.00%	7.11%	10.45%	18.85%	5.64%	17.64%	12.78%	15.58%	8.42%
KAR Returns (Gross)	35.84%	26.50%	8.55%	0.00%	8.16%	0.00%	22.63%	3.38%	0.00%	0.52%	6.52%	6.47%
KAR Selection Effect	1.40%	0.32%	0.25%	0.00%	0.08%	0.00%	(0.16%)	(0.25%)	0.00%	(1.84%)	(3.34%)	(3.52%)
KAR Allocation Effect	1.05%	0.12%	0.08%	0.19%	(0.06%)	(0.11%)	(0.06%)	(0.09%)	(0.53%)	0.33%	1.74%	2.65%

**This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.**

The attribution data provided herein is based upon a buy and hold methodology and gross returns for a representative portfolio. Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.



# Highest Contributors

## Small Cap Quality Value Portfolio

### Quarter Ending December 31, 2022



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Security	Contribution	Comments
RLI	+1.18%	RLI's profitability remained positive despite significant losses from Hurricane Ian. Meanwhile, RLI's specialty markets are hardening as underlying demand remains healthy and capacity tightens.
Azenta	+0.98%	In the most recent quarter, Azenta's core business reported strong results, causing shares to perform well. The company saw strong demand and backlog for its automated cold stores, as well as storage services. Its genetic sequencing business is still a work in progress, but we believe management appears to understand some of the challenges and is working to address them.
Albany International	+0.98%	We believe Albany's Machine Clothing business continues to perform well and Albany's Aerospace business continues to develop and foster a desirable reputation for being a reliable supplier and partner of choice to the industry for 2D and 3D composite parts.
Houlihan Lokey	+0.65%	Houlihan Lokey's focus on smaller deals allowed it to experience more resilient deal volume than several peers. In addition, the company's financial restructuring segment saw growth in the quarter.
National Beverage	+0.63%	National Beverage has been significantly raising prices to combat inflationary cost pressures. Higher aluminum costs also dissipated in the most recent quarter resulting in some profit recovery. Altogether, shares reacted favorably to the improvement in margins.

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# Lowest Contributors

## Small Cap Quality Value Portfolio

### Quarter Ending December 31, 2022



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Security	Contribution	Comments
Leslie's	(0.62%)	Leslie's management provided conservative guidance that could see declines in 2023 due to potential lower chlorine pricing, which caused the company's shares to decline.
Armstrong World Industries	(0.41%)	Armstrong's shares lagged after the company reported weaker-than-expected operating results (driven by construction project delays and persistent cost inflation), causing the company to lower its annual outlook. We believe these issues are temporary.
First Financial Bankshares	(0.31%)	In the most recent quarter, First Financial reported strong loan growth and credit metrics. However, the share price came under pressure due to an expensive valuation and a contraction in book value driven by mark-to-market adjustments in the bank's fixed income portfolio.
WD-40	(0.23%)	During the quarter, WD-40 missed revenue and margin targets and lowered full year guidance, sending the shares down.
Hillman Solutions	(0.14%)	The recent increase in home interest rates (and home mortgage/equity rates specifically) created pressure on Hillman's businesses associated with homes. However, the company is largely a business focused on repair, remodel, and maintenance work activity.

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# Annual Performance Overview

## Small Cap Quality Value Portfolio

### Periods Ending December 31, 2022



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#### Quarterly and Annual Performance

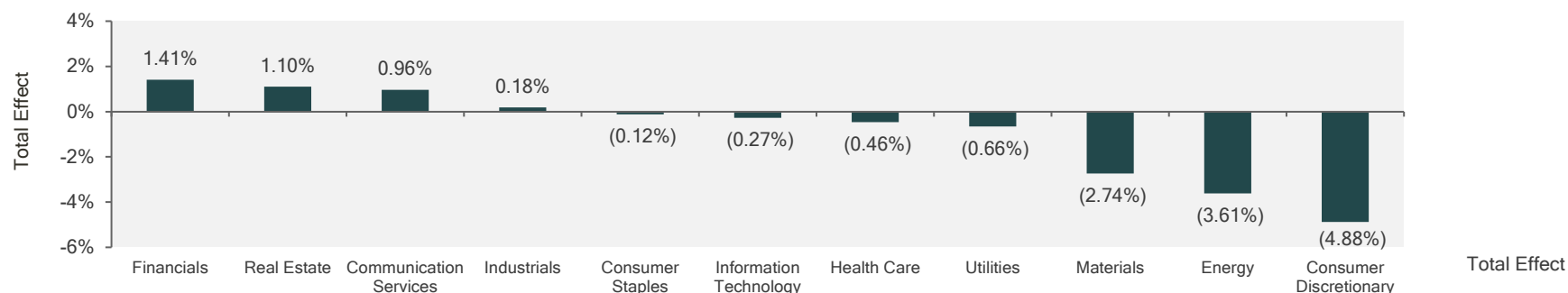
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
First Quarter 2022	(13.93)	(14.61)	(2.40)	(1,221)
Second Quarter 2022	(12.11)	(12.79)	(15.28)	248
Third Quarter 2022	(4.97)	(5.69)	(4.61)	(108)
Fourth Quarter 2022	6.47	5.69	8.42	(272)
1 Year Ending 12/31/22	(23.46)	(25.78)	(14.48)	(1,129)

#### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)
1 Year	(23.46)	(25.78)	(14.48)
5 Years	4.87	1.77	4.13
10 Years	10.70	7.45	8.48

#### Attribution by Sector

One Year Ending December 31, 2022



Russell 2000® Value Returns	(12.09%)	(24.46%)	(41.64%)	(13.47%)	(10.24%)	(23.66%)	(30.02%)	0.35%	(12.05%)	60.88%	(27.84%)	(14.48%)
KAR Returns (Gross)	(3.77%)	15.85%	0.00%	(14.63%)	(14.51%)	(23.17%)	(44.94%)	0.00%	(66.75%)	0.00%	(42.07%)	(23.46%)
KAR Selection Effect	1.51%	0.07%	0.00%	(0.20%)	(0.17%)	(0.03%)	(1.23%)	0.00%	(2.77%)	0.00%	(3.12%)	(5.95%)
KAR Allocation Effect	(0.09%)	1.03%	0.96%	0.38%	0.05%	(0.24%)	0.77%	(0.66%)	0.04%	(3.61%)	(1.76%)	(3.15%)

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# Highest Contributors

## Small Cap Quality Value Portfolio

### One Year Ending December 31, 2022



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
RLI	+0.88%	RLI's profitability remained positive despite significant losses from Hurricane Ian. Meanwhile, RLI's specialty markets are hardening as underlying demand remains healthy and capacity tightens.
Rentokil Initial	+0.61%	Terminix Global is a residential and commercial termite and pest control business. The business was a top performer due to being acquired by Rentokil. The acquisition was announced in December 2021 and closed in October 2022.
Albany International	+0.59%	We believe Albany International's Machine Clothing business continues to perform well over time and Albany's Aerospace business continues to develop and foster a desirable reputation for being a reliable supplier and partner of choice to the industry for 2D and 3D composite parts.
RBC Bearings	+0.41%	RBC Bearings reported healthy organic growth across both business segments as the company continues to benefit from its favorable business position.
Stock Yards Bancorp	+0.36%	Over the past year, Stock Yard Bancorp reported growth in loans, deposits, and earnings per share combined with strong credit quality metrics.

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# Lowest Contributors

## Small Cap Quality Value Portfolio

### One Year Ending December 31, 2022



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Security	Contribution	Comments
Scotts Miracle-Gro	(3.87%)	Scotts Miracle-Gro's shares lagged as the conflict in Ukraine created unprecedented pressure on commodity prices such as urea - a key ingredient in fertilizer products. The company was unable to recoup the impact of higher costs and shares suffered further in early June following the company's revised annual outlook that reflected lower-than-anticipated order replenishment by retailers. In August shares declined again following the company's reports of lower-than-expected operating results, reduction of the annual free cash flow outlook, and an unexpected departure of the Chief Financial Officer. At the same time cannabis oversupply issues continued to weigh on the performance of Hawthorne, the company's hydroponics division.
Latham Group	(2.87%)	Latham Group and the pool industry have faced higher input cost (resin) and supply chain issues for most of the past year. This has led to its own supply disruptions, higher manufacturing costs, and delays in order fulfillment. While resin supply and costs issues have slowed and abated, with the prospect of a recession looming, anything that is related to housing spend or high-ticket priced consumer durable items are facing sharp declines.
Azenta	(2.69%)	As a result of Azenta being newly separated from its semiconductor solutions business, profitability has been lower to absorb some of the combined costs. The business also is facing challenging year-over-year comparisons as a result of COVID-related revenue being lower this year. Shut-downs in China due to its zero-Covid policy also negatively impacted the company's Life Sciences market.
SiteOne Landscape Supply	(2.40%)	SiteOne reported positive organic sales growth and higher quarterly earnings-per-share comparisons but investors nonetheless soured on housing-related stocks. The general concern over the probability of a recession has hurt the performance of consumer discretionary stocks. Coupled with pandemic benefits slowing, the stock has underperformed.
Leslie's	(2.27%)	Leslie's stock experienced price declines as investors worried about the prospect of slowing housing sales, a looming recession, and higher interest rates. Having faced nearly every kind of economic cycle in its operating history, we believe that the non-discretionary spend of the pool industry provides Leslie's some resiliency not seen in most industries.

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# Purchases

Small Cap Quality Value Portfolio  
Quarter Ending December 31, 2022



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Purchases	Descriptions/Reasons
Getty Realty—Initiated Position	Getty Realty operates as a Real Estate Investment Trust (REIT). It engages in the acquisition, owning, selling, and leasing of convenience stores (c-stores) and automotive retail real estate. The portfolio includes c-stores, car washes, automotive service centers (gasoline and repair, oil and maintenance, tire and battery, and collision), automotive parts retailers, and certain other freestanding retail properties including drive-thru quick service restaurants. The current portfolio includes over 1,000 properties located in over 38 states.
H.B. Fuller—Initiated Position	Founded in 1887, H.B. Fuller is a leading manufacturer of adhesive, sealant, and other specialty chemical products. The company operates through the following segments: Hygiene, Health, and Consumable Adhesives; Engineering Adhesives; and Construction Adhesives.
Hillman Solutions—Increased Position	Hillman Solutions' stock declined along with other residential housing-related stocks. There also potentially exists some negative residual impact from its SPAC-related initiation as a public company back in 2021. We believe that Hillman's business model will remain resilient over this next economic cycle and we, therefore, increased our position.
Leslie's—Increased Position	Despite over 50 consecutive years of revenue growth, Leslie's stock price declined as investors worried about the prospect of slowing housing sales with a looming recession and higher interest rates. With the company having faced nearly every kind of economic cycle in its history, we are confident that Leslie's will remain resilient given the non-discretionary spending of the pool industry. Therefore, we increased our position.
WD-40—Increased Position	WD-40's stock declined due to significant input costs' inflation putting pressure on the company's near-term profitability. However, we believe fundamentals of the business remain strong and the company's higher-margin Specialist product line continues to grow nicely. Importantly, we view WD-40's solid market positioning as having allowed the company to significantly increase pricing to combat input costs' inflation. With the shares' valuation attractive, we increased our position.

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# New Position

Small Cap Quality Value Portfolio  
Quarter Ending December 31, 2022



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## Getty Realty (GTY)

- Getty Realty was originally formed by the separation from Getty Petroleum and, thus, has an extensive history on the automotive retail industry since the 1950s. The company's sole focus on the automotive-related sale leaseback has expanded to include car washes and service centers and beyond gas stations with convenience stores. From our perspective no other competitors have an exclusive industry focus that allows for more granularity regarding the operators' financial health, which has led to the portfolio's properties being 99.6% occupied. Getty's focus also allows for the company to operate with approximately 30 employees.
- The c-store industry has seen many positive developments over the years like increased food service and loyalty programs with still additional opportunities ahead. Fifty percent of c-store visits are not fuel customers which bolsters the argument that these stores have become less fuel price-dependent and more dependent on other merchandise. The car wash industry is primed to see similar developments. With Getty being the only publicly-traded REIT solely focused on the automotive experience, we believe it should benefit from these trends.
- In our view the company also has one of the more conservative balance sheets within the net-lease structure, is well managed, and offers an attractive dividend yield.

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# New Position

Small Cap Quality Value Portfolio  
Quarter Ending December 31, 2022



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## H.B. Fuller (FUL)

- H.B. Fuller is the largest pureplay adhesive company globally. We believe the company's scale combined with its pureplay focus provides it with both superior research and development and service capabilities. In our view scale also plays an important role in leveraging raw material purchases, technology investments, and service and support functions. We also believe the breadth of the company's product portfolio also serves as a protective barrier.
- In addition, scale and financial strength allow the company to hold more inventory on hand which is particularly important during times of supply chain disruptions and is also vital in fending off lower-volume competitors.
- Adhesive products are mission-critical and high value-add by nature, but represent a small (less than 1%) portion of customer product costs allowing for solid pricing power. For higher-end applications, finding the right adhesive is critical for safety. As a result, applications with higher reliability requirements and particularly those with long qualification periods tend to be significantly less price-sensitive due to higher switching costs. Once "speced-in" the company's adhesive formulation stays in for the life of the product.
- Despite being the second largest player, H.B. Fuller holds a modest mid single-digit share of the highly fragmented global adhesives market (the top six players hold roughly 35%) providing the company with what we believe to be significant opportunities for industry consolidation.

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# Sales

## Small Cap Quality Value Portfolio Quarter Ending December 31, 2022



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Sales	Reasons
Rentokil Initial—Sold Entire Position	The acquisition of Terminix by Rentokil Initial was completed on October 12, 2022. We tendered our shares for cash, but the portfolio was left with residual stub shares in Rentokil after the cash tender process. We sold the remaining Rentokil shares as we did not want to hold this European-based company.
Graco—Trimmed Position	We trimmed our position in Graco given that the company's market capitalization is one of the largest in the portfolio. However, we continue to believe that Graco is a strong, quality company.
RBC Bearings—Trimmed Position	Shares of RBC Bearings performed strongly over the trailing 12 months supported by the company's solid execution, including that on the M&A front. While we view the company's premium valuation as justified by its solid market positioning and capital allocation discipline, we reduced our position in the company given that it was trading at the high end of its historic valuation range.

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# Portfolio Characteristics

## Small Cap Quality Value Portfolio

### As of December 31, 2022



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	KAR Small Cap Quality Value	Russell 2000® Value Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.2%	8.8%
Total Debt/EBITDA*	1.5 x	3.5 x
Earnings Variability—Past 10 Years	35.2%	78.2%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	12.8%	11.8%
Earnings Per Share Growth—Past 10 Years	11.4%	7.0%
Dividend Per Share Growth—Past 5 Years	9.0%	3.9%
Dividend Per Share Growth—Past 10 Years	9.7%	4.9%
Capital Generation—{ROE x (1-Payout)}	12.7%	6.3%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	19.9 x	18.8 x
Dividend Yield	1.5%	2.2%
Free Cash Flow Yield†	1.7%	0.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	\$4.9 B	\$2.5 B
Largest Market Cap—3-Year Average	\$13.0 B	\$13.3 B
Annualized Standard Deviation—Since Inception‡ (Net of Fees)	19.5%	21.9%

In a market of average businesses, we seek to own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.

In a market of cyclical businesses requiring growth capital from fickle markets, we seek to own companies producing self-funded strong, consistent growth sustainable into the future.

\*KAR utilizes the interquartile method when calculating TD/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers--only the extreme ends are excluded--and that it can be applied consistently as a quantitative method for most fundamental characteristics.

†Free cash flow data is as of September 30, 2022. Prices are as of December 31, 2022. Excludes financials.

‡ Actual inception date is June 1, 1998. July 1, 1998 is used for calculation purposes of quarterly information.

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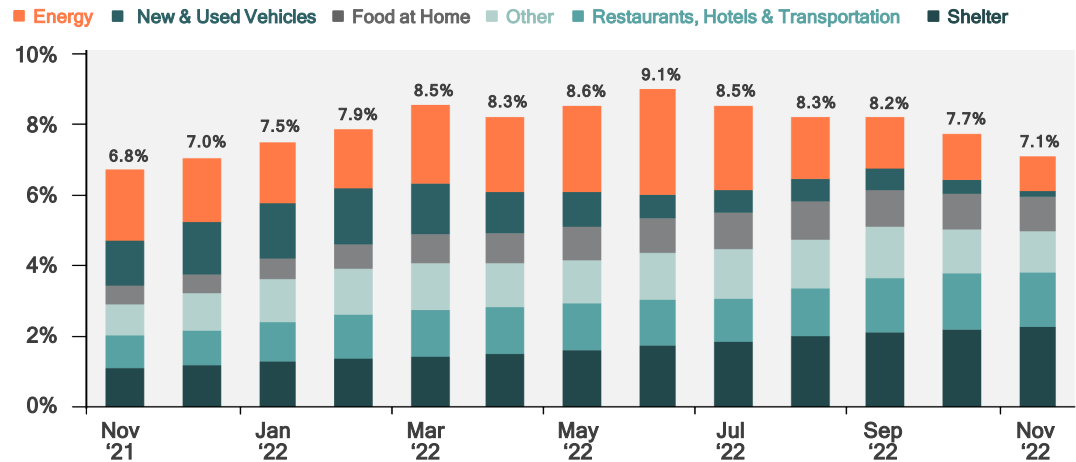
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. The statistics presented above are based on a representative portfolio. Actual results may vary. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based 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.

We believe the economy will continue to slow in 2023. Hawkish monetary policy in response to unacceptable levels of inflation is slowing economic growth already and threatens to engineer a hard landing in 2023.

- We believe corporate profit growth will moderate in 2023 but will remain slightly positive. However, recession risks, due to rising inflation, are growing and threatening earnings per share growth over the next year. We believe recession concerns have started to become the dominant investor concern replacing inflation.
- Inflation concerns started to moderate since June 2022. Continued improvement in the inflation outlook should give the Federal Reserve more flexibility in monetary policy in the future. We believe the Fed is attempting to fight inflation without pushing the economy into a severe recession.
- Monetary policy is already slowing sectors, such as autos, housing, raw materials, used car prices, and even rents now.
- Short-term interest rate increases and slowing GDP and corporate profits could lead to continued volatility in 2023.

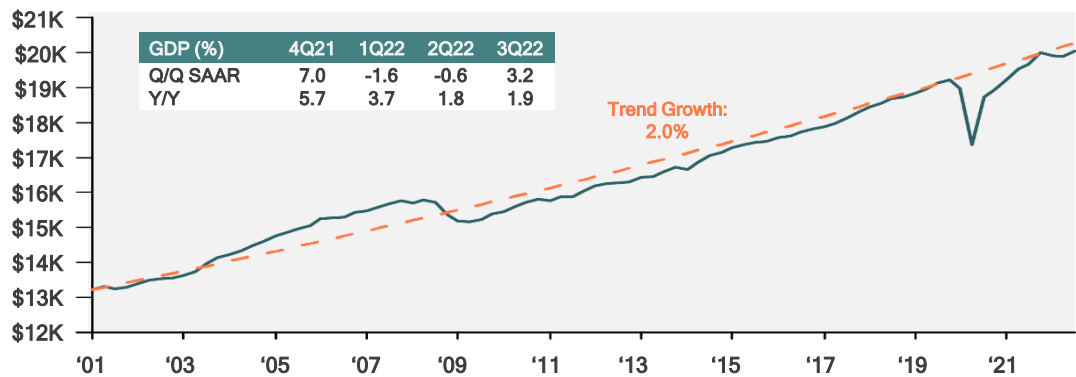
**Figure 1: Contributors to Headline Inflation**

Contribution to Y/Y % Change in CPI, Non Seasonally Adjusted



**Figure 2: Real GDP**

Billions of Chained (2012) Dollars, Seasonally Adjusted at Annual Rates



Data as of December 31, 2022. Figure 1 data is obtained from Compustat, FactSet, Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Figure 2 data is obtained from BEA, FactSet and J.P. Morgan Asset Management and is assumed to be reliable. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owner's equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel, education and communication services, medical care services and other personal services. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19. **Past performance is no guarantee of future results.**

The global economy is still significantly slowing as well due to interest rate increases by many central banks.

- Global inflation expectations have risen along with the U.S., particularly in Asia where numerous city and country shutdowns have continued to contribute to the supply/demand shortfall globally. Supply chain issues finally appear to be improving.
- The U.S. has continued to produce significant returns for over a decade now; however, if the technology sector decline continues, diversification and foreign markets may do relatively better because of a lack of technology exposure in many of the international developed indices.
- Emerging markets struggled in 2022 with the prospect of rising interest rates and continued COVID-19 variants causing economic disruptions. China's regulatory crackdown was a clear negative for many Chinese technology and educational companies. China is struggling to grow now, but policies are starting to shift back to fostering recovery.
- The invasion of Ukraine has negative implications for European economic growth. The longer the conflict lasts, the more likely Europe will slip into a deeper recession.

Figure 3: Global PMI Input and Output Prices\*

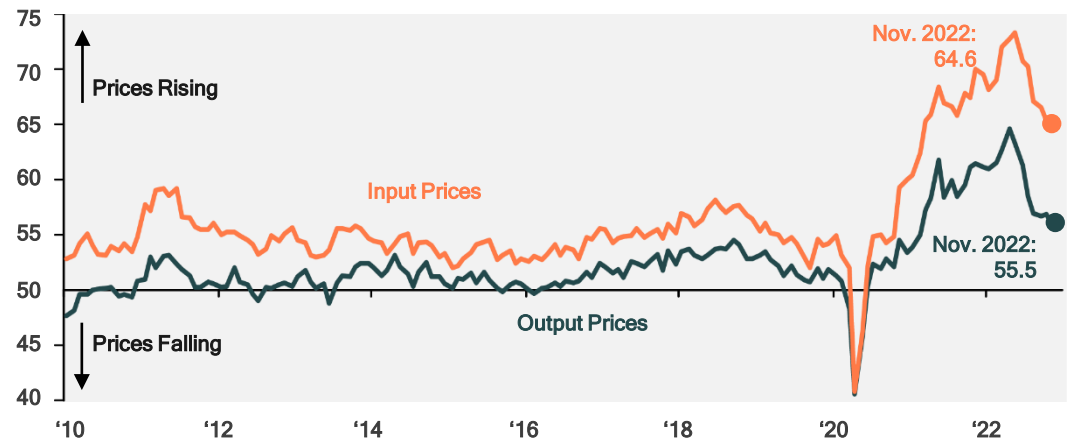
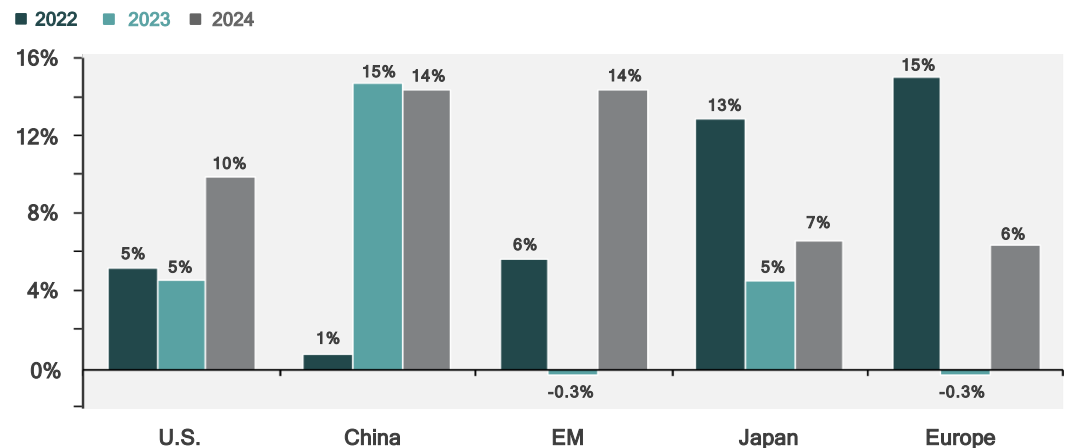


Figure 4: Global Earnings Growth  
Calendar Year Consensus Estimates



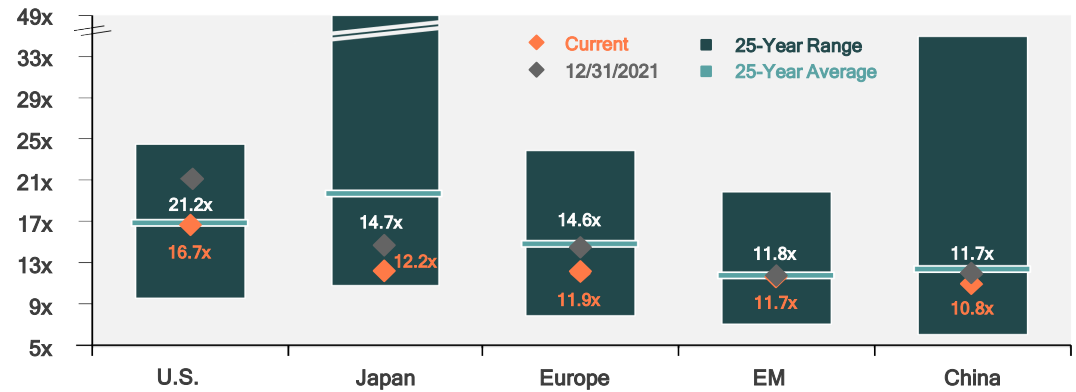
Data as of December 31, 2022. Figure 3 data is obtained from Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Figure 4 data is obtained from FactSet, MSCI, Standard & Poor's, Thomson Reuters and J.P. Morgan Asset Management and is assumed to be reliable. \*Participants are asked: "Are input/output prices the same, higher or lower?". Values shown reflect the composite index, which includes both manufacturing and services. A reading of 50 = no change, >50 = price increase, <50 = price decrease. Calendar year consensus estimates are based on pro-forma earnings. MSCI Europe includes the eurozone as well as countries not in the currency bloc, such as Norway, Sweden, Switzerland and the UK (which collectively make up 44% of the overall index). **Past performance is no guarantee of future results.**

**We continue to believe that the risk/reward ratio for equities over the long-term is favorable on an absolute basis and particularly relative to fixed income.**

- Monetary policy should continue to slow the economy into 2023. However, slower growth and/or a recession may not be as deep as the market currently fears.
- Equity valuations are about normal by historic measures on absolute levels. We think earnings are likely to continue to improve from here on a multi-year basis, albeit at a slower rate.
- Geopolitical events have caused a more uncertain outlook for global growth, including the U.S.
- Corporate profit margins are declining due to high input costs, transportation bottlenecks, and supply constraints although these factors are moderating now.
- In our view, the biggest risk is the Fed overshoots rate increases and slows the economy more than expected and we enter a deeper than anticipated recession over the next 12-to-24 months.
- We believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets over the long term.
- Long-term interest rates need to at least plateau for equities to stage a substantial turnaround.

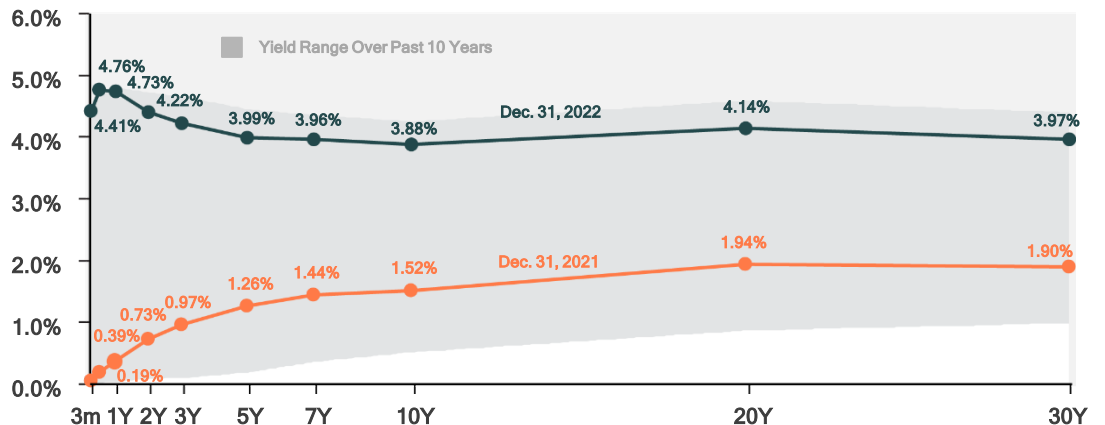
**Figure 5: Global Valuations**

Current and 25-Year Next 12 Months Price-to-Earnings Ratio



**Figure 6: Yield Curve**

U.S. Treasury Yield Curve



Data as of December 31, 2022. Figure 5 data is obtained from FactSet, MSCI, Standard & Poor's, Thomson Reuters and J.P. Morgan Asset Management and is assumed to be reliable. Figure 6 data is obtained from FactSet, Federal Reserve and J.P. Morgan Asset Management and is assumed to be reliable. MSCI Europe includes the eurozone as well as countries not in the currency bloc, such as Norway, Sweden, Switzerland and the UK (which collectively make up 44% of the overall index). **Past performance is no guarantee of future results.**

- **Portfolio Data**
- **Disclosure**

# Sector Weights

## Small Cap Quality Value Portfolio

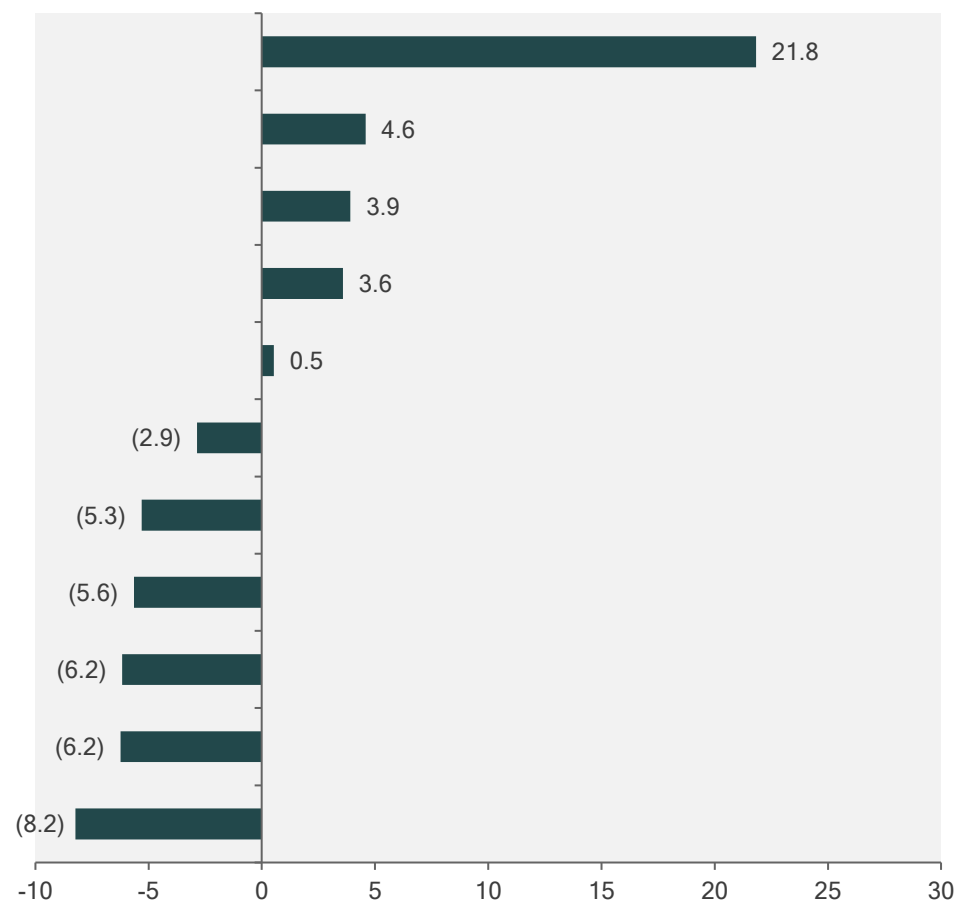
### As of December 31, 2022



Kayne Anderson Rudnick  
Investment Management

Sectors	KAR Small Cap Quality Value (%)	Russell 2000® Value Index (%)
Industrials	35.1	13.3
Consumer Discretionary	14.7	10.1
Information Technology	9.4	5.5
Consumer Staples	6.3	2.7
Materials	4.6	4.1
Communication Services	—	2.9
Utilities	—	5.3
Financials	23.2	28.8
Health Care	4.3	10.5
Energy	—	6.2
Real Estate	2.5	10.7

### Underweight/Overweight (%)



*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

*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 from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.*

# Top Ten Holdings

## Small Cap Quality Value Portfolio

### As of December 31, 2022



Kayne Anderson Rudnick  
Investment Management

Top 10 Holdings	GICS Sector	% of Portfolio
Watsco	Industrials	4.9
Albany International	Industrials	4.7
Houlihan Lokey	Financials	4.6
Azenta	Health Care	4.3
RLI	Financials	4.1
Bank of Hawaii	Financials	4.1
Landstar System	Industrials	4.0
RBC Bearings	Industrials	4.0
UniFirst	Industrials	4.0
EVERTEC	Information Technology	3.9
<b>Total</b>		<b>42.7</b>

Research confidence leads to large active weights

	KAR Small Cap Quality Value	Russell 2000® Value Index
# of Holdings	32	1,383
Average Position Size (%)	3.1	0.1
Weight of Top Ten Holdings (%)	42.7	4.8
Active Share (%)	98.8	—

The strategy benefits from diversification while still taking significant active positions

*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

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# Returns

## Small Cap Quality Value Portfolio



Kayne Anderson Rudnick  
Investment Management

### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)	Excess Return -Net (bps)
Fourth Quarter	6.47	5.69	8.42	(272)
1 Year	(23.46)	(25.78)	(14.48)	(1,129)
3 Years	5.70	2.58	4.70	(212)
5 Years	4.87	1.77	4.13	(236)
7 Years	9.85	6.62	8.23	(160)
10 Years	10.70	7.45	8.48	(103)
Since Inception*	10.62	7.38	7.62	(24)

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
2022	(23.46)	(25.78)	(14.48)	(1,129)
2021	19.71	16.22	28.27	(1,205)
2020	28.88	25.13	4.63	2,049
2019	25.09	21.45	22.39	(94)
2018	(14.14)	(16.72)	(12.86)	(385)
2017	20.66	17.14	7.84	930
2016	26.17	22.50	31.74	(924)
2015	(0.27)	(3.22)	(7.47)	424
2014	2.51	(0.52)	4.22	(473)
2013	40.00	35.97	34.52	145
2012	10.01	6.77	18.05	(1,128)
2011	6.73	3.58	(5.50)	908
2010	24.75	21.12	24.50	(338)
2009	27.82	24.21	20.58	363
2008	(28.62)	(30.93)	(28.92)	(201)
2007	1.93	(1.08)	(9.78)	869
2006	23.72	20.23	23.48	(325)
2005	8.53	5.37	4.71	66
2004	27.59	24.03	22.25	178
2003	22.12	18.65	46.03	(2,738)
2002	0.48	(2.51)	(11.43)	892
2001	19.42	16.00	14.02	198
2000	24.92	21.40	22.83	(142)
1999	(7.69)	(10.49)	(1.49)	(900)
1998†	9.61	7.76	(10.93)	1,869

\*June 1, 1998

†Performance calculations are for the seven months ended December 31, 1998.

**This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.**

Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

**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.

# Risk-Return Analysis

## Small Cap Quality Value Portfolio

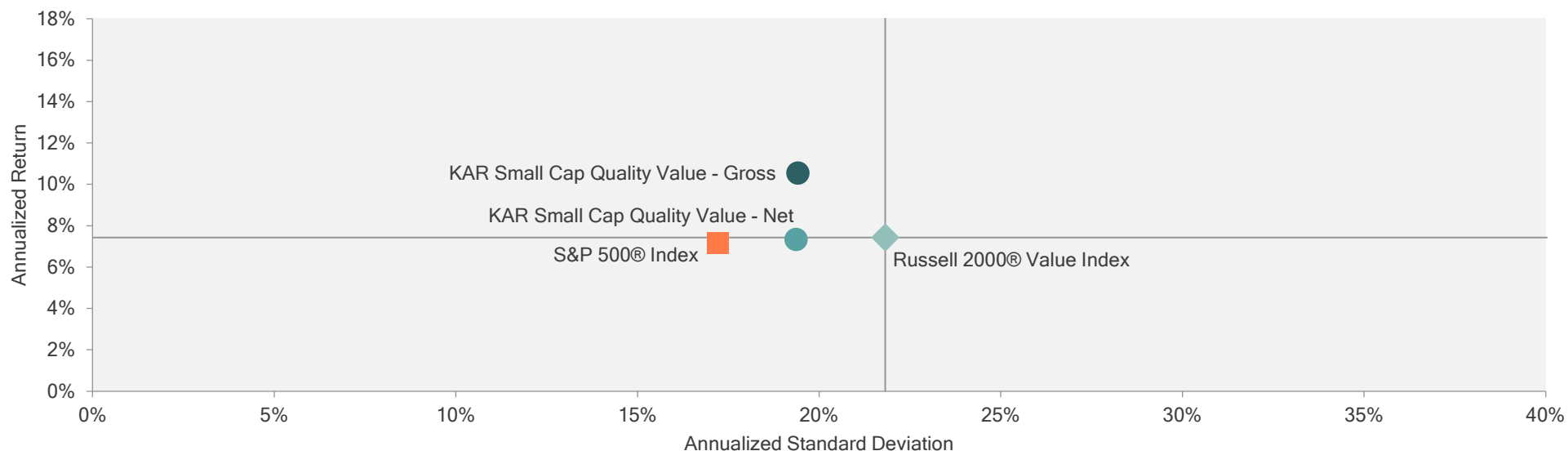
### Inception\* to December 31, 2022



Kayne Anderson Rudnick  
Investment Management

### Meaningful Excess Return with Lower Volatility

Annualized Since Inception\*



### Performance Statistics

Annualized Since Inception\*

	Alpha (%)	Sharpe Ratio	Standard Deviation (%)	Semi-Standard Deviation (%)	Beta	Tracking Error
KAR Small Cap Quality Value - Gross	3.76	0.45	19.52	14.08	0.80	9.39
KAR Small Cap Quality Value - Net	0.70	0.29	19.47	14.04	0.80	9.40
Russell 2000® Value Index	0.00	0.27	21.89	16.48	1.00	0.00

\*Actual inception date is June 1, 1998. July 1, 1998 is used for calculation purposes of quarterly information.

**This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.**

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# Disclosure

## Small Cap Quality Value Portfolio



Kayne Anderson Rudnick  
Investment Management

Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell 2000® Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2012	10.01	6.77	18.05	16.04	20.17	31	0.43	622	6,545
2013	40.00	35.97	34.52	14.24	16.05	27	0.42	637	7,841
2014	2.51	(0.52)	4.22	12.88	12.98	26	0.43	648	7,989
2015	(0.27)	(3.22)	(7.47)	13.64	13.65	24	0.32	624	8,095
2016	26.17	22.50	31.74	14.09	15.72	26	0.55	641	9,989
2017	20.66	17.14	7.84	12.17	14.17	28	0.22	803	14,609
2018	(14.14)	(16.72)	(12.86)	14.39	15.98	30	0.19	644	17,840
2019	25.09	21.45	22.39	14.54	15.90	32	0.15	779	25,685
2020	28.88	25.13	4.63	22.10	26.49	29	0.20	945	39,582
2021	19.71	16.22	28.27	19.98	25.35	29	0.15	1,373	47,269

\*Pure gross returns are supplemental to net returns.

The Russell 2000® Value 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, 2021.

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 Cap Quality Value Wrap Composite has had a performance examination for the period from January 1, 1999 through December 31, 2021. The verification and performance examination reports are available upon request.

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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 Quality Value Wrap Portfolios. Small Cap Quality Value Wrap Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value 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® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-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 inception date of the composite is June 1998. The composite was created in January 2002. 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.