



Kayne Anderson Rudnick  
Investment Management

Small-Mid Cap Core Portfolio  
Managed Accounts  
First Quarter 2021

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

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# Firm Overview

As of March 31, 2021



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

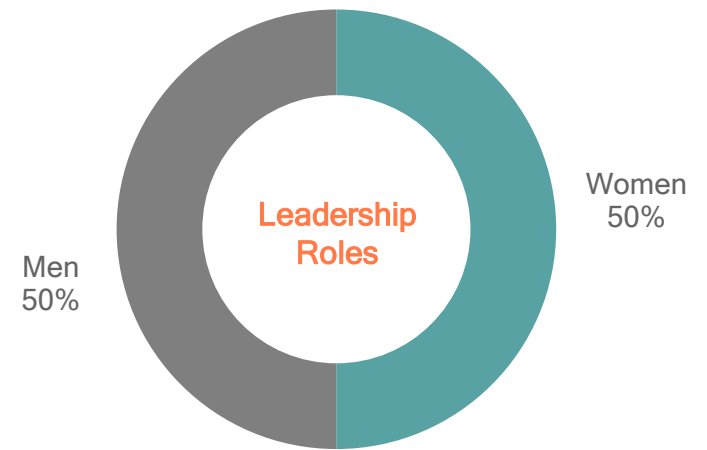
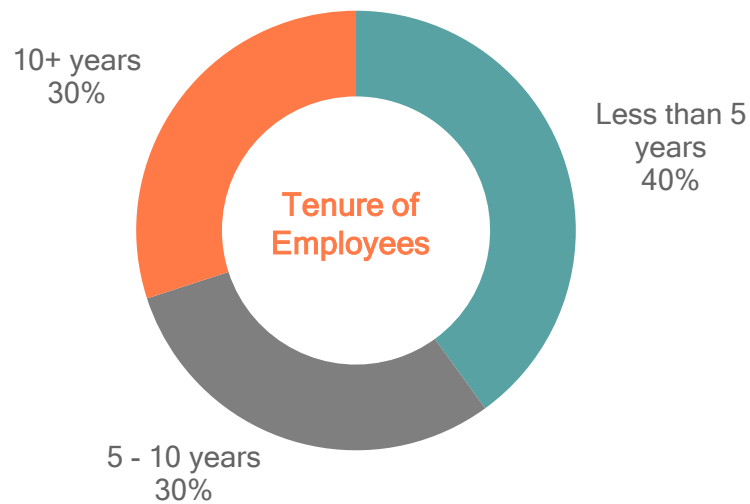
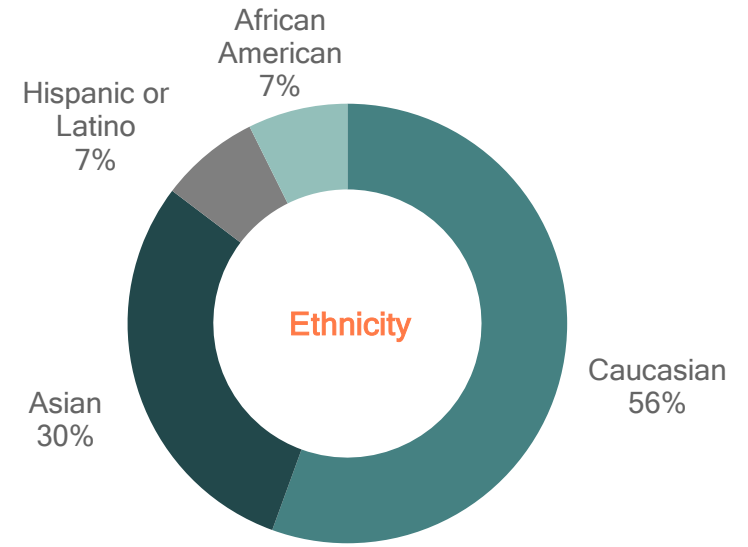
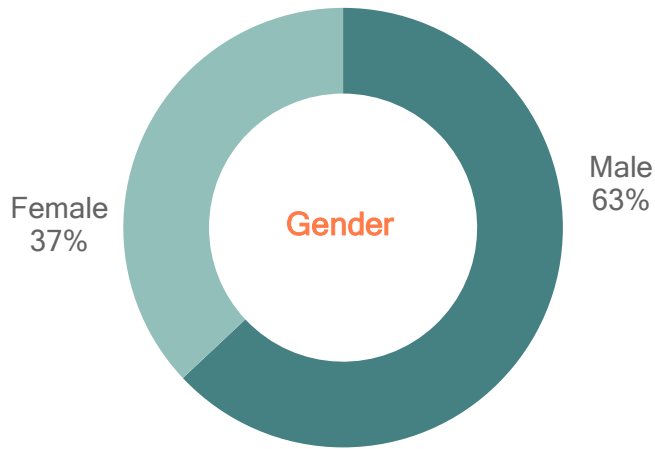
Year Founded	1984
Headquarters	Los Angeles, CA
AUM	\$56.3 billion
Number of Equity Investment Professionals	16
Average Investment Experience	17 Years

# Employee Statistics

As of March 31, 2021



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Numbers may not always add up due to rounding.

# Small-Mid Cap Core Team



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Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	35 Years	10 Years
Jon Christensen, CFA	Portfolio Manager and Senior Research Analyst Sector Coverage: Health Care	26 Years	20 Years
Julie Kutasov	Portfolio Manager and Senior Research Analyst Sector Coverage: Materials and Industrials	20 Years	20 Years
Craig Stone	Portfolio Manager and Senior Research Analyst Sector Coverage: Industrials	32 Years	21 Years
Todd Bailey, CFA	Senior Research Analyst Sector Coverage: Energy and Communication Services	22 Years	19 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology	13 Years	8 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Financials and Real Estate	9 Years	9 Years
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Industrials	12 Years	3 Years
Adam Xiao, CFA	Research Analyst Sector Coverage: Consumer Staples, Financials and Industrials	6 Years	3 Years
Jordan Greenhouse	Managing Director - Senior Client Portfolio Manager	24 Years <sup>†</sup>	5 Years
James B. May, CFA	Managing Director - Client Portfolio Manager	33 Years <sup>†</sup>	2 Years

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

### 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

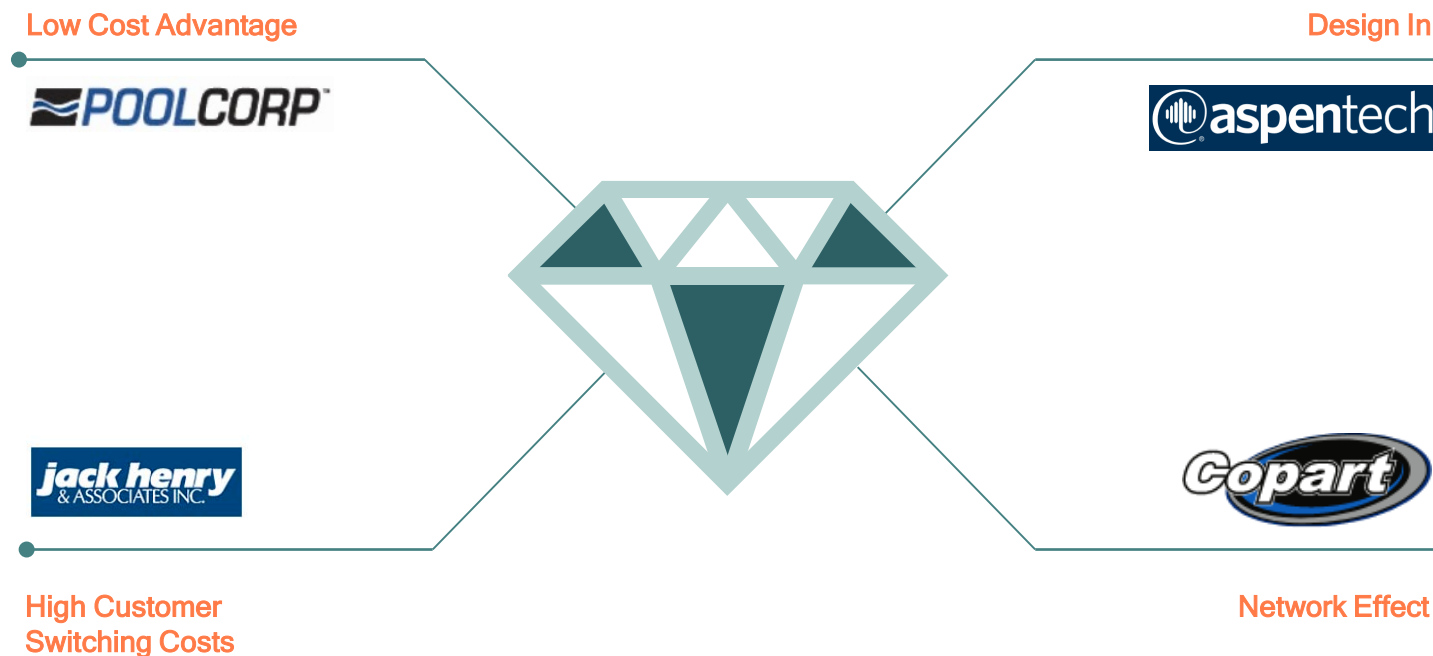
- Cultivates Competitive Advantage
- Rational Capital Allocation
- Considers Stakeholder Interests



## KAR HIGH QUALITY BUSINESS

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

## Examples of High-Quality Business Models



*The securities presented on this page are chosen based upon objective, non-performance based criteria and are current holdings of the strategy. Companies are chosen to exemplify diversification. We typically select companies that operate in large, vast industries, but have overwhelming market share for their particular niches. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. It should not be assumed that securities recommended in the future will be profitable. A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Individual investors' holdings may differ slightly.*

# Investment Process Overview

## A Business Analyst Approach

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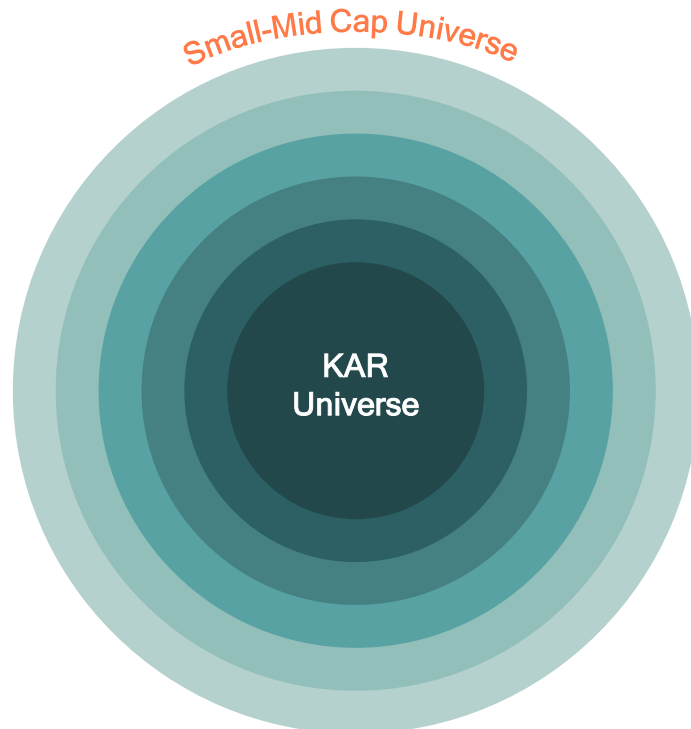


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## We source our investment universe in a number of ways



### Quantitative Screens

- High return on capital over a full economic cycle
- Long and resilient earnings history
- High return on net operating assets
- Minimal debt

### Other Resources

- Research on existing portfolio holdings
- Meetings with companies
- Industry reviews
- Investment conferences
- Third-party research



Research analysts and portfolio managers work together to develop in-depth business knowledge



#### Qualitative Analysis

**Purpose:** Determine if competitive advantage exists and evaluate its strength.

- Review regulatory filings, company materials, industry data, and third party research
- Conduct comprehensive interviews with management; contact other relevant parties
- Understand basis of competition within industry
- Assess competitive threats and obsolescence risk: What protects the business?

#### Financial Analysis

**Purpose:** Evaluate source, level, and sustainability of economic profitability.

- Seek: High and resilient return on capital
- Seek: Persistent earning power
- Seek: Abundant discretionary cash flow
- Seek: Under-levered balance sheet
- Assess management's capital allocation practices; favor high insider ownership

#### Valuation Analysis

**Purpose:** Estimate total return over several year period; compare to other opportunities considering varying levels of certainty

- Consider economic earning power in relation to enterprise value
- In our view, mispricing can be created by: Underfollowed company, investors' over-reaction to short-term challenges, improved competitive position not yet recognized

### Investment Guidelines

<b>Position Weights</b>	<ul style="list-style-type: none"><li>• 25-35 holdings</li><li>• Maximum initial position size is 5% (at cost)</li><li>• Maximum position size is 10% (at market)</li></ul>
<b>Sector Tolerances</b>	<ul style="list-style-type: none"><li>• Seek broad diversification, but no sector constraints</li></ul>
<b>Non-U.S. Holdings</b>	<ul style="list-style-type: none"><li>• Up to 20%</li></ul>
<b>Holding Period</b>	<ul style="list-style-type: none"><li>• Typically 3-to-5 years, but is often longer</li><li>• Portfolio turnover typically 25% to 35%</li></ul>
<b>Cash Levels</b>	<ul style="list-style-type: none"><li>• Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%</li></ul>

### Sell Discipline

<b>Extended Valuation</b>	<ul style="list-style-type: none"> <li>• Significant premium to intrinsic value</li> <li>• Expected annual return insufficient</li> </ul>
<b>Portfolio Upgrade</b>	<ul style="list-style-type: none"> <li>• Better business</li> <li>• Better price</li> </ul>
<b>Acquisition Activity</b>	<ul style="list-style-type: none"> <li>• Our holding acquired at an attractive premium</li> <li>• Our holding acquires a company diminishing its business or value</li> </ul>
<b>Negative Company or Industry Changes</b>	<ul style="list-style-type: none"> <li>• Position review research report written for any of the following conditions:               <ul style="list-style-type: none"> <li>- Stock price declines 20% or more in a short time period absent a broad market decline</li> <li>- Validity deteriorates for one or more of the reasons for purchase</li> <li>- Credit-quality profile deteriorates</li> </ul> </li> <li>• Quality parameters reviewed by the Chief Investment Officer with the Portfolio Managers</li> </ul>

# 4 | Investment Process

## Risk Management & Portfolio Monitoring



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### Risk Management

<b>Investment Philosophy</b>	<ul style="list-style-type: none"> <li>• Focus on “high-quality” companies</li> <li>• Company’s “business risk” is primary risk control factor</li> </ul>
<b>Portfolio Level Controls</b>	<ul style="list-style-type: none"> <li>• Broad sector diversification</li> <li>• Individual security weights initiated at 2% to 5% of portfolio</li> </ul>
<b>Position Reviews</b>	<ul style="list-style-type: none"> <li>• “Position Review” report when a portfolio holding declines 20% absent a broad market decline</li> <li>• Re-validate reasons for original purchase or sell position</li> </ul>
<b>Trading Guidelines</b>	<ul style="list-style-type: none"> <li>• Guidelines provided by Portfolio Managers when entering and exiting portfolio holdings</li> <li>• Relative benchmarks and transaction costs are monitored in real time to ensure investments are implemented both efficiently and effectively</li> </ul>

### Portfolio Monitoring

<b>Risk and Compliance Committee</b>	<ul style="list-style-type: none"> <li>• Meets quarterly to independently evaluate portfolio risk exposures with findings presented to the Chief Investment Officer</li> </ul>
<b>CIO/PM Meetings</b>	<ul style="list-style-type: none"> <li>• Provides a forum for the Chief Investment Officer and the Portfolio Managers to review, discuss, and explain each strategy’s portfolio positioning and its performance</li> </ul>
<b>Research Meetings</b>	<ul style="list-style-type: none"> <li>• Provides a forum to discuss and evaluate portfolio holdings and overall industry trends</li> </ul>
<b>Performance Analytics and Portfolio Attribution</b>	<ul style="list-style-type: none"> <li>• Allows Portfolio Managers to quantify investment decisions and understand drivers of return and risk characteristics</li> </ul>

# Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value  
Small-Mid Cap Core Portfolio – As of March 31, 2021



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	KAR Small-Mid Cap Core	Russell 2500™ Index
<b>Quality</b>		
Return on Equity—Past 5 Years	<b>22.6%</b>	10.4%
Total Debt/EBITDA†	<b>195.5 x</b>	9.0 x
Earnings Variability—Past 10 Years	<b>44.8%</b>	72.2%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	<b>17.7%</b>	8.9%
Earnings Per Share Growth—Past 10 Years	<b>13.5%</b>	8.0%
Dividend Per Share Growth—Past 5 Years	<b>14.3%</b>	5.3%
Dividend Per Share Growth—Past 10 Years	<b>10.6%</b>	8.3%
Capital Generation—{ROE x (1-Payout)}	<b>17.7%</b>	8.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	<b>36.7 x</b>	105.2 x
Dividend Yield	<b>0.5%</b>	1.1%
Free Cash Flow Yield‡	<b>3.0%</b>	2.9%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	<b>\$10.7 B</b>	\$5.4 B
Largest Market Cap—3-Year Average	<b>\$24.5 B</b>	\$22.7 B
Annualized Standard Deviation—Since Inception*	<b>16.1%</b>	20.2%

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

† There was a material difference in Total Debt/EBITDA and Interest Coverage Expense quality indicators for the strategy as of March 31, 2021 over the prior quarter end of December 31, 2020. This is primarily due to a single issuer in the portfolio experiencing a depressed EBITDA due to the effect of the pandemic on that issuer's business.

‡ Free cash flow data is as of December 31, 2020. Prices are as of March 31, 2021. 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.**

# Summary of Key Differentiators



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Philosophy	<ul style="list-style-type: none"><li>• We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle</li></ul>
Process	<ul style="list-style-type: none"><li>• A “business analyst” approach with a long-term perspective</li><li>• Extensive fundamental research to develop an information advantage</li><li>• High-conviction portfolios to isolate the best opportunities for our clients</li></ul>
People	<ul style="list-style-type: none"><li>• Over three decades of experience managing small and mid cap strategies</li><li>• 8 dedicated small and mid cap investment professionals</li></ul>
Performance	<ul style="list-style-type: none"><li>• Investment returns sourced from the business’ exceptional returns on capital</li><li>• Only 3 annual periods of negative returns (gross of fees) since 1992 versus 6 for the Russell 2500™ Index*</li></ul>

*\* This information is presented gross of fees solely for illustrative purposes and for proper comparison to the noted index. The index is not actively managed and does not reflect a deduction of investment management or other fees and expenses. While the securities comprising an index are not identical to those in KAR’s composite, KAR believes this comparison may be useful in evaluating performance. When gross of fees performance information is used or otherwise provided for our strategies, as it is here, it does not include the reduction in returns that occurs over time as a result of fees paid to your managed account program sponsor, which includes management fees that KAR also earns from that program sponsor, which compound over time. This material is deemed supplemental and you should refer to important net and gross of fees performance information found on the last page of this presentation.*

***Past performance is no guarantee of future results.***

- **Portfolio Data**
- **Biographies**
- **Representative Client List**
- **Disclosure**



# Sector Weights

## Small-Mid Cap Core Portfolio

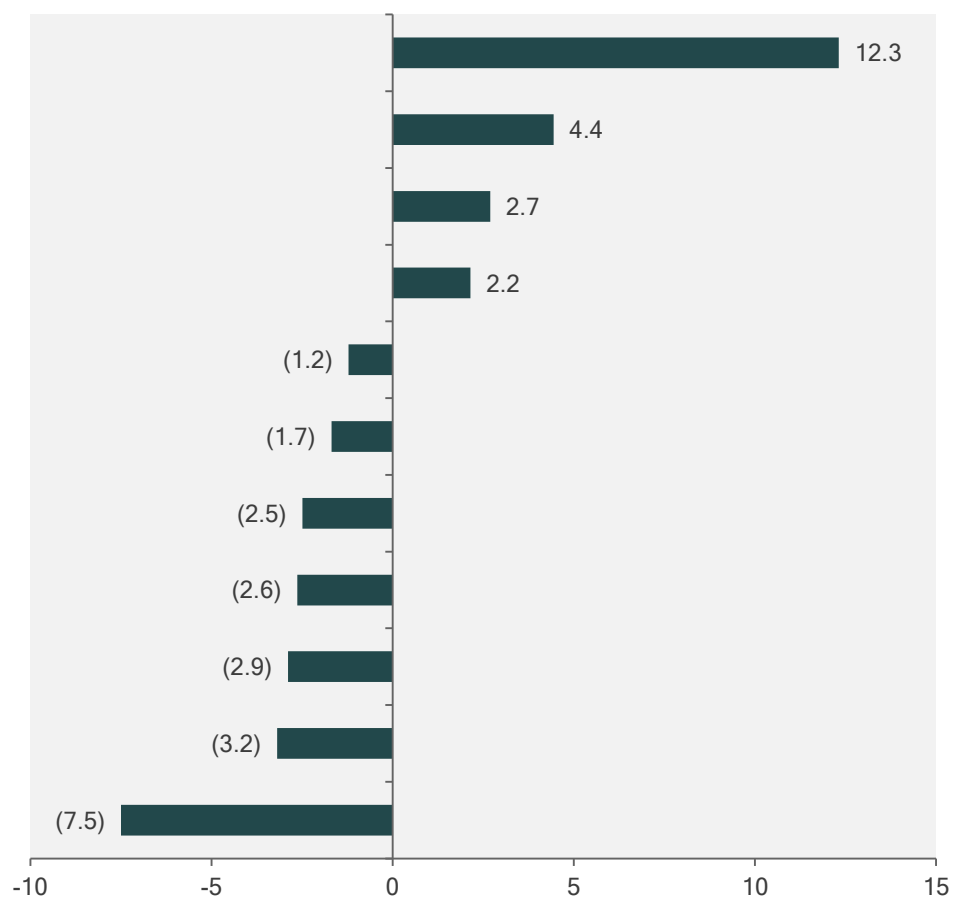
### As of March 31, 2021



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Sectors	KAR Small-Mid Cap Core (%)	Russell 2500™ Index (%)
Information Technology	28.4	16.1
Consumer Discretionary	18.4	13.9
Industrials	19.2	16.5
Materials	7.6	5.5
Financials	13.3	14.6
Health Care	13.1	14.8
Energy	—	2.5
Utilities	—	2.6
Communication Services	—	2.9
Consumer Staples	—	3.2
Real Estate	—	7.5

### Underweight/Overweight (%)



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# Conviction-Driven Investing Provides Opportunities for Excess Return

Small-Mid Cap Core Portfolio  
As of March 31, 2021



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Top 10 Holdings	GICS Sector	% of Portfolio
Scotts Miracle-Gro	Materials	7.6
Zebra Technologies	Information Technology	5.7
SiteOne Landscape Supply	Consumer Discretionary	4.7
Charles River Laboratories International	Health Care	4.6
Thor Industries	Consumer Discretionary	4.6
Teradyne	Information Technology	4.0
CDW	Information Technology	3.8
Cooper Companies	Health Care	3.8
POOLCORP	Consumer Discretionary	3.8
W. R. Berkley	Financials	3.6
<b>Total</b>		<b>46.2</b>

Research confidence leads to large active weights

	KAR Small -Mid Cap Core	Russell 2500™ Index
# of Holdings	30	2,566
Average Position Size (%)	3.3	0.04
Weight of Top Ten Holdings (%)	46.2	3.0
Active Share (%)	97.1	—

The strategy benefits from diversification while still taking significant active positions

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# Strong Risk-Adjusted Returns

## Small-Mid Cap Core Portfolio

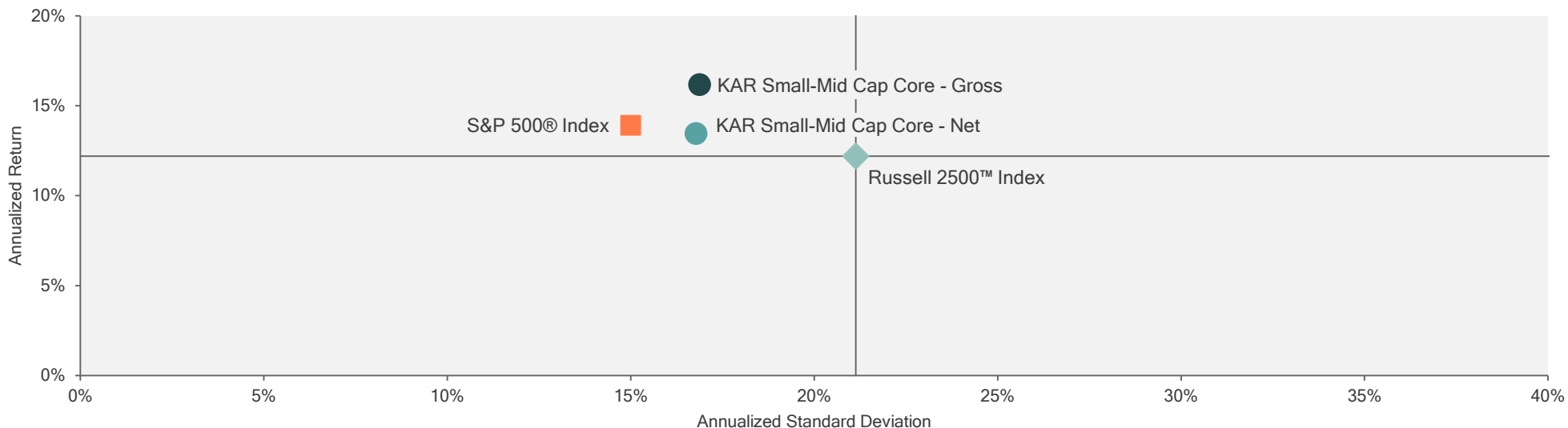
Ten Years Ending March 31, 2021



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### 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	6.13	0.93	16.88	12.15	0.75	7.66
Russell 2500™ Index	0.00	0.56	21.13	16.14	1.00	0.00

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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.**

# Peer Comparison

## Small-Mid Cap Core Portfolio

### Ten Years Ending March 31, 2021



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

*The Small-Mid Cap Core Universe includes all managers categorized in the small-mid cap core asset class by eVestment.*

*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.** Management fees are described in Form ADV Part 2, which is available upon request. Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Net annual returns have been calculated after the deduction of an assumed maximum annual fee of 3%. The effect of fees on performance would grow at a compounded rate. Over a five-year period, if a \$100,000 portfolio had an annual return of 10%, it would grow to \$161,051. The net compounded effect of a 3% annual investment management fee would total \$20,796 and result in a portfolio value of \$140,255.*

# Returns

## Small-Mid Cap Core Portfolio



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### Annualized Performance

Periods Ending 3/31/21	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
First Quarter	7.43	6.64	10.93	(429)
1 Year	76.86	71.86	89.40	(1,754)
3 Years	24.69	21.06	15.34	572
5 Years	21.43	17.89	15.93	196
7 Years	18.29	15.21	11.46	375
10 Years	16.16	13.45	12.20	125
Since Inception*	12.61	9.74	11.24	(150)

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
2020	36.85	32.89	19.99	1,290
2019	40.90	36.84	27.77	908
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	4.10	(2.90)	701
2014	9.25	7.37	7.07	30
2013	31.04	29.07	36.80	(773)
2012	9.25	7.55	17.88	(1,033)
2011	8.43	6.02	(2.51)	853
2010	20.23	17.70	26.71	(901)
2009	31.12	28.86	34.39	(553)
2008	(29.90)	(31.33)	(36.79)	546
2007	0.26	(1.37)	1.38	(275)
2006	14.04	11.75	16.17	(442)
2005	3.24	0.14	8.11	(797)
2004	13.69	10.26	18.29	(803)
2003	25.54	21.91	45.51	(2,360)
2002	(17.31)	(19.84)	(17.80)	(205)
2001	4.57	1.53	1.22	31
2000	23.47	19.85	4.27	1,558
1999	7.02	3.93	24.14	(2,022)
1998	20.98	17.42	0.38	1,704
1997	21.00	17.45	24.36	(691)
1996	26.98	23.22	19.03	419
1995	18.57	15.07	31.70	(1,663)
1994	2.75	(0.26)	(1.05)	79
1993	20.00	16.54	16.55	(2)
1992†	9.65	7.25	11.36	(411)

\*April 1, 1992

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

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**IMPORTANT RISK CONSIDERATIONS: Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the speed of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

# Biographies

## Small-Mid Cap Core Team



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### **Douglas S. Foreman, CFA**

*Chief Investment Officer and Member of the Executive Management Committee*

Mr. Foreman has approximately 35 years of investment experience. Before joining Kayne Anderson Rudnick in 2011, Mr. Foreman was Director of Equities at HighMark Capital Management and before that he was Group Managing Director and Chief Investment Officer of U.S. equities at Trust Company of the West (TCW). He earned a B.S. in Marine Engineering from The U.S. Naval Academy and an M.B.A. from Harvard University. Mr. Foreman is a Chartered Financial Analyst charterholder.



### **Jon Christensen, CFA**

*Portfolio Manager and Senior Research Analyst with primary research responsibilities for the small and mid-capitalization health care sector*

Before joining Kayne Anderson Rudnick in 2001, Mr. Christensen was a Portfolio Manager and Senior Research Analyst for Doheny Asset Management and has approximately 26 years of equity research experience. He earned a B.S. in Mathematics/Applied Science from the University of California, Los Angeles, and an M.B.A. from the California State University, Long Beach. Mr. Christensen is a Chartered Financial Analyst charterholder.



### **Julie Kutasov**

*Portfolio Manager and Senior Research Analyst with primary research responsibilities for the small and mid-capitalization materials and industrials sectors*

Before joining Kayne Anderson Rudnick in 2001, Ms. Kutasov worked at Goldman Sachs in a program focused on investment management for high-net worth individuals and at Arthur Andersen as a Senior Associate leading teams that provided financial-audit and business-advisory services to a variety of clients in service-related industries. Ms. Kutasov holds a Certified Public Accountant license (currently inactive) in the state of California. She has approximately 20 years of equity research experience. Ms. Kutasov earned a B.A. in Business Economics from the University of California, Los Angeles, where she graduated summa cum laude, and an M.B.A. from Harvard Business School.



### **Craig Stone**

*Portfolio Manager and Senior Research Analyst with primary research responsibilities for the small and mid-capitalization industrials sector*

Mr. Stone has approximately 32 years of equity research experience. Before joining Kayne Anderson Rudnick in 2000, Mr. Stone was a Portfolio Manager at Doheny Asset Management. He earned a B.S. in International Business from San Francisco State University and an M.B.A. from the University of Southern California.

# Biographies

## Small-Mid Cap Core Team



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### **Todd Beiley, CFA**

*Senior Research Analyst with primary research responsibilities for the small and mid-capitalization communication services and energy sectors*

Before joining Kayne Anderson Rudnick in 2002, Mr. Beiley worked as an Associate Analyst in equity research at Prudential Securities and before that was an Equity Research Associate at RNC Capital Management. He has approximately 22 years of equity research experience. Mr. Beiley earned a B.S. in Finance from Northern Arizona University and an M.B.A. from the University of Southern California. Mr. Beiley is a Chartered Financial Analyst charterholder.



### **Julie Biel, CFA**

*Senior Research Analyst with primary research responsibilities for the small and mid-capitalization information technology sector*

Before joining Kayne Anderson Rudnick in 2013, Ms. Biel worked at Imperial Capital as an Equity Research Associate. Prior to business school, Ms. Biel was an Equity Research Associate at Merrill Lynch. She has approximately 13 years of equity research experience. Ms. Biel earned a B.A., in Economics and Psychology from New York University and an M.B.A. from the University of California, Los Angeles. Ms. Biel is a Chartered Financial Analyst charterholder.



### **Chris Wright, CFA**

*Senior Research Analyst with primary research responsibilities for the financials and real estate sectors*

Before joining Kayne Anderson Rudnick in 2012, Mr. Wright worked at Alvarez & Marsal as a Senior Associate in Turnarounds and Restructuring and at Houlihan Lokey Howard & Zukin as an Associate in the Investment Banking Financial Institutions Group. He has approximately nine years of equity research experience. Mr. Wright earned a B.S.E., concentration in Finance, from the Wharton School at the University of Pennsylvania and an M.B.A. from the University of California, Los Angeles where he was selected for the Student Investment Fund. Mr. Wright is a Chartered Financial Analyst charterholder.

# Biographies

## Small-Mid Cap Core Team



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### Sean Dixon

*Research Analyst with primary research responsibilities for the small and mid-capitalization consumer discretionary and industrials sectors*

Before joining Kayne Anderson Rudnick in 2018, Mr. Dixon worked as an analyst at Denver Investments, covering international small-cap stocks. Mr. Dixon has approximately 12 years of equity research experience. Mr. Dixon earned his bachelor's degree in finance from the University of Denver.



### Adam Xiao, CFA

*Research Analyst with primary research responsibilities for the small and mid-capitalization consumer staples, financials and industrials sectors*

Before joining Kayne Anderson Rudnick in 2018, Mr. Xiao was with Diamond Hill Capital Management, where he was a senior associate covering telecommunications and networking equipment companies. He has approximately six years of equity research experience. Mr. Xiao earned his B.A. in operations research and management science from UC Berkeley and his MBA from Columbia Business School. Mr. Xiao is a Chartered Financial Analyst charterholder.



### Jordan Greenhouse

*Managing Director - Senior Client Portfolio Manager*

Before joining Kayne Anderson Rudnick in 2016, Mr. Greenhouse worked at Fidelity Investments for approximately 17 years in a variety of roles, most recently as a Regional Vice President in their Private Client Group. He also served as the Chief Operating Officer at Rady Asset Management. He has approximately 24 years of investment experience. Mr. Greenhouse earned a B.S. in Psychology from the University of Utah and an M.B.A. from the Johnson Graduate School of Management at Cornell University.



### James B. May, CFA

*Managing Director - Client Portfolio Manager*

Prior to joining Kayne Anderson Rudnick in 2019, Mr. May worked as a product specialist covering domestic and international equity strategies at Virtus Investment Partners and as a senior portfolio manager and ETF specialist in the Global Structured Products Group at SSgA. He has approximately 33 years of investment experience. Mr. May earned a B.A. in Finance from Bentley University and an M.B.A. from Boston College. Mr. May is a Chartered Financial Analyst charterholder.





**Stephen A. Rigali, CFA**

*Executive Managing Director and Member of the Executive Management Committee*

Mr. Rigali has approximately 40 years of experience in the investment management industry. Before joining Kayne Anderson Rudnick in 1991, Mr. Rigali was a Vice President at Shearson Lehman Brothers. Mr. Rigali earned a B.S. in Business and Economics from Loyola Marymount University. He is a Chartered Financial Analyst charterholder and a member of the CFA Society of Los Angeles, Inc.



**Douglas S. Foreman, CFA**

*Chief Investment Officer and Member of the Executive Management Committee*

Mr. Foreman has approximately 35 years of investment experience. Before joining Kayne Anderson Rudnick in 2011, Mr. Foreman was Director of Equities at HighMark Capital Management and before that he was Group Managing Director and Chief Investment Officer of U.S. equities at Trust Company of the West (TCW). He earned a B.S. in Marine Engineering from The U.S. Naval Academy and an M.B.A. from Harvard University. Mr. Foreman is a Chartered Financial Analyst charterholder.



**Jeannine G. Vanian**

*Chief Operating Officer and Member of the Executive Management Committee*

Ms. Vanian has approximately 34 years of experience in the investment management industry, including 32 years with Kayne Anderson Rudnick. Ms. Vanian attended The American University in Cairo, Egypt.

# 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.