

## Small-Mid Cap Quality Value Portfolio

First Quarter 2023

### Portfolio Review

The Small-Mid Cap Quality Value portfolio outperformed the Russell 2500 Value Index in the first quarter. Good stock selection and an overweight in information technology and good stock selection and an underweight in health care contributed positively to performance. Poor stock selection in consumer discretionary and financials detracted from performance.

The biggest contributors to performance during the quarter were Zebra Technologies and Scotts Miracle-Gro.

- Zebra Technology's shares outperformed in the most recent quarter primarily due to improving sentiment in technology stocks.
- Scotts Miracle-Gro recovered strongly in the quarter supported by easing input costs and better-than-expected retailer order shipment activity. Retailers remain committed to the recession-resilient lawn and garden category and Scotts' brands and consumers have not traded down from branded to private label products despite the price gap.
- Other top contributors included Dolby Laboratories, Teradyne, and CorVel.

The biggest detractors to performance were Bank of Hawaii and W. R. Berkley.

- Bank of Hawaii's shares, like other regional banks, came under pressure late in the quarter as investors became concerned about deposit outflows after the failure of Silicon Valley Bank and Signature Bank. We believe the bank has a strong deposit franchise as evidenced by the fact that over 70% of deposit accounts have been with the bank for over 10 years, and nearly 50% have been with the bank for over 20 years.
- Despite W. R. Berkley's continued underwriting profitability and investment discipline, slower-than-expected premium growth in the recent quarter disappointed investors. Management also pulled back from certain segments where pricing was insufficient in their view.
- Other bottom contributors included Jack Henry & Associates, LPL Financial, and American Software.

### Purchases and Sales

During the quarter, there were no new purchases or complete sales from the portfolio.

### 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.

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### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Value  
**Index:** Russell 2500™ Value  
**Portfolio Inception:** 2008  
**Portfolio Assets:** \$563.4 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	37
<b>Julie Kutsov</b> Portfolio Manager + Senior Research Analyst	22
<b>Craig Stone</b> Portfolio Manager + Senior Research Analyst	34
<b>Todd Beiley, CFA</b> Senior Research Analyst	24
<b>Julie Biel, CFA</b> Senior Research Analyst	15
<b>Jon Christensen, CFA</b> Senior Research Analyst	28
<b>Chris Wright, CFA</b> Senior Research Analyst	11
<b>Sean Dixon</b> Research Analyst	15
<b>Arthur Su, CFA</b> Research Analyst	8
<b>Adam Xiao, CFA</b> Research Analyst	10

### Top Five Holdings

As of March 31, 2023

Company	Percent of equity (%)
W. R. Berkley	4.8
Zebra Technologies	4.6
VICI Properties	4.5
RBC Bearings	4.3
Landstar System	4.3
<b>Total</b>	<b>22.5</b>

\* Figures in USD

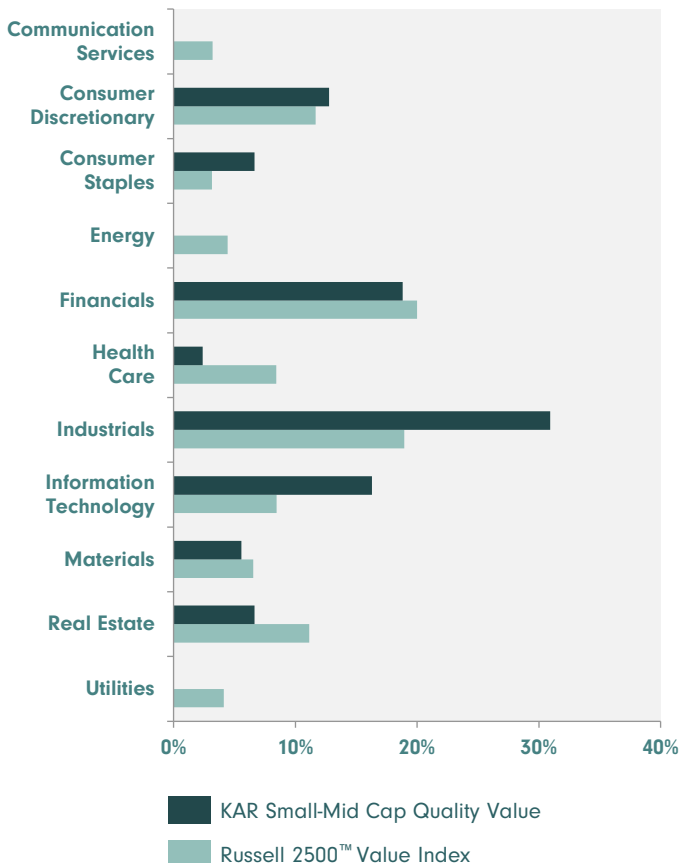
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<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, 2023



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## Portfolio Characteristics

As of March 31, 2023

	KAR Small-Mid Cap Quality Value	Russell 2500 Value Index
<b>Quality</b>		
Return on Equity—Past 5 Years	26.6%	11.3%
Total Debt/EBITDA*	2.0 x	2.7 x
Earnings Variability—Past 10 Years	36.3%	74.5%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	11.1%	10.5%
Earnings Per Share Growth—Past 10 Years	10.9%	8.1%
Dividend Per Share Growth—Past 5 Years	10.7%	5.3%
Dividend Per Share Growth—Past 10 Years	11.1%	7.0%
Capital Generation—{ROE x (1-Payout)}	17.0%	8.1%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	23.5 x	17.7 x
Dividend Yield	1.5%	2.1%
Free Cash Flow Yield†	3.5%	3.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$10.1 B	\$6.3 B
Largest Market Cap—3-Year Avg.	\$34.4 B	\$24.6 B
Annualized Standard Deviation—Since Inception‡	17.9%	20.3%

\*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.

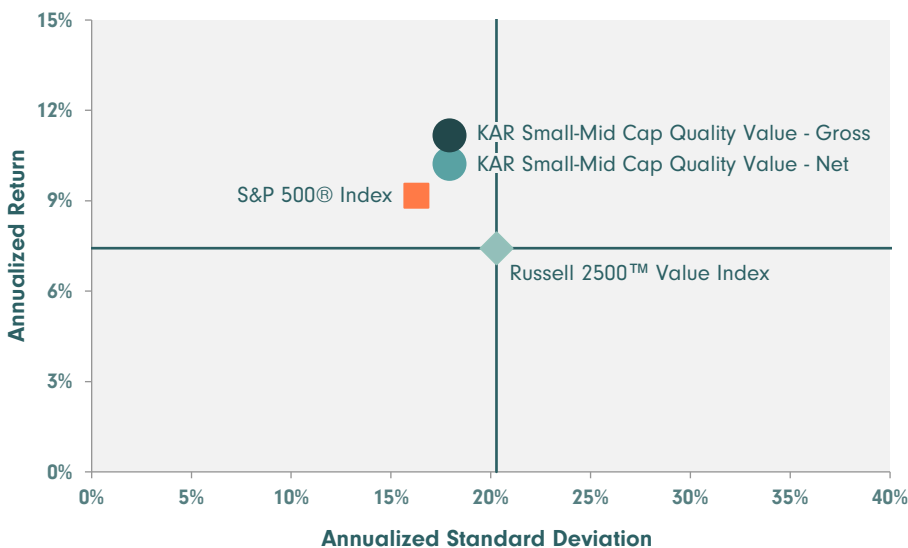
‡January 1, 2008. Standard deviation for the KAR strategy is based on net-of-fee returns. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

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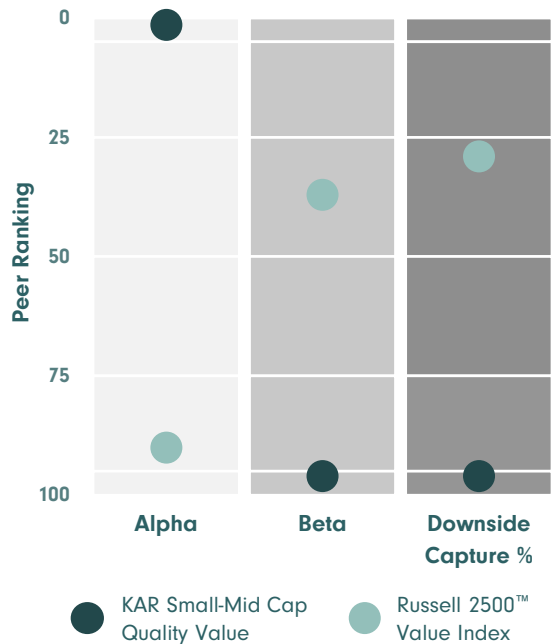
## Risk-Return Analysis

Inception\* to March 31, 2023



## Peer Comparison Chart

Inception\* to March 31, 2023



## Historical Returns

	KAR Small-Mid Cap Quality Value (gross)	KAR Small-Mid Cap Quality Value (net) <sup>†</sup>	Russell 2500™ Value Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of March 31, 2023			
1 <sup>st</sup> Quarter	4.31	4.09	1.40
One Year	(5.49)	(6.30)	(10.53)
Three Years	18.55	17.56	21.80
Five Years	8.62	7.71	5.61
Seven Years	10.15	9.22	7.97
Ten Years	10.68	9.75	7.72
Inception*	11.17	10.23	7.42

Annual Returns (%)	KAR Small-Mid Cap Quality Value (gross)	KAR Small-Mid Cap Quality Value (net)	Russell 2500™ Value Index
2022	(19.94)	(20.63)	(13.08)
2021	22.18	21.16	27.78
2020	24.69	23.65	4.88
2019	33.20	32.09	23.56
2018	(11.97)	(12.73)	(12.36)
2017	18.43	17.44	10.36
2016	19.69	18.69	25.20
2015	(0.58)	(1.42)	(5.49)
2014	8.88	7.96	7.11
2013	36.30	35.17	33.32
2012	11.01	10.07	19.21
2011	7.40	6.49	(3.36)
2010	25.83	24.79	24.82
2009	32.51	31.41	27.68
2008	(18.99)	(19.69)	(31.99)

The eVestment Small-Mid Cap Value Universe includes 47 managers categorized in the small-mid cap value asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small-Mid Cap Value Universe or for the ranking itself. KAR does pay fees for the use of certain products and services provided by eVestment. eVestment rankings are based on gross of fee returns. Gross of fee returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Management fees are described in KAR's Form ADV Part 2A, which is available upon request and can also be found at <https://kayne.com/wp-content/uploads/ADV-Part-2A.pdf>. Returns could be reduced or losses incurred due to currency fluctuations. **Past performance is no guarantee of future results.**

## Performance Statistics

Inception\* to March 31, 2023

	KAR Small-Mid Cap Quality Value (gross)	KAR Small-Mid Cap Quality Value (net)	Russell 2500™ Value Index
Alpha	4.46	3.58	N/A
Sharpe Ratio	0.59	0.53	0.33
Information Ratio	0.56	0.42	N/A
Beta	0.84	0.84	1.00
Downside Capture	76.42	77.80	100.00
Tracking Error	6.65	6.65	N/A

\*January 1, 2008

<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 0.90% 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.

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 unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. 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™ Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2012	11.01	9.58	19.21	13.97	18.67	< 5	N/A	85	6,545
2013	36.30	34.58	33.32	12.01	15.29	6	0.13	138	7,841
2014	8.88	7.48	7.11	10.65	11.41	12	0.09	140	7,989
2015	(0.58)	(1.86)	(5.49)	12.25	12.19	17	0.05	371	8,095
2016	19.69	18.16	25.20	12.24	13.36	22	0.24	395	9,989
2017	18.43	16.92	10.36	10.88	11.98	49	0.45	427	14,609
2018	(11.97)	(13.13)	(12.36)	12.93	13.77	36	0.40	162	17,840
2019	33.20	31.51	23.56	13.84	14.43	22	0.12	183	25,685
2020	24.69	23.10	4.88	22.40	25.40	20	0.25	143	39,582
2021	22.18	20.62	27.78	20.55	24.49	74	0.15	232	47,269

The Russell 2500™ 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, 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 Small-Mid Cap Quality Value 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.

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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 is defined as all fully discretionary institutional and pooled Small-Mid Cap Quality Value Portfolios (including cash) under management for at least one full quarter. Small-Mid Cap Quality Value Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Value Index. The Russell 2500™ Value Index is a market capitalization-weighted index of value-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 inception date of the composite is January 2008. The composite was created in June 2008. 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: 0.85% for the first \$25 million; 0.75% on the next \$25 million; 0.70% on the next \$50 million; 0.60% 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 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.

### GLOSSARY

**Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Information Ratio:** The information ratio (IR) is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Downside Capture Ratio:** A statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped.

**Tracking Error:** The divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. It is reported as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark they were attempting to imitate.

### INDEX DEFINITION

The Russell 2500™ Value Index is a market capitalization-weighted index of value-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. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.