

## Small-Mid Cap Sustainable Growth Portfolio

First Quarter 2021

### Portfolio Review

First quarter market performance saw a continuation of trends that began in the fourth quarter of 2020. More cyclical names in the value segments saw outsized performance while growth remained under pressure. The Russell 2500 Growth Index returned 2.49% while the Russell 2500 Value Index was up 16.83%. Given the rotation to value cyclicals, the Kayne Anderson Rudnick Small-Mid Cap Sustainable Growth strategy underperformed its benchmark.

Poor stock selection in industrials and financials detracted the most from performance during the quarter. The portfolio's underweight in utilities and real estate detracted the least from performance. On an absolute return basis (gross of fees), the portfolio's best performing sector this quarter was consumer discretionary, benefiting from enthusiasm around a reopening economy. Our worst performing sector was financials.

Overall, we believe the portfolio is well positioned with several holdings that are poised to benefit from an improving economy. This is balanced with some core holdings that showed strong earnings resilience during the most recent downturn in the economy.

The biggest contributors to performance during the quarter were Old Dominion Freight Line and Bentley Systems. Old Dominion Freight Line is a leading less-than-truckload (LTL) trucking company in the United States. The company's reputation for on-time and undamaged deliveries allows it to charge premium prices to shippers. We believe Old Dominion's reputation combined with a dense network of service centers allows the company to earn better economics than competitors. Rather continually, we think Old Dominion's focus on providing high-quality services to customers continues to yield market share gains over time. Bentley Systems engages in the provision of software solutions for infrastructure engineering, enabling the work of civil, structural, geotechnical, plant engineering practitioners, project delivery enterprises, and owner-operators of infrastructure assets. Following a successful IPO in 2020, the company reported healthy demand for its infrastructure solutions. Additionally, with the recent inauguration of President Biden and the focus on infrastructure spending, the stock has likely benefited. We would note that spending on infrastructure will likely take time and do not expect a material uplift to earnings in the meantime. Other top contributors included SiteOne Landscape Supply, Teledyne Technologies and Ollie's Bargain Outlet.

The biggest detractors from the portfolio were Silk Road Medical and Avalara. Silk Road Medical develops and manufactures medical devices to treat neurovascular diseases. The firm's devices enable vascular access via a puncture adjacent to the collarbone instead of the traditional approach of accessing the vascular system through the groin. The company made significant progress on moving its TCAR technology to become the standard of care, including Standard Risk filing, and training doctors on the technology. Unfortunately, the company did announce a voluntary recall on a limited number of stent tips, having found the root cause of the problem. No deaths or strokes have been reported and fallout with doctors and suppliers has been limited. We believe the bigger challenge is in replenishing new stock of product in a timely fashion. We expect these issues to be transitory. Avalara engages in the provision of cloud-based solutions. Avalara reported strong results to end the quarter. Its solution has been helping businesses across the country in their transition to ecommerce. That said, the stock's multiple was high and, in the broader rotation from growth to value, the company's stock came under pressure. We believe fundamentals however, remain quite strong. Other bottom contributors included Five9, MarketAxess and Copart.

### Purchases and Sales

During the quarter, we purchased MediaAlpha, an online platform that enables auto insurance companies to bid and buy customer referrals; Olo, an ecommerce enablement platform for the restaurant industry; and Oscar Health, an innovative and disruptive company offering digitally enabled health insurance.

We sold DocuSign due to its larger market capitalization; Paycom Software due to its larger market capitalization and over concerns about the increase in costs to the business, notably, stock based compensation; and Vital Farms, due to concerns about the brand not being differentiated enough and as we position the portfolio away from consumer staples.

### Outlook

We believe the 2021/2022 economic outlook is becoming increasingly robust given significant pent-up consumer demand combined with record net worth, several trillion dollars of federal stimulus being distributed this year, vaccinations, and declining COVID-19 hospitalizations, all of which are improving consumer confidence. In a rapidly accelerating economic growth environment, low quality stocks tend to outperform high quality businesses as investors seek out companies with more operating and financial leverage. In our experience, equity markets are often 6 to 12 months ahead in assessing the business and economic environment. Once the acceleration in GDP starts to stabilize, we expect the relative performance of high-quality stocks will start to improve.

### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell 2500™ Growth  
**Portfolio Inception:** 2018  
**Portfolio Assets:** \$116.1 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	35
<b>Julie Biel, CFA</b> Portfolio Manager + Senior Research Analyst	13
<b>Todd Bailey, CFA</b> Senior Research Analyst	22
<b>Jon Christensen, CFA</b> Senior Research Analyst	26
<b>Julie Kutasov</b> Senior Research Analyst	20
<b>Craig Stone</b> Senior Research Analyst	32
<b>Chris Wright, CFA</b> Senior Research Analyst	9
<b>Sean Dixon</b> Research Analyst	12
<b>Adam Xiao, CFA</b> Research Analyst	6

### Top Five Holdings

As of March 31, 2021

Company	Percent of equity (%)
SiteOne Landscape Supply	5.5
Old Dominion Freight Line	5.4
Five9	4.8
MarketAxess Holdings	4.3
West Pharmaceutical Services	4.2
<b>Total</b>	<b>24.2</b>

*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. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. A complete listing 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. Data is obtained by 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.*

## Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<b>Quantitative Screens</b> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul> <b>Other Resources</b> <ul style="list-style-type: none"> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul>	<b>Qualitative Analysis</b> <ul style="list-style-type: none"> <li>Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market</li> </ul> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <b>Valuation Analysis</b> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<b>Position Weights</b> <ul style="list-style-type: none"> <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 is 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>	<b>Extended Valuation</b> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>

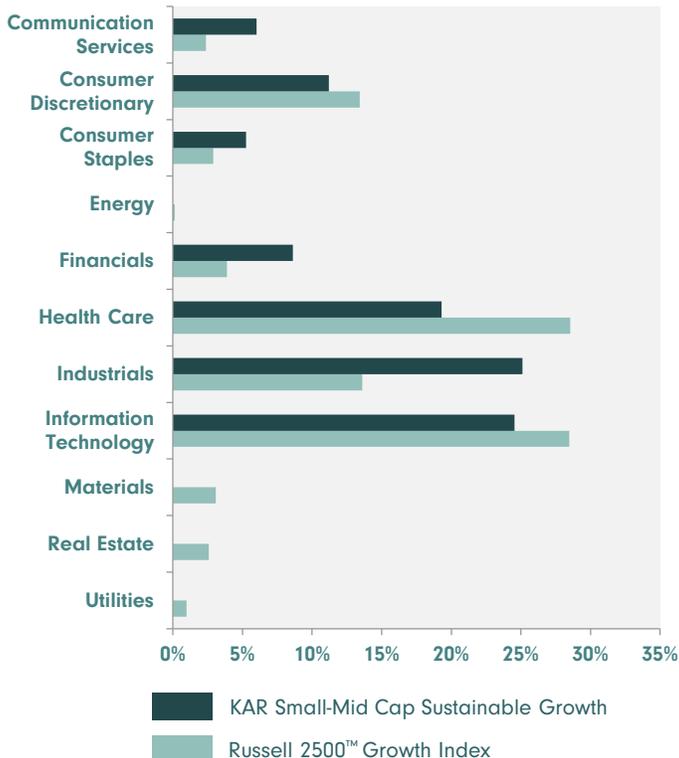
Higher Quality

Stronger, More Consistent Growth

Better Value

## Sector Diversification

As of March 31, 2021



## Portfolio Characteristics

As of March 31, 2021

	KAR Small-Mid Cap Sustainable Growth	Russell 2500™ Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	19.0%	11.7%
Total Debt/EBITDA*	259.1 x	5.5 x
Earnings Variability—Past 10 Years	25.3%	63.9%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	17.0%	11.2%
Capital Generation—{ROE x (1-Payout)}	17.4%	10.2%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	67.0 x	533.0 x
Free Cash Flow Yield†	2.1%	1.8%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap.	\$13.2 B	\$7.7 B
Largest Market Cap	\$28.7 B	\$31.2 B

\*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.**

A complete listing 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 by FactSet Research Systems and is assumed to be reliable.

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First Quarter 2021

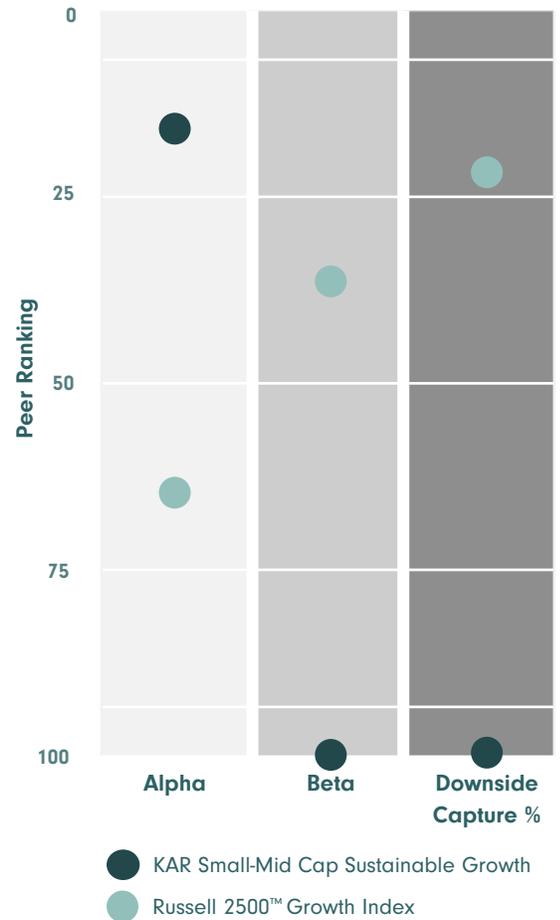
## Strong Risk-Adjusted Returns

Inception\* to March 31, 2021



## Peer Comparison Chart

Inception\* to March 31, 2021



## Historical Returns

	KAR Small-Mid Cap Sustainable Growth (gross)	KAR Small-Mid Cap Sustainable Growth (net) <sup>†</sup>	Russell 2500™ Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of March 31, 2021			
1 <sup>st</sup> Quarter	(4.08)	(4.29)	2.49
One Year	61.76	60.36	87.50
Inception*	26.80	25.68	19.43
<b>Annual Returns (%)</b>			
2020	48.40	47.11	40.47
2019	46.11	44.84	32.65
2018 <sup>  </sup>	(9.44)	(9.79)	(15.93)

## Performance Statistics

Inception\* to March 31, 2021

	KAR Small-Mid Cap Sustainable Growth <sup>§</sup>	Russell 2500™ Growth Index
Annualized Standard Deviation	20.95	25.59
Alpha	10.34	0.00
Beta	0.75	1.00
Sharpe Ratio	1.23	0.72
R-Squared	84.35	100.00

\*August 1, 2018

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.90% annual fee.

<sup>§</sup>Performance statistics are based on gross of fee returns.

<sup>||</sup>Performance calculations are for the five months ended December 31, 2018.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns of the Kayne Anderson Rudnick composite are preliminary and gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. The Small-Mid Cap Growth Universe includes all managers categorized in the small-mid cap growth asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.**

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### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2500® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2018*	(9.44)	(9.79)	(15.93)	N/A	N/A	< 5	N/A	0.2	17,840
2019	46.11	44.84	32.65	N/A	N/A	< 5	N/A	0.3	25,685

\*2018 performance numbers in this table reflect the composite inception date of August 1, 2018 through December 31, 2018.

The Russell 2500™ Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.

KAR (as defined below) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. KAR has been independently verified for the period from January 1, 1999 through December 31, 2019. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

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 is defined as all fully discretionary institutional and pooled Small-Mid Cap Sustainable Growth Portfolios. Small-Mid Cap

Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ Growth Index, that have market control, solid 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™ Growth Index. The Russell 2500™ Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 August 2018. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Non-fee-paying portfolios represent 100% of the composite assets at year-end from 2018 through 2019.

The standard fee schedule in effect is as follows: 0.90% for the first \$25 million; 0.80% on the next \$25 million; 0.75% on the next \$50 million; 0.60% on the balance. 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. 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 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 or for time periods less than one year, no dispersion measure is presented. The three-year annualized ex-post standard deviation, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented because 36 monthly composite returns are not available.