



Kayne Anderson Rudnick  
Investment Management

Small-Mid Cap Core Portfolio  
Managed Accounts  
Third Quarter 2020 Review

[kayne.com](http://kayne.com)

1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067 T 800.231.7414

# Firm Overview

As of September 30, 2020



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	\$42.2 billion
Number of Equity Investment Professionals	16
Average Investment Experience	16 Years

### 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



## KAR HIGH QUALITY BUSINESS

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

# Small-Mid Cap Core Team



Kayne Anderson Rudnick  
Investment Management

Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	34 Years	9 Years
Jon Christensen, CFA	Portfolio Manager and Senior Research Analyst Sector Coverage: Health Care	25 Years	19 Years
Julie Kutasov	Portfolio Manager and Senior Research Analyst Sector Coverage: Materials and Industrials	19 Years	19 Years
Craig Stone	Portfolio Manager and Senior Research Analyst Sector Coverage: Industrials	31 Years	20 Years
Todd Bailey, CFA	Senior Research Analyst Sector Coverage: Energy and Communication Services	21 Years	18 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology	12 Years	7 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Financials and Real Estate	8 Years	8 Years
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Industrials	11 Years	2 Years
Adam Xiao, CFA	Research Analyst Sector Coverage: Consumer Staples, Financials and Industrials	5 Years	2 Years
Jordan Greenhouse	Managing Director - Senior Client Portfolio Manager	23 Years <sup>†</sup>	4 Years
James B. May, CFA	Managing Director - Client Portfolio Manager	32 Years <sup>†</sup>	1 Year

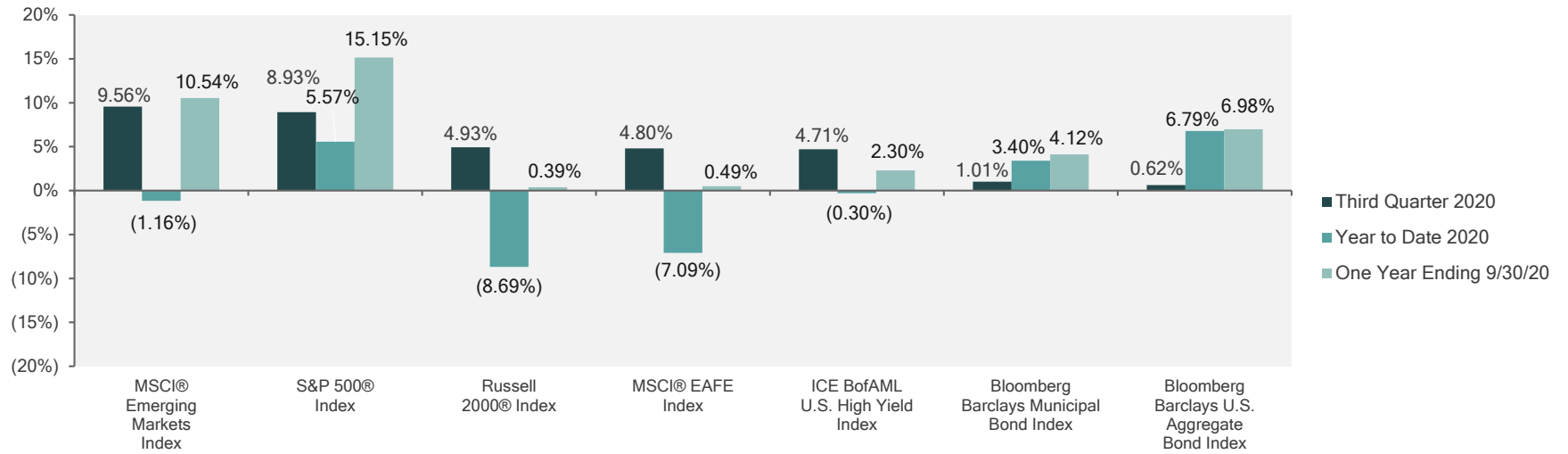
<sup>†</sup>Represents years of industry experience.

# Market Review



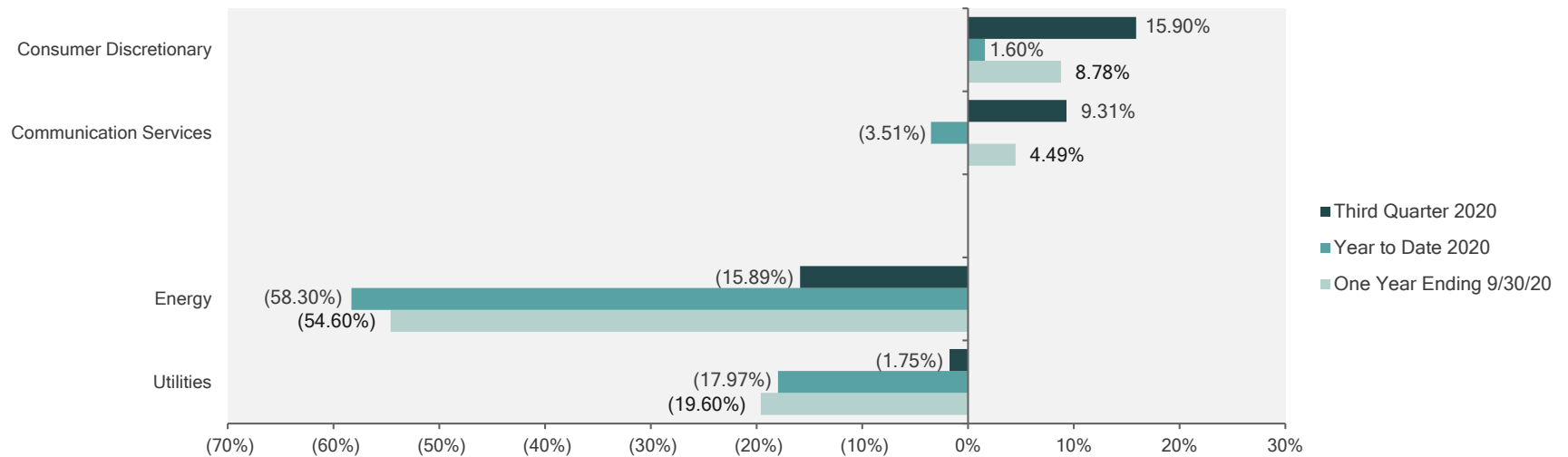
Kayne Anderson Rudnick  
Investment Management

## Index Performance



## Sector Performance

### Russell 2500™ Index



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

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

# Market Review

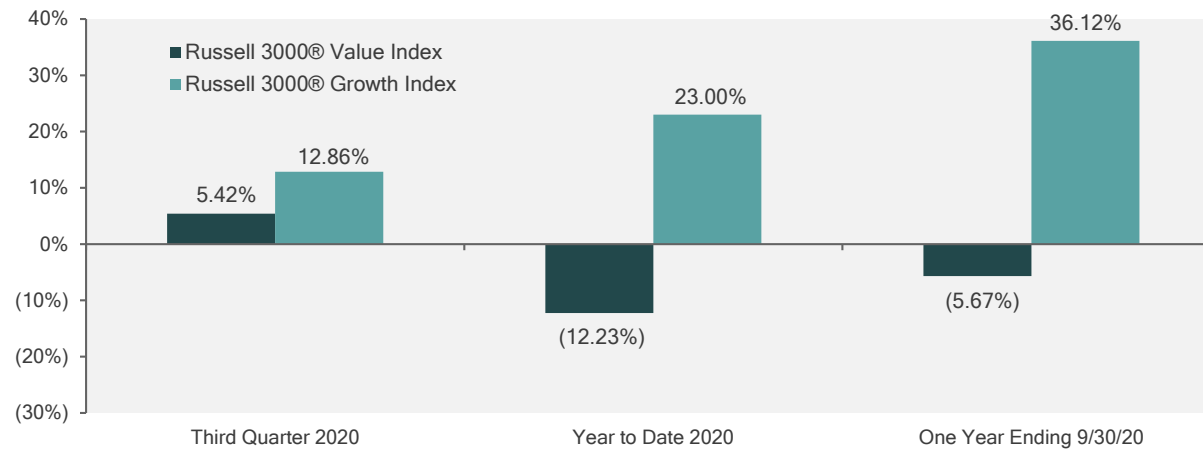
## Performance by Style and Quality



Kayne Anderson Rudnick  
Investment Management

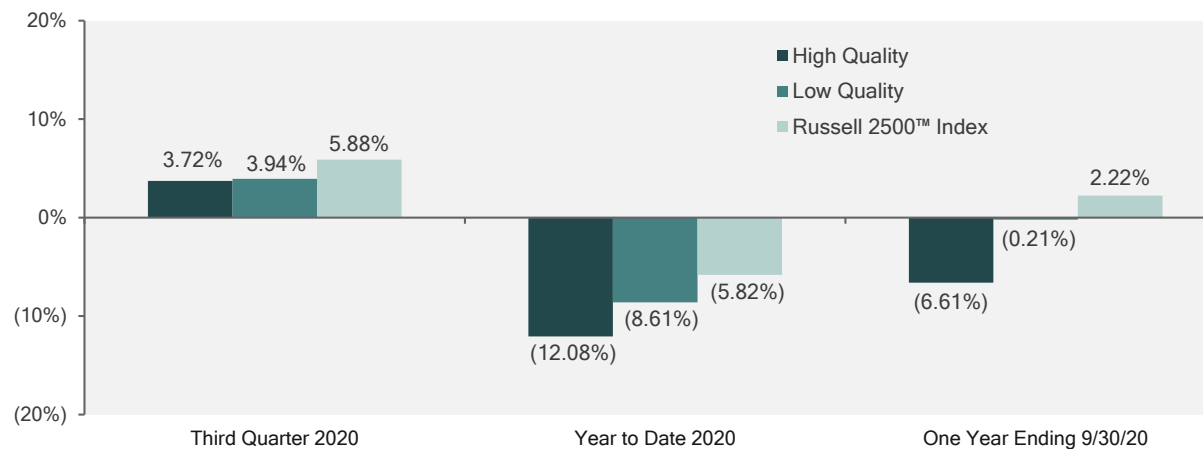
### Performance by Style

Russell 3000® Value Index vs. Russell 3000® Growth Index



### Performance by Quality

Russell 2500™ Index



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

*High Quality is defined as all stocks with an S&P Quality Ranking of B+ and above. Low Quality is defined as all stocks with an S&P Quality Ranking of B and below.*

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

# Quarterly Performance Overview

## Small-Mid Cap Core Portfolio

Periods Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

### Monthly, Quarterly and Year to Date Performance

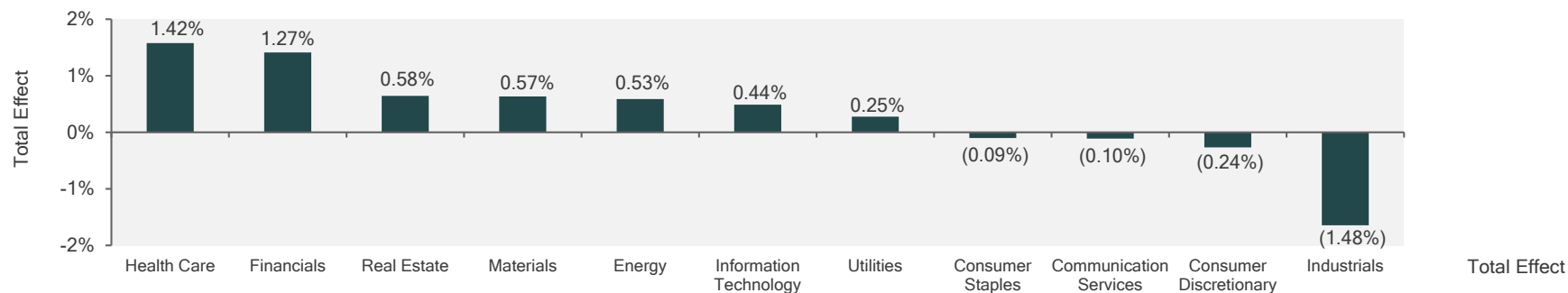
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
July	8.14	7.89	3.98	415
August	2.78	2.53	4.53	(175)
September	(2.35)	(2.60)	(2.59)	24
Third Quarter	8.54	7.75	5.88	266
Year to Date	17.27	14.69	(5.82)	2309

### Contributors

Highest	Contribution
DocuSign	+1.72%
Charles River Laboratories International	+1.12%
Scotts Miracle-Gro	+1.07%
POOLCORP	+0.99%
Copart	+0.77%
Lowest	Contribution
Thor Industries	(0.40%)
Jack Henry & Associates	(0.34%)
Teradyne	(0.25%)
FLIR Systems	(0.25%)
Exponent	(0.23%)

### Attribution by Sector

Quarter Ending September 30, 2020



	Health Care	Financials	Real Estate	Materials	Energy	Information Technology	Utilities	Consumer Staples	Communication Services	Consumer Discretionary	Industrials	Total Effect
Russell 2500™ Returns	7.97%	(1.30%)	(0.69%)	8.73%	(15.89%)	5.92%	(1.75%)	8.42%	9.31%	15.90%	9.22%	5.88%
KAR Returns	20.65%	8.46%	0.00%	17.63%	0.00%	7.01%	0.00%	0.00%	0.00%	11.12%	2.26%	8.54%
KAR Selection Effect	1.38%	1.01%	0.00%	0.54%	0.00%	0.44%	0.00%	0.00%	0.00%	(0.77%)	(1.84%)	0.76%
KAR Allocation Effect	0.04%	0.26%	0.58%	0.03%	0.53%	0.00%	0.25%	(0.09%)	(0.10%)	0.54%	0.35%	2.39%

*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 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.***



# Annual Performance Overview

## Small-Mid Cap Core Portfolio

### Periods Ending September 30, 2020



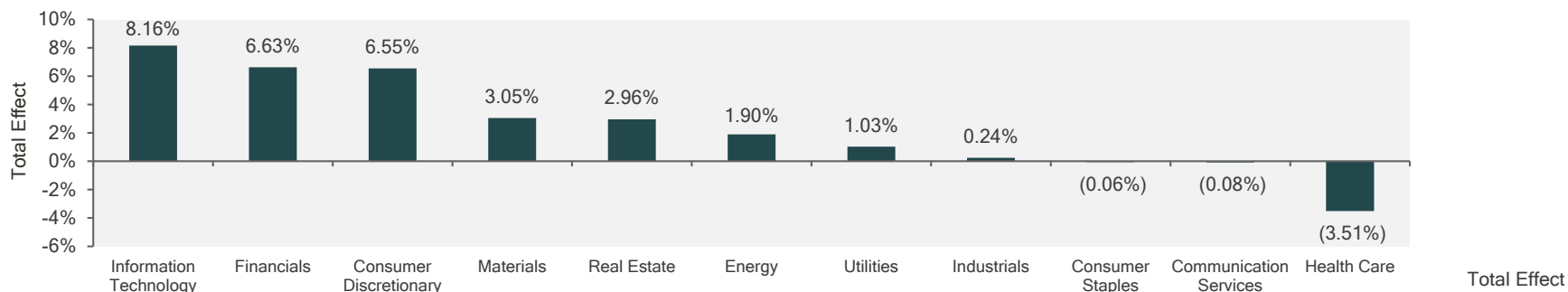
Kayne Anderson Rudnick  
Investment Management

#### Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
Fourth Quarter 2019	9.28	8.49	8.54	75
First Quarter 2020	(16.88)	(17.54)	(29.72)	1285
Second Quarter 2020	29.98	29.08	26.56	341
Third Quarter 2020	8.54	7.75	5.88	266
1 Year Ending 9/30/20	28.15	24.43	2.22	2593

#### Attribution by Sector

One Year Ending September 30, 2020



	Information Technology	Financials	Consumer Discretionary	Materials	Real Estate	Energy	Utilities	Industrials	Consumer Staples	Communication Services	Health Care	Total Effect
Russell 2500™ Returns	26.21%	(21.24%)	8.78%	(2.09%)	(21.54%)	(54.60%)	(19.60%)	(1.44%)	3.34%	4.49%	42.75%	2.22%
KAR Returns	49.89%	17.57%	55.67%	57.70%	0.00%	0.00%	0.00%	1.81%	0.00%	0.00%	18.24%	28.15%
KAR Selection Effect	5.64%	6.03%	5.94%	2.97%	0.00%	0.00%	0.00%	0.57%	0.00%	0.00%	(3.18%)	17.97%
KAR Allocation Effect	2.52%	0.60%	0.60%	0.07%	2.96%	1.90%	1.03%	(0.33%)	(0.06%)	(0.08%)	(0.33%)	8.88%

*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 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.***

# Highest Contributors

## Small-Mid Cap Core Portfolio

One Year Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
DocuSign	+9.72%	DocuSign already had strong momentum in signing new users for its contract management solutions. With COVID-19, the need to move to digital document management has only accelerated. DocuSign also experienced accelerating growth for its e-signature solutions, which should graduate to more comprehensive contract management products.
MSCI	+4.05%	MSCI's operational results over the past 12 months have been strong with both revenue and profits growing double-digits. While the emergence of COVID-19 caused an initial sell-off in the stock in the first quarter, shares have since recovered as the company continues to report revenue and profit growth, while maintaining its guidance for the full-year, whereas most companies have pulled guidance due to the uncertainty from COVID-19.
Scotts Miracle-Gro	+3.36%	Scotts Miracle-Gro's hydroponic segment's cannabis grower customers were adversely affected in 2018 by California's cannabis licensing law, which caused many growers to exit the market during that year. We took advantage of this stock weakness to add to our position. In 2019, hydroponic sales ceased their decline and returned to double-digit year-over-year organic growth giving market participants increased confidence that the grower disruption had been mostly worked through which caused the stock to rebound strongly. Further, throughout 2020 demand for inputs both for edible gardening and hydroponics grew as a result of the COVID-19 pandemic.
Thor Industries	+2.58%	Due to COVID-19 and its impact on consumers' lack of interest in utilizing airplanes and hotels for travel purposes, the RV industry (including Thor) has experienced healthy demand for its products as traveling in an RV can permit physical distancing from others while traveling in one's own living space. We continue to believe Thor's competitive position will fundamentally benefit the business over time.
Teradyne	+2.47%	Teradyne's results this year have benefited from very healthy demand for its Test business. Its investments in innovative tests as well as increasing needs for tests over time have helped drive this business. Further, Teradyne has enjoyed some incremental market share gains. We believe the company's technology is differentiated with a strong use case for driving more automation in factories or warehouses over time.

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

*A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.***

# Lowest Contributors

## Small-Mid Cap Core Portfolio

### One Year Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
AMN Healthcare	(1.84%)	AMN Healthcare Services has been struggling with a technology transition in Locum Tenens that has been hurting results for several quarters. With COVID-19 demand for all practice lines halted apart from travel nurses, results suffered. We sold the stock in the third quarter 2020.
RBC Bearings	(1.18%)	RBC Bearings' shares lagged driven by pandemic-related disruptions in the aerospace segment as well as Boeing 737 MAX aircraft production delays. Importantly, RBC's solid market positioning is intact. The company remains a solid free-cash-flow generator and its balance sheet is pristine.
FLIR Systems	(1.01%)	FLIR Systems' defense segment has suffered from the roll-off of a large customer program and the industrial segment is experiencing decreased demand in security and maritime products. However, it should be noted the increased demand for Elevated Skin Temperature equipment due to COVID-19 has helped offset declines within the consolidated business.
W. R. Berkley	(0.98%)	In the last 12 months, shares of W.R. Berkley have not fully recovered from the early 2020 sell-off alongside the broader property and casualty (P&C) insurance industry due to the uncertainty related to whether P&C insurers will be liable for paying Business Interruption claims related to COVID-19. Any liability would impact the industry as a whole and we do not see it changing the company's differentiation relative to its competitors. We believe the company's disciplined underwriting approach will generate satisfactory long-term results.
Winmark	(0.97%)	Due to the impacts and restrictions from COVID-19 and shelter-in-place orders across the United States and Canada, Winmark franchisees had to temporarily close their stores. As a result, store closures directly impacted and reduced the company's fees and earnings.

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

*A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.***

# Purchases

## Small-Mid Cap Core Portfolio

Quarter Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Purchases	Descriptions/Reasons
Chemed—Initiated Position	Chemed operates through two business segments: VITAS and Roto-Rooter. VITAS provides hospice and palliative care services to patients through a network of physicians, registered nurses, home health aides, social workers, clergy, and volunteers in the United States. Roto-Rooter offers plumbing, drain cleaning, water restoration and other related services to residential and commercial customers through company-owned and independent contractors and franchised locations.
Equifax—Increased Position	Equifax is a successful product innovator that is well positioned to benefit from the creation of new marketplaces, industry segments and consumer products and services by effectively leveraging its extensive database capabilities. In a wide variety of industries and verticals, Equifax is benefiting from its unique data asset set with the ability to combine credit with employment and wealth data and, even more importantly, overlay data analytics over it. The value of employment and wage data from the company's proprietary Work Number database has become particularly evident in this volatile employment environment with lenders unable to rely on traditional portfolio monitoring tools. With the shares trading at a fair-to-attractive valuation, we increased the portfolio's small position in the company to a full portfolio weight.

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

*A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# New Position

Small-Mid Cap Core Portfolio

Quarter Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

## Chemed (CHE)

- VITAS is the largest hospice provider in the U.S. through reputation and quality of care. It is also the market leader. Referrals are the main revenue stream opportunities and this can be enhanced by reputation as well as reliability. In hospice, case workers are the main decision makers so their referrals are key.
- The plumbing services provided by Roto-Rooter are mainly differentiated by quality of service and time to service. Most emergency plumbing needs have to be addressed immediately and Roto-Rooter has technology in place through call centers to efficiently get technicians to job sites fast. They offer a premium price for this reliability. Rarely does pricing come into play. It also has route density in its ability to service multiple locations in nearby areas.
- Running two disparate businesses is not easy. The company has a keen focus on having the experts run the segments and upper management focuses on allocating their superior free cash flow efficiently and prudently to maximize return on capital over the long run. Chemed consistently buys back shares and maintains a dividend.

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

*A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# Sales

## Small-Mid Cap Core Portfolio

Quarter Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Sales	Reasons
AMN Healthcare Services—Sold Entire Position	We sold our position in AMN Healthcare Services as more issues surfaced with the longer duration of COVID-19. Hospitals are experiencing both operational and financial stress due to this crisis and the elevation of telehealth use has created further cloudiness in understanding the company's value-add in travel nurses and locum tenens doctors in the future. AMN operated in an ideal employment environment prior to COVID and that landscape has significantly changed.
nVent Electric—Sold Entire Position	We sold nVent and replaced it with another name that has similar end market exposure but that we had stronger conviction of higher expected returns over the long term.
DocuSign—Trimmed Position	We took our overweight position down slightly given the excess outperformance to provide funds for an increase in another position. We continue to have a solid position in the business with ongoing confidence in the model.

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

*A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value  
Small-Mid Cap Core Portfolio – As of September 30, 2020



Kayne Anderson Rudnick  
Investment Management

	KAR Small-Mid Cap Core	Russell 2500™ Index
<b>Quality</b>		
Return on Equity—Past 5 Years	<b>23.1%</b>	10.7%
Total Debt/EBITDA	<b>2.4 x</b>	7.0 x
Earnings Variability—Past 10 Years	<b>38.6%</b>	65.7%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	<b>14.2%</b>	8.8%
Earnings Per Share Growth—Past 10 Years	<b>13.2%</b>	8.1%
Dividend Per Share Growth—Past 5 Years	<b>13.9%</b>	7.3%
Dividend Per Share Growth—Past 10 Years	<b>12.5%</b>	8.7%
Capital Generation—{ROE x (1-Payout)}	<b>18.0%</b>	8.1%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	<b>39.0 x</b>	61.8 x
Dividend Yield	<b>0.6%</b>	1.4%
Free Cash Flow Yield†	<b>3.3%</b>	4.3%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	<b>\$9.5 B</b>	\$5.2 B
Largest Market Cap—3-Year Average	<b>\$21.2 B</b>	\$21.4 B
Annualized Standard Deviation—Since Inception*	<b>16.0%</b>	19.8%

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.

And we have historically been able to achieve this high quality and strong growth at a discount valuation to the market.

\*April 1, 1992

†Free cash flow data is as of June 30, 2020. Prices are as of September 30, 2020. Excludes financials.

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

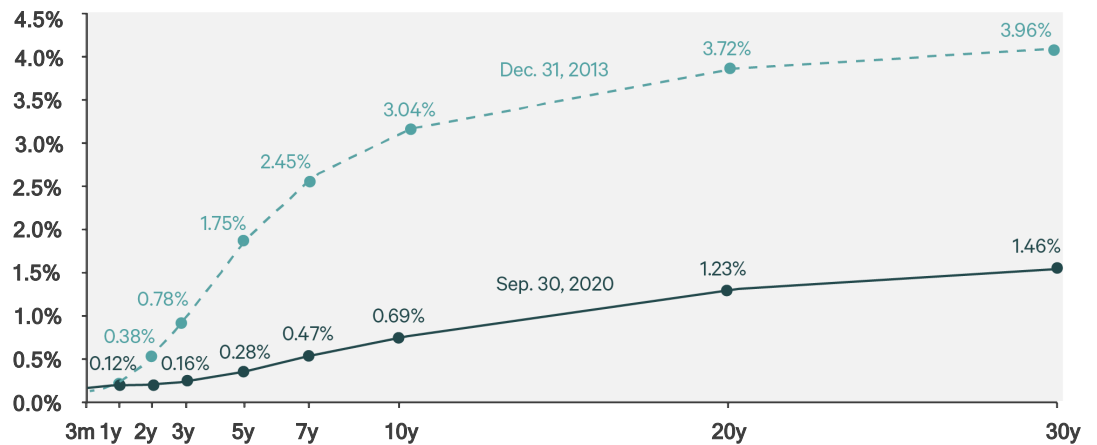
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.

Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

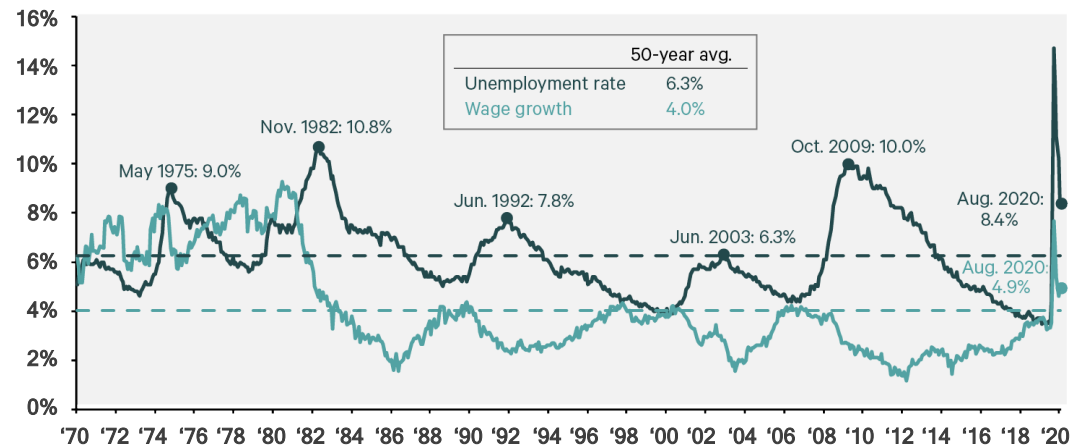
The U.S. and global economies are in a recession due to the COVID-19 health crisis, but have started to resume some normal activity.

- We believe U.S. 2020 growth will decline slightly with a major decline felt in Q2 2020. We expect there will be a slow, but steady recovery from here through year end 2021.
- Consumer behavior is more likely to change longer-term since the virus is still a threat. Streaming, ordering groceries online and video call usage has been accelerated.
- Corporate earnings are going to suffer significantly in the near future due to the shutdown. Visibility on earnings is very low and many companies have withdrawn guidance for the year.
- The yield curve is still fairly flat despite the Fed pushing short-term rates to effectively zero. The Fed may be on hold for an extended period. Low-to-no inflation has given the Fed room to keep rates low.
- The strength of the consumer had been supporting the global economy, but unemployment has soared in the near-term hurting confidence. Fiscal policy is bridging the gap between the shutdown and resumption of normal activity.
- Volatility is likely to decline from here as the health crisis peaks out globally and business conditions slowly return to normal, assuming no major second wave of infections globally.
- Innovation and disruption is continuing at a breathtaking pace in the U.S. in a variety of industries, creating clear winners and losers in many industries. Stock picking is key particularly in this environment.

**Yield Curve**  
U.S. Treasury Yield Curve



**Civilian Unemployment Rate and Year-Over-Year Wage Growth for Private Production and Non-Supervisory Workers**  
Seasonally Adjusted, Percent



Data as of September 30, 2020.

Data is obtained from BLS, FactSet, Federal Reserve and J.P. Morgan Asset Management and is assumed to be reliable. Past performance is no guarantee of future results.

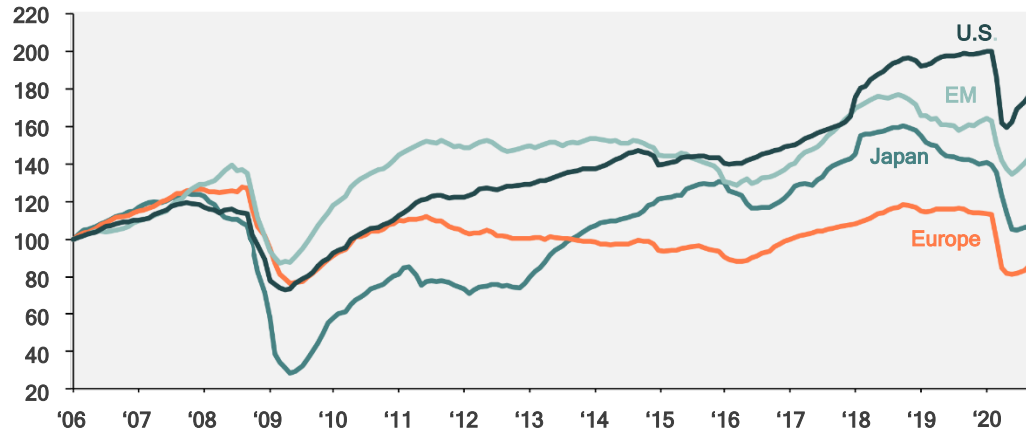


**Global growth prospects were already weak before the health crisis. The global economy has not escaped a recession either.**

- Europe and emerging market economies weakened in early 2019 due to trade disputes with China. COVID-19 has weakened these markets further in 2020. Recovery is likely to be slow.
- Despite the negative impact to emerging markets and international growth rates due to the trade disputes and COVID-19, Asia has done an excellent job of containing the virus and is already starting to see improving business conditions, particularly in China.
- Global inflation expectations are still very benign and this gives central banks the opportunity to keep low short-term rates for an extended timeframe. Global competition, oil prices and modest wage growth are the key drivers behind this longer-term. Global deflation is still the principal threat to developed nations.

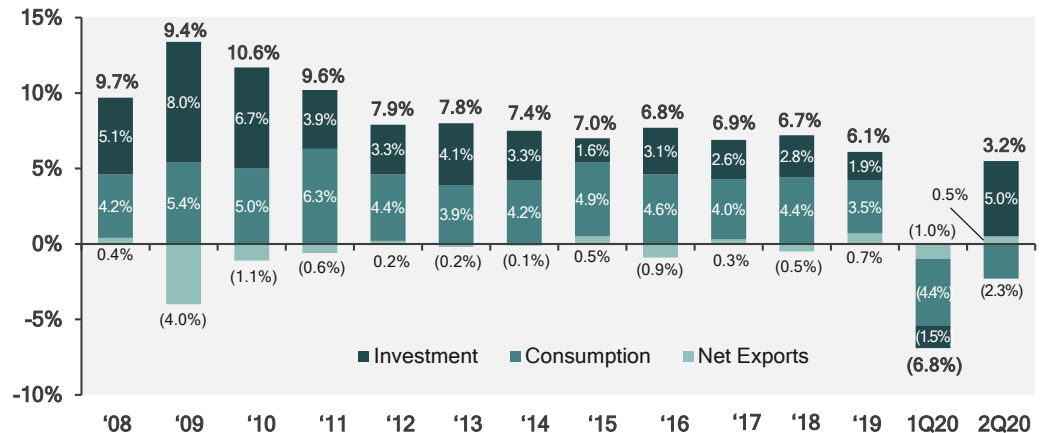
### Global Earnings

EPS, Local Currency, Next 12 Months, Jan. 2006 = 100



### China Real GDP Contribution

% Change, Year-Over-Year



Data as of September 30, 2020.

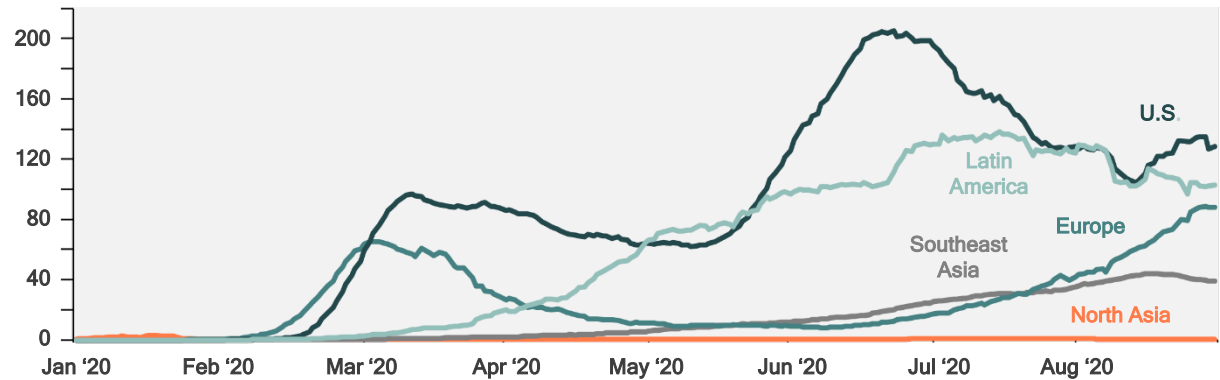
Data is obtained from CEIC, FactSet, MSCI, Standard & Poor's, Thomson Reuters and J.P. Morgan Asset Management and is assumed to be reliable.

The Global Earnings chart uses MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimates. 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.**

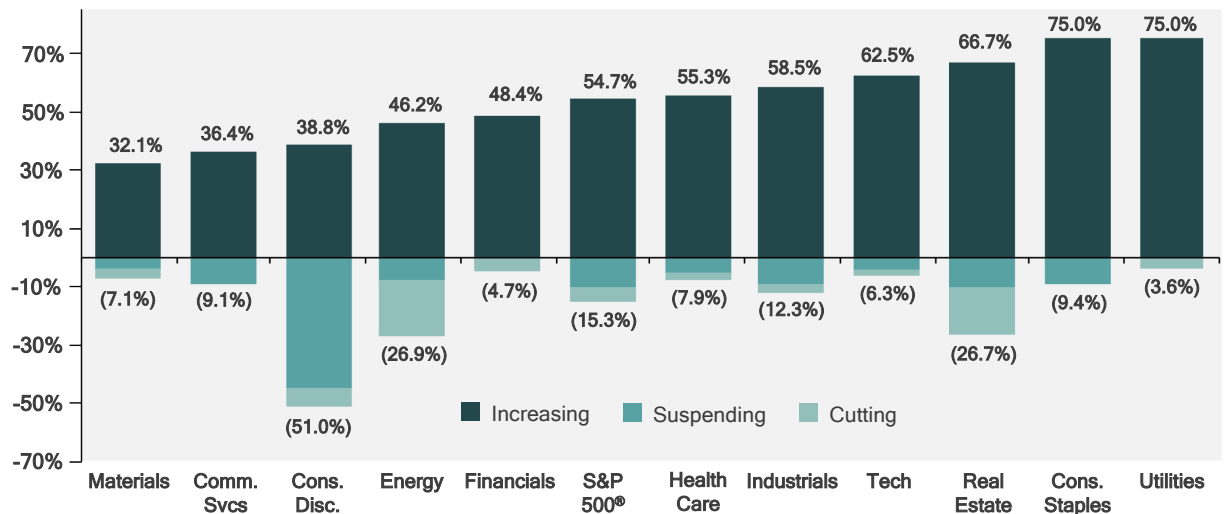
We continue to believe that the risk/reward ratio for equities over the long-term is favorable on an absolute basis and particularly relative to fixed income.

- Business is improving as states reopen, but we are a long way from normal activity. A second wave of infections is threatening reopening plans already. It will take time, and perhaps a vaccine, to fully restore consumer confidence.
- Equity valuations are above normal by historic measures on absolute levels, but still attractive relative to interest rates.
- Foreign markets should recover gradually, particularly China and Asia since the health crisis is fading there. Europe has also been relatively successful at containing the virus, but it is being threatened by a second wave.
- Cash is king right now and investors are solidly focused on debt and balance sheets during this health crisis. Many buybacks have been suspended.
- Corporate profit margins will contract dramatically near-term due to declining revenue and still significant employee costs.
- We believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets.
- We believe that the outlook for the equity markets continues to be favorable going forward. Volatility will likely decline and we believe the longer term outlook is still favorable as earnings recover.

Daily Increase in Cases  
7-Day Moving Average, Per Million People



S&P 500® Dividend Cuts, Suspensions and Increases  
2020, % of Dividend Paying Companies by Sector



Data as of September 30, 2020.

Data is obtained from Bloomberg, Compustat, FactSet, Standard & Poor's, Johns Hopkins CSSE, The World Bank, Worldometers and J.P. Morgan Asset Management and is assumed to be reliable. Cases include both laboratory confirmed and "presumptive positive" cases. Dividends cuts, suspensions and increases are based on announcements in 2020 and on current index constituents. **Past performance is no guarantee of future results.**

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

# Sector Weights

## Small-Mid Cap Core Portfolio

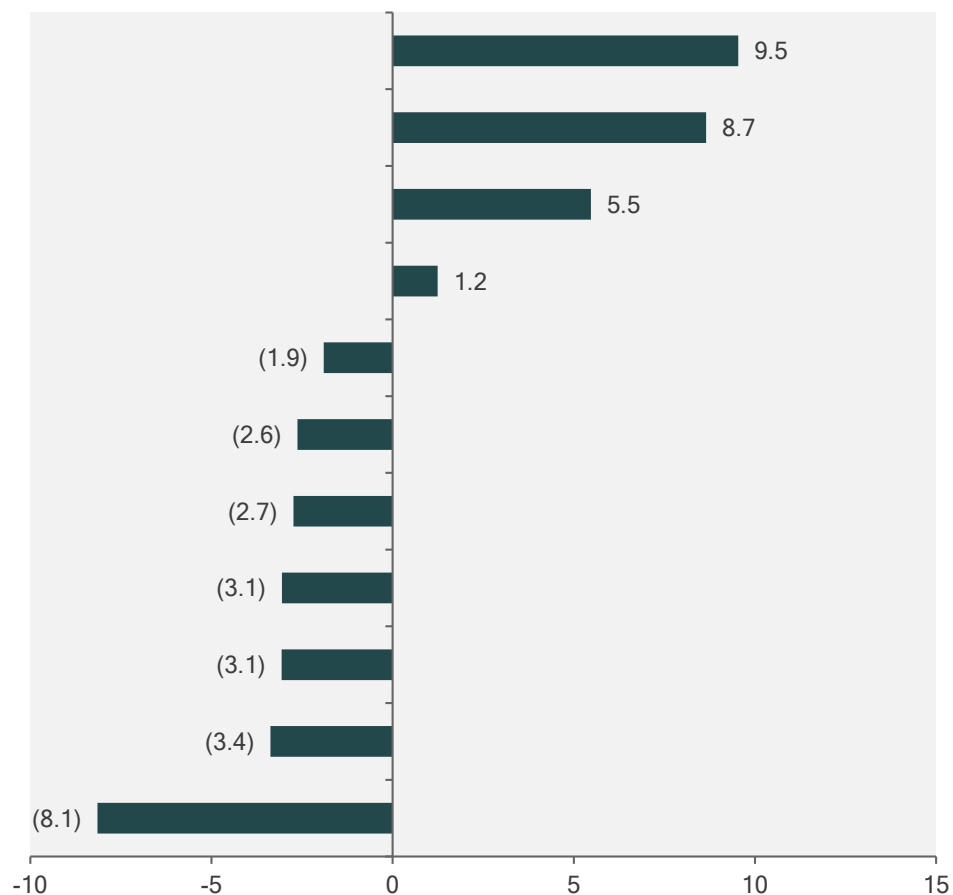
### As of September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Sectors	KAR Small-Mid Cap Core (%)	Russell 2500™ Index (%)
Information Technology	26.3	16.8
Industrials	24.2	15.5
Consumer Discretionary	18.4	12.9
Materials	6.5	5.3
Energy	—	1.9
Health Care	14.2	16.8
Financials	10.5	13.2
Utilities	—	3.1
Communication Services	—	3.1
Consumer Staples	—	3.4
Real Estate	—	8.1

### Underweight/Overweight (%)



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

*A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.*

# Conviction-Driven Investing Provides Opportunities for Excess Return

## Small-Mid Cap Core Portfolio

As of September 30, 2020



Kayne Anderson Rudnick  
Investment Management

Top 10 Holdings	GICS Sector	% of Portfolio
Scotts Miracle-Gro	Materials	6.5
DocuSign	Information Technology	5.3
MSCI	Financials	5.0
POOLCORP	Consumer Discretionary	4.8
Teradyne	Information Technology	4.7
Charles River Laboratories International	Health Care	4.6
Cooper Companies	Health Care	4.3
SiteOne Landscape Supply	Industrials	4.3
Thor Industries	Consumer Discretionary	4.2
Nordson	Industrials	4.1
<b>Total</b>		<b>47.9</b>

Research confidence leads to large active weights

	KAR Small -Mid Cap Core	Russell 2500™ Index
# of Holdings	29	2,521
Average Position Size (%)	3.4	0.04
Weight of Top Ten Holdings (%)	47.9	3.2
Active Share (%)	96.9	–

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.*

*A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.*

# Strong Risk-Adjusted Returns

## Small-Mid Cap Core Portfolio

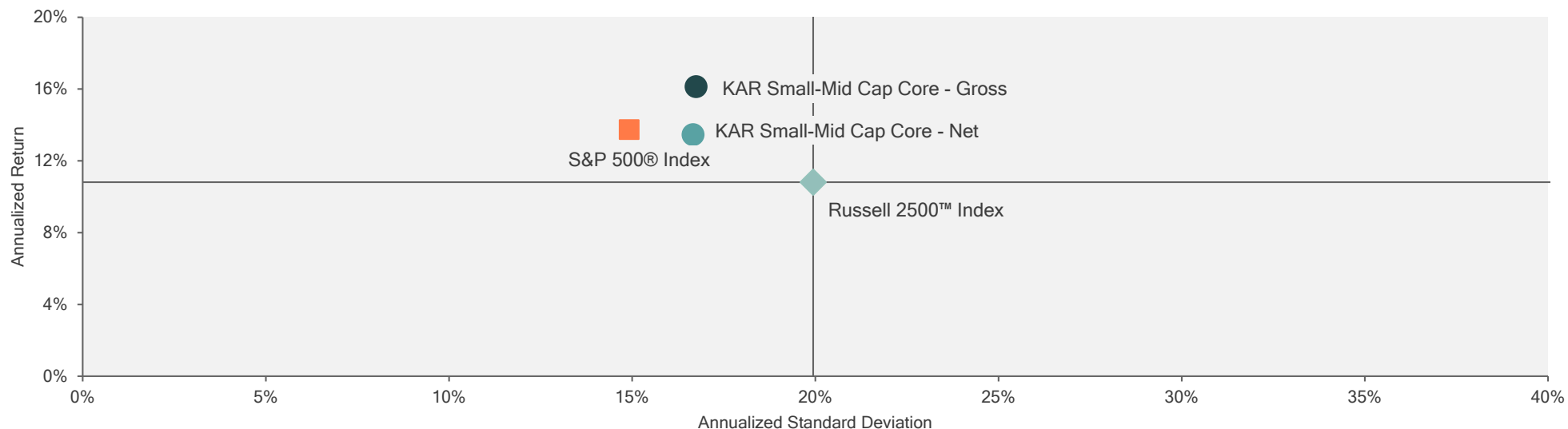
Ten Years Ending September 30, 2020



Kayne Anderson Rudnick  
Investment Management

### Meaningful Excess Return with Lower Volatility

Annualized for the Past 10 Years



### Strong Risk-Adjusted Performance Metrics

Annualized for the Past 10 Years

	Alpha	Sharpe Ratio	Standard Deviation	Semi-Standard Deviation	Beta	Tracking Error
KAR Small-Mid Cap Core	6.70	0.94	16.74	12.14	0.80	6.71
Russell 2500™ Index	0.00	0.52	19.94	15.84	1.00	0.00

*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 and are gross of fees unless otherwise specified. 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

## Small-Mid Cap Core Portfolio



Kayne Anderson Rudnick  
Investment Management

### Annualized Performance

Periods Ending 9/30/20	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Third Quarter	8.54	7.75	5.88	266
Year to Date	17.27	14.69	(5.82)	2309
1 Year	28.15	24.43	2.22	2593
3 Years	19.24	15.76	4.45	1479
5 Years	18.43	15.05	8.97	946
7 Years	15.63	12.73	7.70	793
10 Years	16.14	13.46	10.81	532
Since Inception*	11.95	9.10	10.10	185

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2019	40.90	36.84	27.77	1313
2018	(5.23)	(8.05)	(10.00)	478
2017	19.77	16.28	16.81	296
2016	17.03	13.61	17.59	(56)
2015	5.76	4.10	(2.90)	866
2014	9.25	7.37	7.07	218
2013	31.04	29.07	36.80	(576)
2012	9.25	7.55	17.88	(863)
2011	8.43	6.02	(2.51)	1094
2010	20.23	17.70	26.71	(647)
2009	31.12	28.86	34.39	(327)
2008	(29.90)	(31.33)	(36.79)	689
2007	0.26	(1.37)	1.38	(112)
2006	14.04	11.75	16.17	(213)
2005	3.24	0.14	8.11	(487)
2004	13.69	10.26	18.29	(460)
2003	25.54	21.91	45.51	(1997)
2002	(17.31)	(19.84)	(17.80)	48
2001	4.57	1.53	1.22	335
2000	23.47	19.85	4.27	1921
1999	7.02	3.93	24.14	(1712)
1998	20.98	17.42	0.38	2060
1997	21.00	17.45	24.36	(336)
1996	26.98	23.22	19.03	795
1995	18.57	15.07	31.70	(1313)
1994	2.75	(0.26)	(1.05)	379
1993	20.00	16.54	16.55	345
1992†	9.65	7.25	11.36	(170)

\*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 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.**

**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 fund has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a less concentrated fund. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread 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.

# Disclosure

## Small-Mid Cap Core Portfolio



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 (%)	Percentage of Wrap-Fee Accounts (%)	Number of Accounts (%)	Internal Dispersion	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	20.23	17.70	26.71	N/A	N/A	100	59	0.35	316	4,729
2011	8.43	6.02	(2.51)	N/A	N/A	100	53	0.78	337	5,232
2012	9.25	7.55	17.88	15.22	19.24	100	44	0.62	422	6,545
2013	31.04	29.07	36.80	12.17	15.85	100	39	0.36	362	7,841
2014	9.25	7.37	7.07	10.13	11.84	100	35	0.16	373	7,989
2015	5.76	4.10	(2.90)	12.17	12.59	100	30	0.19	378	8,095
2016	17.03	13.61	17.59	12.62	13.86	100	30	0.38	369	9,989
2017	19.77	16.28	16.81	11.16	12.31	100	32	0.26	518	14,609
2018	(5.23)	(8.05)	(10.00)	13.27	14.30	100	24	0.17	618	17,840
2019	40.90	36.84	27.77	14.85	14.79	100	28	0.51	1,117	25,685

\*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, 2019.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small-Mid Cap Core Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2019. The verification and performance examination reports are available upon request.

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

The composite includes all 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 composite was created in July 2000. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. Prior to January 1, 2011, the composite minimum was \$100,000.

The standard wrap fee schedule in effect is 3.00% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part IIA of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Performance results include the reinvestment of all income. Prior to December 31, 2005, net annual returns are calculated by deducting 1/4th of an assumed maximum annual wrap fee of 3% from the gross returns on a quarterly basis. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. Beginning January 1, 2016, net annual returns are calculated by deducting 1/12th of an assumed maximum annual wrap fee of 3% on a monthly basis. Wrap fees include all charges for trading costs, portfolio management, custody and other administrative expenses.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation, which measures the variability of the composite (using pure gross returns) and the benchmark for the 36-month period, is presented starting 2012 because prior to January 1, 2010, the composite return was calculated quarterly and 36 monthly returns are not available.