

## Large Cap Sustainable Growth Portfolio

First Quarter 2023

### Portfolio Review

The Large Cap Sustainable Growth portfolio underperformed the Russell 1000 Growth Index in the first quarter. Poor stock selection and an underweight in information technology and poor stock selection in consumer discretionary detracted from performance. Good stock selection and an underweight in health care and good stock selection in industrials contributed positively to performance.

The biggest contributors to performance during the quarter were NVIDIA and Amazon.com.

- Shares of NVIDIA rose in anticipation of robust demand for AI-enabled applications. The company's chips are necessary building blocks for training the rapidly multiplying AI models.
- Amazon expanded retail locations, doubled its fulfillment footprint, and built last mile delivery networks about the size of UPS. In our view, Amazon is addressing the company's outsized spending concerns through capacity management in logistics, margin improvement in retail, and layoffs across its businesses. Late last year, the company's Online Stores improved growth rates for the first time since 2020. Also, we believe Amazon's expensive entry into content could deliver a higher-than-expected return on investment as Prime subscriptions driven by the Lord of the Rings series and Thursday Night Football were much higher than expected.
- Other top contributors included MercadoLibre, Airbnb, and The Trade Desk.

The biggest detractors to performance during the quarter were BILL and Bank of America.

- BILL reported a quarter of strong organic sales and profit growth. However, total payment value (TPV) flowing through the company's payment solutions' growth slowed due to client budgetary tightening for its small and medium-sized clients. Due to the TPV deceleration, the shares underperformed.
- Bank of America was impacted by the negative sentiment over banks in March. While the bank did not experience deposit outflows, questions remain over headwinds to future profitability.
- Other bottom contributors included CoStar Group, Danaher, and Ross Stores.

### Outlook

Perceived safe havens and quality stocks performed well in the first quarter as investors have continued to grapple with high uncertainty in the market outlook. We came into 2023 with clear consensus among investors that the year would bring at least a mild recession. January data was stronger than expected and the market quickly priced in a "no landing" scenario. February data was somewhat weaker, and the market started to price in a "soft landing" outcome. Then a regional bank crisis emerged, and the market started to price in a "hard landing" scenario. Fortunately, banking fears started to dissipate the last two weeks of the quarter. Multiple cross currents in interest rates, inflation, economic growth, and investor sentiment have made for a difficult forecasting environment for investors. While the short-term outlook is somewhat murky, we believe that the long-term outlook should be attractive. Cash is piling up on the sidelines, investors are generally negative, speculation is absent from equities (IPOs, SPACs, and memes are dormant), and businesses are very cautious in hiring and expansion plans. Historically, these types of conditions have led to meaningful long-term investing outcomes, although it will remain to be seen how markets will respond for the remainder of 2023.

### Purchases and Sales

New Purchases	Complete Sales
None	Duck Creek Technologies

### Portfolio Highlights

**Style:** Large Cap  
**Sub-Style:** Growth  
**Index:** Russell 1000<sup>®</sup> Growth  
**Portfolio Assets:** \$1,384.9 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	37
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	18
<b>Richard Sherry, CFA</b> Senior Research Analyst	25
<b>Ekaterina Advena</b> Research Analyst	14
<b>Noran Eid</b> Research Analyst	10

### Top Five Holdings

As of March 31, 2023

Company	Percent of equity (%)
NVIDIA	7.7
Visa	6.7
Amazon.com	4.7
Amphenol	4.4
Zoetis	3.8
<b>Total</b>	<b>27.3</b>

\* Figures in USD

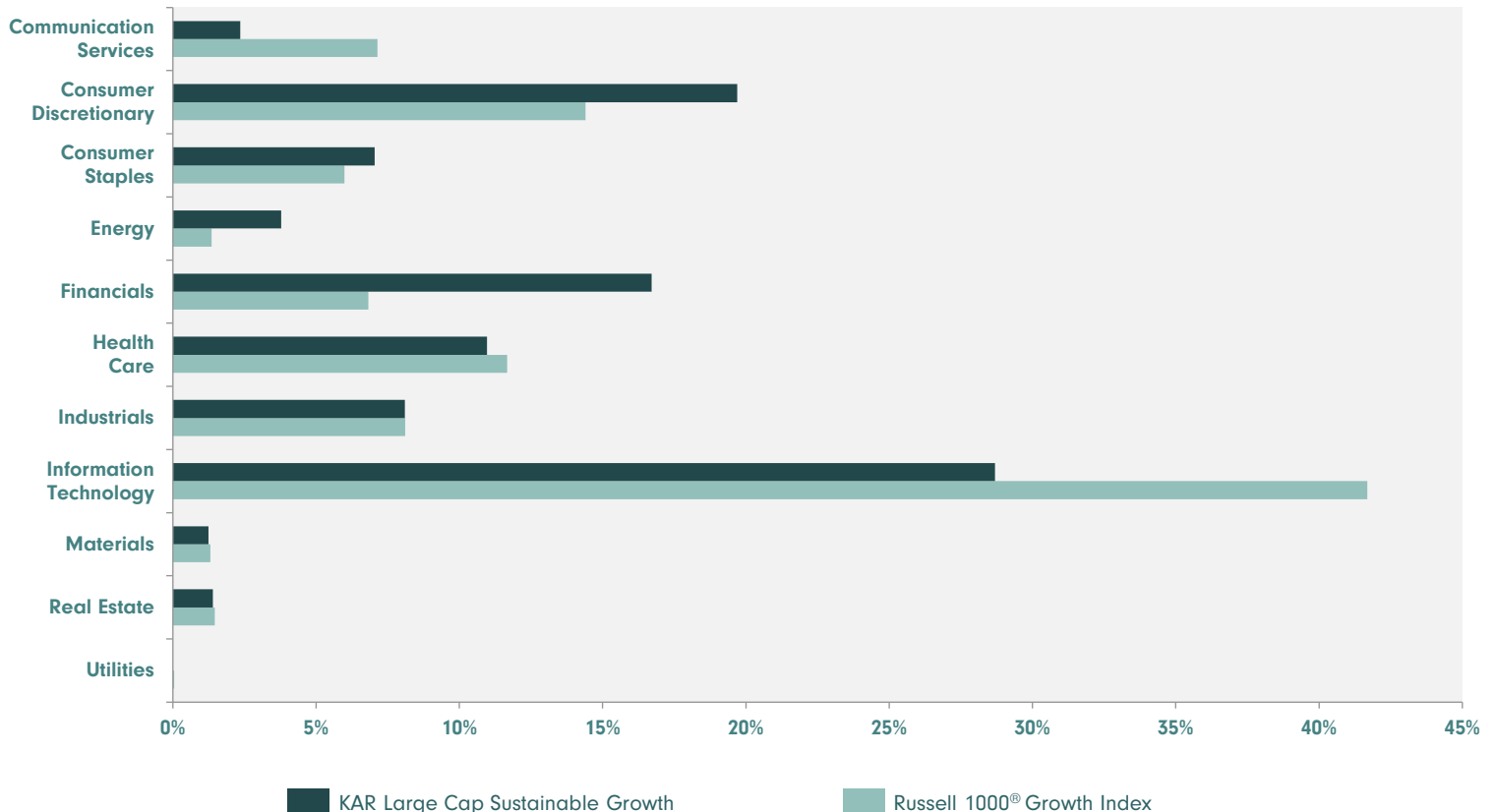
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. 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 KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<p><b>Quantitative 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>
<p>Higher Quality   Stronger, More Consistent Growth   Better Value</p>			

## Sector Diversification

As of March 31, 2023



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First Quarter 2023

## Portfolio Characteristics

As of March 31, 2023

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	27.1%	31.1%
Total Debt/EBITDA*	0.9 x	0.8 x
Earnings Variability—Past 10 Years	52.7%	45.7%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	14.0%	15.1%
Earnings Per Share Growth—Past 5 Years	13.3%	20.7%
Earnings Per Share Growth—Past 10 Years	16.0%	15.3%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	47.3 x	32.2 x
P/E Ratio—1-Year Forecast FY EPS	29.1 x	24.0 x
Free Cash Flow Yield†	2.4%	3.2%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$196.9 B	\$820.1 B
Largest Market Cap	\$1,050.9 B	\$2,623.2 B

## Performance Statistics

Inception\* to March 31, 2023

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)	Russell 1000® Growth Index
Alpha	(2.06)	(2.64)	N/A
Sharpe Ratio	0.72	0.68	0.91
Information Ratio	(0.32)	(0.44)	N/A
Beta	1.05	1.05	1.00
Downside Capture	103.24	104.64	100.00
Tracking Error	5.62	5.62	N/A

## Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net) §	Russell 1000® Growth Index
<b>Annualized Returns (%)†</b>			
As of March 31, 2023			
1 <sup>st</sup> Quarter	10.85	10.69	14.37
One Year	(16.97)	(17.47)	(10.90)
Three Years	12.14	11.48	18.58
Five Years	9.09	8.44	13.66
Seven Years	12.41	11.75	15.01
Ten Years	12.85	12.19	14.59
Inception <sup>  </sup>	13.41	12.74	15.23
<b>Annual Returns (%)</b>			
2022	(34.93)	(35.33)	(29.14)
2021	13.12	12.45	27.60
2020	50.86	49.99	38.49
2019	41.07	40.25	36.39
2018	(6.37)	(6.94)	(1.51)
2017	35.93	35.13	30.21
2016	(0.03)	(0.63)	7.08
2015	10.43	9.78	5.67
2014	12.66	11.99	13.05
2013	30.66	29.89	33.48
2012	14.76	14.08	15.26

\*KAR utilizes the interquartile method when calculating TD/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.

†Free cash flow data is as of December 31, 2022. Prices are as of March 31, 2023. Excludes financials.

§Net of all fees and expenses. Assumes a 0.70% 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>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>January 1, 2012

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. For further details on the composite, please see the disclosure statement in 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.**

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## Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 1000® 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	14.76	13.29	15.26	N/A	N/A	24	0.03	583	6,545
2013	30.66	29.01	33.48	N/A	N/A	25	0.08	674	7,841
2014	12.66	11.21	13.05	10.39	9.73	25	0.14	681	7,989
2015	10.43	9.02	5.67	12.33	10.85	31	0.35	687	8,095
2016	(0.03)	(1.33)	7.08	13.24	11.31	57	0.06	928	9,989
2017	35.93	34.21	30.21	12.53	10.69	142	1.44	1,175	14,609
2018	(6.37)	(7.59)	(1.51)	14.28	12.30	217	0.23	991	17,840
2019	41.07	39.29	36.39	16.39	13.26	284	0.66	1,304	25,685
2020	50.86	48.97	38.49	22.24	19.92	439	1.16	2,028	39,582
2021	13.12	11.67	27.60	20.20	18.42	536	0.38	2,163	47,269

The Russell 1000® 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, 2021.

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 Large Cap Sustainable Growth Composite has had a performance examination for the period from January 1, 2012 through December 31, 2021. 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 Large Cap Sustainable Growth Portfolios. Large Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell 1000® 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 1000® Growth Index. The Russell 1000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises of 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 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 1.30% for all periods presented. The standard Institutional management fee schedule currently in effect is as follows: 0.60% for the first \$25 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; 0.35% 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 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.

### GLOSSARY

Alpha: A risk-adjusted measure of an investment's excess return relative to a benchmark. Beta: A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. R2: A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. Sharpe Ratio: A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Standard Deviation: Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

### INDEX DEFINITION

The Russell 1000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest 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. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.