

## Mid Cap Sustainable Growth Portfolio

First Quarter 2022

### Portfolio Overview

The Mid Cap Sustainable Growth portfolio underperformed the Russell Midcap Growth Index in the first quarter. Poor stock selection in information technology and consumer discretionary detracted from performance. Good stock selection in health care and good stock selection and an underweight in communication services contributed positively to performance.

The biggest contributors to performance during the quarter were HealthEquity and MongoDB. HealthEquity has meaningfully outpaced the slowing growth experienced by the rest of the industry. However, it has acknowledged that as it moves down market to smaller employers, incremental customers are looking for more than just a stand-alone HSA provider. To that end, the company acquired WageWorks, a company that HealthEquity's CEO founded. WageWorks gives HealthEquity additional products to bundle for its smaller enterprise customers like FSAs, COBRA administration, and commuter accounts. We believe HealthEquity continues to consolidate a fragmented industry, and its organic HSA account sales are strong, accounting for roughly 40% of the industry. MongoDB's cloud-hosted database can cater to the increasing demand for multi-cloud infrastructure. New application development is growing with larger companies running thousands of applications for internal as well as customer-facing functions. In our view, developers have fully embraced the company's product. While much of the company's success has been in new applications, we believe there is strong replacement opportunity with the generation of abundant annual revenue from on-premise databases. Other top contributors included Fair Isaac, Sweetgreen, and FLEETCOR Technologies.

The biggest detractors from the portfolio during the quarter were SiteOne Landscape Supply and The Trade Desk. SiteOne Landscape Supply's shares have declined as skeptics believe the current elevated demand for outdoor living space may end as rising interest rates pressure the housing market. While the company has been able to use inventory pre-buys and pricing to combat the current inflationary environment, guidance for 2022 indicates near-term margin pressures are increasing. The Trade Desk's multiple has compressed along with the rest of the technology industry. However, we have not seen many of the other bear arguments come to pass as Apple and Google's privacy initiatives have had little effect and supply chain issues have not dented ad demand. We believe it is still likely that Trade Desk emerges as one of the strongest digital ad providers to the Open Internet and Connected TV ecosystems. Other bottom contributors included DocuSign, Teradyne, and Goosehead Insurance.

### Outlook

The U.S. is in a position of strength economically even creating excess demand currently, but interest rate increases have already affected mortgage rates, car loans, and lease rates here in the U.S. Unless the Fed wants to throw us into a recession (yield curve inversion), the current future shape of the yield curve may prevent as much of an increase in short-term interest rates than what the market is already anticipating. The inflation outlook was particularly cloudy with COVID-19 getting better globally, but the Russian invasion of Ukraine was a clear negative for inflation. Overall, we believe inflation is likely to stay elevated and above the Fed's target for this year at least. However, comparisons of year-over-year inflation do get easier as we move forward. If the trend is headed in the right direction of moderating inflation, the markets may react positively to this development. We will continue to hunt for investment ideas that in our view meet our quality investment philosophy in all sectors of the economy. When inflationary trends begin to moderate, we believe quality companies will become more interesting to investors. Geopolitical risks are clearly still elevated and will continue to be monitored closely.

### Purchases and Sales

#### New Purchases

MongoDB  
Roblox

#### Complete Sales

Dynatrace Holdings  
Okta  
Olo



### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell Midcap<sup>®</sup> Growth  
**Portfolio Assets:** \$2,720.9 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	36
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	17
<b>Richard Sherry, CFA</b> Senior Research Analyst	24
<b>Noran Eid</b> Research Analyst	9

### Top Five Holdings

As of March 31, 2022

Company	Percent of equity (%)
Bill.com	7.0
SiteOne Landscape Supply	4.2
Gartner	4.0
MercadoLibre	3.8
Paycom Software	3.8
<b>Total</b>	<b>22.8</b>

\* Figures in USD

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
<p><b>Qualitative Methods</b></p> <ul style="list-style-type: none"> <li>Investment conferences</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Research on existing portfolio holdings</li> <li>Third-party research</li> </ul> <p><b>Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Earnings surprise</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul>	<p><b>Qualitative Analysis</b></p> <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> <p><b>Financial Analysis</b></p> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <p><b>Valuation Analysis</b></p> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<p><b>Position Weights</b></p> <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> <p><b>Sector Tolerances</b></p> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <p><b>Holding Period</b></p> <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> <p><b>Cash Levels</b></p> <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>	<p><b>Negative Company or Industry Changes</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Acquisition Activity</b></p> <p><b>Extended Valuation</b></p>
Higher Quality		Stronger, More Consistent Growth	

## Portfolio Characteristics

As of March 31, 2022

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	19.6%	19.7%
Total Debt/EBITDA	3.5 x	4.1 x
Earnings Variability—Past 10 Years	42.7%	58.5%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	16.0%	13.0%
Earnings Per Share Growth—Past 5 Years	22.0%	21.6%
Earnings Per Share Growth—Past 10 Years	14.3%	13.8%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	73.4 x	51.3 x
P/E Ratio—1 Year Forecast FY EPS	35.6 x	25.0 x
Free Cash Flow Yield*	1.8%	2.3%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$24.4 B	\$26.5 B
Largest Market Cap	\$89.5 B	\$61.4 B

\*Free cash flow data is as of December 31, 2021. Prices are as of March 31, 2022. Excludes financials.

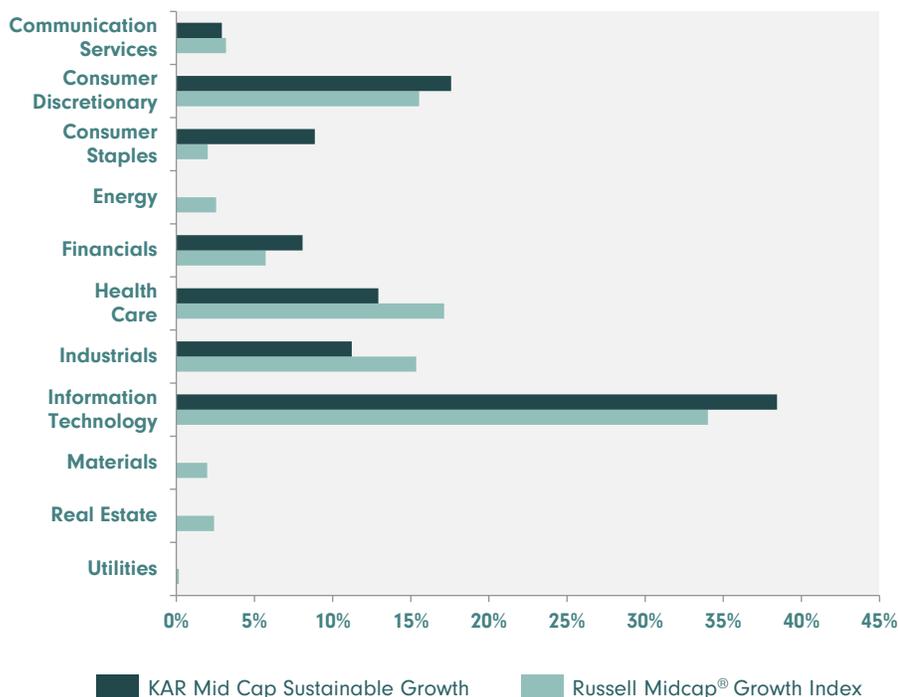
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

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First Quarter 2022

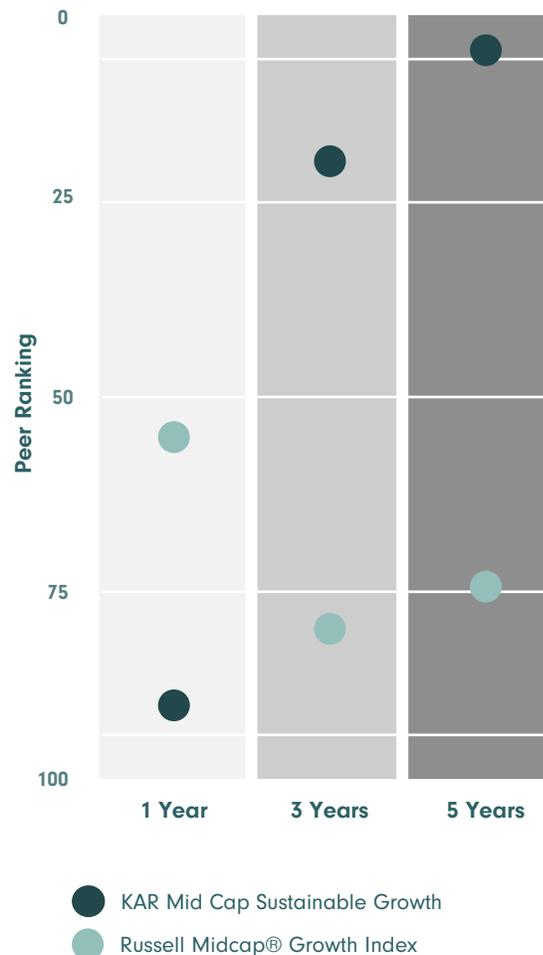
## Sector Diversification

As of March 31, 2022



## Peer Comparison Chart

Annualized Gross Returns Ending March 31, 2022



## Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) <sup>†</sup>	Russell Midcap Growth Index
<b>Annualized Returns (%)<sup>‡</sup></b>			
As of March 31, 2022			
1 <sup>st</sup> Quarter	(14.74)	(14.96)	(12.58)
One Year	(8.72)	(9.64)	(0.89)
Three Years	19.33	18.15	14.81
Five Years	22.71	21.50	15.10
Seven Years	17.93	16.77	11.89
Ten Years	16.11	14.96	13.52
Inception*	17.14	15.99	14.67
<b>Annual Returns (%)</b>			
2021	2.40	1.39	12.73
2020	67.52	65.92	35.59
2019	44.29	42.90	35.47
2018	9.04	7.96	(4.75)
2017	35.26	33.95	25.27
2016	3.27	2.25	7.33
2015	4.06	3.03	(0.20)
2014	4.98	3.94	11.90
2013	26.46	25.22	35.74
2012	13.97	12.85	15.81

\*January 1, 2012

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary. Returns could be reduced, or losses incurred, due to currency fluctuations.

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.75% annual fee. 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.

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

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

## Performance Statistics

Inception\* to March 31, 2022

	KAR Mid Cap Sustainable Growth <sup>§</sup>	Russell Midcap Growth Index
Annualized Standard Deviation	17.04	15.66
Alpha	2.34	0.00
Beta	1.01	1.00
Sharpe Ratio	0.98	0.90
R-Squared	85.29	100.00

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First Quarter 2022

### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell Midcap® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2012	13.97	12.85	15.81	N/A	N/A	< 5	N/A	82	6,545
2013	26.46	25.22	35.74	N/A	N/A	< 5	N/A	93	7,841
2014	4.98	3.94	11.90	11.25	11.02	< 5	N/A	90	7,989
2015	4.06	3.03	(0.20)	13.28	11.47	< 5	N/A	88	8,095
2016	3.27	2.25	7.33	14.38	12.35	< 5	N/A	83	9,989
2017	35.26	33.95	25.27	13.14	11.04	< 5	N/A	98	14,609
2018	9.04	7.96	(4.75)	14.52	13.00	7	N/A	172	17,840
2019	44.29	42.90	35.47	15.87	14.07	38	0.19	688	25,685
2020	67.52	65.92	35.59	22.29	21.75	203	1.41	3,513	39,582

The Russell Midcap® Growth 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 Sustainable Growth Composite has had a performance examination for the period from January 1, 2012 through December 31, 2020. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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 Sustainable Growth Portfolios. Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® Growth 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® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 2012. The composite was created in January 2012. 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 1.00% for all periods presented. The standard Institutional management fee schedule currently in effect is 0.80% per annum. 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 gross of management fees and withholding taxes and 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, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented for periods prior to 2014 because 36 monthly composite returns are not available.