



Kayne Anderson Rudnick  
Investment Management

A VIRTUS INVESTMENT PARTNER

Small-Mid Cap Core Portfolio  
Managed Accounts  
First Quarter 2024 Review

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

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# Firm Overview

As of March 31, 2024



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	\$65.3 billion*
Number of Equity Investment Professionals	22
Average Investment Experience	16 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 2500™ 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-Mid Cap Core Team



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Portfolio Manager/Analysts	Responsibility	Research Start Date	KAR Start Date
Jon Christensen, CFA	Portfolio Manager and Senior Research Analyst Sector Coverage: Health Care and Industrials	1995	2001
Julie Kutasov	Portfolio Manager and Senior Research Analyst Sector Coverage: Materials, Industrials and Utilities	2001	2001
Craig Stone	Portfolio Manager and Senior Research Analyst Sector Coverage: Real Estate and Consumer Staples	1990	2000
Todd Beiley, CFA	Senior Research Analyst Sector Coverage: Financials (Insurance Industry) and Information Technology	1999	2002
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology and Health Care	2004	2013
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Financials, Information Technology, Energy and Industrials	2012	2012
Adam Xiao, CFA	Senior Research Analyst Sector Coverage: Financials, Consumer Discretionary, Information Technology and Industrials	2013	2018
Tyler Cantarano	Research Analyst Sector Coverage: Information Technology, Consumer Discretionary and Communication Services	2017	2024
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Industrials	2008	2018
Luke Longinotti, CFA	ESG Research Analyst	2020	2023
Arthur Su, CFA	Research Analyst Sector Coverage: Information Technology and Industrials	2015	2022
Clarissa Ali	Associate Research Analyst	2023	2018

Client Services	Responsibility	Industry Start Date	KAR Start Date
Jason Pomatto	Managing Director - Senior Client Portfolio Manager	1994	2021
Ben Falcone, CFA	Managing Director - Client Portfolio Manager	1996	2023
James May, CFA	Managing Director - Client Portfolio Manager	1989	2019
Ben Corser	Portfolio Specialist	2006	2018

# Market Review

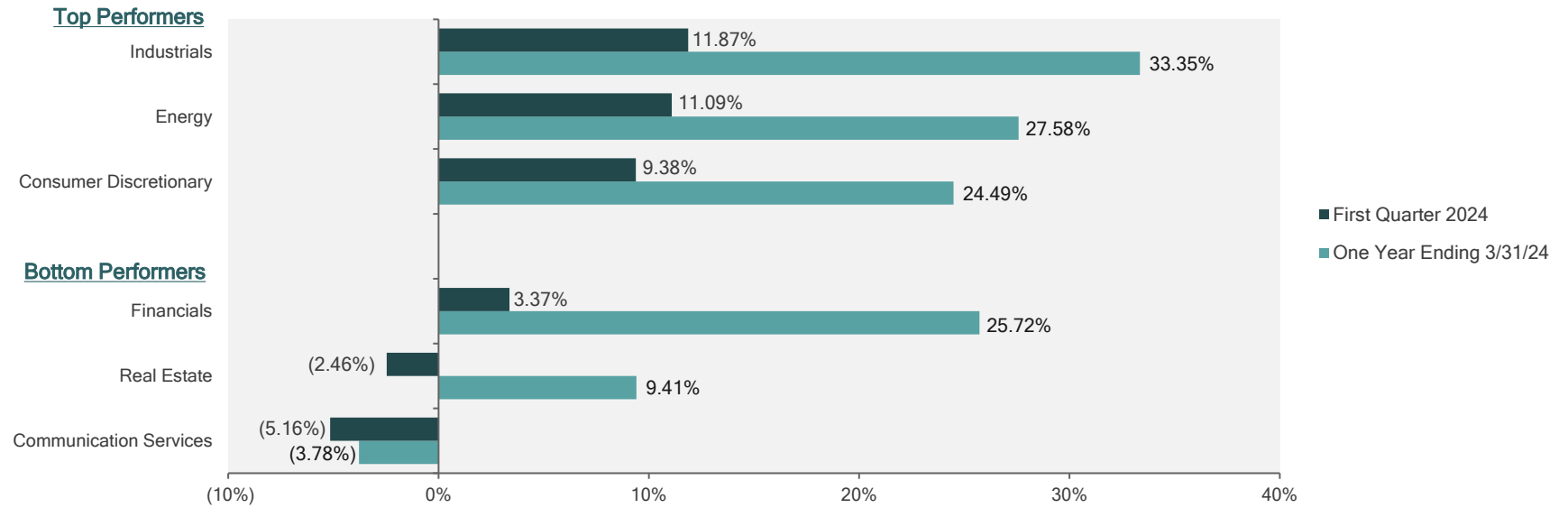
## Performance by Sector and Style



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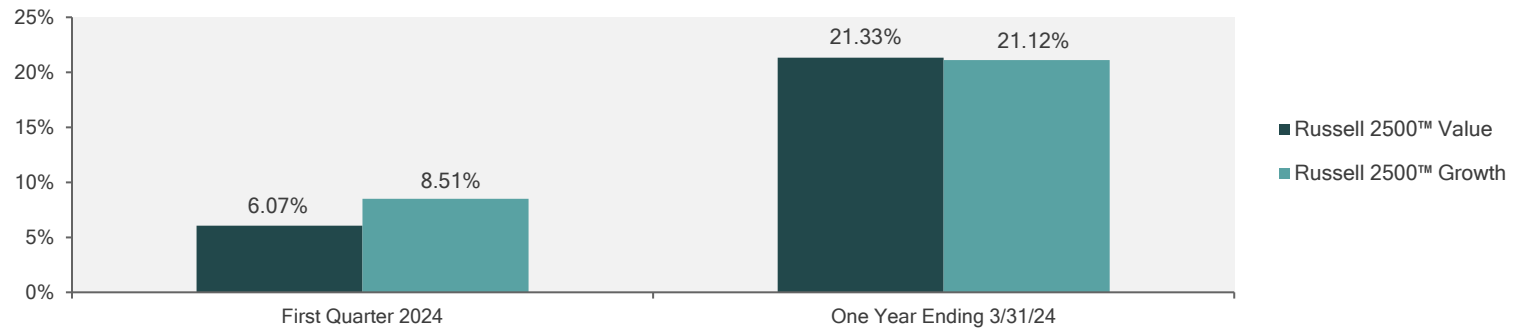
### Sector Performance

Russell 2500™ Index



### Performance by Style

Russell 2500™ Value Index vs. Russell 2500™ Growth Index



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

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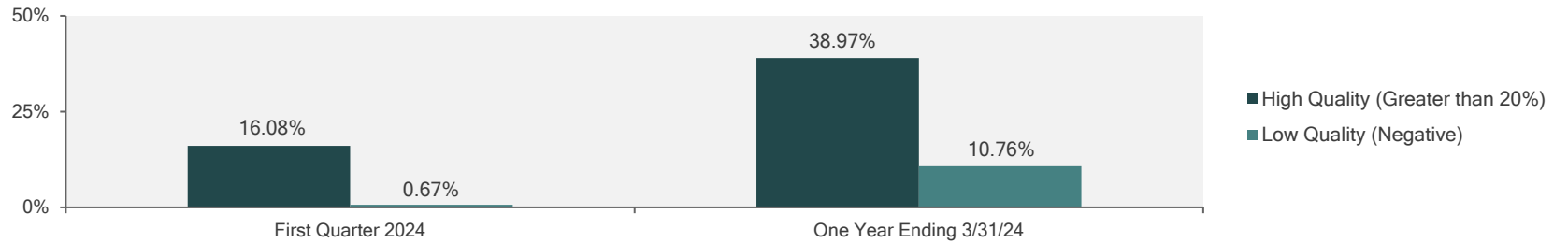
# Market Review

## Performance by Financial Metric

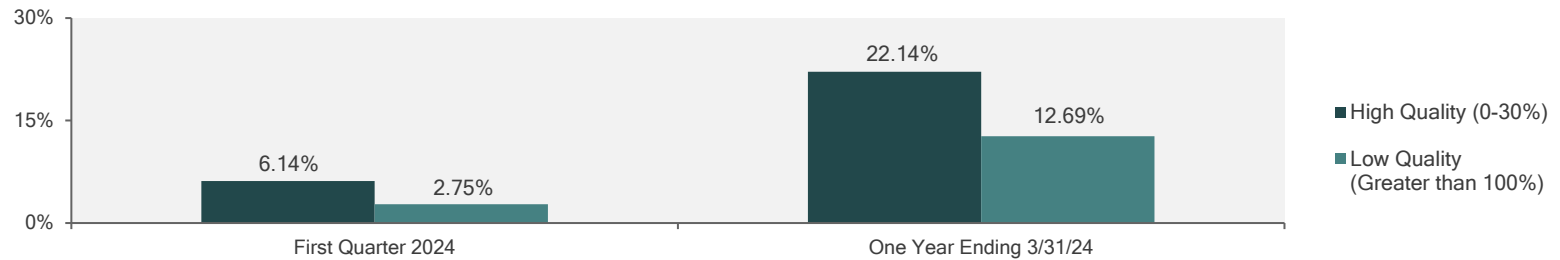


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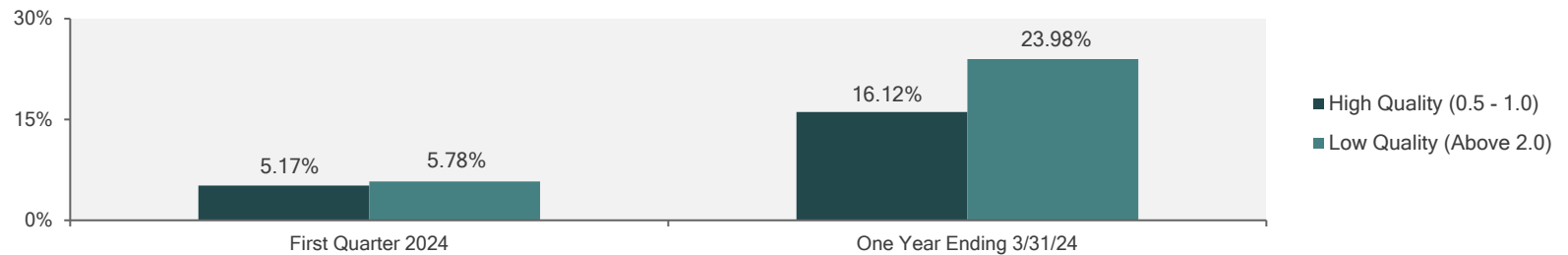
### Performance by Return on Equity Russell 2500™ Index



### Performance by Debt/Capital Ratio Russell 2500™ Index



### Performance by Beta Russell 2500™ Index



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# Quarterly Performance Overview

Small-Mid Cap Core Portfolio  
Periods Ending March 31, 2024



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## Monthly and Quarterly Performance

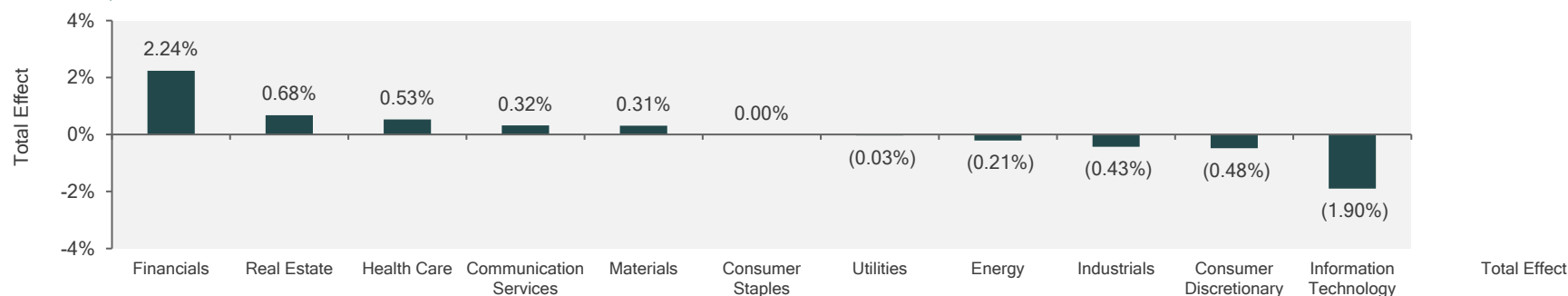
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
January	(2.62)	(2.87)	(2.62)	(26)
February	6.89	6.64	5.44	120
March	3.38	3.13	4.13	(100)
First Quarter	7.60	6.81	6.92	(11)

## Annualized Performance

Periods Ending 3/31/24	Gross (%)	Net (%)	Index (%)
1 Year	23.28	19.69	21.43
5 Years	15.43	12.05	9.90
10 Years	14.00	10.66	8.84

## Attribution by Sector

Quarter Ending March 31, 2024



KAR Selection Effect	2.16%	0.00%	0.53%	0.00%	0.25%	0.06%	0.00%	0.00%	(0.91%)	(0.63%)	(2.19%)	(0.73%)
KAR Allocation Effect	0.08%	0.68%	0.00%	0.32%	0.06%	(0.05%)	(0.03%)	(0.21%)	0.48%	0.15%	0.29%	1.77%

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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 final. 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. Past performance is no guarantee of future results. Returns could be reduced, or losses incurred, due to currency fluctuations.*



# Highest Contributors

## Small-Mid Cap Core Portfolio

### Quarter Ending March 31, 2024



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Security	Contribution	Comments
Saia	+1.03%	Saia's shares performed strongly after the company reported better-than-expected operating results and positive commentary about increases in shipment volumes and margin improvement in the coming year. The recent bankruptcy of a competitor also was a positive catalyst.
Interactive Brokers Group	+0.94%	Interactive Brokers Group reported continued growth in revenues and profits, as well as growth in customer accounts and customer equity. This strong fundamental business performance caused shares to appreciate.
W. R. Berkley	+0.93%	We believe a hard insurance cycle and past underwriting discipline is propelling healthy growth and profitability at W.R. Berkley.
LPL Financial	+0.64%	LPL Financial reported organic advisor and profit growth. The company earns high-margin net interest on client cash balances, and these cash balances stabilized after previously falling as a percentage of client assets.
Charles River Laboratories International	+0.55%	Charles River reported strong earnings to end the year, helped by demand for its Non-Human Primates (NHP). The supply of NHPs was enhanced by an acquisition of a high-quality breeder. While Safety Assessment continues to be strong, discovery is softer, thanks to more cautious spending on research and development.

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# Lowest Contributors

## Small-Mid Cap Core Portfolio

### Quarter Ending March 31, 2024



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Security	Contribution	Comments
ANSYS	(0.32%)	At the start of the 2024, ANSYS entered into a definitive agreement to be acquired. While the deal awaits approval, shares have been rangebound near the offer price. For the quarter, the company reported healthy growth in annual contract value with operating income ahead of street and management expectations. The company did not hold an earnings call or update guidance.
Aspen Technology	(0.18%)	Aspen Technology's shares underperformed after the company reported lower-than-expected operating results. We believe investors are concerned that the company may not achieve its full-year financial outlook.
Exponent	(0.16%)	Exponent's shares underperformed in the quarter due to further weakness in consumer electronics and postponements of projects in other areas such as chemicals litigation due to client budget sensitivities leading to disappointing financial guidance for the following year. In addition, expense normalization is expected to pressure profitability.
Teledyne Technologies	(0.13%)	Teledyne Technologies' shares fell in the quarter despite seeing solid revenue growth across segments as margins continued to be impacted by supply chain issues.
Dolby Laboratories	(0.10%)	Dolby Laboratories' shares underperformed in the quarter due to continued weakness in consumer electronics spending impacting demand for its fundamental technologies as well as the penetration rate of Dolby Atmos, Vision, and other new technologies.

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# Annual Performance Overview

## Small-Mid Cap Core Portfolio

### Periods Ending March 31, 2024



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#### Quarterly and Annual Performance

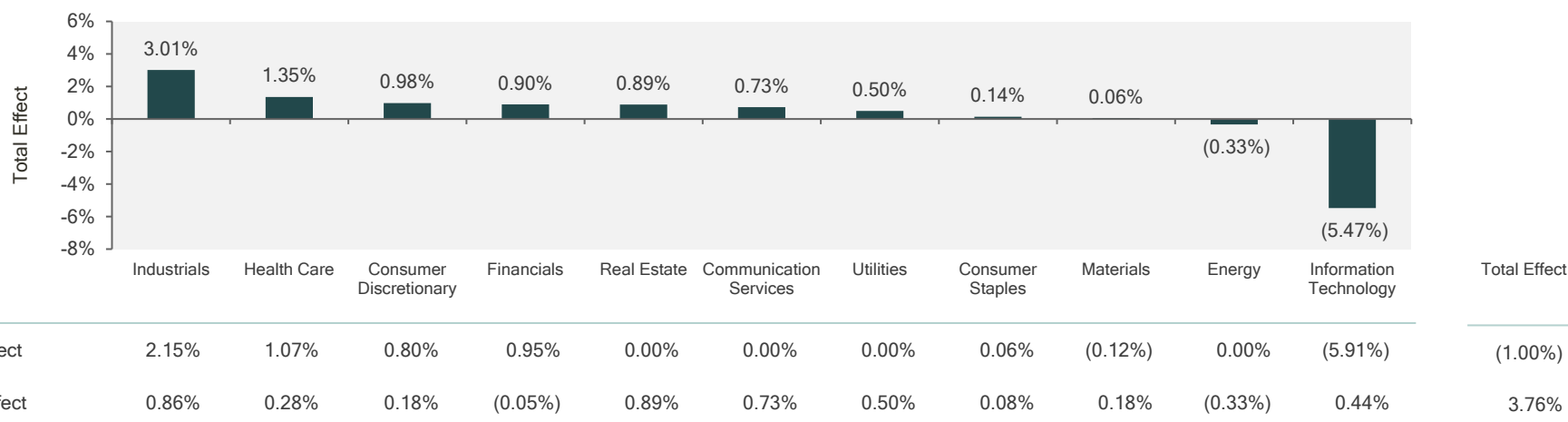
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
Second Quarter 2023	6.62	5.84	5.22	61
Third Quarter 2023	(4.25)	(4.97)	(4.78)	(19)
Fourth Quarter 2023	12.23	11.42	13.35	(193)
First Quarter 2024	7.60	6.81	6.92	(11)
1 Year Ending 3/31/24	23.28	19.69	21.43	(174)

#### Annualized Performance

Periods Ending 3/31/24	Gross (%)	Net (%)	Index (%)
1 Year	23.28	19.69	21.43
5 Years	15.43	12.05	9.90
10 Years	14.00	10.66	8.84

#### Attribution by Sector

One Year Ending March 31, 2024



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# Highest Contributors

## Small-Mid Cap Core Portfolio

### One Year Ending March 31, 2024



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Security	Contribution	Comments
Lennox International	+3.06%	Over the last twelve months, Lennox International's shares continued to outperform on multiple quarters of recovery in growth and profitability in its commercial HVAC business, which offset softer dynamics in the residential HVAC market. With what we believe to be timely progress from the new management's turnaround strategy, the company raised its long-term financial outlook reflecting further improvements in execution and industry fundamentals.
Saia	+2.39%	Saia's shares appreciated over the past year as the company continued to report impressive operating results despite a weak trucking environment. More recently, the bankruptcy of a competitor helped Saia's business.
Fair Isaac	+1.80%	Over the last twelve months, Fair Isaac continued to leverage its strong pricing power in its high margin Scores business to drive growth despite a depressed loan origination market. In addition, the company generated solid growth in its Software business with its land-and-expand strategy on strong receptivity from mostly existing customers around new solutions despite a weaker IT spending environment.
Thor Industries	+1.78%	Thor Industries continues to feel the effects of the downdraft in industry-wide RV sales. However, the business continues to operate largely as an assembler and not a vertical manufacturer, which we believe helps the business continue to generate free cash flow, even as RV sales decline. Also, the business's valuation multiple expansion has aided the performance of the stock.
W. R. Berkley	+1.56%	We believe a hard insurance cycle and past underwriting discipline is propelling healthy growth and profitability at W.R. Berkley.

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# Lowest Contributors

## Small-Mid Cap Core Portfolio

### One Year Ending March 31, 2024



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Security	Contribution	Comments
Exponent	(0.73%)	Over the last twelve months, Exponent's shares underperformed primarily due to increasing weakness in consulting work related to consumer electronics and postponements of other projects due to client budget sensitivities. In addition, lower technical full-time equivalent utilization, and higher operating expenses on return-to-work pressured earnings growth over the last twelve months.
Aspen Technology	(0.68%)	Aspen Technology experienced integration challenges recently and the soft macro-economic environment has tempered the company's operating results. While management is optimistic about 2024 business performance, investors remain skeptical.
Zebra Technologies	(0.46%)	Zebra Technologies' shares underperformed over the last twelve months as major e-commerce/retail and logistics customers digested significant capital expenditure investments made during the pandemic and extended the useful life of existing assets. Distributor inventory normalization on weaker sell-through further exacerbated the decline in topline performance and profitability.
Teledyne Technologies	(0.25%)	Teledyne Technologies' shares fell in the last 12 months despite seeing solid revenue growth across its segments due to margins still being impacted by supply chain issues.
ANSYS	(0.05%)	At the start of 2024, ANSYS entered into a definitive agreement to be acquired. While the deal awaits approval, shares have been rangebound near the offer price. For the quarter, the company reported healthy growth in annual contract value with operating income ahead of street and management expectations. The company did not hold an earnings call or update guidance.

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# Purchases

Small-Mid Cap Core Portfolio  
Quarter Ending March 31, 2024

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- There were no purchases in the 1<sup>st</sup> quarter of 2024.

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# Sales

Small-Mid Cap Core Portfolio  
Quarter Ending March 31, 2024



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Sales	Reasons
ANSYS–Trimmed Position	We trimmed our position in ANSYS to help fund a new position in the portfolio.
Exponent–Trimmed Position	We trimmed our position in Exponent due to internal ownership limits in the company.

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# Portfolio Characteristics

## Small-Mid Cap Core Portfolio

### As of March 31, 2024



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	KAR Small-Mid Cap Core	Russell 2500™ Index
<b>Quality</b>		
Return on Equity—Past 5 Years	<b>24.3%</b>	13.6%
Debt/EBITDA*	<b>1.6 x</b>	2.1 x
Earnings Variability—Past 10 Years	<b>41.1%</b>	75.5%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	<b>14.3%</b>	14.2%
Earnings Per Share Growth—Past 10 Years	<b>13.5%</b>	10.8%
Dividend Per Share Growth—Past 5 Years	<b>7.6%</b>	7.3%
Dividend Per Share Growth—Past 10 Years	<b>11.1%</b>	7.6%
Capital Generation—{ROE x (1-Payout)}	<b>19.5%</b>	10.7%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	<b>37.6 x</b>	32.8 x
Dividend Yield	<b>0.7%</b>	1.4%
Free Cash Flow Yield†	<b>3.2%</b>	3.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	<b>\$14.7 B</b>	\$6.7 B
Largest Market Cap—3-Year Average	<b>\$36.1 B</b>	\$28.1 B
Annualized Standard Deviation—Since Inception‡ (Net of Fees)	<b>16.2%</b>	19.7%

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 Debt/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. Debt/EBITDA utilizes net debt for the calculation.

†Free cash flow data is as of December 31, 2023. Prices are as of March 31, 2024. Excludes financials.

‡April 1, 1992

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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.





# Market Commentary

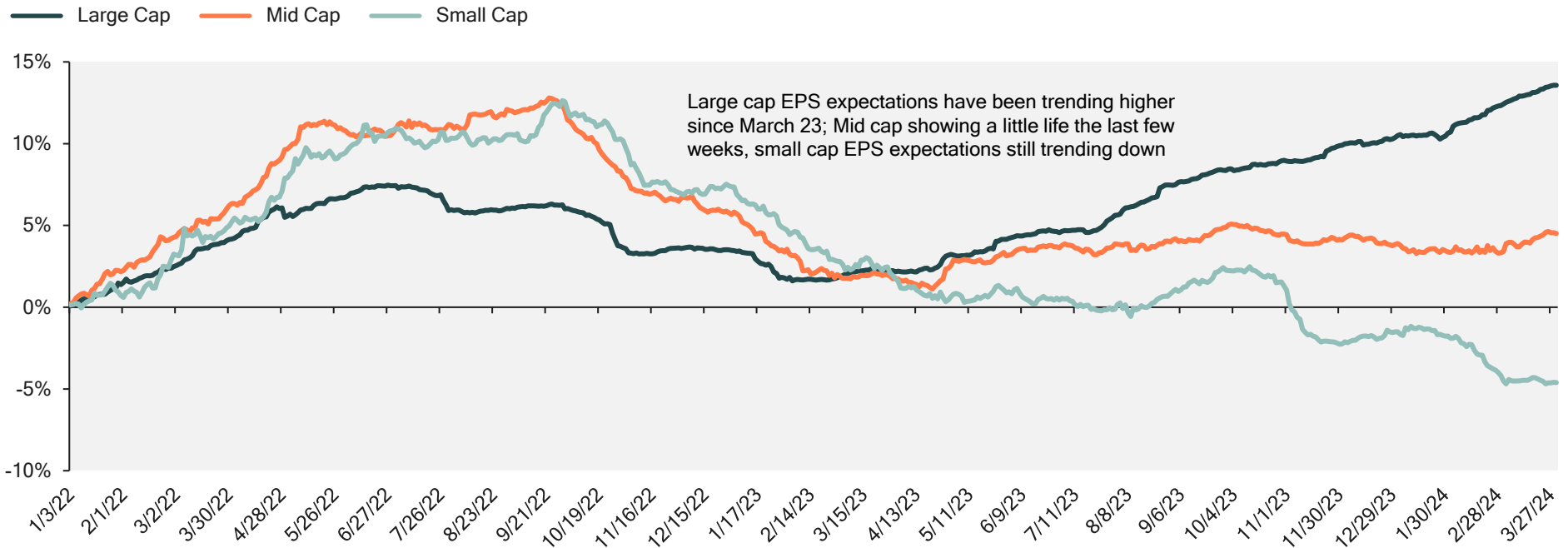
## We Believe the Narrowness of the Market Makes Sense



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- The major driver of equity market performance has been the Magnificent 7 technology stocks that have been direct beneficiaries of the recent advances in AI.
- We don't believe this rally is wholly unjustified as investors are simply going where the earnings are growing.
- Earnings expectations for large-caps are well ahead of mid and small-cap stocks which has translated directly to valuations.

### Consensus Earnings Per Share (Next 12 Months) Indexed to December 31, 2021



Data as of March 27, 2024. Data is obtained from Factset and Raymond James and is assumed to be reliable. The information provided in this chart is for illustrative purposes only. The indices presented above are not actively managed and do not reflect the deduction of any investment management or other fees and expenses. Indices are not available for direct investment. **Past performance is no guarantee of future results.**

# Market Commentary

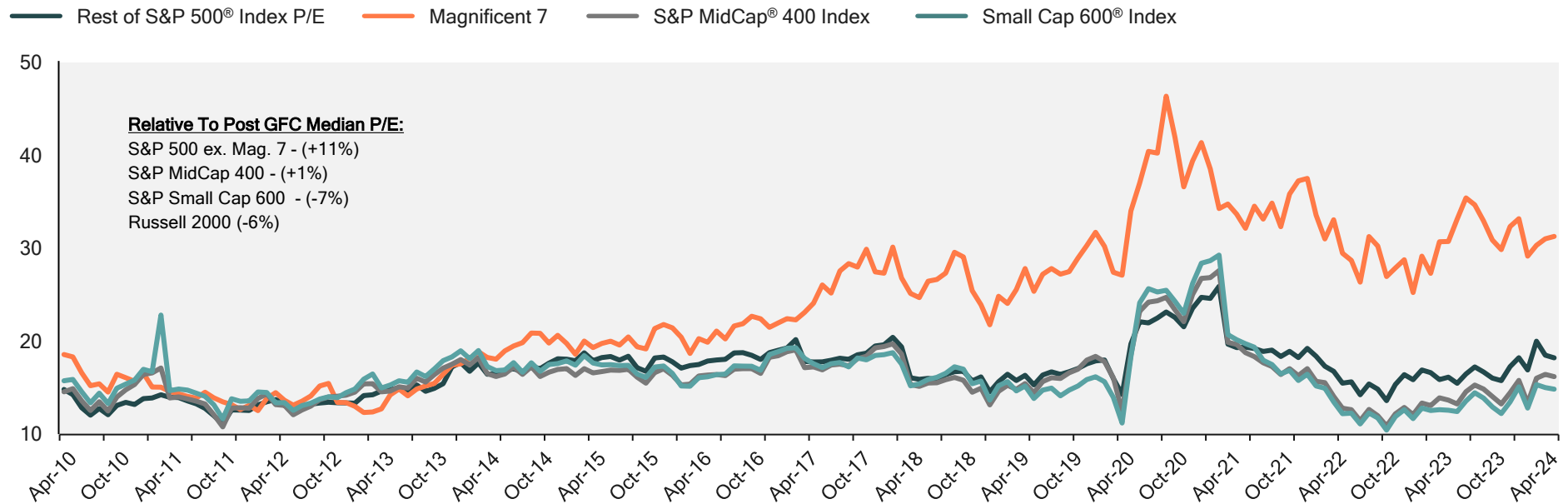
## We Expect Small-Cap Valuations to Remain Pressured



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- Much has been made of the gap in valuations for small caps relative to large. That gap has narrowed a bit, but it's not because the stocks had a material rally, but rather a more modest increase in prices and a decline in earnings expectations for small capitalization companies.
- Until earnings growth materializes for these smaller companies, we believe stock performance could continue to lag.
- We believe that this is an asset class best served by active management, as 42% of the index has negative earnings.

### P/E of Magnificent 7 Tech Stocks vs. Rest of S&P 500® Index, Mid, and Small Cap Indices GAAP, Current Year



Data as of March 31, 2024. Data is obtained from the Factset and Raymond James and is assumed to be reliable. The Magnificent 7 stocks include Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. The Russell 2000 Index excludes companies with negative earnings. The information provided in this chart is for illustrative purposes only. The indices presented above are not actively managed and do not reflect the deduction of any investment management or other fees and expenses. Indices are not available for direct investment. **Past performance is no guarantee of future results.**

# Market Commentary

## We Expect More Fundamentals to Drive Equity Performance Going Forward

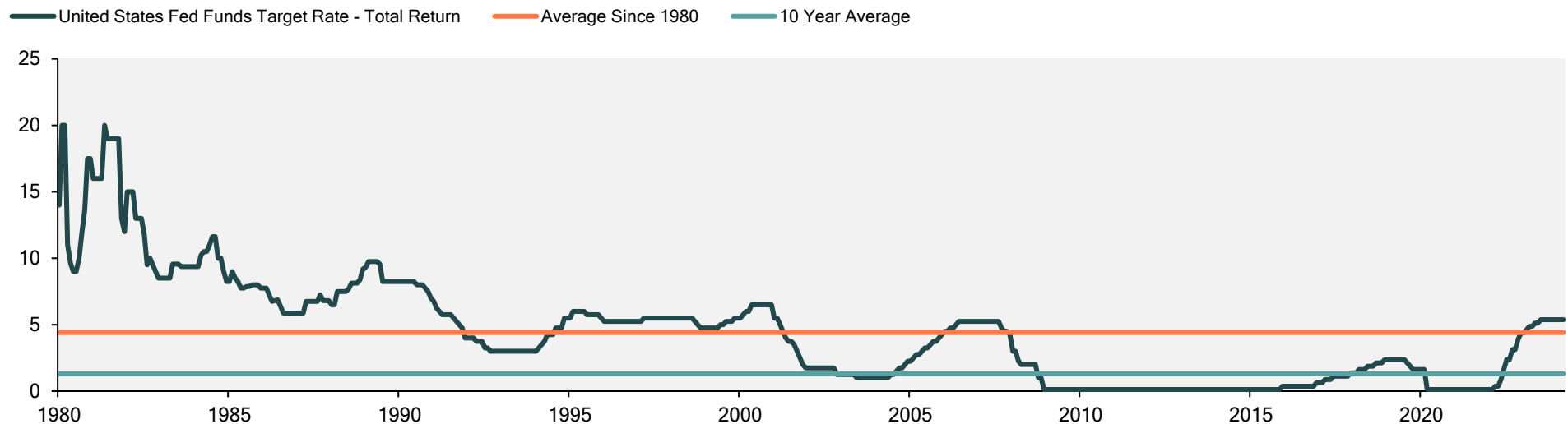


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- Coming out of the pandemic, it has been hard to gauge how much of the strength in the U.S. economy is due to fundamentals versus other exogenous factors.
- The U.S. economy has a very large Federal deficit and while interest rates may have peaked, they are unlikely to return to the very low rates enjoyed during the pandemic.
- Despite rates having increased materially in a short period of time, they are only modestly restrictive compared to the long-run average.
- We expect more fundamental factors will drive corporate profits and thus equity performance going forward.
- The level of deficit to GDP in the U.S. economy is more consistent with 7% unemployment than the 4% we are currently seeing.

### Rates Are Not That High Relative To History

Interest Rates Remain Above the 10-Year Average but Near the Long-Term Historical Average



Data as of March 31, 2024. Data is obtained from the Federal Reserve Bank of St. Louis and Factset and is assumed to be reliable. The information provided in this chart is for illustrative purposes only. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer, or solicitation to buy or sell any securities or to adopt any investment strategy. KAR does not undertake to update the information presented. KAR makes no warranty as to the accuracy or reliability of the information contained herein. **Past performance is no guarantee of future results.**

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

# Sector Weights

## Small-Mid Cap Core Portfolio

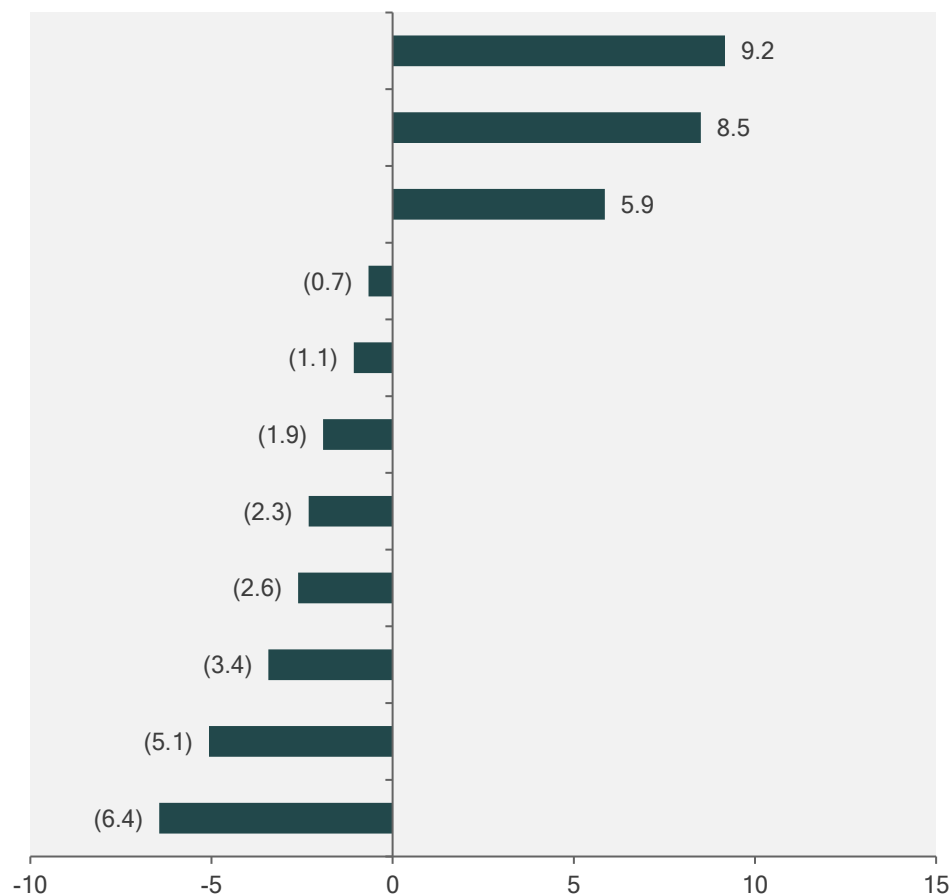
### As of March 31, 2024



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Sectors	KAR Small-Mid Cap Core (%)	Russell 2500™ Index (%)
Industrials	29.7	20.6
Information Technology	21.6	13.1
Consumer Discretionary	19.1	13.2
Health Care	11.1	11.8
Consumer Staples	2.1	3.2
Financials	14.1	16.0
Communication Services	—	2.3
Utilities	—	2.6
Materials	2.2	5.6
Energy	—	5.1
Real Estate	—	6.4

### Underweight/Overweight (%)



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# Top Ten Holdings

## Small-Mid Cap Core Portfolio

### As of March 31, 2024



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Top 10 Holdings	GICS Sector	% of Portfolio
Bentley Systems	Information Technology	4.9
POOLCORP	Consumer Discretionary	4.5
Lennox International	Industrials	4.4
Cooper Companies	Health Care	4.4
Charles River Laboratories International	Health Care	4.0
Nordson	Industrials	4.0
W. R. Berkley	Financials	4.0
LPL Financial	Financials	3.9
Thor Industries	Consumer Discretionary	3.7
Equifax	Industrials	3.6
<b>Total</b>		<b>41.3</b>

Research confidence leads to large active weights

	KAR Small -Mid Cap Core	Russell 2500™ Index
# of Holdings	31	2,439
Average Position Size (%)	3.2	0.04
Weight of Top Ten Holdings (%)	41.3	4.3
Active Share (%)	96.9	–

The strategy benefits from diversification while still taking significant active positions

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# Returns

## Small-Mid Cap Core Portfolio



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### Annualized Performance

Periods Ending 3/31/24	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
First Quarter	7.60	6.81	6.92	(11)
1 Year	23.28	19.69	21.43	(174)
3 Years	4.59	1.50	2.97	(148)
5 Years	15.43	12.05	9.90	215
7 Years	14.11	10.77	9.45	132
10 Years	14.00	10.66	8.84	182
Since Inception*	11.83	8.57	10.43	(187)

\*April 1, 1992

†Performance calculations are for the nine months ended December 31, 1992.

**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 final. All periods less than one year are total returns and are not annualized. For periods prior to July 1, 2000, the Small-Mid Cap Core composite calculations have been linked to the firm's Small Cap Core composite performance, which represents all taxable and nontaxable, fully discretionary Small Cap Core Portfolios (including cash) under management for at least one full quarter. Beginning on July 1, 2000, only Small-Mid Cap Core Portfolios are included in the composite. 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, medium, or large-sized companies may enhance that risk. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **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:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
2023	23.87	20.26	17.42	284
2022	(23.73)	(26.04)	(18.37)	(767)
2021	20.90	17.38	18.18	(80)
2020	36.85	32.89	19.99	1,290
2019	40.90	36.84	27.77	907
2018	(5.23)	(8.05)	(10.00)	195
2017	19.77	16.28	16.81	(53)
2016	17.03	13.61	17.59	(398)
2015	5.76	2.65	(2.90)	555
2014	9.25	6.04	7.07	(103)
2013	31.04	27.25	36.80	(955)
2012	9.25	6.04	17.88	(1,184)
2011	8.43	5.24	(2.51)	775
2010	20.23	16.73	26.71	(998)
2009	31.12	27.46	34.39	(693)
2008	(29.90)	(32.18)	(36.79)	461
2007	0.26	(2.71)	1.38	(409)
2006	14.04	10.76	16.17	(541)
2005	3.24	0.20	8.11	(791)
2004	13.69	10.42	18.29	(787)
2003	25.54	22.01	45.51	(2,350)
2002	(17.31)	(19.90)	(17.80)	(210)
2001	4.57	1.48	1.22	26
2000	23.47	19.99	4.27	1,572
1999	7.02	3.89	24.14	(2,026)
1998	20.98	17.54	0.38	1,716
1997	21.00	17.57	24.36	(679)
1996	26.98	23.43	19.03	440
1995	18.57	15.20	31.70	(1,650)
1994	2.75	(0.28)	(1.05)	77
1993	20.00	16.60	16.55	4
1992†	9.65	7.28	11.36	(408)



# Risk-Return Analysis

## Small-Mid Cap Core Portfolio

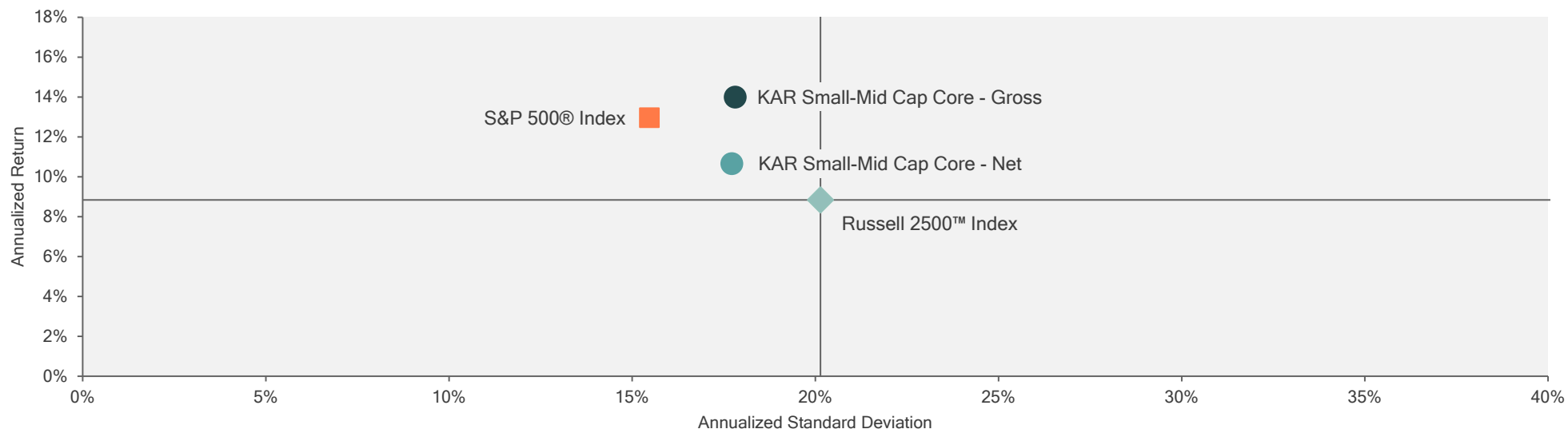
### Ten Years Ending March 31, 2024



Kayne Anderson Rudnick  
Investment Management

### Meaningful Excess Return with Lower Volatility

Annualized for the Past 10 Years



### Performance Statistics

Annualized for the Past 10 Years

	Annualized Return (%)	Alpha (%)	Sharpe Ratio	Information Ratio	Tracking Error	Standard Deviation (%)	Beta	Downside Capture
KAR Small-Mid Cap Core - Gross	14.00	6.01	0.71	0.70	7.34	17.81	0.82	77.41
KAR Small-Mid Cap Core - Net	10.66	2.88	0.52	0.25	7.35	17.72	0.82	85.65
Russell 2500™ Index	8.84	0.00	0.37	N/A	N/A	20.14	1.00	100.00

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

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# Disclosure

## Small-Mid Cap Core (Wrap) Composite



Kayne Anderson Rudnick  
Investment Management

Year	Composite Pure Gross Return* (%)	Composite Net Return (%)	Russell 2500™ Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2014	9.25	6.04	7.07	10.13	11.84	35	0.16	373	7,989
2015	5.76	2.65	(2.90)	12.17	12.59	30	0.19	378	8,095
2016	17.03	13.61	17.59	12.62	13.86	30	0.38	369	9,989
2017	19.77	16.28	16.81	11.16	12.31	32	0.26	518	14,609
2018	(5.23)	(8.05)	(10.00)	13.27	14.30	24	0.17	618	17,840
2019	40.90	36.84	27.77	14.85	14.79	28	0.51	1,117	25,685
2020	36.85	32.89	19.99	21.37	24.55	30	0.33	2,556	39,582
2021	20.90	17.38	18.18	19.30	22.80	42	0.29	4,773	47,269
2022	(23.73)	(26.04)	(18.37)	23.35	25.52	52	0.08	3,922	33,531
2023	23.87	20.26	17.42	20.83	20.43	51	0.59	5,027	41,186

\*Pure gross returns are supplemental to net returns.

The Russell 2500™ 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, 2023.

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-Mid Cap Core Wrap Composite has had a performance examination for the period from January 1, 1999 through December 31, 2023. 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-Mid Cap Core Wrap Portfolios. Small-Mid Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index of the 2,500 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 April 1992. The composite was created in July 2000. 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.