

## Equity Income Portfolio

First Quarter 2024

### Portfolio Review

The Equity Income portfolio underperformed the MSCI USA High Dividend Yield Index in the first quarter. Poor stock selection in industrials and financials detracted from performance. Good stock selection in communication services and health care contributed positively to performance.

The biggest contributors to performance during the quarter were IBM and AbbVie.

- After several years of investment, IBM is seeing its hybrid cloud offering resonate with clients. This is benefiting both the company's software and consulting businesses.
- AbbVie's management reiterated that the floor for earnings in 2024 remains the same. This is related to the company's loss of exclusivity of Humira. The business is being buoyed by strong results from Skyrizi and Rinvoq, which to a large degree are replacing Humira.
- Other top contributors included BAE Systems, Verizon Communications, and Merck.

The biggest detractors to performance during the quarter were Bank of Hawaii and MSC Industrial Direct.

- Higher interest rates and some company specific issues at NY Community Bank contributed to weakness at Bank of Hawaii and other regional banks during the quarter.
- A sluggish macro economy has negatively impacted MSC Industrial Direct's customer sentiment. In addition, a web pricing initiative to help stimulate business among the company's core customers is not expected to yield results for a few months.
- Other bottom contributors included Fortis, UPS, and Crown Castle.

### Outlook

One large challenge coming out of the pandemic is trying to parse the underlying strength in the economy. Our supply chains were whipsawed, our employment patterns changed dramatically, and we saw unprecedented monetary and fiscal support. Given these factors, it is hard to gauge how much of the strength in the U.S. economy is due to fundamentals versus other exogenous effects. And while interest rates have increased materially in a short period of time, they are only modestly restrictive compared to the long-run average. As a result of low rates and strong government support during the pandemic, we believe the tide lifted all companies and made it easier for everyone to prosper. However, without this assistance, we expect that more fundamental factors will drive corporate profits and thus equity performance going forward. Assuming less exogenous support, we believe companies who are competitively advantaged with better profitability, cash flow, as well as lower leverage will be able to better distinguish themselves going forward.

### Purchases and Sales

New Purchases	Complete Sales
None	None

### Portfolio Highlights

**Style:** Large Cap  
**Index:** MSCI® U.S. High Dividend Yield Index  
**Portfolio Turnover:** 25%–45%  
**Number of Holdings:** 25–50

### Investment Management Team

Name	Research Start Date
<b>Richard Sherry, CFA</b> Portfolio Manager + Senior Research Analyst	1998
<b>Chris Armbruster, CFA</b> Senior Research Analyst	2005
<b>Noran Eid</b> Senior Research Analyst	2012
<b>Katie Advena</b> Research Analyst	2011
<b>Luke Longinotti, CFA</b> ESG Research Analyst	2020
<b>Clarissa Ali</b> Associate Research Analyst	2023

### Top 10 Holdings

As of March 31, 2024

Company	Percent of equity (%)
International Business Machines	6.7
Zurich Insurance Group	5.1
Fortis	4.8
MSC Industrial Direct	4.7
AbbVie	4.7
PNC Financial Services	4.3
Verizon	4.2
Amcor	3.9
BAE Systems	3.8
Watsco	3.6
<b>Total</b>	<b>45.6</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. 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.***

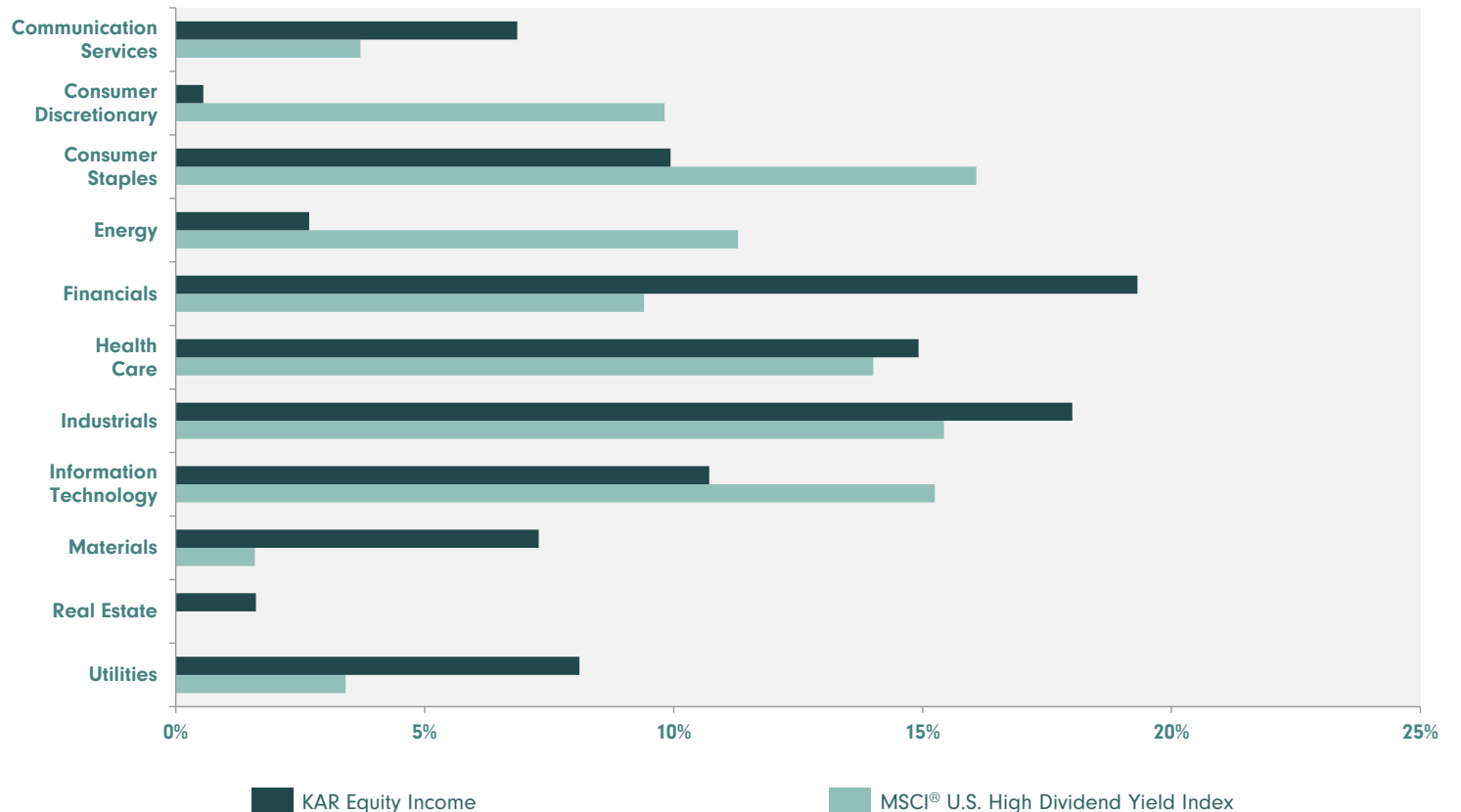
## Investment Process: Discovering Quality

Development of KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<p><b>KAR Universe</b></p> <p><b>Typical Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>Investment-grade balance sheet</li> <li>Market cap &gt; \$1.0 billion</li> <li>5-year average ROE &gt; 7.5%</li> <li>No dividend cut the last five years (under normal market conditions)</li> </ul> <p><b>Other Resources</b></p> <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>	<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 45%</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>Potential dividend cut</b></p> <p><b>Balance sheet deterioration</b></p> <p><b>Inability to cover dividend via internal cash generation over medium-to-long term</b></p>



## Sector Diversification

As of March 31, 2024



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First Quarter 2024

## Portfolio Characteristics

As of March 31, 2024

	KAR Equity Income	MSCI® U.S. High Dividend Yield Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.1%	24.1%
Debt Coverage	5.4 x	7.9 x
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	1.4%	12.5%
Dividend Per Share Growth—Past 5 Years	4.9%	8.8%
<b>Value</b>		
Dividend Yield	3.8%	2.9%
<b>Market Characteristics</b>		
Dividend Payout Ratio—5 Year Average	71.7%	60.1%
\$ Weighted Average Market Cap	\$97.6 B	\$198.0 B
Largest Market Cap	\$382.4 B	\$589.5 B

## Historical Returns

	KAR Equity Income (gross)	KAR Equity Income (net) <sup>†</sup>	MSCI® U.S. High Dividend Yield Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of March 31, 2024			
1 <sup>st</sup> Quarter	5.16	4.98	7.90
One Year	8.64	7.89	15.29
Three Years	5.41	4.68	6.98
Inception*	11.10	10.33	11.45
<b>Annual Returns (%)</b>			
2023	2.36	1.65	5.83
2022	(1.40)	(2.09)	(4.60)
2021	18.49	17.68	20.86
2020 <sup>§</sup>	20.10	19.56	16.14

\*May 1, 2020

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

<sup>‡</sup>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>Performance calculations are for the eight months ended December 31, 2020.

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 final. For further details on the composite, please see the disclosure statement in this presentation. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

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# Equity Income Composite

First Quarter 2024

## Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	MSCI® USA High Dividend Yield Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Total Firm Assets (\$ Millions)
2020*	20.10	19.09	16.14	N/A	N/A	< 5	N/A	235	39,582
2021	18.49	16.98	20.86	N/A	N/A	7	N/A	250	47,269
2022	(1.40)	(2.68)	(4.60)	N/A	N/A	28	0.06	256	33,531
2023	2.36	1.04	5.83	13.62	14.95	43	0.14	223	41,186

\*2020 performance numbers in this table reflect the composite inception date of May 1, 2020 through December 31, 2020. The MSCI® USA High Dividend Yield Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc.

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, 2023. The verification reports are available upon request.

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. Verification does not provide assurance on the accuracy of any specific performance report.

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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 Equity Income Portfolios. Equity Income Portfolios are primarily invested in U.S. equity securities of high-quality companies that pay sustainable dividends. For comparison purposes, the composite is measured against the MSCI® USA High Dividend Yield Index (net). The MSCI® USA High Dividend Yield Index is designed to reflect the performance in the MSCI® USA Index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. Benchmark returns are not covered by the report of the independent verifiers. The inception date of the composite is May 2020. The composite was created in May 2020. 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: 0.70% 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 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 because 36 monthly composite returns are not available.

### INDEX DEFINITION

The MSCI® USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.