Kayne Anderson Rudnick
Investment Management

Discovering Mid Caps

We believe the mid-cap segment of the equity market is an overlooked category, falling between headline-grabbing and widely followed large caps and small caps known for their high growth potential. In our experience, mid-caps—generally defined as companies between $2 billion and $10 billion in market capitalization, with some reaching north of $30 billion—have historically outperformed both small and large caps, but don't get much investor attention. We have found that the lines between market-cap categorizations can be blurry, which could lead many investors to believe that owning stocks in the large and small categories provides sufficient exposure across the overall spectrum. In fact, data point to a clear underrepresentation of the mid-cap asset class. Mid caps make up about 26% of the overall equity market[1], but actual investments into the asset class only account for about 14% of all invested assets[2].

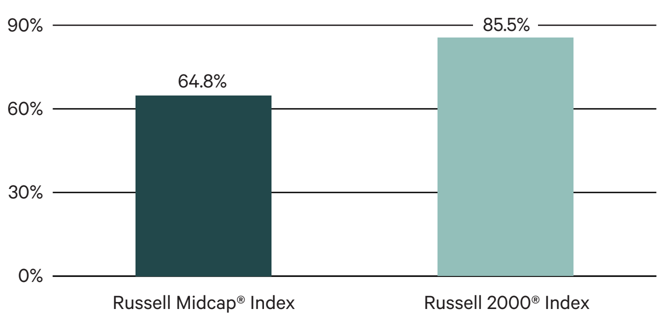
In our view, those investors lacking a dedicated allocation to mid caps may be missing a crucial segment. Mid-cap stocks have had an impressive run over the past couple of decades and they have shown to be a positive addition to a mixed portfolio of equities, both in terms of boosting portfolio returns and lowering risk.

HISTORICAL LONG-TERM OUTPERFORMANCE DRIVEN BY FUNDAMENTAL STRENGTHS

In our view, mid-cap stocks have strong fundamental characteristics that position the asset class as having some of the best attributes of its large- and small-cap counterparts. Large caps may be well established and more likely to pay dividends but may have limited growth potential. Small caps may come with the allure of outsized growth but may exhibit more volatility and greater dependence on debt. We think mid caps find their place in between: they are small enough that they may experience relatively high growth rates but mature enough that they may have proven business plans, stability and experienced management.

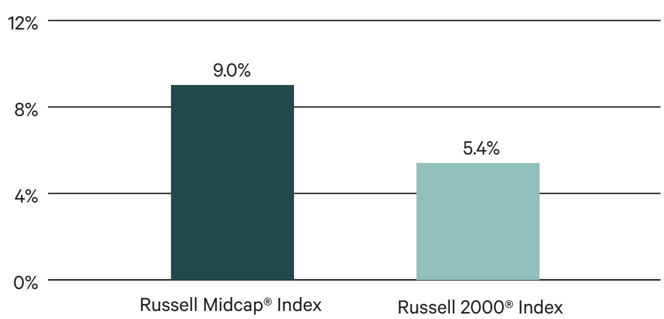
The comparison of earnings variability shows that mid-cap companies exhibit more consistency in profitability relative to their small-cap peers.

EARNINGS VARIABILITY - PAST 10 YEARS[3]

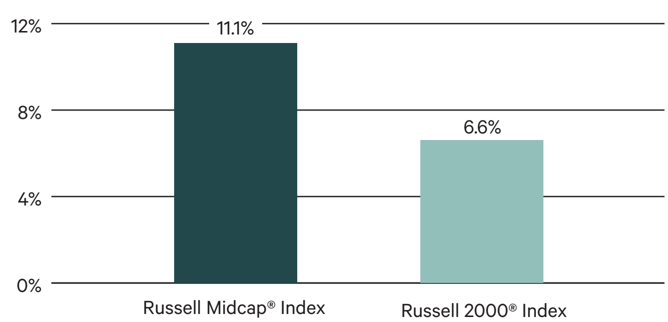


Mid caps also have shown higher income potential than small caps while exhibiting greater ability to generate capital, another indication of their strong financials.

HIGHER INCOME[3]
Dividend Per Share Growth—Past 10 Years



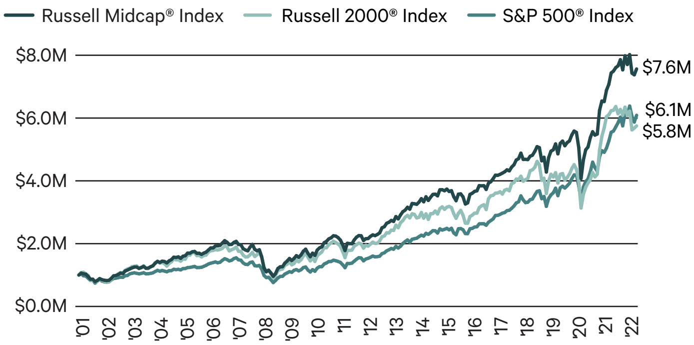
GROWTH POTENTIAL[3]
Capital Generation[4]



1. *Data as of May 7, 2021. Data is obtained from FTSE Russell and is assumed to be reliable.*
2. *Data as of March 31, 2022. Data is obtained from Strategas and is assumed to be reliable.*
3. *Data presented in the charts above is for the period ending March 31, 2022. Data is obtained from 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.***
4. *Capital generation represents the rate at which companies generate equity capital.*

These fundamental characteristics of mid-cap stocks are, in our view, key reasons behind their steady outperformance over the past 20 years relative to their larger and smaller peers.

GROWTH OF $1 MILLION



Data presented is for the 20 years ending March 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. ***Past performance is no guarantee of future results.***

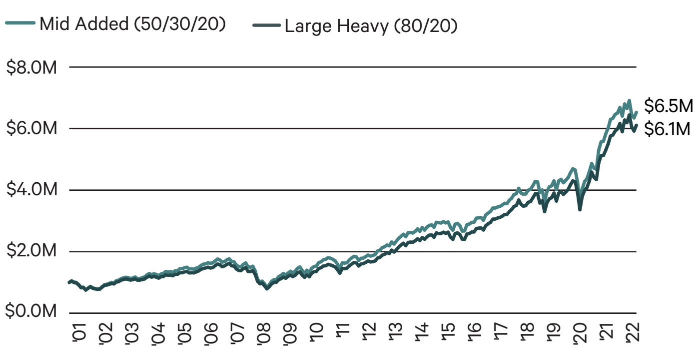
A POSITIVE ADDITION TO A DIVERSIFIED PORTFOLIO

We believe mid caps not only hold their own as an individual asset class, but may also serve as a positive addition to a portfolio comprised of large and small stocks. Historical data show the risk-return profile of a base portfolio experiences substantial improvement when mid-cap exposure is added.

We will observe two hypothetical portfolios: (1) a base portfolio of an 80/20 allocation to large and small stocks, and (2) a 50/30/20 allocation to large/mid/small caps, representing a shift of a portion of the first portfolio's large-cap exposure to mid caps.

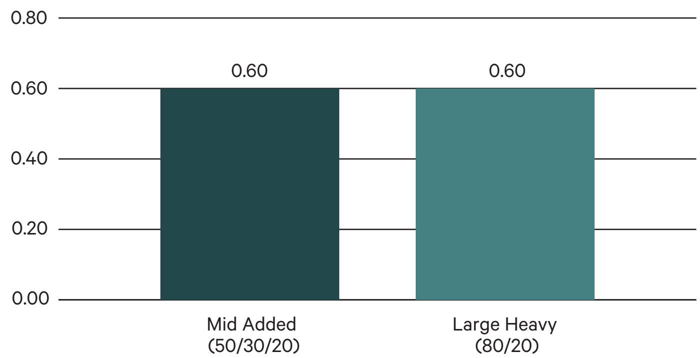
Based on our illustration, not only does the addition of mid caps improve the cumulative gain, but it also boosts risk-adjusted returns.

GROWTH OF $1 MILLION



Data presented is for the 20 years ending March 31, 2022. Mid Added is composed of 50% S&P 500® Index, 30% Russell Midcap® Index and 20% Russell 2000® Index; and Large Heavy is composed of 80% S&P 500® Index and 20% Russell 2000® Index. Data is obtained from FactSet Research Systems and is assumed to be reliable. ***Past performance is no guarantee of future results.***

RETURN PER UNIT OF RISK



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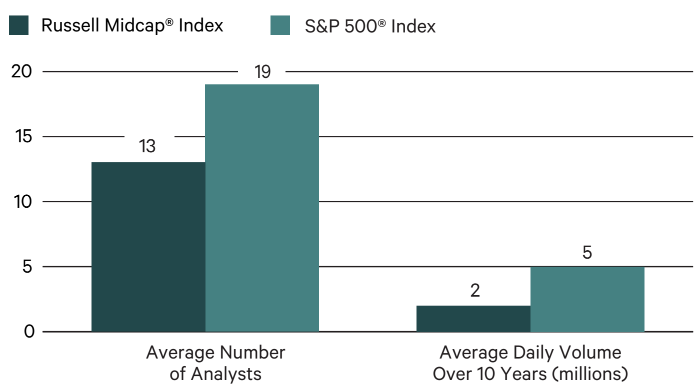
THE VALUE OF ACTIVE MANAGEMENT

Data indicate that mid-cap equities constitute an overlooked area of the stock market, creating opportunities to add value with active management. Mid caps, for instance, receive significantly less research coverage than large caps, as measured by the number of analysts covering member companies of the respective indices. Trading activity echoes this notion, as large caps experienced average daily volume of 4.7 million shares over the past 10 years, more than double that of mid caps at 2.2 million.

LESS COVERAGE, ACTIVITY IN MID SEGMENT



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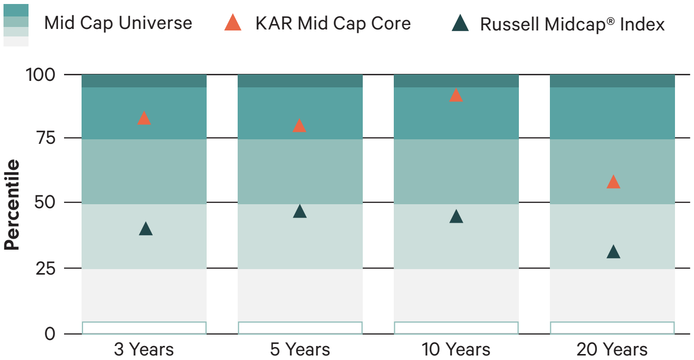
Furthermore, the analysis on the following page compares passive investing in the mid-cap category, represented by the Russell Midcap® Index, against active investing, with manager return breakdowns shown in quartiles. It is clear that the passive approach lags at least half of all active managers across the time periods.

MID CAP UNIVERSE COMPARISON - ANNUALIZED RETURNS (GROSS)



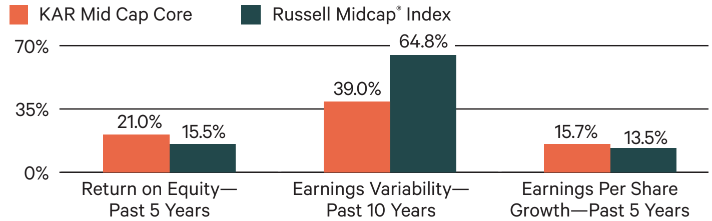
Data presented is based on monthly data for the periods ending March 31, 2022. The Mid Cap Universe includes all managers categorized in the Mid Cap asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. Please see important disclosures below regarding gross and net performance. Management fees are described in Part II of our form ADV, 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 0.75%. The effect on performance would grow at a compounded rate. Over a five-year period, if a $250,000 portfolio had an annual return of 10%, it would grow to $402,628. The net compounded effect of a 0.75% annual investment management fee would total $13,540 and result in a portfolio value of $389,087. 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. ***Past performance is no guarantee of future results.*** *Returns could be reduced, or losses incurred, due to currency fluctuations.*

For instance, over the past 20 years, the index gained 10.33% versus the median return of 10.79% among the 130 managers studied. We believe this suggests there is the potential for greater returns in active management than in passive participation. This chart also includes the returns of the KAR Mid Cap Core strategy across the relevant time periods since inception. For the 5-year period, passive investment via the index gained 12.62%, while the KAR Mid Cap Core strategy returned 16.78% gross of fees and 15.63% net of fees. In our view, this clearly illustrates there is room for higher performance in active management and particularly via the KAR strategy.

WHY KAYNE ANDERSON RUDNICK?

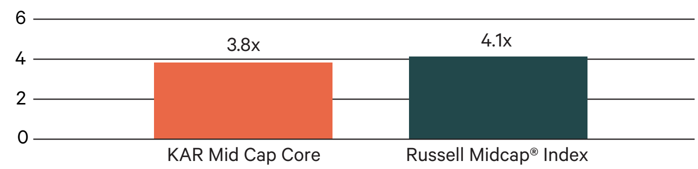
As we see it, the KAR Mid Cap Core strategy, since its inception in January 2000, has been capturing that very opportunity for greater risk-adjusted returns in active management by sticking to a disciplined research process and strict guidelines for quality investments. We believe that the quality of the underlying businesses owned create a portfolio with solid fundamental characteristics that can lead to strong relative performance in both good and bad markets.

FUNDAMENTAL CHARACTERISTICS



Data presented is for the periods ending March 31, 2022. Data is obtained from 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.***

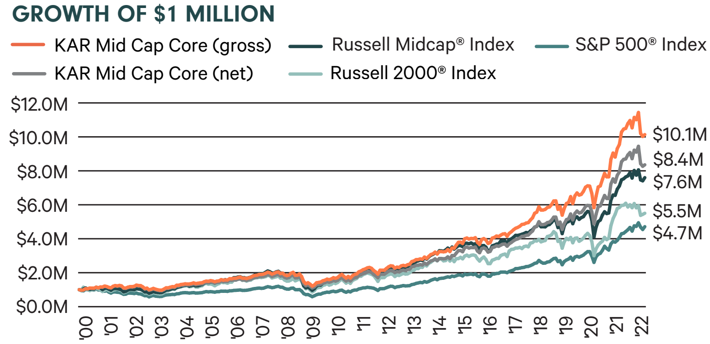
TOTAL DEBT/EBITDA



Data presented is for the period ending March 31, 2022. Data is obtained from FactSet Research Systems 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.***

We believe that we are laying the groundwork for greater returns for our investors when we concentrate on finding quality businesses and constructing a strong portfolio. Such commitment has allowed the KAR Mid Cap Core portfolio to exhibit meaningful outperformance with less risk since inception relative to its benchmark and the large- and small-cap indices.

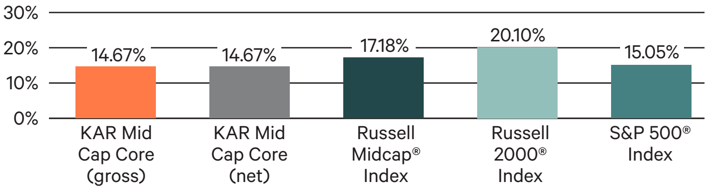
GROWTH OF $1 MILLION



The chart reflects cumulative returns for KAR Mid Cap Core since inception of December 31, 1999 through March 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. This information is being provided by Kayne Anderson Rudnick Investment Management, LLC ("KAR") for illustrative purposes only. This material is deemed supplemental and complements the performance and disclosure presented below. 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. ***Past performance is no guarantee of future results.*** *Returns could be reduced, or losses incurred, due to currency fluctuations.*

The performance figures presented above are preliminary, unaudited, unreconciled, and are gross of fees unless otherwise specified. 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. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. 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. Indices are not available for direct investment. ***Past performance is no guarantee of future results.***

STANDARD DEVIATION



Data presented is for the period since inception of January 1, 2000 through March 31, 2022. Data is obtained from FactSet Research Systems and is assumed to be reliable. Please see important disclosures below regarding gross and net performance. ***Past performance is no guarantee of future results.***

CONCLUSION

As we see it, the risk-return profile provided by the mid-cap segment is far from middling. In our view, the analyses exhibit the strong fundamentals of the asset class, which help to contribute to greater returns. We believe mid-cap stocks merit a meaningful allocation in any well-diversified equity portfolio.

The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The S&P 500® Index is a market capitalization-weighted index which includes 500 of the largest companies in leading industries of the U.S. economy. The Earnings Variability - Past 10 Years measures the variability of annual earnings per share over the last 10 years. Total Debt/EBITDA returns total debt as a percent of EBITDA for the period and date(s) requested in local currency by default. For U.S. GAAP companies with operating lease liabilities, this is calculated as Total Debt minus Operating Lease Liabilities divided by Earnings Before Interest, Taxes, Depreciation & Amortization. For all other companies, this is calculated as Total Debt divided by Earnings Before Interest, Taxes, Depreciation & Amortization. Standard Deviation is a statistical measure of the degree to which an individual portfolio return tends to vary from the mean. The greater degree of dispersion, the greater degree of risk.

DISCLOSURE

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell Midcap® Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets ($ Millions)	Firm Assets ($ Millions)
2011	4.52	3.48	(1.55)	17.51	21.86	14	0.26	10	5,232
2012	16.58	15.44	17.28	15.39	17.44	15	0.18	11	6,545
2013	28.54	27.29	34.76	12.53	14.23	15	0.48	15	7,841
2014	18.17	17.01	13.22	10.29	10.29	12	0.13	17	7,989
2015	3.37	2.34	(2.44)	11.96	11.00	15	0.44	40	8,095
2016	12.32	11.21	13.80	12.31	11.72	22	0.36	79	9,989
2017	26.13	24.90	18.52	10.76	10.51	72	0.23	170	14,609
2018	(3.21)	(4.17)	(9.06)	11.33	12.15	181	0.30	352	17,840
2019	32.17	30.88	30.54	12.49	13.08	323	0.39	700	25,685
2020	27.08	25.84	17.10	18.88	22.13	362	1.03	1,214	39,582

The Russell Midcap® Index and Russell 1000® Index are trademarks/service marks 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, 2020.

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 Mid Cap Core Composite has had a performance examination for the period from January 1, 2000 through December 31, 2020. 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 Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The inception date of the composite is January 2000. The composite was created in January 2000. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm's list of composite descriptions, list of broad distribution pooled fund and the list of limited distribution pooled funds descriptions are available upon request.

As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts.

The model management fee used for the net returns in this table is 1.00% for all periods presented. The standard Institutional management fee schedule currently in effect is as follows: 0.75% for the first $25 million; 0.65% on the next $25 million; 0.55% on the next $50 million; 0.50% 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.