

## Thematic Quality Portfolio

First Quarter 2025

### Portfolio Overview

The Thematic Quality portfolio underperformed the S&P 500 Index in the first quarter. Poor stock selection and an overweight in consumer discretionary and poor stock selection in real estate detracted from performance. Good stock selection and an overweight in consumer staples and an underweight in communication services contributed positively to performance.

The biggest contributors to performance during the quarter were Celsius Holdings and Goosehead Insurance.

- Participating in the Consumer Theme, Celsius Holdings is the provider of the CELSIUS line of functional energy drinks. In the quarter, the company acquired a functional energy drink with rapid female consumer adoption, cementing the company as the largest functional energy drink company by market share.
- Participating in the Digital Economy Theme, Goosehead Insurance provides a platform for high-producing home insurance agents to maximize their sales. The company reported both revenue and profit growth during a historically low U.S. home sales market. The company also reported an increase in contingent commissions due to good underwriting results.
- Other top contributors included Ryan Specialty, Cloudflare, and BJ's Wholesale Club.

The biggest detractors to performance during the quarter were Tesla and Pure Storage.

- Participating in the Future Mobility Theme, Tesla is the leading global vendor of electric vehicles. In the quarter, the company experienced political backlash due to the CEO's involvement with government. Meanwhile, the company continues to make progress in software and autonomous capabilities.
- Participating in the Artificial Intelligence + Big Data Theme, Pure Storage's technology roadmap focuses exclusively on improving the price/performance of flash memory storage over time to be superior to hard disk drives, especially on power consumption which is increasingly a bottleneck for Generative AI workloads in data centers. The company reported weaker gross margins than market expectations due to fluctuations in flash commodity prices as well as mix shift to E family of products designed to compete with high volume, lower price point hard disk products.
- Other bottom contributors included GigaCloud Technology, Revolve Group, and Confluent.

### Purchases and Sales

During the quarter, we purchased BJ's Wholesale Club and Wingstop. We sold Fabrinet, MarketAxess, and SPS Commerce to fund what we believe are better opportunities in the portfolio.

- Participating in the Consumer Theme, BJ's Wholesale Club is one of only three warehouse club retailers in the U.S. The company primarily sells groceries, where it can use its purchasing power to win market share from other grocers especially during times when consumer wallets are stretched.
- Participating in the Digital Economy Theme, Wingstop is a franchisor of chicken restaurants optimized for online ordered pickup and food delivery. The company's streamlined concept requires less labor and real estate costs than other quick service restaurants and can pass these savings along in consumer affordability.

### Portfolio Strategy

The strategy defines themes as structural changes that have the potential to either create new industries or reshape existing industries. Utilizing a bottom-up, fundamental research approach, the Thematic Quality portfolio seeks to identify the highest quality companies among the leaders within these persistent themes.

### Portfolio Highlights

**Style:** Thematic Quality  
**Index:** S&P 500® Index  
**Portfolio Inception:** 2023  
**Portfolio Turnover:** 25%-35%  
**Number of Holdings:** 20 - 35

### Key Features



#### High Quality Businesses

Search for quality companies that capitalize on industry shifts with market dominant business models, solid balance sheets, attractive investment opportunities and consistent growth



#### Multi-Thematic Exposure

Seek businesses benefiting from structural trends that transcend the traditional business cycle such as technological advances, demographic shifts, or climate change



#### High Conviction Portfolio

Focus on 20-35 of what we believe are the strongest investment opportunities, with a long-term, low turnover approach

### Investment Management Team

| Name   | Research Start Date              |
|--|----------------------------------|
| <b>Adam Xiao, CFA</b><br>Portfolio Manager + Senior Research Analyst | 2013                             |
| <b>16 Analysts</b>   | 17 years of research experience* |

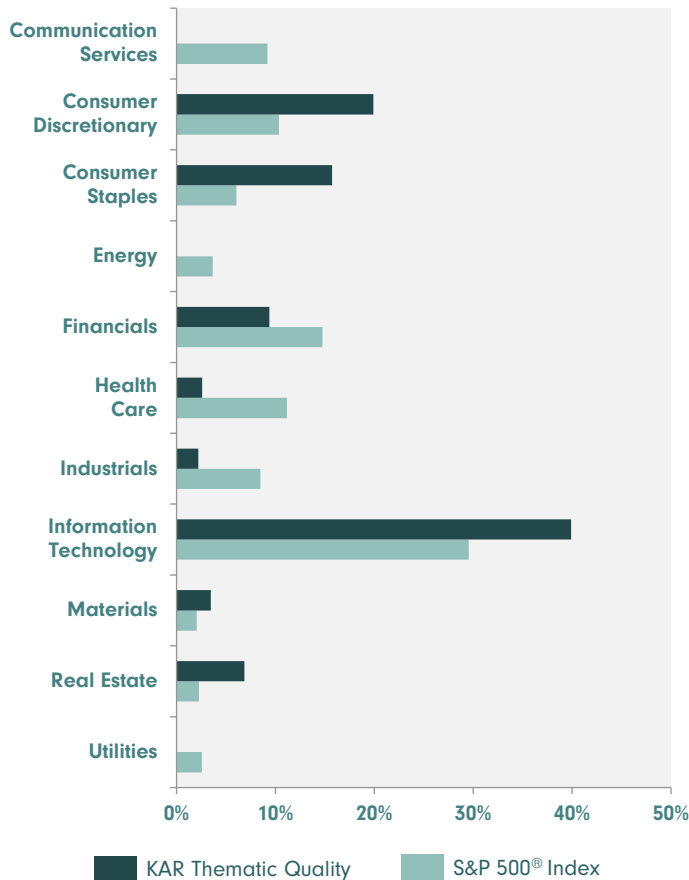
\*Average years of research experience.

## Investment Process: Discovering Quality

| Development of KAR High-Quality Universe  | Proprietary Fundamental Research  | Portfolio Construction   | Sell Discipline   |
|---|---|--|---|
| <b>Resources</b> <ul style="list-style-type: none"> <li>Company research accumulated since KAR inception</li> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Universe reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul> <b>Ongoing Surveillance of Major Themes</b> <ul style="list-style-type: none"> <li>Company management commentary</li> <li>Consumer purchasing behavior</li> <li>Quantitative screens</li> <li>Industry reports</li> </ul> | <b>Qualitative Analysis</b> <ul style="list-style-type: none"> <li>Evaluate robustness 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 incremental profitability, long-term growth potential, and ability to reinvest 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 7.5% (at cost)</li> <li>Maximum position size is 15% (at market)</li> </ul> <b>Sector Tolerances</b> <ul style="list-style-type: none"> <li>Seek broad diversification across themes, 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>Negative Company or Industry Changes</b><br><b>Portfolio Upgrade</b><br><b>Acquisition Activity</b><br><b>Unattractive Prospective Returns</b> |

## Sector Diversification

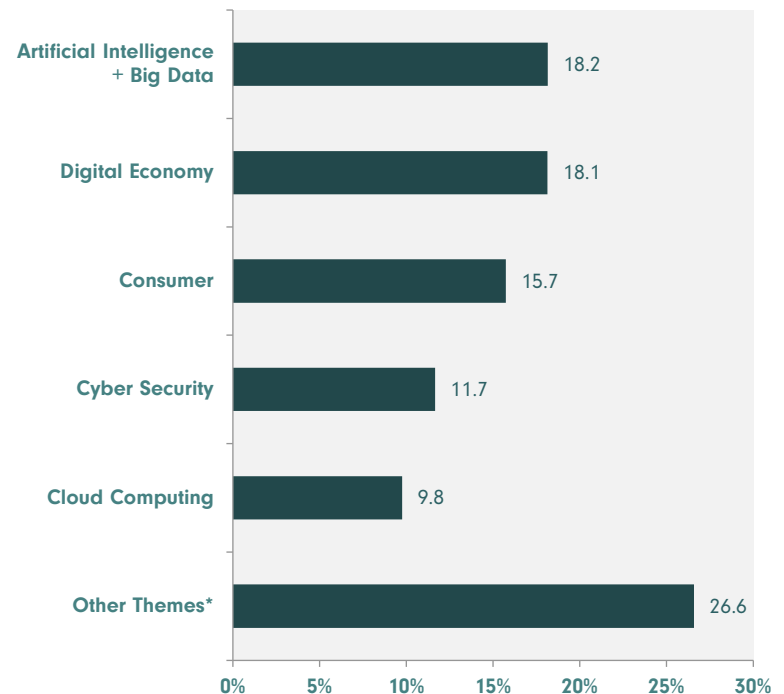
As of March 31, 2025



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 by FactSet Research Systems and is assumed to be reliable.

## Portfolio Themes

As of March 31, 2025



\*"Other Themes" includes Future Mobility, Human Knowledge Capital, Fintech, Life Sciences and Resource Management.

Portfolio themes are defined by the Morningstar taxonomy. Individual securities are categorized within this taxonomy by KAR. In Morningstar's taxonomy, there are 31 total Theme Groupings organized in 4 Broad Themes: Technology, Physical World, Social and Broad Thematic. Portfolio Themes are emergent categorizations to communicate which secular themes the portfolio is participating in through its holdings. These classifications are outputs, and are not inputs for constructing the portfolio. KAR determines which of Morningstar's Theme Groupings a holding falls into, and such determinations as well as Morningstar's Theme Groupings themselves are subject to change by KAR or Morningstar, respectively. Data is assumed to be reliable.

# Thematic Quality Portfolio

## First Quarter 2025

### Top 10 Holdings

As of March 31, 2025

| Company              | Percent of equity (%) |
|----------------------|-----------------------|
| Celsius Holdings     | 11.7                  |
| Cloudflare           | 11.6                  |
| Tesla                | 9.7                   |
| Confluent            | 7.9                   |
| Microsoft            | 7.3                   |
| GigaCloud Technology | 6.8                   |
| Pure Storage         | 6.7                   |
| Goosehead Insurance  | 4.6                   |
| BJ's Wholesale Club  | 4.0                   |
| Endava               | 3.9                   |
| Total                | 74.3                  |

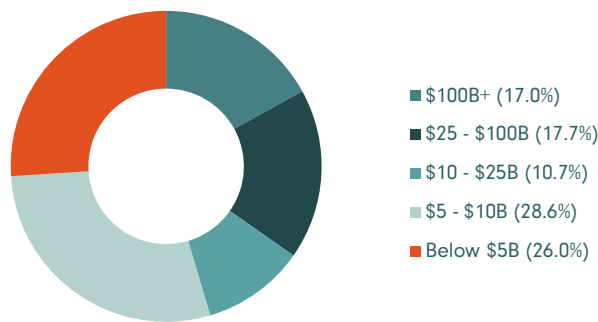
### Portfolio Characteristics

As of March 31, 2025

|                                       | KAR Thematic Quality | S&P 500® Index |
|---------------------------------------|----------------------|----------------|
| Gross Margin—Past 5 Years             | 50.9%                | 50.0%          |
| Capital Expenditures (as % of Sales ) | 6.2%                 | 8.0%           |
| Sales Per Share Growth—Past 2 Years   | 21.1%                | 9.4%           |
| Sales Per Share Growth—Past 5 Years   | 21.9%                | 11.5%          |
| Debt/EBITDA*                          | 0.5 x                | 1.1 x          |

### Market Capitalization

As of March 31, 2025



### Historical Returns

|   | KAR Thematic Quality (gross) | KAR Thematic Quality (net) <sup>†</sup> | S&P 500® Index |
|---|------------------------------|---|----------------|
| <b>Annualized Returns (%)<sup>†</sup></b> |                              |   |                |
| As of March 31, 2025                      |                              |   |                |
| 1 <sup>st</sup> Quarter                   | (10.82)                      | (11.00)                                 | (4.27)         |
| One Year                                  | (7.16)                       | (7.86)                                  | 8.25           |
| Inception <sup>§</sup>                    | 16.20                        | 15.34                                   | 20.15          |
| <b>Annual Returns (%)</b>                 |                              |   |                |
| 2024                                      | 10.90                        | 10.07                                   | 25.02          |
| 2023                                      | 41.77                        | 40.73                                   | 26.29          |

\* KAR utilizes the interquartile method when calculating Debt/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. Debt/EBITDA utilizes net debt for the calculation.

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are final. 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>January 1, 2023

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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. **Past performance is no guarantee of future results.**



## Thematic Quality Composite

### First Quarter 2025

#### Disclosure

| Year | Composite Gross Return (%) | Composite Net Return (%) | S&P 500® Index Return (%) | Composite 3-Yr Std Dev (%) | Benchmark 3-Yr Std Dev (%) | Number of Accounts | Internal Dispersion (%) | Composite Assets (\$ Millions) | Firm Assets (\$ Millions) |
|------|----------------------------|--------------------------|---------------------------|----------------------------|----------------------------|--------------------|-------------------------|--------------------------------|---------------------------|
| 2023 | 41.77                      | 39.98                    | 26.29                     | N/A                        | N/A                        | 30                 | N/A                     | 6                              | 41,186                    |
| 2024 | 10.90                      | 9.47                     | 25.02                     | N/A                        | N/A                        | 91                 | 0.57                    | 27                             | 45,494                    |

The S&P 500® Index is a trademark/service mark of S&P Dow Jones Indices LLC. S&P® is a trademark of Standard & Poor's Financial Services LLC.

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. 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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The composite includes all fully discretionary institutional Thematic Quality Portfolios. Thematic Quality Portfolios are invested in equity securities of all market capitalizations that capitalize on thematic industry shifts with market dominant business models, solid balance sheets, strong economics, and consistent growth. For comparison purposes, the composite is measured against the S&P 500® Index. The S&P 500® Index is a market capitalization-weighted index which includes 500 of the top companies in leading industries of the U.S. economy. The index is calculated on a total-return basis with dividends reinvested, net of withholding taxes. Benchmark returns are not covered by the report of the independent verifiers. The inception date of the composite is January 2023. The composite was created in January 2023. 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: 0.75% for the first \$25 million; 0.65% on the next \$25 million; 0.55% on the next \$50 million; 0.50% 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 S&P 500® Index is a free-float market capitalization-weighted index of 500 of the 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.