



Kayne Anderson Rudnick  
Investment Management

Small Cap Sustainable Growth Portfolio  
Managed Accounts  
Fourth Quarter 2022 Review

[kayne.com](https://www.kayne.com)

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# 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® Growth Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics\*



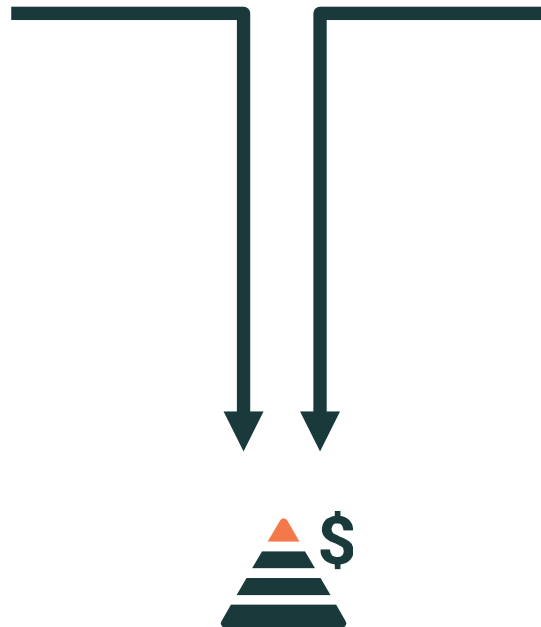
## Competitive Protection

- 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 Sustainable Growth 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
Todd Beiley, CFA	Portfolio Manager and Senior Research Analyst Sector Coverage: Financials and Information Technology	23 Years	20 Years
Jon Christensen, CFA	Portfolio Manager and Senior Research Analyst Sector Coverage: Health Care and Industrials	27 Years	21 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology and Health Care	14 Years	9 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Materials, Industrials and Utilities	21 Years	21 Years
Craig Stone	Senior Research Analyst Sector Coverage: Real Estate and Consumer Discretionary	33 Years	22 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

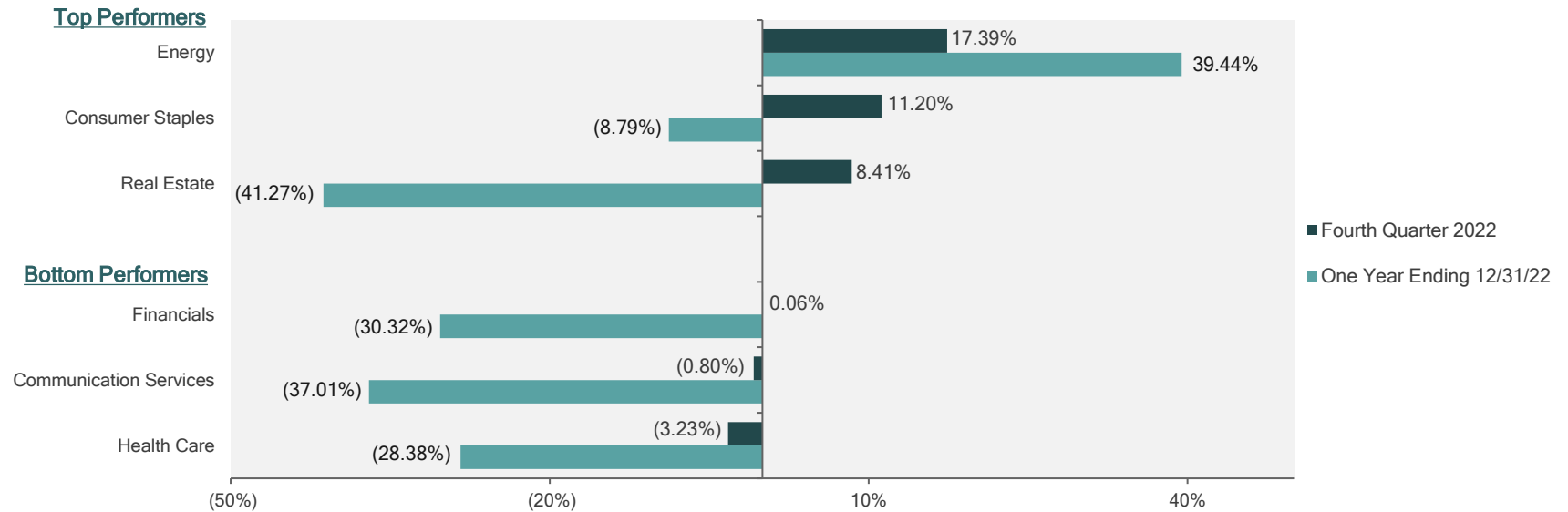
## Performance by Sector and Style



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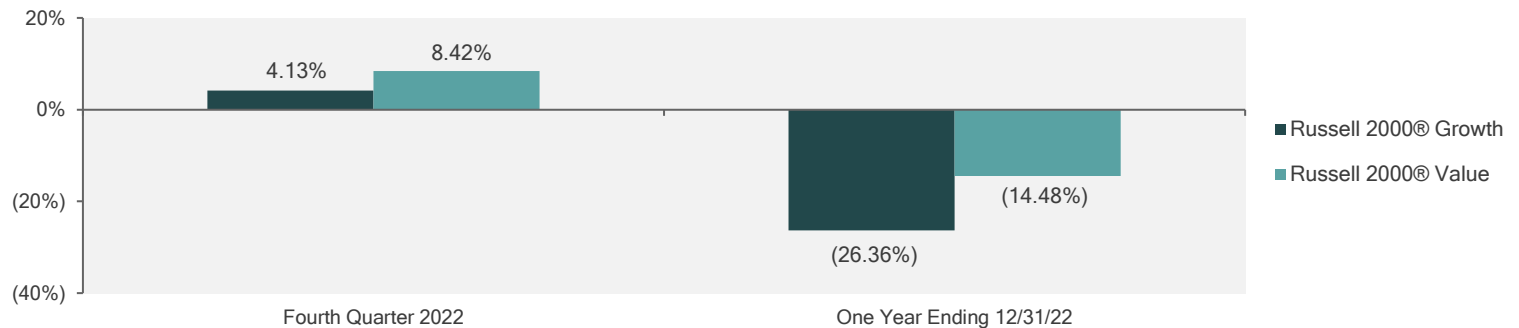
### Sector Performance

Russell 2000® Growth Index



### Performance by Style

Russell 2000® Growth Index vs. Russell 2000® Value 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

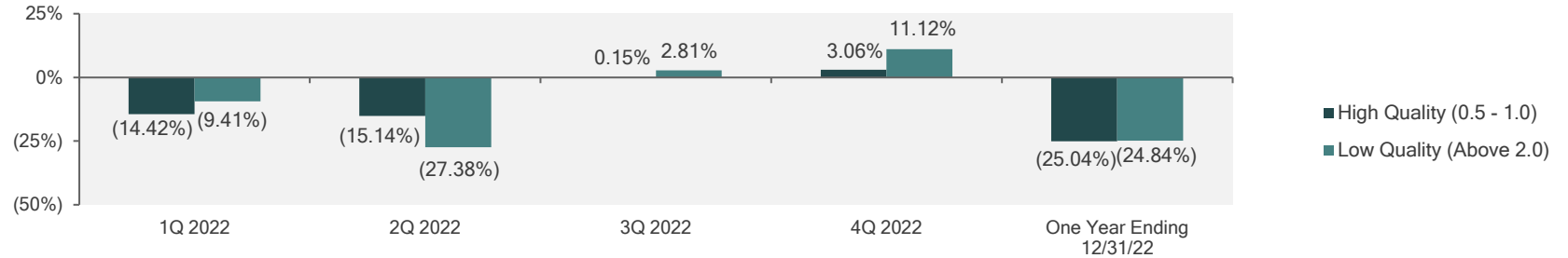
## Performance by Financial Metric



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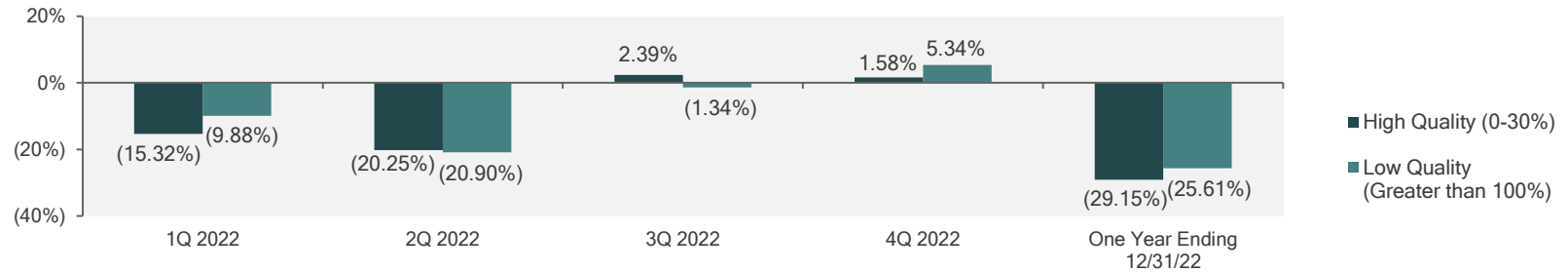
### Performance by Beta

Russell 2000® Growth Index



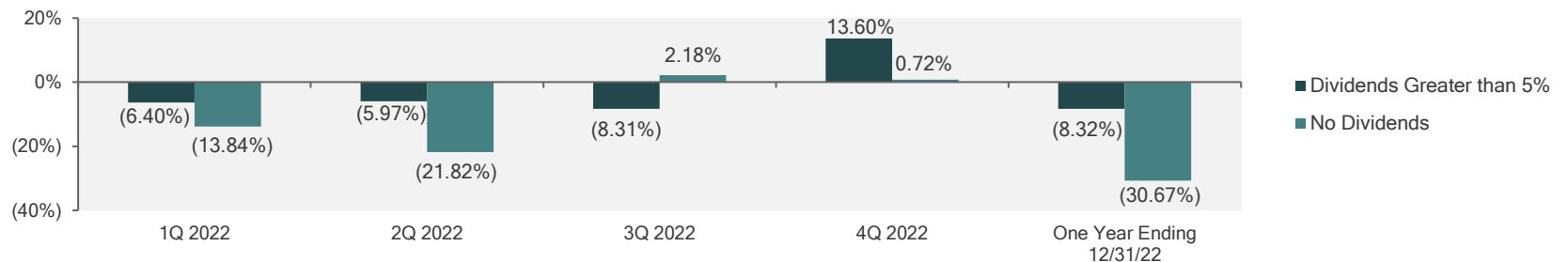
### Performance by Debt/Capital Ratio

Russell 2000® Growth Index



### Performance by Dividend Yield

Russell 2000® Growth Index



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# Quarterly Performance Overview

## Small Cap Sustainable Growth Portfolio

Periods Ending December 31, 2022



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### Monthly and Quarterly Performance

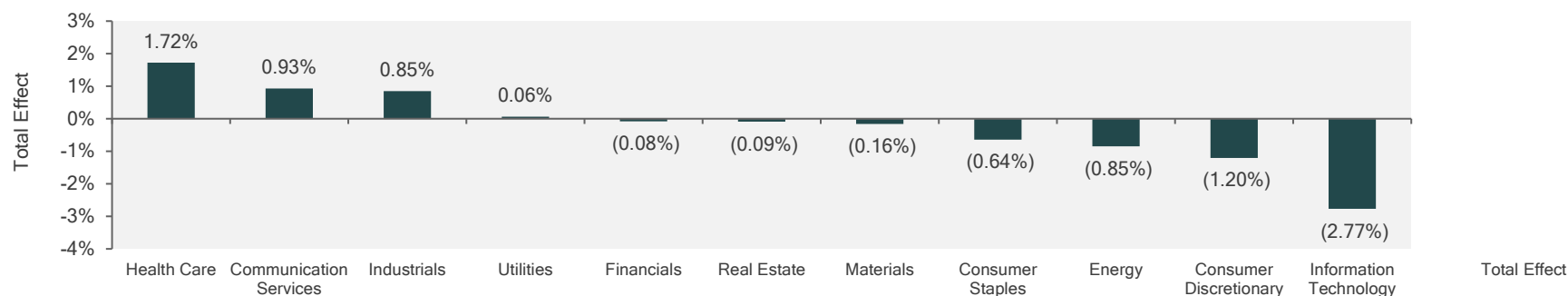
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
October	6.37	6.12	9.49	(337)
November	3.29	3.04	1.63	141
December	(7.20)	(7.45)	(6.42)	(103)
Fourth Quarter	1.96	1.20	4.13	(293)

### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)
1 Year	(29.99)	(32.12)	(26.36)
5 Years	10.11	6.87	3.51
10 Years	15.91	12.52	9.20

### Attribution by Sector

Quarter Ending December 31, 2022



	Health Care	Communication Services	Industrials	Utilities	Financials	Real Estate	Materials	Consumer Staples	Energy	Consumer Discretionary	Information Technology	Total Effect
Russell 2000® Growth Returns	(3.23%)	(0.80%)	7.29%	0.95%	0.06%	8.41%	8.05%	11.20%	17.39%	5.10%	4.91%	4.13%
KAR Returns (Gross)	3.06%	10.18%	18.45%	0.00%	3.07%	0.00%	0.00%	(7.34%)	0.00%	(2.19%)	(7.51%)	1.96%
KAR Selection Effect	0.23%	1.44%	1.08%	0.00%	0.96%	0.00%	0.00%	(0.55%)	0.00%	(1.24%)	(2.71%)	(0.80%)
KAR Allocation Effect	1.49%	(0.51%)	(0.23%)	0.06%	(1.04%)	(0.09%)	(0.16%)	(0.09%)	(0.85%)	0.04%	(0.06%)	(1.45%)

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*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 Sustainable Growth Portfolio

### Quarter Ending December 31, 2022



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Security	Contribution	Comments
AAON	+1.51%	AAON reported a quarter with strong revenue growth, record backlog, improving production rates, and profit recovery.
Fox Factory	+0.90%	Fox benefitted from the COVID pandemic as product demand grew as more consumers were introduced to the company's products. In 2022, end market demand became more uncertain. However, in the quarter, Fox's performance was satisfactory, and the stock price reacted positively. While we do not know the ultimate level of "normalized" demand, we believe the competitive position of the business remains intact.
Interactive Brokers Group	+0.66%	In the latest quarter, Interactive Brokers Group experienced continued customer account growth, while experiencing strong profit growth driven by higher interest rates, despite a decline in customer equity due to equity market declines. The company continues to grow revenue in the face of broader market volatility, which caused the stock to outperform.
MarketAxess Holdings	+0.65%	During the quarter, MarketAxess's shares in U.S. Corporate Credit returned to growth, supporting market discussions that headwinds to the company's model over the prior year were more temporary than structural. These headwinds included low credit volatility, liquidity, rising interest rates, and an inverted yield curve. The easing of these headwinds caused shares to appreciate.
Rightmove	+0.56%	Concerns regarding a slowdown in the U.K. property market caused Rightmove's shares to decline in prior quarters. Management comments in November mentioned continued expectations of a more normalized level of real estate transactions to support its agent customer base. This caused shares to recover, while the company continues to maintain its dominant share of user engagement in the U.K. property search website market.

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# Lowest Contributors

## Small Cap Sustainable Growth Portfolio

### Quarter Ending December 31, 2022



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Security	Contribution	Comments
Bill.com	(1.05%)	Bill.com reported strong organic sales growth and profit growth in the quarter, though down from the prior sequential quarter. Due to growth deceleration and an overall challenging environment for growth stocks, shares underperformed.
nCino	(0.71%)	Like many software businesses, nCino's share price was under pressure for most of 2022. In the most recent quarter, revenue grew and the company reported its first quarter of operating profit. The company also continues to grow its backlog of contracts and is winning new customers. Despite these positive developments, the stock was an underperformer due to the market's current aversion to software names and concerns an economic slowdown in 2023 will dampen demand from banks.
ServiceFirst Bancshares	(0.62%)	In the most recent quarter, ServiceFirst Bancshares reported strong loan growth and return on equity. Despite these positives, the stock was an underperformer due to concerns the bank will struggle to find low-cost deposits to fund future loan growth.
Holley	(0.52%)	Holley has continued to suffer from semiconductor chip availability, leaving the company with an inadequate supply of products. Positively, the company's product innovation pipeline remains robust, and the pricing power of the business remains intact. We continue to believe the business is favorably positioned to capitalize and deliver products to the auto enthusiast market with a strong portfolio of brands.
Olo	(0.46%)	Olo's underperformance has likely been influenced by the ongoing multiple compression in the valuation of the stock. Nonetheless, we continue to believe in the competitive position of the company.

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# Annual Performance Overview

## Small Cap Sustainable Growth Portfolio

### Periods Ending December 31, 2022



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#### Quarterly and Annual Performance

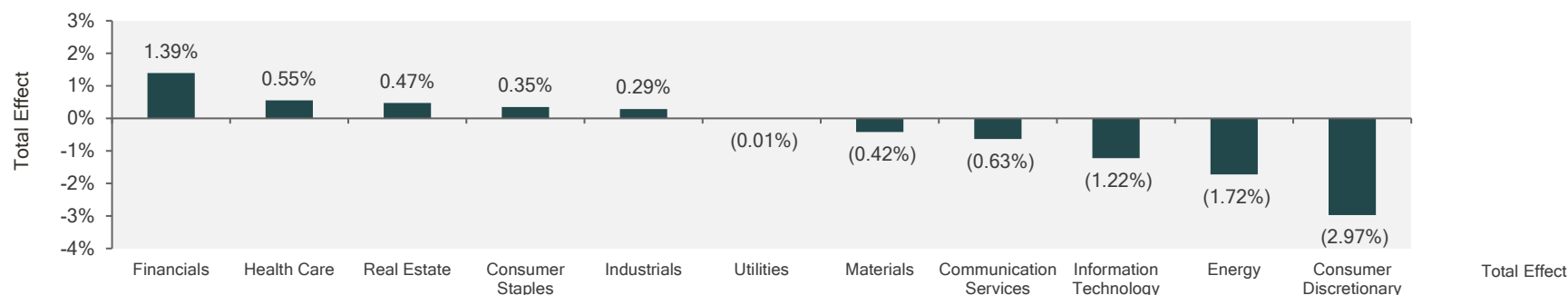
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
First Quarter 2022	(15.30)	(15.97)	(12.63)	(334)
Second Quarter 2022	(13.59)	(14.27)	(19.25)	499
Third Quarter 2022	(6.18)	(6.90)	0.24	(714)
Fourth Quarter 2022	1.96	1.20	4.13	(293)
1 Year Ending 12/31/22	(29.99)	(32.12)	(26.36)	(577)

#### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)
1 Year	(29.99)	(32.12)	(26.36)
5 Years	10.11	6.87	3.51
10 Years	15.91	12.52	9.20

#### Attribution by Sector

One Year Ending December 31, 2022



Russell 2000® Growth Returns	(30.32%)	(28.38%)	(41.27%)	(8.79%)	(19.56%)	(19.75%)	(11.98%)	(37.01%)	(34.55%)	39.44%	(31.07%)	(26.36%)
KAR Returns (Gross)	(22.00%)	(21.58%)	0.00%	(9.20%)	(10.91%)	0.00%	0.00%	(33.34%)	(38.49%)	0.00%	(47.06%)	(29.99%)
KAR Selection Effect	2.32%	0.18%	0.00%	0.34%	0.77%	0.00%	0.00%	0.69%	(0.85%)	0.00%	(3.09%)	0.34%
KAR Allocation Effect	(0.93%)	0.37%	0.47%	0.01%	(0.48%)	(0.01%)	(0.42%)	(1.32%)	(0.37%)	(1.72%)	0.12%	(4.29%)

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# Highest Contributors

## Small Cap Sustainable Growth Portfolio

### One Year Ending December 31, 2022



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Security	Contribution	Comments
Ollie's Bargain Outlet Holdings	+0.54%	Over the past year, Ollie's Bargain Outlet benefitted from the inflationary and potentially slowing economy by acquiring attractive inventory as a result of other retailers' supply chain difficulties.
Autohome	+0.44%	Autohome reported results that beat expectations despite Chinese lockdowns effecting local auto demand and global supply chain disruptions.
Ryan Specialty Holdings	+0.35%	Ryan Specialty's growth in sales and profits has been healthy, driven by rising policy rates and increasing submissions into the excess and surplus market from admitted segments.
AAON	+0.32%	Over the last twelve months, AAON had strong organic growth but saw reduced profitability on supply chain and inflationary costs. More recently, the company has made good progress working through lower-priced backlogs, resulting in profitability recovering to pre-pandemic levels in the most recent quarter.
Aspen Technology	+0.31%	Over the past year, Aspen Technology reported sustained improvement in operating results following a slowdown brought on by the pandemic. In addition, a previously announced merger closed in May. We believe the transaction outlook is positive given Aspen's strong track record of being able to optimize a software business for profitability and rationale growth.

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# Lowest Contributors

## Small Cap Sustainable Growth Portfolio

### One Year Ending December 31, 2022



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Security	Contribution	Comments
Bill.com	(5.03%)	Despite several quarters of robust organic sales growth and gross margin expansion, Bill.com's shares sold off alongside the broader software industry.
Fox Factory	(4.20%)	Compared to a heightened demand in 2021, demand for Fox Factory waned in 2022 while the business continued to fundamentally perform in a satisfactory manner. While we do not know the ultimate level of "normalized" demand, we believe the competitive position of the Fox business remains intact.
Auto Trader Group	(2.73%)	Auto Trader Group reported strong financial results with revenue and profit growth, but shares declined due to a weaker macro economic outlook and concerns about a potential softening of used car demand in the United Kingdom.
Rightmove	(2.73%)	Rightmove declined over the trailing 12-month period due to negative market sentiment towards the broader technology sector and a recent slowdown in the U.K. property market.
Duck Creek Technologies	(2.36%)	Duck Creek Technologies suffered from escalating loss inflation. In addition, an uncertain macroeconomic climate caused insurance carrier customers to hold back on making large new technology commitments.

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# Purchases

## Small Cap Sustainable Growth Portfolio Quarter Ending December 31, 2022



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Purchases	Descriptions/Reasons
MarketAxess Holdings—Increased Position	MarketAxess Holding’s growth has slowed following the entrance of a competitor into the high-grade credit market. Also, MarketAxess’s average fees have declined due to its pricing model whereby fees are influenced by changes in the shape of the yield curve and rate levels. These factors, along with an overall market decline in growth stocks, pulled down the company’s stock. We believe however that MarketAxess will retain a healthy portion of its core high-grade market by providing the lowest cost venue for institutions and has attractive long-term opportunities in other securities markets to increase electronic trading penetration. We also believe the company’s average fee will naturally fluctuate somewhat over time based on bond market conditions and that the recent pressure is not indicative of a deterioration in the company’s competitive position. Based on these considerations, we found the stock price attractive and added to our position.

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# Sales

## Small Cap Sustainable Growth Portfolio Quarter Ending December 31, 2022

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Sales	Reasons
Avalara–Sold Entire Position	Avalara agreed to be acquired by Vista Equity Partners.

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# Portfolio Characteristics

## Small Cap Sustainable Growth Portfolio

### As of December 31, 2022



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	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	19.9%	11.2%
Total Debt/EBITDA*	1.1 x	1.6 x
Earnings Variability—Past 10 Years	21.7%	81.4%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	16.6%	11.4%
Capital Generation—{ROE x (1-Payout)}	16.5%	9.7%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	49.1 x	42.2 x
Free Cash Flow Yield†	1.3%	1.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	\$7.2 B	\$3.4 B
Largest Market Cap—3-Year Average	\$22.1 B	\$12.7 B
Annualized Standard Deviation—Since Inception‡ (Net of Fees)	20.8%	25.3%

\*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.

‡January 1, 1998

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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.

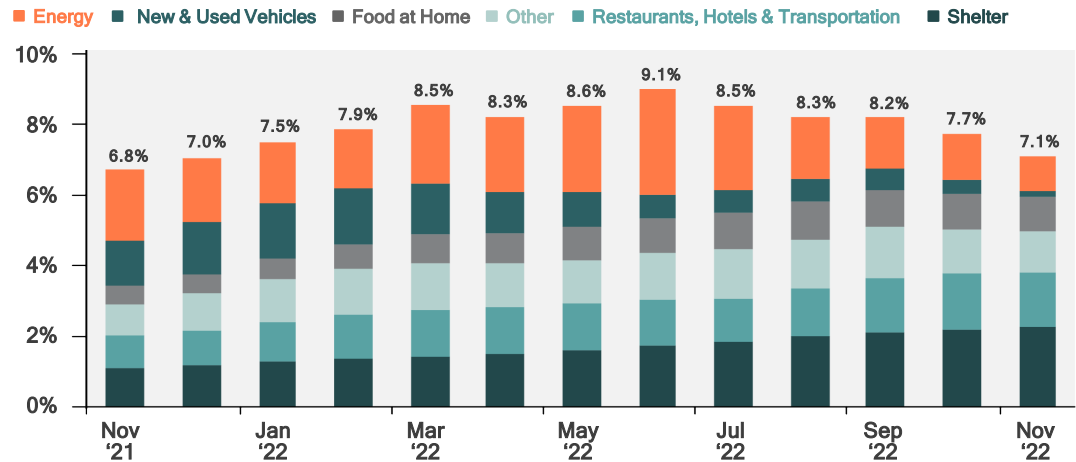


We believe the economy will continue to slow in 2023. Hawkish monetary policy in response to unacceptable levels of inflation is slowing economic growth already and threatens to engineer a hard landing in 2023.

- 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.

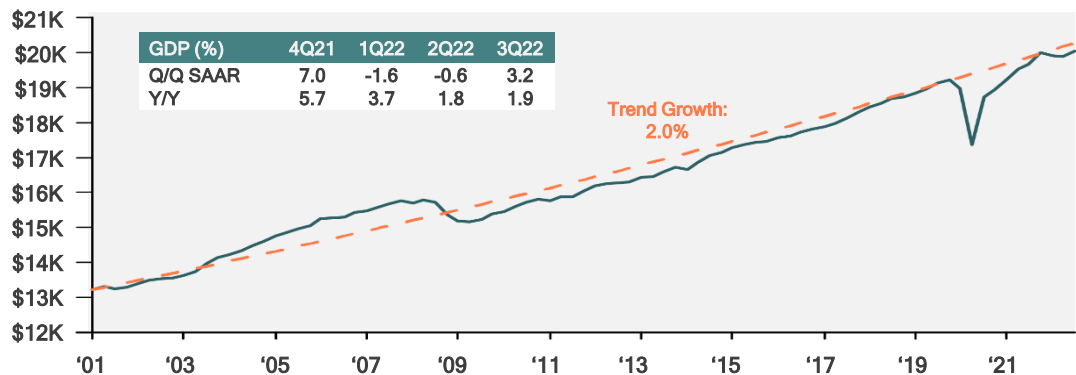
**Figure 1: Contributors to Headline Inflation**

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\*

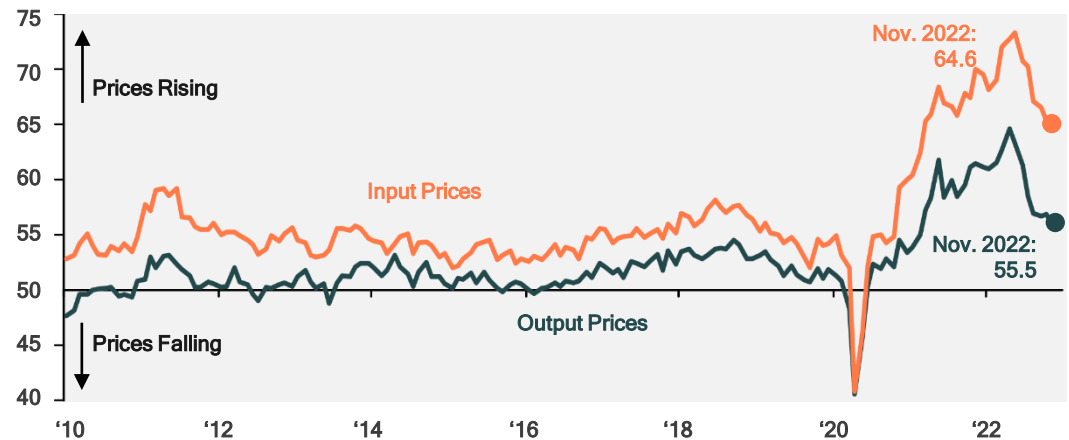
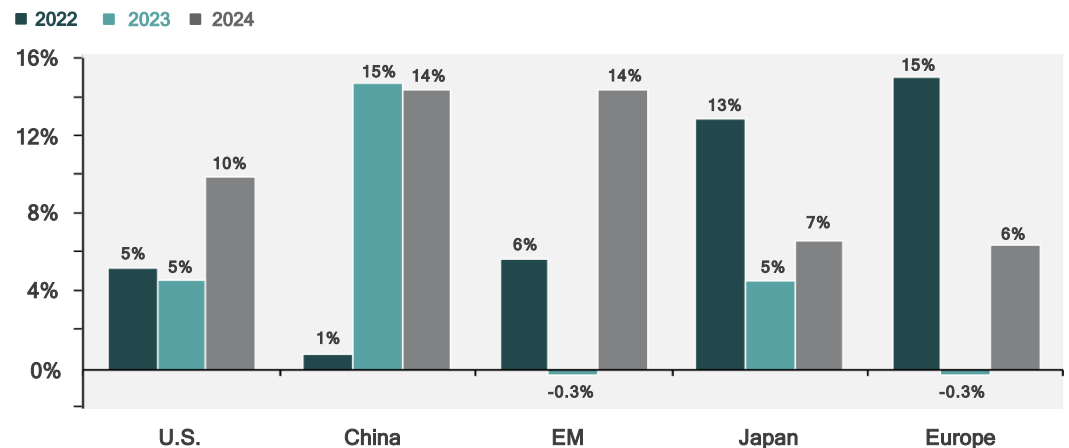


Figure 4: Global Earnings Growth  
Calendar Year Consensus Estimates



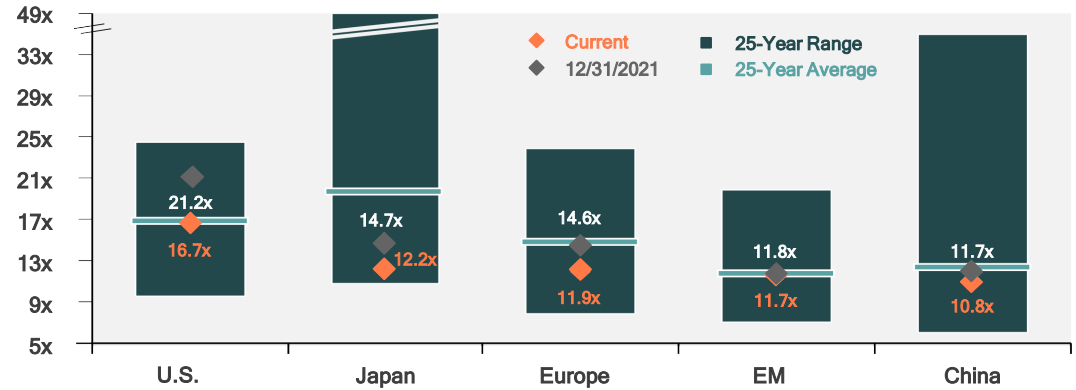
Data as of December 31, 2022. Figure 3 data is obtained from Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Figure 4 data is obtained from FactSet, MSCI, Standard & Poor's, Thomson Reuters and J.P. Morgan Asset Management and is assumed to be reliable. \*Participants 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.

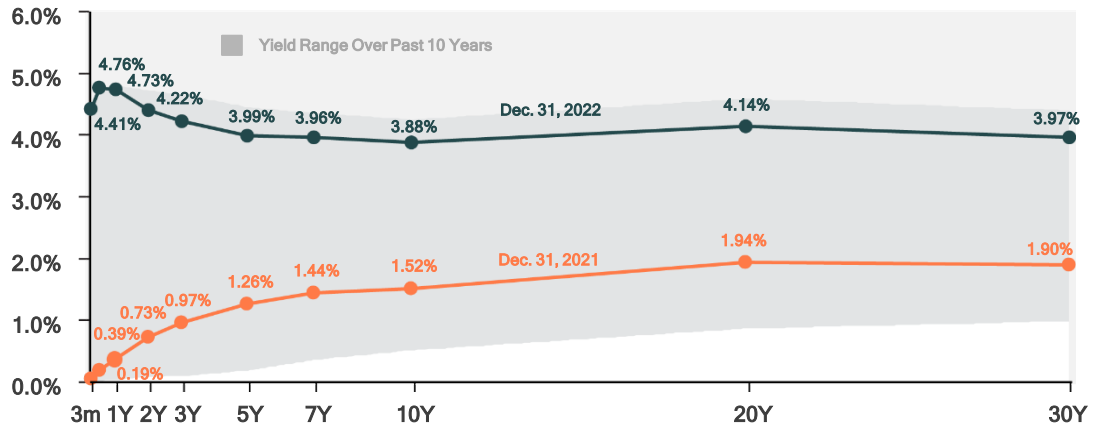
**Figure 5: Global Valuations**

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

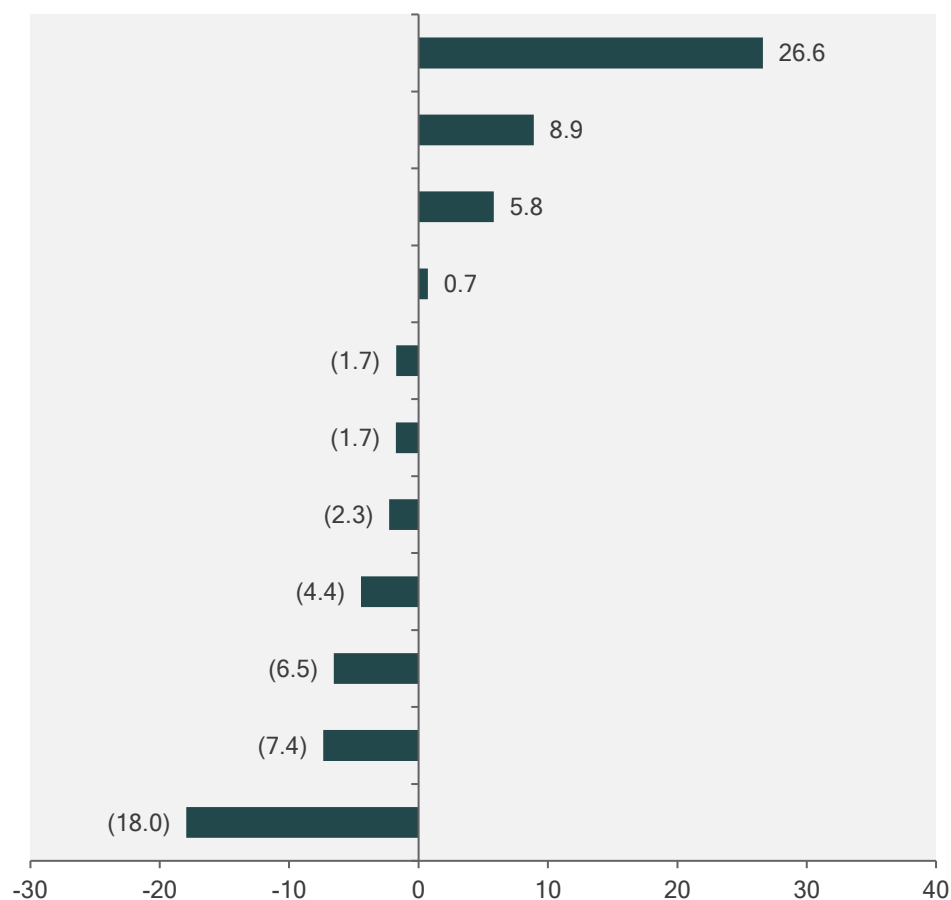
Small Cap Sustainable Growth Portfolio  
As of December 31, 2022



Kayne Anderson Rudnick  
Investment Management

Sectors	KAR Small Cap Sustainable Growth (%)	Russell 2000® Growth Index (%)
Financials	32.3	5.7
Communication Services	11.2	2.3
Consumer Discretionary	16.6	10.8
Information Technology	20.5	19.8
Utilities	—	1.7
Consumer Staples	2.8	4.5
Real Estate	—	2.3
Materials	—	4.4
Industrials	11.3	17.8
Energy	—	7.4
Health Care	5.3	23.2

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 Sustainable Growth Portfolio

### As of December 31, 2022



Kayne Anderson Rudnick  
Investment Management

Top 10 Holdings	GICS Sector	% of Portfolio
Ryan Specialty	Financials	9.0
Fox Factory	Consumer Discretionary	7.6
AAON	Industrials	5.5
Auto Trader	Communication Services	5.2
Interactive Brokers	Financials	5.2
Bill.com	Information Technology	5.0
Rightmove	Communication Services	4.7
Morningstar	Financials	4.5
ServisFirst Bancshares	Financials	4.4
MarketAxess Holdings	Financials	3.8
<b>Total</b>		<b>54.9</b>

Research confidence leads to large active weights

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
# of Holdings	32	1,109
Average Position Size (%)	3.1	0.1
Weight of Top Ten Holdings (%)	54.9	5.8
Active Share (%)	97.8	—

The strategy benefits from diversification while still taking significant active positions

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# Returns

## Small Cap Sustainable Growth Portfolio



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### Annualized Performance

Periods Ending 12/31/22	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
Fourth Quarter	1.96	1.20	4.13	(293)
1 Year	(29.99)	(32.12)	(26.36)	(577)
3 Years	1.03	(1.96)	0.65	(261)
5 Years	10.11	6.87	3.51	337
7 Years	16.46	13.05	7.09	596
10 Years	15.91	12.52	9.20	331
Since Inception*	10.74	7.49	6.07	142

\*January 1, 1998

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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. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market 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.

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
2022	(29.99)	(32.12)	(26.36)	(577)
2021	5.69	2.58	2.83	(26)
2020	39.37	35.35	34.63	72
2019	39.46	35.45	28.48	696
2018	12.53	9.23	(9.31)	1,854
2017	41.79	37.72	22.17	1,555
2016	26.59	22.92	11.32	1,160
2015	1.91	(1.11)	(1.38)	27
2014	5.16	2.06	5.60	(354)
2013	40.55	36.50	43.30	(680)
2012	12.38	9.08	14.59	(550)
2011	18.59	15.13	(2.91)	1,803
2010	15.44	12.06	29.09	(1,703)
2009	39.32	35.50	34.47	103
2008	(33.73)	(35.92)	(38.54)	262
2007	(0.61)	(3.56)	7.05	(1,061)
2006	15.47	12.16	13.35	(118)
2005	2.71	(0.32)	4.15	(447)
2004	13.42	10.15	14.31	(416)
2003	39.90	36.06	48.54	(1,249)
2002	(23.82)	(26.25)	(30.26)	401
2001	0.48	(2.56)	(9.23)	667
2000	6.28	3.17	(22.43)	2,560
1999	31.19	27.54	43.09	(1,555)
1998	3.33	0.27	1.23	(96)

# Risk-Return Analysis

## Small Cap Sustainable Growth Portfolio

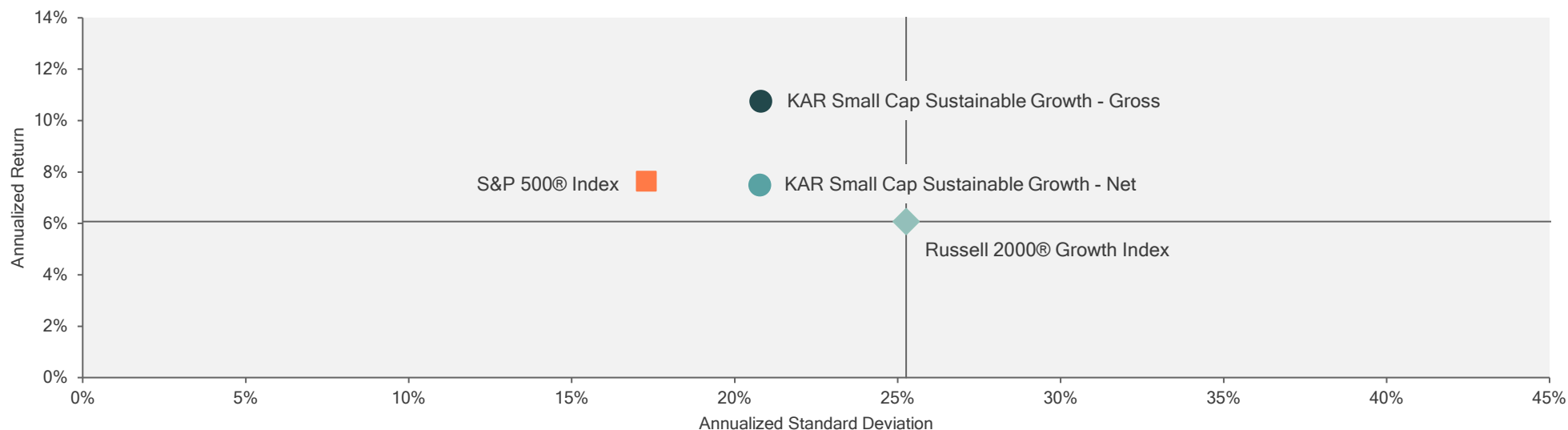
### Inception\* to December 31, 2022



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### 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 Sustainable Growth - Gross	5.37	0.43	20.81	15.26	0.74	11.39
KAR Small Cap Sustainable Growth - Net	2.26	0.27	20.77	15.23	0.74	11.39
Russell 2000® Growth Index	0.00	0.17	25.26	18.43	1.00	0.00

\*January 1, 1998

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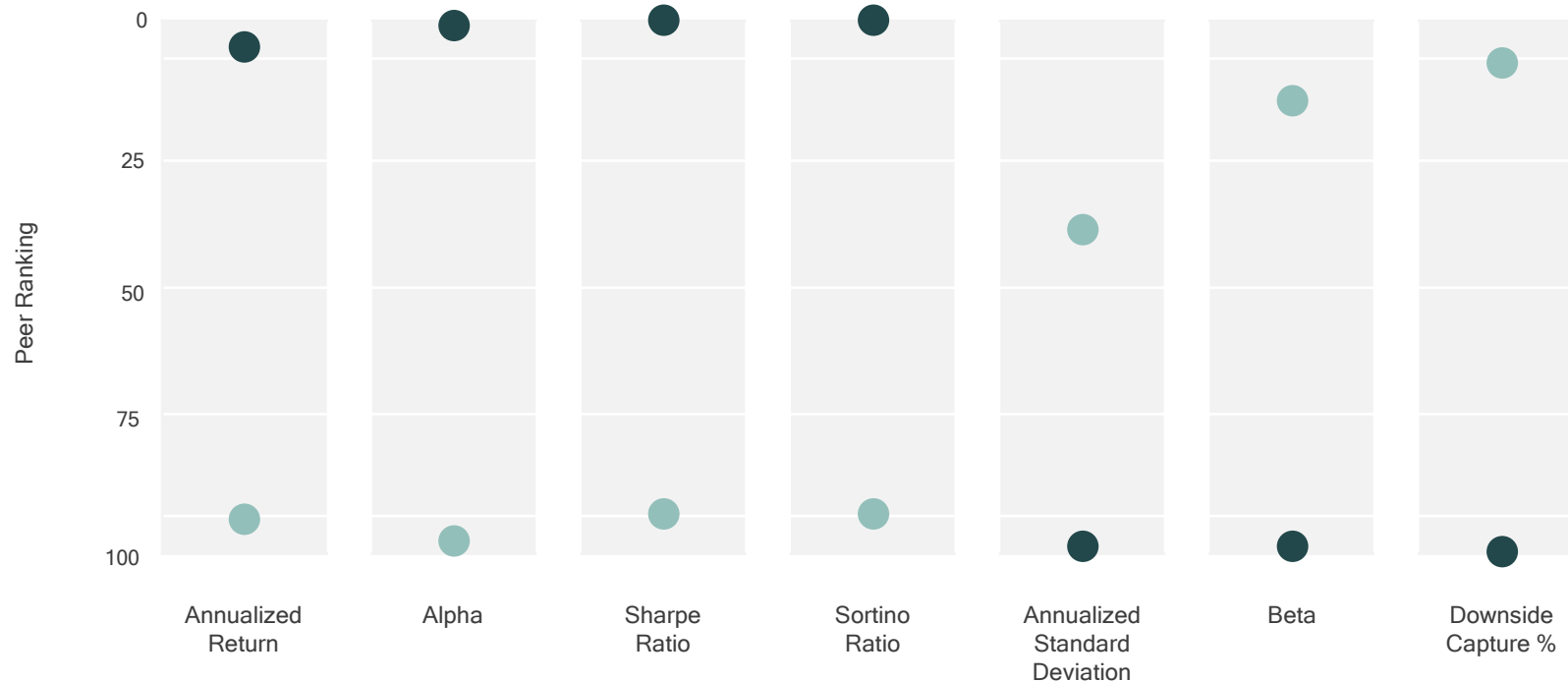
# Peer Comparison

## Small Cap Sustainable Growth Portfolio

### Ten Years Ending December 31, 2022



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*The eVestment Small Cap Growth Universe includes 135 managers categorized in the small cap growth asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small Cap Growth Universe or for the ranking itself. KAR does pay fees for the use of certain products and services provided by eVestment. eVestment rankings are based on gross of fee returns. Gross of fee returns will be reduced by investment managements fees and other expenses that may be incurred in the management of the account. Management fees are described in KAR's Form ADV Part 2A, which is available upon request and can also be found at <https://kayne.com/wp-content/uploads/ADV-Part-2A.pdf>. Returns could be reduced or losses incurred due to currency fluctuations. **Past performance is no guarantee of future results.***

# Disclosure

## Small Cap Sustainable Growth Portfolio



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Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell 2000® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2012	12.38	9.08	14.59	15.36	21.01	32	0.98	31	6,545
2013	40.55	36.50	43.30	11.96	17.52	26	0.58	23	7,841
2014	5.16	2.06	5.60	11.97	14.02	23	0.30	20	7,989
2015	1.91	(1.11)	(1.38)	13.80	15.16	24	0.25	36	8,095
2016	26.59	22.92	11.32	14.67	16.91	24	0.38	53	9,989
2017	41.79	37.72	22.17	12.94	14.80	26	0.41	119	14,609
2018	12.53	9.23	(9.31)	14.68	16.69	48	0.52	269	17,840
2019	39.46	35.45	28.48	15.20	16.60	81	0.26	370	25,685
2020	39.37	35.35	34.63	20.75	25.46	89	0.52	532	39,582
2021	5.69	2.58	2.83	18.36	23.40	95	0.21	552	47,269

\*Pure gross returns are supplemental to net returns.

The Russell 2000® Growth 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 Sustainable Growth 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Kayne Anderson Rudnick Investment Management, LLC ("KAR"), a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. KAR manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary Small Cap Sustainable Growth Wrap Portfolios. Small Cap Sustainable Growth Wrap Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® Growth 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® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-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 January 1998. 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 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.