March 2025

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Outsmarting Volatility During Retirement

In our view, the retirement "playbook" is being rewritten. The quest for reliable income in retirement has become more complicated. Not only do we want to build the equivalent of a steady paycheck, we also need it to keep pace with inflation.

A DIFFERENT PATH WITH LOWER VOLATILITY EQUITIES

We believe one potential solution for creating a reliable income stream in retirement is the systematic withdrawal from an equity portfolio. But it has a catch: market volatility can severely disrupt smart planning. Big losses can get income off track—and keep it off track. From our perspective, in order to employ this technique effectively, it's important to choose investments with the potential for steadier compounding.

Take the example of three different vehicles, two indexed and one actively managed: the Russell 2000 Growth Index, S&P 500 Index, and the Kayne Anderson Rudnick (KAR) Small Cap Growth portfolio. The chart below shows the results of all three going back to January 1998, the inception date of the KAR Small Cap Growth strategy.

Since 1998, the KAR Small Cap Growth strategy's long-term performance is highlighted by fewer down years versus the broader equity markets—even during the "lost decade" of the 2000s. Specifically, during the period from inception, the Russell 2000 Growth Index experienced eight annual losses while KAR only had five (based on net of fee returns). As illustrated by the growth of a dollar chart, the steadier return stream of the KAR strategy resulted in a much larger ending value over time.

KEY TAKEAWAYS

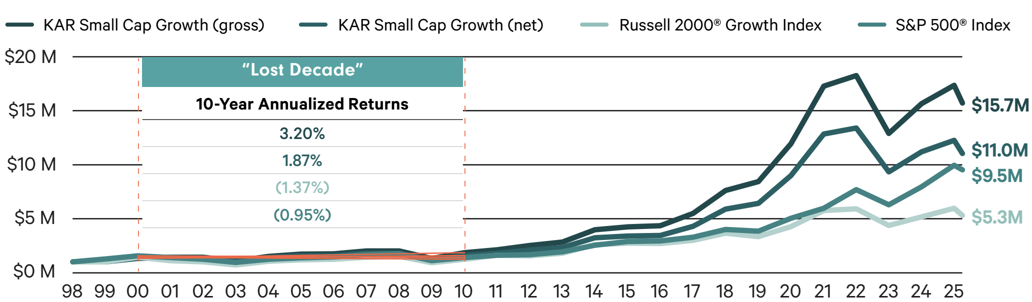
We believe there is a need to deploy quality equity portfolios to help fund retirement income.

Because equity markets are volatile, however, investors need to remain vigilant in choosing defensive or risk-mitigating strategies. KAR believes a focus on high-quality companies is an effective strategy for providing downside protection during volatile periods and over market cycles.*

As we highlight on the next page, even when comparing various equity strategies, we think the one with better downside protection during falling markets is better positioned to help generate income in retirement, though it is important to note that past performance is no guarantee of future results.

A LESS VOLATILE SEQUENCE OF RETURNS

January 1, 1998–March 31, 2025



ANNUALIZED RETURNS

	KAR Small Cap Growth (gross)	KAR Small Cap Growth (net)	Russell 2000® Growth Index
1 Year	(3.73%)	(4.98%)	(4.86%)
5 Years	9.61%	8.20%	10.78%
10 Years	13.50%	12.04%	6.14%

**KAR defines a "high quality" business as one that possesses a durable competitive advantage and consequently has the ability to generate high and enduring profitability.*
"Lost Decade" reflects the time period between January 1, 2000 to December 31, 2009 when the S&P 500 Index posted its first negative "named" decade since inception of the index in 1926. "Lost Decade" returns are annualized. Chart reflects cumulative returns since the inception of the KAR Small Cap Growth strategy, January 1, 1998 through March 31, 2025. The performance figures presented above are final and 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. KAR's investment management fees are described in KAR's Form ADV, Part 2A. 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. All periods less than one year are total returns for the noted timeframe and are not annualized. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. This material is deemed supplemental and complements the performance and disclosure presented on the last page and included in KAR's strategy fact sheets available on kayne.com. Data is obtained from systems believed by KAR to be reliable. 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. ***Past performance is no guarantee of future results.*** *Returns could be reduced, or losses incurred, due to currency fluctuations.*

The data in the next two tables exhibit the case of starting retirement at the onset of a prolonged bear market. In our view, a portfolio invested in high-quality companies offers a more consistent return pattern, including smaller drawdowns, and we believe it is better able to sustain a healthy retirement.

To further illustrate this point, we show the growth of $1 million dollars based upon the returns of the KAR portfolio, the Russell 2000 Growth Index, and the S&P 500 Index in the table below. Since January 1, 2000, the Russell 2000 Growth Index experienced eight annual losses while KAR only had five (based on net of fee returns).

STARTING RETIREMENT BEHIND THE 8-BALL

	KAR Small Cap Growth (gross) ($)	Return (%)	KAR Small Cap Growth (net) ($)	Return (%)	Russell 2000® Growth Index ($)	Return (%)	S&P 500® Index ($)	Return (%)
2000	$1,062,797	6.28	$1,049,114	4.91	$775,707	(22.43)	$908,956	(9.10)
2001	$1,067,936	0.48	$1,040,529	(0.82)	$704,123	(9.23)	$800,919	(11.89)
2002	$813,507	(23.82)	$782,138	(24.83)	$491,042	(30.26)	$623,912	(22.10)
2003	$1,126,187	38.44	$1,069,130	36.69	$729,410	48.54	$802,878	28.68
2004	$1,270,531	12.82	$1,190,723	11.37	$833,763	14.31	$890,248	10.88
2005	$1,294,424	1.88	$1,197,453	0.57	$868,388	4.15	$933,977	4.91
2006	$1,498,954	15.80	$1,368,949	14.32	$984,279	13.35	$1,081,491	15.79
2007	$1,490,076	(0.59)	$1,343,239	(1.88)	$1,053,634	7.05	$1,140,908	5.49
2008	$989,228	(33.61)	$879,773	(34.50)	$647,565	(38.54)	$718,797	(37.00)
2009	$1,370,167	38.51	$1,203,201	36.76	$870,771	34.47	$909,023	26.46
2010	$1,573,247	14.82	$1,363,859	13.35	$1,124,058	29.09	$1,045,952	15.06
2011	$1,853,672	17.82	$1,586,457	16.32	$1,091,373	(2.91)	$1,068,040	2.11
2012	$2,099,975	13.29	$1,774,253	11.84	$1,250,578	14.59	$1,238,964	16.00
2013	$2,937,567	39.89	$2,450,727	38.13	$1,792,089	43.30	$1,640,241	32.39
2014	$3,127,649	6.47	$2,575,733	5.10	$1,892,517	5.60	$1,864,766	13.69
2015	$3,208,116	2.57	$2,607,893	1.25	$1,866,369	(1.38)	$1,890,572	1.38
2016	$4,045,825	26.11	$3,247,153	24.51	$2,077,607	11.32	$2,116,683	11.96
2017	$5,625,067	39.03	$4,457,868	37.29	$2,538,144	22.17	$2,578,787	21.83
2018	$6,226,218	10.69	$4,870,960	9.27	$2,301,894	(9.31)	$2,465,724	(4.38)
2019	$8,801,769	41.37	$6,799,353	39.59	$2,957,553	28.48	$3,242,093	31.49
2020	$12,736,055	44.70	$9,714,926	42.88	$3,981,822	34.63	$3,838,598	18.40
2021	$13,460,740	5.69	$10,135,550	4.33	$4,094,699	2.83	$4,940,484	28.71
2022	$9,507,036	(29.37)	$7,063,117	(30.31)	$3,015,439	(26.36)	$4,045,720	(18.11)
2023	$11,544,362	21.43	$8,467,425	19.88	$3,578,073	18.66	$5,109,243	26.29
2024	$12,807,032	10.94	$9,272,989	9.51	$4,120,303	15.15	$6,387,562	25.02
	Avg. Annual Return	**10.74**		**9.32**		**5.83**		**7.70**

Starting value of $1M at January 1, 2000. The performance figures presented above are final 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. KAR's investment management fees are described in KAR's Form ADV, Part 2A. 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. All periods less than one year are total returns for the noted timeframe and are not annualized. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. This material is deemed supplemental and complements the performance and disclosure presented on the last page and included in KAR's strategy fact sheets available on kayne.com. Data is obtained from systems believed by KAR to be reliable. 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. ***Past performance is no guarantee of future results****. Returns could be reduced, or losses incurred, due to currency fluctuations.*

Now let's look at the effect of systematically withdrawing 5% per year, $50,000 to start, and adjusting that upward each year to account for a 3% inflation rate, by applying these withdrawal amounts to the amounts calculated in the table on the previous page.

	5% Initial Draw + 3% Inflation ($)	KAR Small Cap Growth (gross) ($)	KAR Small Cap Growth (net) ($)	Russell 2000® Growth Index ($)	S&P 500® Index ($)
2000	$50,000	$1,012,797	$999,114	$725,707	$858,956
2001	$51,500	$966,194	$939,438	$607,237	$705,362
2002	$53,045	$682,959	$653,106	$370,431	$496,429
2003	$54,636	$890,826	$838,116	$495,614	$584,190
2004	$56,275	$948,728	$877,160	$510,243	$591,487
2005	$57,964	$908,606	$824,153	$473,469	$562,577
2006	$59,703	$992,471	$882,484	$476,953	$591,729
2007	$61,494	$925,099	$804,416	$449,067	$562,745
2008	$63,339	$550,814	$463,525	$212,659	$291,203
2009	$65,239	$697,686	$568,690	$220,720	$303,030
2010	$67,196	$733,899	$577,429	$217,727	$281,480
2011	$69,212	$795,501	$602,461	$142,184	$218,213
2012	$71,288	$829,914	$602,489	$91,637	$181,846
2013	$73,427	$1,087,505	$758,775	$57,891	$167,316
2014	$75,629	$1,082,245	$721,849	($14,495)	$114,590
2015	$77,898	$1,032,190	$652,964	($92,193)	$38,277
2016	$80,235	$1,221,482	$732,786	($182,863)	($37,380)
2017	$82,642	$1,615,632	$923,366	($306,040)	($128,183)
2018	$85,122	$1,703,173	$923,809	($362,675)	($207,685)
2019	$87,675	$2,320,036	$1,201,865	($553,653)	($360,752)
2020	$90,306	$3,266,759	$1,626,921	($835,701)	($517,432)
2021	$93,015	$3,359,623	$1,604,347	($952,407)	($758,978)
2022	$95,805	$2,277,026	$1,022,209	($797,181)	($717,326)
2023	$98,679	$2,666,306	$1,126,768	($1,044,602)	($1,004,573)
2024	$101,640	$2,856,294	$1,132,326	($1,304,543)	($1,357,554)
Total Withdrawn	**$1,822,963**				

Starting value of $1M at January 1, 2000. Withdrawals taken December 31 of each year. The performance figures presented above are final 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. KAR's investment management fees are described in KAR's Form ADV, Part 2A. 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. All periods less than one year are total returns for the noted timeframe and are not annualized. All rates of return include reinvested dividends and other earnings. Current performance may be lower or higher than the performance data shown. This material is deemed supplemental and complements the performance and disclosure presented on the last page and included in KAR's strategy fact sheets available on kayne.com. Data is obtained from systems believed by KAR to be reliable. 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. ***Past performance is no guarantee of future results****. Returns could be reduced, or losses incurred, due to currency fluctuations.*

Based on the example above, even after a sharp market rebound in 2003 after an unlucky start, a more consistent return pattern matters: the S&P 500 and Russell 2000 Growth Index resulted in a negative nest egg, while the KAR Small Cap Growth portfolio generated the needed income and left a larger nest egg to boot due to playing defense in the early choppy markets.

DISCLOSURE

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2000® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets ($ Millions)	Firm Assets ($ Millions)
2015	2.57	1.25	(1.38)	14.08	15.16	17	0.40	244	8,095
2016	26.11	24.51	11.32	14.85	16.91	19	0.54	614	9,989
2017	39.03	37.29	22.17	12.69	14.80	40	1.40	2,038	14,609
2018	10.69	9.27	(9.31)	13.29	16.69	79	0.85	4,738	17,840
2019	41.37	39.59	28.48	14.18	16.60	94	0.89	6,416	25,685
2020	44.70	42.88	34.63	20.63	25.46	124	0.64	8,888	39,582
2021	5.69	4.33	2.83	19.15	23.40	159	0.60	7,749	47,269
2022	(29.37)	(30.31)	(26.36)	22.65	26.57	154	0.35	4,095	33,531
2023	21.43	19.88	18.66	20.98	22.10	148	0.36	4,301	41,186
2024	10.94	9.51	15.15	23.30	24.33	105	0.41	3,609	45,494

The Russell 2000® 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, 2024.

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 Cap Growth Composite has had a performance examination for the period from January 1, 1999 through December 31, 2024. The verification and performance examination reports are available upon request.

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The composite includes all fully discretionary institutional and pooled Small Cap Growth Portfolios. Small Cap Growth Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® 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 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization- weighted index of growth-oriented stocks of the 2,000 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 1998. The composite was created in January 1998. 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: 0.90% for the first $25 million; 0.80% on the next $25 million; 0.70% 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.

The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The indexes are calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

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