February 2026

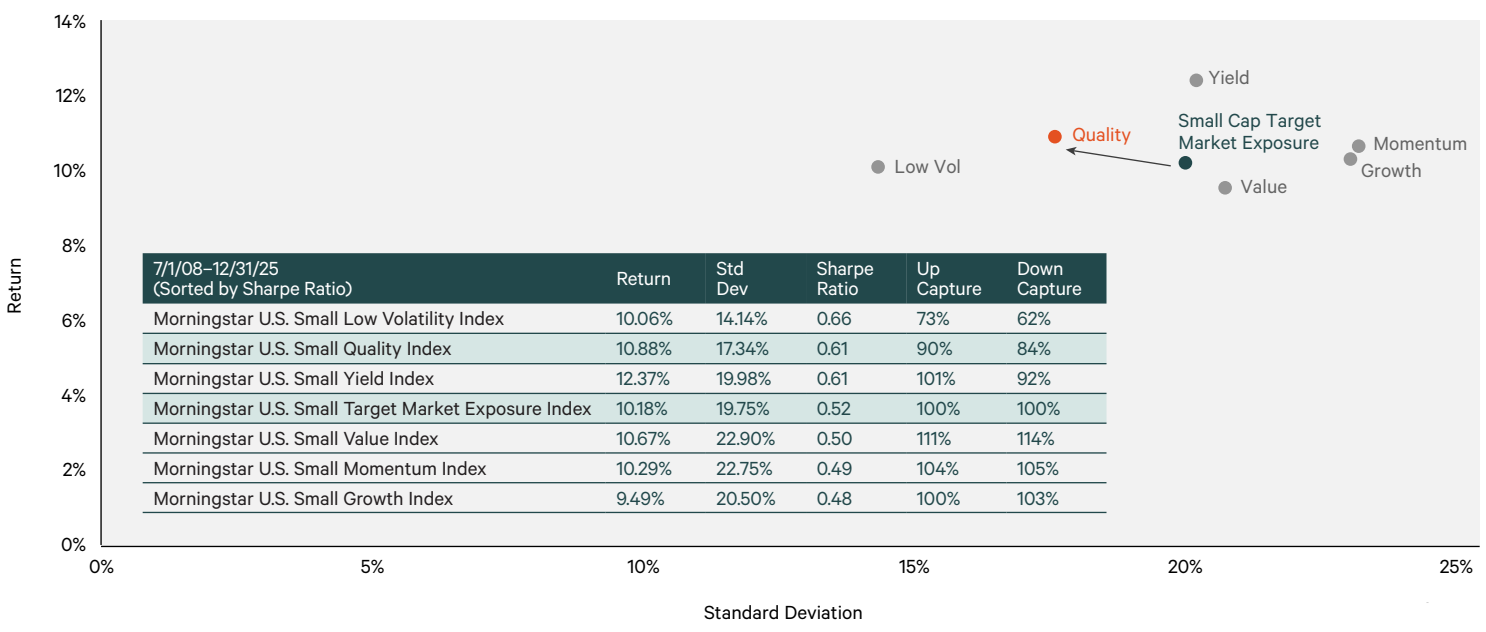
Is the Market Overlooking Quality Investing Right Now?

We continue to believe that high-quality businesses—defined by strong returns on capital, conservative balance sheets, and durable competitive advantages—are well-positioned to deliver attractive long-term outcomes.

In environments where capital is no longer inexpensive, companies that have historically self-funded growth, earned high returns on equity and operated with low financial leverage have experienced a meaningful advantage. In our experience, these businesses tend to be more resilient during periods of economic uncertainty and better able to compound value over full market cycles.

While lower-quality companies can experience sharp rallies when liquidity improves or investor optimism increases, history suggests these periods are typically short-lived. Over time, quality companies have demonstrated more consistent performance and better downside protection, reinforcing our conviction in maintaining a long-term focus on quality regardless of near term market trends (see Figure 1).

FIGURE 1: RISK REWARD PROFILE OF MORNINGSTAR FACTOR INDEXES – SMALL CAP UNIVERSE
Since Index Inception: July 1, 2008 – December 31, 2025 (17 Years and 6 Months)



7/1/08–12/31/25 (Sorted by Sharpe Ratio)	Return	Std Dev	Sharpe Ratio	Up Capture	Down Capture
Morningstar U.S. Small Low Volatility Index	10.06%	14.14%	0.66	73%	62%
Morningstar U.S. Small Quality Index	10.88%	17.34%	0.61	90%	84%
Morningstar U.S. Small Yield Index	12.37%	19.98%	0.61	101%	92%
Morningstar U.S. Small Target Market Exposure Index	10.18%	19.75%	0.52	100%	100%
Morningstar U.S. Small Value Index	10.67%	22.90%	0.50	111%	114%
Morningstar U.S. Small Momentum Index	10.29%	22.75%	0.49	104%	105%
Morningstar U.S. Small Growth Index	9.49%	20.50%	0.48	100%	103%

Data as of December 31, 2025. Source: MorningstarDirect. This information is illustrative and should only be used for informational purposes. Please see the end of this paper for information regarding the indices. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Large and Global Companies versus U.S. Small Companies

Differences in recent performance between large and small companies have been driven largely by fundamental composition, not market capitalization alone.

Large-cap and global indices currently include a higher concentration of profitable, well-capitalized businesses—characteristics that align closely with our quality criteria but with a current catalyst, that being the potential value creation from AI.

FIGURE 2: RETURN DIFFERENTIAL BETWEEN S&P 500® VS. S&P 500® EQUAL-WEIGHTED INDEXES
Rolling 3-Year Excess Returns

Data as of December 31, 2025. Source: FactSet. This information is illustrative and should only be used for informational purposes. Please see the end of this paper for information regarding the indices. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

However, markets have clearly rewarded these businesses, driving a large performance gap between the largest companies in the S&P 500 Index relative to the rest of the index. As shown above in Figure 2, the S&P 500 has now outperformed its equal weighted index by the largest amount witnessed since the Internet Bubble.

By contrast, U.S. small-cap indices contain a much broader mix of companies. The top 10 Russell 2000 companies represent 5.2% of the universe, unlike the S&P 500 at 39.2%. However, the Russell 2000 Index also includes a substantial number of companies with lower profitability, higher leverage, and/or inconsistent earnings.

That said, high-quality small companies do exist, and when identified, we believe they can offer compelling opportunities. These businesses often operate in specialized niches, generate strong returns on capital, and benefit from less efficient pricing due to limited analyst coverage. As we see it, this makes small caps an area where active, quality-focused research is especially valuable, even if the broader index faces headwinds.

Thus, it is possible to gain exposure to compelling, competitive investment opportunities, with meaningful earnings growth with diversification from the concentrated return nature of the larger indices. As highlighted in Figure 3, the return on equity (ROE) and earnings growth of the KAR Small Cap Quality Value strategy are meaningfully greater than the index while having less balance sheet risk.

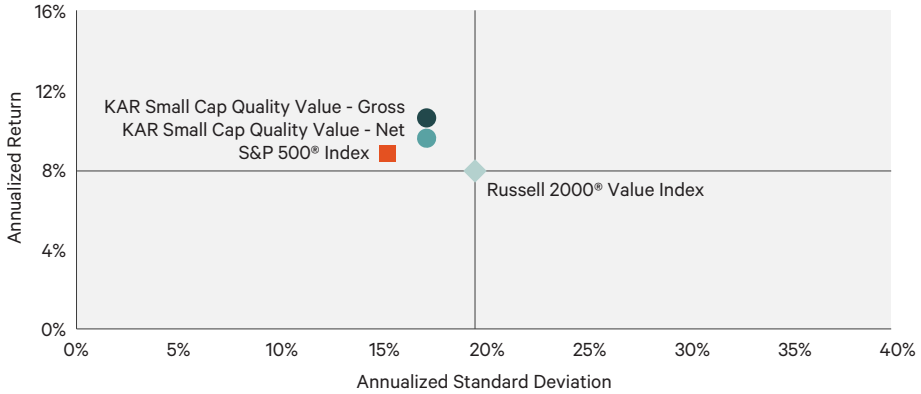
FIGURE 3: PORTFOLIO CHARACTERISTICS
As of December 31, 2025

	KAR Small Cap Quality Value	Russell 2000® Value Index
Quality		
Return on Equity—Past 5 Years	20.5%	7.4%
Debt/EBITDA	1.5 x	3.4 x
Earnings Variability—Past 10 Years	42.2%	86.6%
Growth		
Earnings Per Share Growth—Past 5 Years	10.7%	5.7%
Earnings Per Share Growth—Past 10 Years	9.4%	7.1%
Dividend Per Share Growth—Past 5 Years	9.8%	5.9%
Dividend Per Share Growth—Past 10 Years	9.3%	4.5%
Capital Generation—{ROE x (1-Payout)}	14.3%	5.7%
Value		
P/E Ratio—Trailing 12 Months	24.3 x	33.8 x
Dividend Yield	1.3%	2.0%
Free Cash Flow Yield	4.5%	1.7%
Market Characteristics		
$ Weighted Average Market Cap—3-Year Average	$5.3 B	$2.7 B
Largest Market Cap—3-Year Average	$15.0 B	$11.2 B
Annualized Standard Deviation—Since Inception* (Net of Fees)	17.2%	19.5%

Data as of December 31, 2025. Source: FactSet Research Systems and BNY Mellon. 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. Please see the end of this paper for additional information regarding the calculation methodology for the portfolio characteristics and the index. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges, and it is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations. ***Past performance is no guarantee of future results.***
**June 1, 1998*

This has translated into compelling investment returns since the inception of the KAR Small Cap Quality Value strategy even when compared to the larger S&P 500 Index (Figure 4).

FIGURE 4: PORTFOLIO RISK-RETURN SINCE INCEPTION VS. THE BENCHMARK AND THE S&P 500® INDEX
Inception* through December 31, 2025



Periods Ending 12/31/25	KAR Small Cap Quality Value – Gross (%)	KAR Small Cap Quality Value – Net (%)	Russell 2000® Value Index (%)
1 Year	(3.89)	(4.75)	12.59
5 Years	3.34	2.42	8.88
10 Years	9.62	8.64	9.27

**June 1, 1998*
This material is deemed supplemental and complements the performance and disclosure at the end of this paper. *Data as of December 31, 2025. Source: Kayne Anderson Rudnick Investment Management, LLC ("KAR") and FactSet. Returns for the KAR composite are final. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from systems assumed to be reliable. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges, and it is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations.* ***Past performance is no guarantee of future results.***

Out-of-Favor Style May Create Opportunities

While our focus on high-quality small cap businesses has translated into attractive long-term fundamentals and differentiated portfolio characteristics, the path of returns has not been linear. Periods when quality-oriented, value-focused strategies fall out of favor are an inevitable part of market cycles, often driven by shifts in leadership toward leverage, cyclicality, or momentum. Importantly, these episodes can create attractive entry points, setting the stage for subsequent recovery as fundamentals reassert themselves. The following section examines how the strategy has historically navigated such periods and performed relative to its benchmark in the years that followed.

Following periods of underperformance, the KAR Small Cap Quality Value strategy has historically shown a stronger recovery than the benchmark, with the one-year forward period often marking the start of relative outperformance. More notably, the three- and five-year forward returns have tended to be substantially larger, underscoring the strategy's ability to compound as market leadership shifts back toward fundamentals. The underperformance periods shown in Figure 5 coincided with environments that favored cyclicals, leverage, or momentum, including the lead up to the Global Financial Crisis and a sharp factor rotation toward deep value and cyclicals in 2016. As those market dynamics faded, the strategy's emphasis on financially durable, high quality businesses helped drive a stronger, more sustained recovery than the benchmark.

FIGURE 5: OUT-OF-FAVOR STYLE MAY CREATE OPPORTUNITIES
Cumulative Returns Post 5-Year Periods of Underperformance

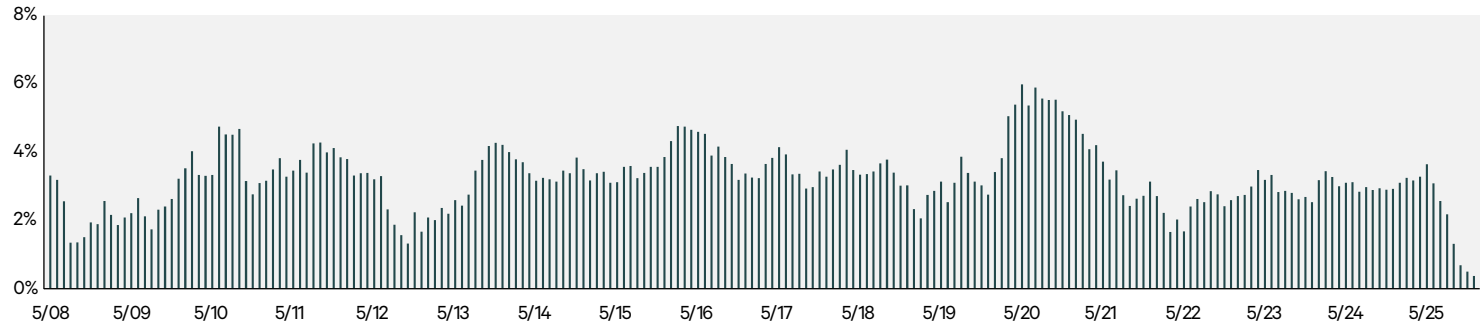
Period 1 Underperformance: February 27, 2004	1 Year Forward Return	3 Year Forward Return	5 Year Forward Return
KAR Small Cap Quality Value – Gross	(37.5%)	(31.6%)	(4.0%)
KAR Small Cap Quality Value – Net	(38.3%)	(34.3%)	(10.1%)
Russell 2000 Value Index	(43.0%)	(46.0%)	(29.1%)
Period 2 Underperformance: May 31, 2007	**1 Year Forward Return**	**3 Year Forward Return**	**5 Year Forward Return**
KAR Small Cap Quality Value – Gross	(2.3%)	81.1%	19.7%
KAR Small Cap Quality Value – Net	(3.6%)	74.3%	12.2%
Russell 2000 Value Index	(8.3%)	54.0%	(11.6%)
Period 3 Underperformance: November 30, 2016	**1 Year Forward Return**	**3 Year Forward Return**	**5 Year Forward Return**
KAR Small Cap Quality Value – Gross	20.6%	67.3%	100.8%
KAR Small Cap Quality Value – Net	19.1%	61.0%	88.3%
Russell 2000 Value Index	33.0%	38.8%	54.4%

This material is deemed supplemental and complements the performance and disclosure at the end of this paper. *Data as of December 31, 2025. Source: Kayne Anderson Rudnick Investment Management, LLC ("KAR") and FactSet. Returns for the KAR composite are final. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from systems assumed to be reliable. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges, and it is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations.* ***Past performance is no guarantee of future results.***

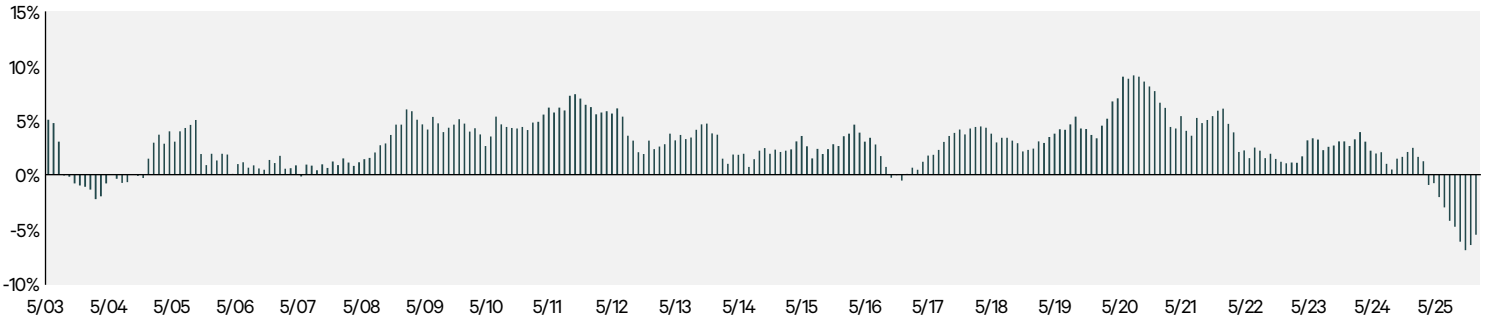
While our quality strategies have gone through periods of underperformance and subsequent recovery in the past, we believe they have continued to provide compelling relative returns. Since the strategy's inception, the KAR Small Cap Quality Value strategy has exhibited a strong batting average over longer time horizons (Figure 6). A high batting average generally reflects an approach that has worked across a wide range of market environments, rather than depending on precise timing or a few standout periods. In this case, that consistency aligns with our high-conviction focus on quality businesses with durable competitive moats, assembled into concentrated portfolios. Taken together, we maintain that the history highlights how patient, fundamentals-driven investing in high-quality small caps has tended to produce favorable relative outcomes over full market cycles.

FIGURE 6: SMALL CAP QUALITY VALUE STRATEGY ROLLING BATTING AVERAGE
Inception through December 31, 2025

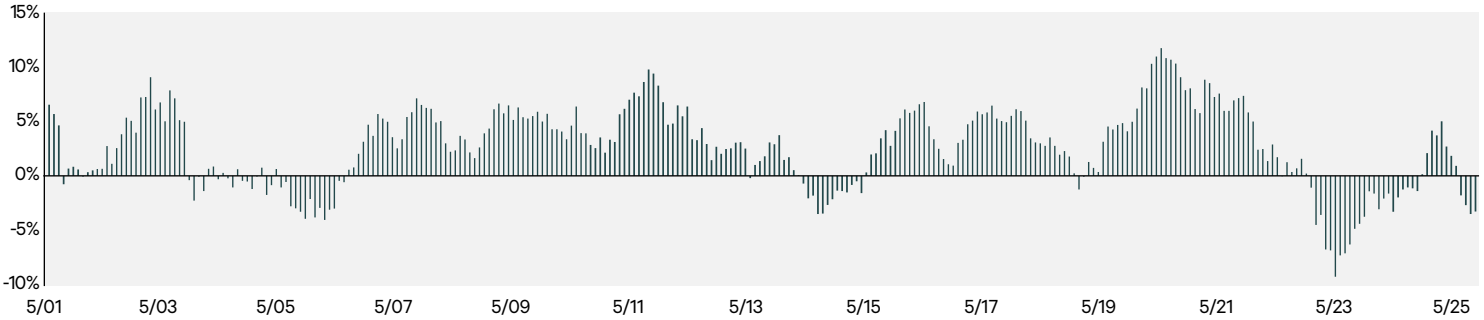
Rolling 10-Year Periods: 100% Outperformance | Batting Average | **Gross:** 100% rolling outperformance **Net:** 97% rolling outperformance



Rolling 5-Year Periods: 90% Outperformance | Batting Average | **Gross:** 90% rolling outperformance **Net:** 73% rolling outperformance



Rolling 3-Year Periods: 75% Outperformance | Batting Average | **Gross:** 75% rolling outperformance **Net:** 64% rolling outperformance

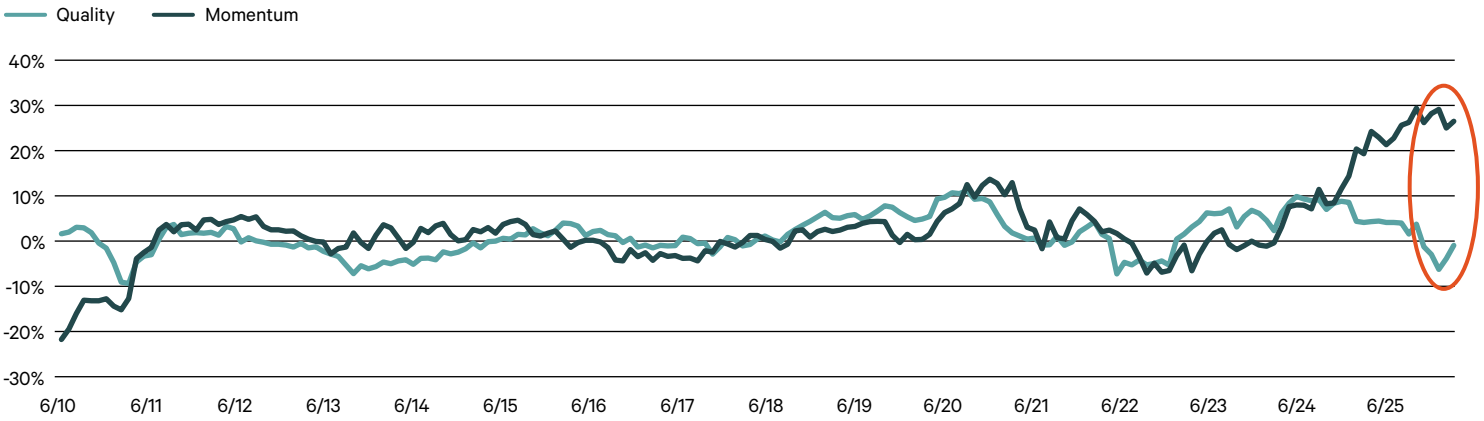


Data as of December 31, 2025. Source: Kayne Anderson Rudnick Investment Management, LLC ("KAR") and FactSet. Returns for the KAR composite are final. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from systems assumed to be reliable. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges, and it is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations. ***Past performance is no guarantee of future results.***

Recent Interest in Lower Quality and Non-Earning Small Caps

We have observed increased investor interest in lower-quality and non-profitable small-cap companies during recent market rallies. This pattern is not unusual and typically occurs during periods of rising risk appetite, when improving sentiment and liquidity lead investors to seek higher-beta exposure. Lately, this return differential in more momentum stocks vs. quality stocks has been abrupt and at a higher magnitude, potentially providing an interesting entry point for the long-term quality investor. As you can see on the next page (Figure 7), small cap momentum stocks have outperformed quality over the past two years by the largest amount since the style indices were formed in June 2008.

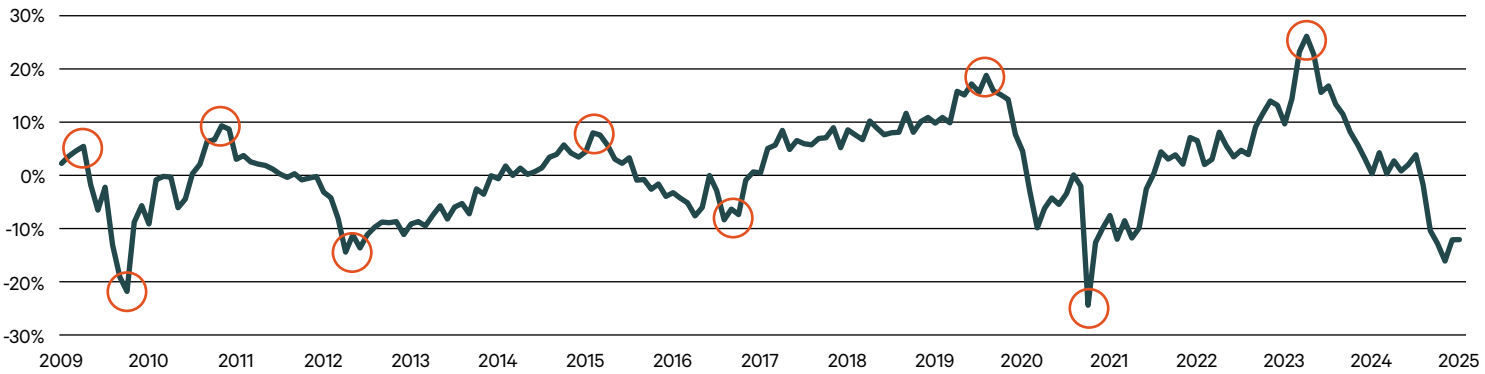
FIGURE 7: ROLLING 2-YEAR EXCESS RETURNS VS. MORNINGSTAR U.S. SMALL TARGET MARKET EXPOSURE



Data as of December 31, 2025. Source: FactSet and Morningstar. This information is illustrative and should only be used for informational purposes. Please see the end of this paper for information regarding the indices. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

These phases—sometimes referred to as "junk rallies"—can produce strong short term returns, but they have historically proven difficult to sustain without a corresponding improvement in underlying fundamentals. From our perspective, such periods often reinforce the importance of discipline and provide opportunities to reposition portfolios toward higher quality businesses rather than participate in speculative excess.

FIGURE 8: MORNINGSTAR U.S. SMALL CAP QUALITY VS. TARGET MARKET EXPOSURE
Rolling 18-Month Return Differential (Cumulative)



Data as of December 31, 2025. Source: FactSet and Morningstar. This information is illustrative and should only be used for informational purposes. Please see the end of this paper for information regarding the indices. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

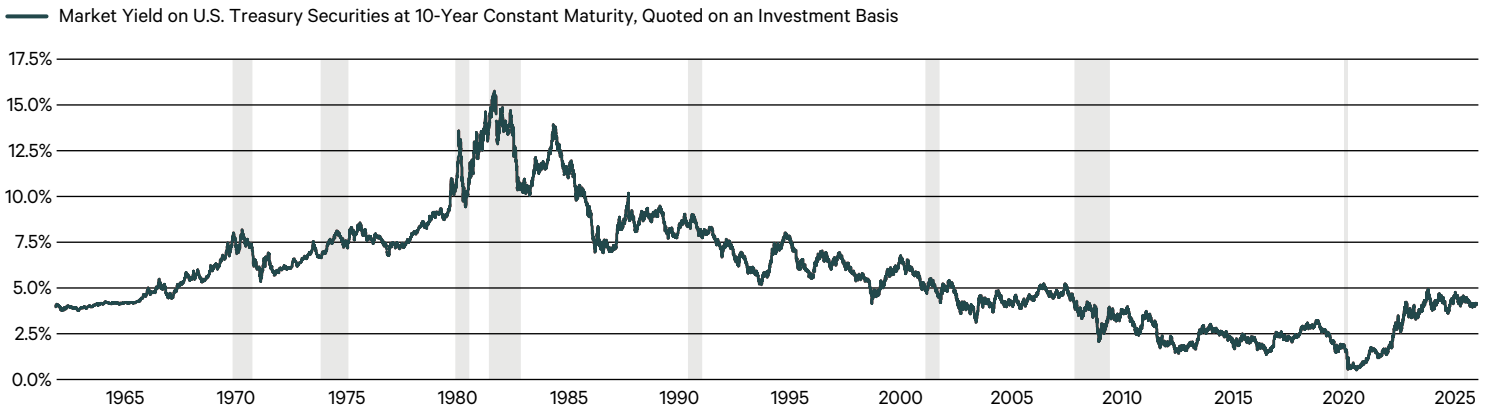
When viewing quality stocks versus the overall universe based on Morningstar's Small Cap Quality index versus its Target Market Exposure index in the small cap space, quality has underperformed the target market by 1,208 bps over the last 18 months. Since the inception of Morningstar's style indices for U.S. small-cap stocks in 2008, there have been several periods when the quality factor's rolling 18-month returns experienced underperformance before subsequently recovering to new highs, as indicated by the red circles and lines in the chart above (Figure 8). The quality factor has outperformed the target market exposure on average by 1,065 bps over the subsequent 3-year periods after these periods of underperformance.

Changes in the Public Market Opportunity Set

Structural shifts in capital markets have also influenced where quality opportunities can be found.

Theoretically, the rise in AUM in private market funding as well as the low cost-of-carry has contributed to companies staying private for longer. We have been in an ultra-low-interest rate environment post the mid-1990s until a rise just recently evidenced by the historical range U.S. 10-year rate below (Figure 9).

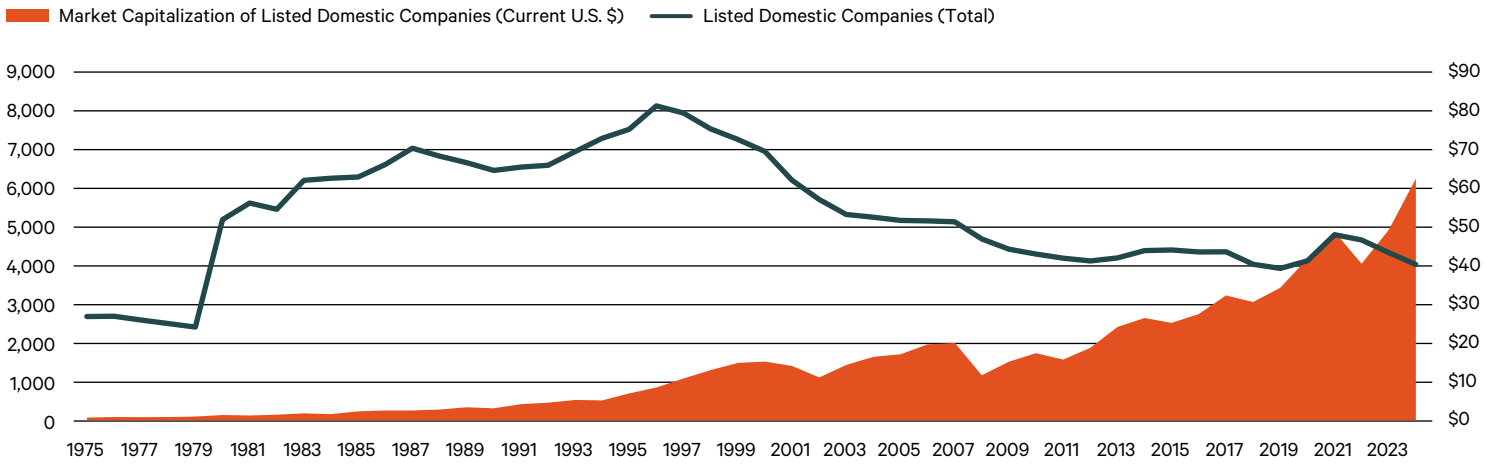
FIGURE 9: HISTORICAL U.S. 10-YEAR TREASURY YIELD



Data as of February 6, 2026. Source: Board of Governors of the Federal Reserve System (U.S.), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10. This information is illustrative and should only be used for informational purposes. ***Past performance is no guarantee of future results.***

Consequently, the number of listed companies in the U.S. has declined from a high of 7,000 companies to less than 4,000 over the past few decades (Figure 10). It is also notable that a large amount of this decline happened after the bursting of the Internet bubble in the early 2000s.

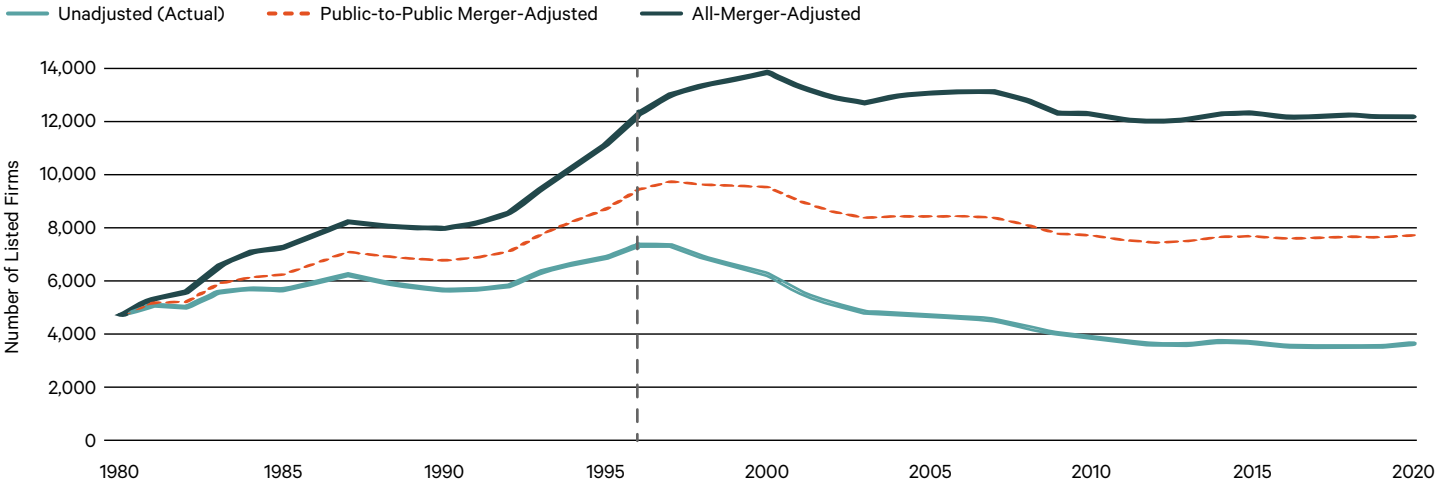
FIGURE 10: HISTORICAL NUMBER AND MARKET CAP OF U.S. LISTED COMPANIES
1980-2024



Data as of December 31, 2024. Source: Bloomberg. Stock count from NASDAQ, New York Stock Exchange (NYSE), and New York Stock Exchange American. This information is illustrative and should only be used for informational purposes. ***Past performance is no guarantee of future results.***

What is also noteworthy is the amount of M&A activity over the past few decades that has influenced this trend. In a lower cost of capital environment, it can be cheaper for companies to make acquisitions than grow organically. When adjusted for merger activity, the decline in listed firms is far less pronounced; for example, in 2020 the merger-adjusted count was over 12,000 firms versus an actual listing count of about 3,600, reflecting thousands of companies absorbed by public acquirers and retained under public ownership (Figure 11).

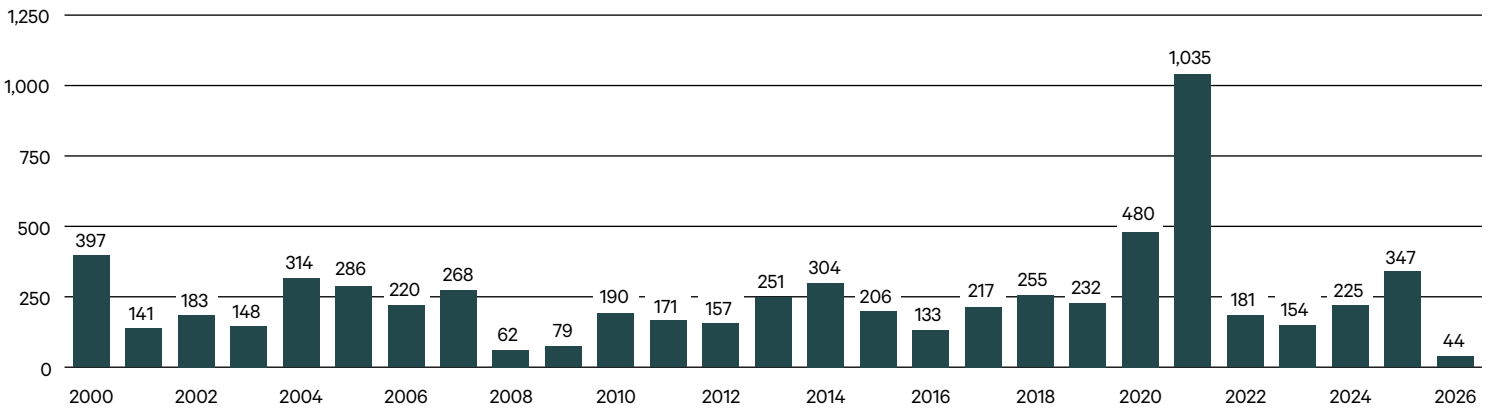
FIGURE 11: M&A ADJUSTED U.S. LISTED COMPANIES



Data as of December 11, 2023. Source: Journal of Financial and Quantitative Analysis , Volume 60 , Issue 1 , pp. 209 - 257 DOI: https://doi.org/10.1017/S0022109023001394. This information is illustrative and should only be used for informational purposes.

Also, when looking at the actual number of IPO's annually since 2000, the average is approximately 255 per year (Figure 12). The spike in 2020 and 2021 coincided with the special purpose acquisition company (SPAC) boom. Excluding these two years the average drops to approximately 213 per year. Therefore, the last two years have been above average as has five out of the last seven years (not including 2020 and 2021).

FIGURE 12: ANNUAL NUMBER OF U.S. IPO'S SINCE 2000



Data as of February 6, 2026. Source: https://stockanalysis.com/ipos/statistics/. Annual data is available from 2000-2026 and monthly data since 2019. This information is illustrative and should only be used for informational purposes.

Figure 13 illustrates that during the last decade, the average market capitalization of IPOs remained firmly within the small cap category. Additionally, most IPOs have had market capitalizations below $10 billion. Consequently, these offerings continue to be accessible for small cap managers, as evidenced by the Russell 2000 universe's three-year average weighted market capitalization of $3.5 billion as of December 31, 2025, with the largest constituent in the index valued at $33 billion.

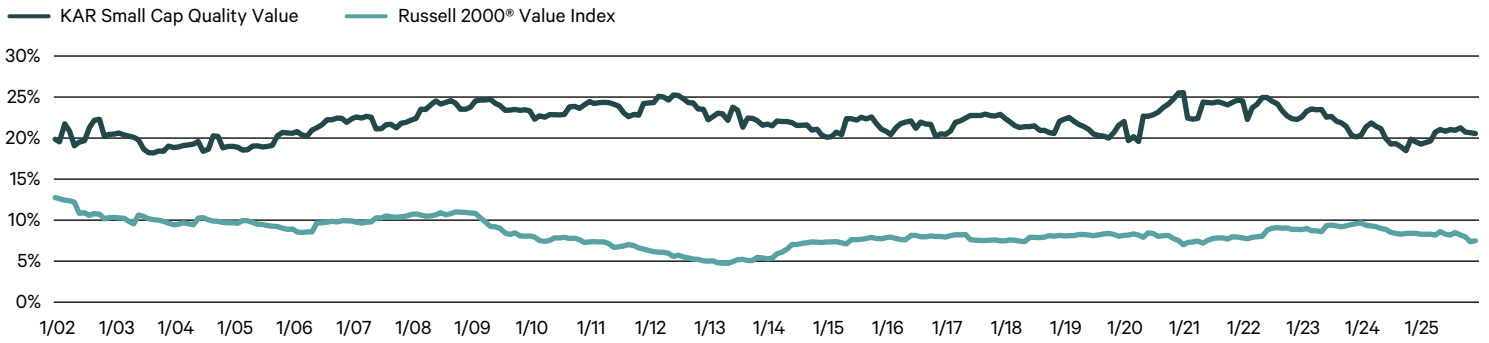
FIGURE 13: AVERAGE MARKET CAP AND MARKET CAP BREAKDOWN OF IPO'S OVER THE LAST DECADE

AVERAGE MARKET VALUE AT TIME OF IPO AND NUMBER OF DEALS BY MARKET CAP U.S. IPOs, Priced, Excludes Observations Without Market Cap Data				
		Deal Count by Market Cap at Offer Date		
Year	Average Market Cap ($MM)	0-10 Billion	10-30 Billion	30+ Billion
2016	$575.40	108	0	0
2017	$10,110.03	176	3	2
2018	$1,251.28	195	2	1
2019	$1,171.99	179	1	1
2020	$1,344.42	389	4	1
2021	$1,883.13	860	9	4
2022	$312.77	136	1	0
2023	$466.25	84	0	0
2024	$927.82	125	1	0
2025	$1,322.39	150	5	0
2026 YTD	$834.24	20	0	0

Data as of February 4, 2026. Source: Strategas. U.S. IPOs from January 1, 2016 to February 4, 2026. Please note, this data comes from Bloomberg's IPO screening, and some market cap data is unavailable. Strategas has adjusted for this missing data by filtering out all deals with Bloomberg-assigned market caps of $0. This information is illustrative and should only be used for informational purposes.

A strong M&A climate and an increase in private equity funding have led to fewer listed companies in the U.S. Consequently, finding high-quality small businesses now demands thorough fundamental research and a long-term view—conditions where we believe active management can truly be effective. KAR, however, has consistently relied on a high-conviction investment strategy, focusing on a more concentrated portfolio of just 25-35 stocks. In this regard, we maintain that the universe is still large and ripe for investment opportunities. When looking at the average return on equity (ROE) generated by holdings in the KAR Small Cap Quality Value strategy, it has been historically greater than 20% and higher than the benchmark as illustrated in Figure 14.

FIGURE 14: HISTORICAL KAR SMALL CAP QUALITY VALUE PORTFOLIO ROE VS. THE INDEX



Data as of December 31, 2025. Source: FactSet and BNY Mellon. 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. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges, and it is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations. ***Past performance is no guarantee of future results.***

Is There a New Regime Favoring Large Companies?

While large-cap companies have clearly outperformed in recent years, we do not believe this represents a permanent shift in market leadership.

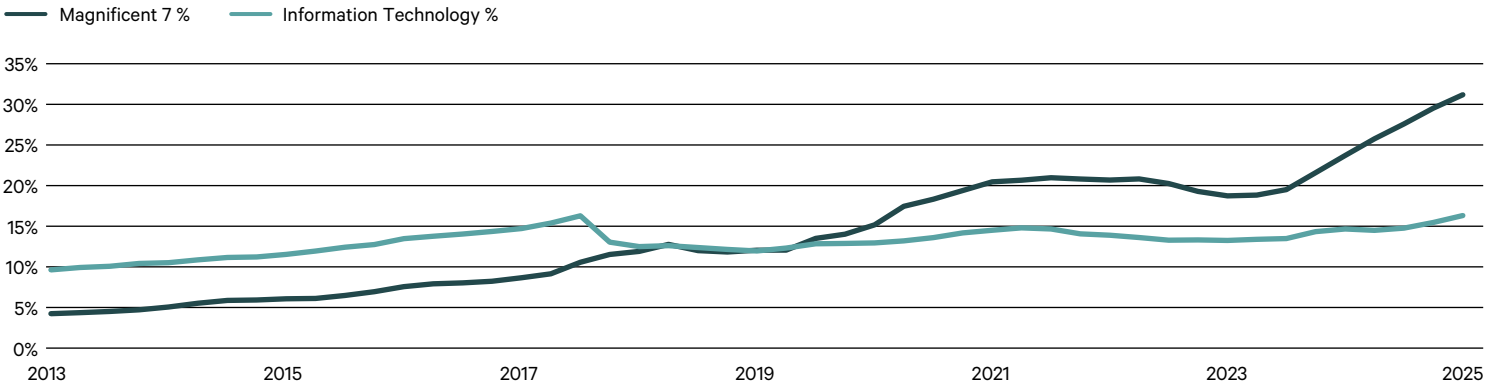
Periods when investors question the relevance of smaller companies have often occurred late in market cycles, not at the end of the opportunity set. Over time, companies that generate high returns on capital and maintain strong balance sheets—regardless of size—have been better positioned to create shareholder value.

We are in the midst of AI driven euphoria. Those companies making large capital investments to build out the infrastructure necessary for its potential, such as the large hyperscalers, have been beneficiaries of robust performance and continue to dominate the large cap indices.

As noted by KAR Portfolio Manager and Senior Analyst Adam Xiao in his recent Insight entitled "Diversifying Away from AI Capex: The Case for KAR Thematic Quality":

> *In 2025, five major hyperscalers—including Amazon, Microsoft, Google, Meta, and Oracle—are projected to spend over $350 billion on AI infrastructure, with capital outlays expected to grow further in subsequent years (Figure 15). This surge in investment reflects extraordinary confidence in the long-term potential of AI, yet the revenue generated by the industry remains modest in comparison.*
>
> *OpenAI, the sector's highest-earning company, reached an annualized revenue run rate of $12 billion as of July 2025—a figure that underscores the mismatch between current monetization and the scale of capital deployment. While enterprise adoption is accelerating, the gap between spending and earnings raises questions about sustainability and return on investment across the broader AI ecosystem. Despite OpenAI's rapid growth, both the company and the broader AI industry would need to increase revenues more than tenfold to merely approach the scale of capital expenditures currently being committed—let alone exceed it, which in our view is the norm for a profitable, mature business.*
>
> *In typical operating models, capex represents a fraction of revenue at run-rate. In contrast, today's AI landscape is inverted: revenues are a fraction of capex. To illustrate, consider a personal analogy—your monthly car payment is usually a manageable percentage of your income. If your income were instead a percentage of y our car payment, the financial strain would be unsustainable. History offers cautionary parallels. WorldCom, Global Crossing, and Lucent played pivotal roles in building the internet's infrastructure, yet none remain household names today. These examples underscore the risk of extrapolating long-term investment success from early infrastructure spending booms.*

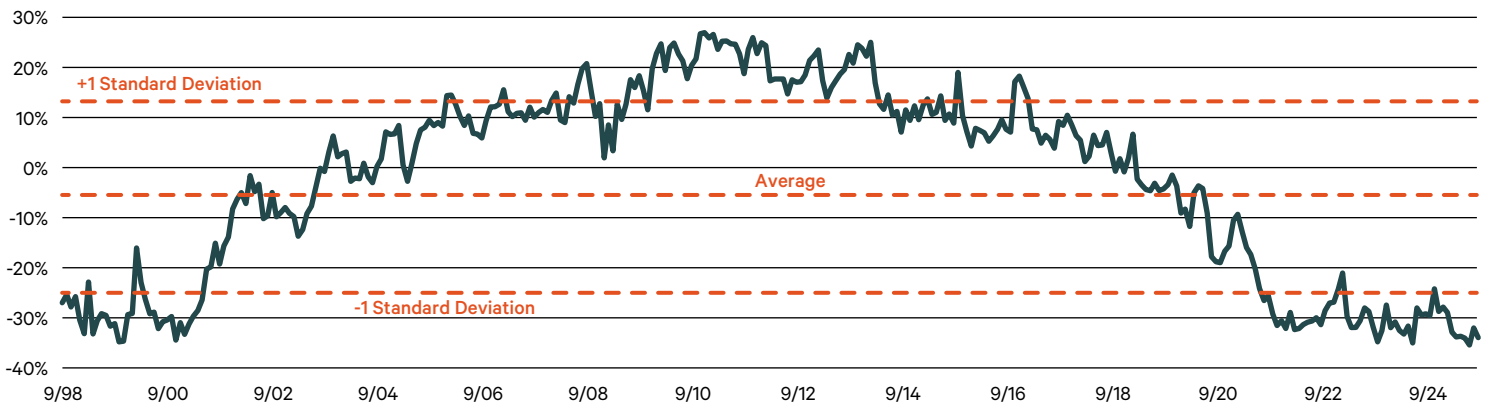
FIGURE 15: AI CAPITAL EXPENDITURES MAGNIFICENT 7 VS. THE BROADER TECHNOLOGY SECTOR
As a % of S&P 500® Index Capital Expenditures



Data as of December 31, 2025. Source: FactSet. This information is illustrative and should only be used for informational purposes. ***The Magnificent 7*** *stocks include Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.* ***Past performance is no guarantee of future results.***

Thus, while concentrated positions have generated attractive returns for passive large cap investors over the past several years, they have also brought increased future expectations. As seen below (Figure 16), the valuation of small cap companies relative to large caps (S&P 600 vs. S&P 500) has swung from greater than one standard deviation premium at the end of the lost decade in 2010 to greater than one standard deviation discount, the lowest it's been since the late 1990s.

FIGURE 16: SMALL FORWARD P/E PREMIUM/DISCOUNT
S&P 600® Index vs. S&P 500® Index (Price-to-Earnings Ratio, FY2)

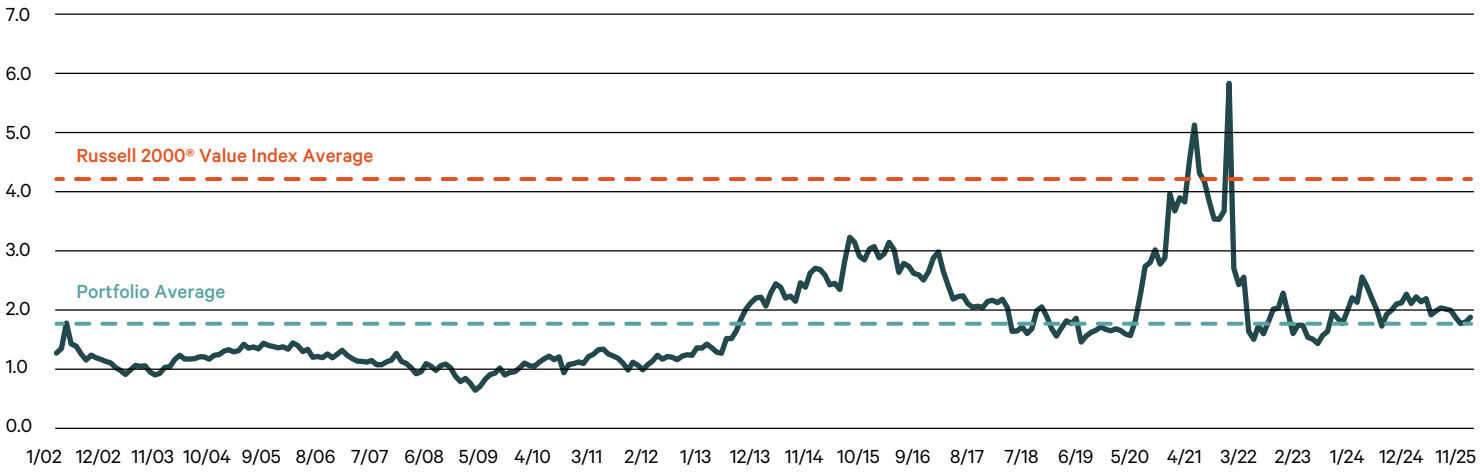


Data as of December 31, 2025. Source: FactSet. This information is illustrative and should only be used for informational purposes. Please see the end of this paper for information regarding the indices. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Why Should You Consider U.S. Small Cap Quality Now?

We believe investing in the quality small cap universe today represents an opportunity to gain exposure to companies with above average profitability and earnings growth with less balance sheet risk, while also providing diversity away from the concentration in the large cap space that has aided strong returns in recent periods.

FIGURE 17: PRICE/EARNINGS-TO-GROWTH RATIO
Small Cap Quality Value Portfolio



Data as of December 31, 2025. Source: FactSet Research Systems and BNY Mellon. 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. Please see the end of this paper for information regarding the index. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Returns could be reduced, or losses incurred, due to currency fluctuations. ***Past performance is no guarantee of future results.***

We also believe it is noteworthy that small cap companies, by-in-large, have not exploited the potential to utilize AI to make their businesses more efficient or their product offerings more valuable. In our view, the ability for a company to maximize this opportunity will be dependent on its sustainable competitive advantages and moats around its business model, i.e., its quality. Relative to its long-term earnings growth, we believe that quality in the small cap space is attractively valued today and worthy of increased attention (Figure 17).

Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2000® Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets ($ Millions)	Firm Assets ($ Millions)
2015	(0.16)	(1.45)	(7.47)	13.94	13.65	151	0.20	535	8,095
2016	26.74	25.13	31.74	14.30	15.72	141	1.13	711	9,989
2017	20.48	18.94	7.84	12.32	14.17	191	0.56	996	14,609
2018	(14.80)	(15.92)	(12.86)	14.42	15.98	152	0.35	895	17,840
2019	25.79	24.20	22.39	14.59	15.90	126	0.65	1,107	25,685
2020	29.85	28.20	4.63	22.12	26.49	121	0.97	1,835	39,582
2021	20.68	19.15	28.27	19.96	25.35	118	0.36	2,932	47,269
2022	(23.41)	(24.42)	(14.48)	23.28	27.66	125	0.24	1,942	33,531
2023	20.02	18.49	14.65	20.07	22.06	115	0.44	2,032	41,186
2024	10.54	9.12	8.05	22.37	23.77	106	0.51	2,035	45,494

The Russell 2000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.

KAR (as defined below) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. KAR has been independently verified for the period from January 1, 1999 through December 31, 2024.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.

The Small Cap Quality Value Composite has had a performance examination for the period from January 1, 1999 through December 31, 2024. The verification and performance examination reports are available upon request.

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

The composite includes all fully discretionary institutional and pooled Small Cap Quality Value Portfolios. Small Cap Quality Value Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value Index, that have market control, rising free cash flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 2000® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of independent verifiers. The inception date of the composite is June 1998. The composite was created in June 1998. 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.

The model management fee used for the net returns in this table is 1.30% for all periods presented. The standard Institutional management fee schedule currently in effect is as follows: 0.90% for the first $25 million; 0.80% on the next $25 million; 0.70% on the balance. The maximum Wealth Advisory Services Fee in effect is 1.30% for all assets, which breaks out as follows: 1.00% for the first $3 million; 0.80% on the next $2 million; 0.70% on the next $5 million; 0.60% on the balance; with an additional 0.30% for any assets invested in separately managed accounts strategies. The standard investment advisory fee schedule currently in effect for clients not engaging in Wealth Advisory Services is 1.00%. 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. Returns are presented net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/12th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a monthly basis.

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 gross returns) and the benchmark for the 36-month period.

Figure 3
Debt/EBITDA: *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.*
Dividend Yield: *Dividend yield is a financial ratio that shows how much companies have paid out in dividends in the most recent year relative to their stock price at the end of such year. Dividend yield is being shown here as a characteristic of the stocks held in the portfolio and not to infer how the stocks have or will perform, as dividends are not the only component of the portfolio's performance. Dividends are subject to change from year-to-year, and the portfolio's dividend yield could be lower or higher in future years.*
Free Cash Flow Yield: *Free cash flow data is as of September 30, 2025. Prices are as of December 31, 2025. Excludes financials.*

This information is being provided by Kayne Anderson Rudnick Investment Management, LLC ("KAR") for illustrative purposes and should only be used for informational purposes only. Information in this paper is not intended by KAR to be interpreted as investment advice, a recommendation or solicitation to purchase securities, or a recommendation of a particular course of action and has not been updated since the date listed on the presentation and KAR does not undertake to update the information presented. This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. KAR has chosen to include the securities in this commentary based upon objective criteria. It should not be deemed as a recommendation to purchase the securities mentioned, and it should not be assumed that securities recommended in the future will be profitable.

The performance figures presented above are final. Any net of fees returns shown reflect the payment of investment management fees and in some instances, other fees and expenses, while any gross of fees returns shown do not. For any gross of fees returns shown, a client's return will be reduced over time by the investment management fees and other expenses their account incurs over time as a client are compounded. KAR's investment management fees are described in KAR's Form ADV, Part 2A. All periods less than one year are total returns for the noted timeframe and are not annualized. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. Actual results may vary. This material is deemed supplemental and complements the performance and disclosure included at the end of this paper. For further details on any referenced composites, please see the disclosure statement. Data is obtained from systems believed by KAR to be reliable. To the extent actual performance results are shown in comparison to an index, the index is not actively managed and does not reflect the deduction of any investment management or other fees and expenses. While the securities comprising any such index are not identical to those in the composite, KAR believes this comparison may be useful in evaluating performance. ***Past performance is no guarantee of future results.***

The data presented is as of the date shown and may change without notice. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. Holdings are subject to change.

The Russell 2000® Value Index *is a free float-adjusted market capitalization-weighted index of value-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. All companies that have a weight greater than 4.5% in aggregate are no more than 45% of the Index and no individual company has a weight greater than 22.5% of the Index. The index is calculated on a total return basis with dividends reinvested.* ***The S&P SmallCap 600®*** *seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.* ***The S&P 500® Index*** *is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The indices are calculated on a total return basis with dividends reinvested.* ***The S&P 500® Equal Weighted Index*** *is a stock market index that allocates an equal weight to each of its 500 constituent companies.* ***Morningstar US Small Low Volatility Index:*** *Targets small-cap U.S. stocks with lower volatility characteristics, aiming to reduce risk while maintaining exposure to the small-cap segment.* ***Morningstar US Small Quality Index:*** *Focuses on small-cap stocks that exhibit strong quality traits such as profitability, earnings stability, and low financial leverage.* ***Morningstar US Small Yield Index:*** *Includes small-cap stocks with high dividend yields, appealing to income-focused investors.* ***Morningstar US Small Target Market Exposure Index:*** *A broad representation of the small-cap market across styles.* ***Morningstar US Small Momentum Index:*** *Selects small-cap stocks based on recent performance trends, assuming that outperforming stocks will continue to do well.* ***Morningstar US Small Growth Index:*** *Represents small-cap companies with high growth potential, typically benchmarked against the Russell 2000® Growth Index.* ***Morningstar US Small Value Index:*** *Designed to represent the small-cap value segment of the U.S. equity market, using a 10-factor model aligned with the Morningstar Style Box™.*

IMPORTANT RISK CONSIDERATIONS: ***Equity Securities:*** *The market price of equity securities may be adversely affected by financial markets, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk.* ***Industrial Concentration:*** *Because the portfolio is presently heavily weighted in the industrial sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification.* ***Sector Focused Investing:*** *Events negatively affecting a particular industry or market sector in which the portfolio focuses its investments may cause the value of the portfolio to decrease.* ***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.*