Kayne Anderson Rudnick
Investment Management

Large Cap Sustainable Growth Portfolio

Second Quarter 2020

Portfolio Review

The Large Cap Sustainable Growth portfolio outperformed the Russell 1000 Growth Index in the second quarter. Performance was driven primarily by strong stock selection in the information technology sector and an underweight and strong stock selection in health care. Poor stock selection in consumer discretionary and poor stock selection and an underweight in financials detracted from performance.

The biggest contributors to performance were Amazon.com and Bill.com. Amazon continues on its powerful growth trajectory powered by its wide-moat ecommerce business and dominant web services offering (AWS). The company delivered the blockbuster revenue quarter many expected as stay-at-home restrictions helped it capture an even greater share of consumer spending. As the company has done in the past, it is investing that newfound operating income aggressively, promising to spend a massive $4 billion on employee safety and customer service (among other things) to further distance itself from competitors. Its AWS business is also benefitting as many of the most disruptive, digitally distributed and ecommerce-based businesses run on AWS. Customers like Netflix and Zoom are among the many of examples of booming businesses that run on Amazon's cloud. Bill.com's solid value proposition, easy to use software, strategic focus on the small and medium-sized business segment, and strong distribution partnerships form its competitive moat. The company is also a natural beneficiary of businesses digitizing and automating one of the most labor intensive back-office operations. Providing further validation of the value of its software, it has also been selected by the three largest banks in the country to offer a white-labeled version to their commercial clients. Other top contributors included The Trade Desk, Facebook and Paycom Software.

The biggest detractors from the portfolio were Philip Morris International and Estee Lauder. Cigarette giant Philip Morris was able to grow over many years in the face of declining volumes through robust pricing power. As it looked toward the future, it began developing reduced risk products (RRP) that were able to, in theory, deliver the same nicotine experience with less harmful effects on the body. Initially the products were a huge success reaching double-digit penetration in test markets such as Japan and threatening to change the company's story into one of volume growth. Then the RRP story hit a soft patch as the needs of the early adopters have been satisfied, but the products are not resonating with the next cohort of smokers and competitive offerings have hit the market. Finally, the growing importance of ESG (Environmental, Social, Governance) investing frameworks could discourage ownership of Philip Morris longer term. After trimming our position last quarter, we sold our remaining position this quarter. Estee Lauder has compiled a unique portfolio of brands and demonstrated success in engaging consumers, leading to a multi-year success story in China that remains in the early stages. The company also has consistently demonstrated an ability to quickly shift resources to the highest potential categories (such as skincare) and consequently reaccelerate growth in more mature markets, such as the U.S. and Europe. With the backdrop of the COVID-19 crisis, we expect Estee Lauder to successfully leverage its multi-year investment in ecommerce to acquire and retain new customers online, which will be accretive to margins. Other bottom contributors included CME Group, Ross Stores and Trip.com.

Outlook

Although the market has greatly recovered this quarter, we do not believe it is anticipating a robust economic recovery as many market commentators have suggested. If businesses were to get back to normal quickly, then many of the hardest hit areas in the stock market would not be 40% to 80% off of their 52-week highs set over the last year when the economy was not in a recession. Additionally, with the 10-year yield at a paltry 0.65% and the yield curve with only a slightly positive slope, this suggests a modest but not robust recovery. While there continues to be above-average uncertainty (second wave risk, election results, and economic recovery timeline) in the near term, we continue to believe our time-tested strategy of owning quality companies will continue to be rewarded over the long haul.

Purchases and Sales

New Purchases	Complete Sales
Estee Lauder	Philip Morris International

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Assets: $1,549.9 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	34
Chris Armbruster, CFA Portfolio Manager + Senior Research Analyst	15
Richard Sherry, CFA Senior Research Analyst	22
Noran Eid Research Analyst	7

Top Five Holdings

As of June 30, 2020

Company	Percent of equity (%)
Amazon.com	9.7
Facebook	5.8
Alibaba Group	5.2
NVIDIA	4.8
Paycom Software	4.6
Total	**30.1**

Kayne Anderson Rudnick
Investment Management

Investment Process: Discovering Quality

Development of High-Quality Universe

Quantitative Methods
- Investment conferences
- Meetings with companies
- Industry reviews
- Research on existing portfolio holdings
- Third-party research

Quantitative Screens
- High return on capital over a full economic cycle
- Earnings surprise
- Long and resilient earnings history
- High return on net operating assets
- Minimal debt

Proprietary Fundamental Research

Qualitative Analysis
- Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market

Financial Analysis
- Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately

Valuation Analysis
- Determine the current and potential value of the business

Portfolio Construction

Position Weights
- Maximum initial position size is 5% (at cost)
- Maximum position size is 10% (at market)

Sector Tolerances
- Seek broad diversification, but no sector constraints

Holding Period
- Typically 3-to-5 years, but is often longer
- Portfolio turnover is typically 25% to 35%

Cash Levels
- Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%

Sell Discipline

Negative Company or Industry Changes

Portfolio Upgrade

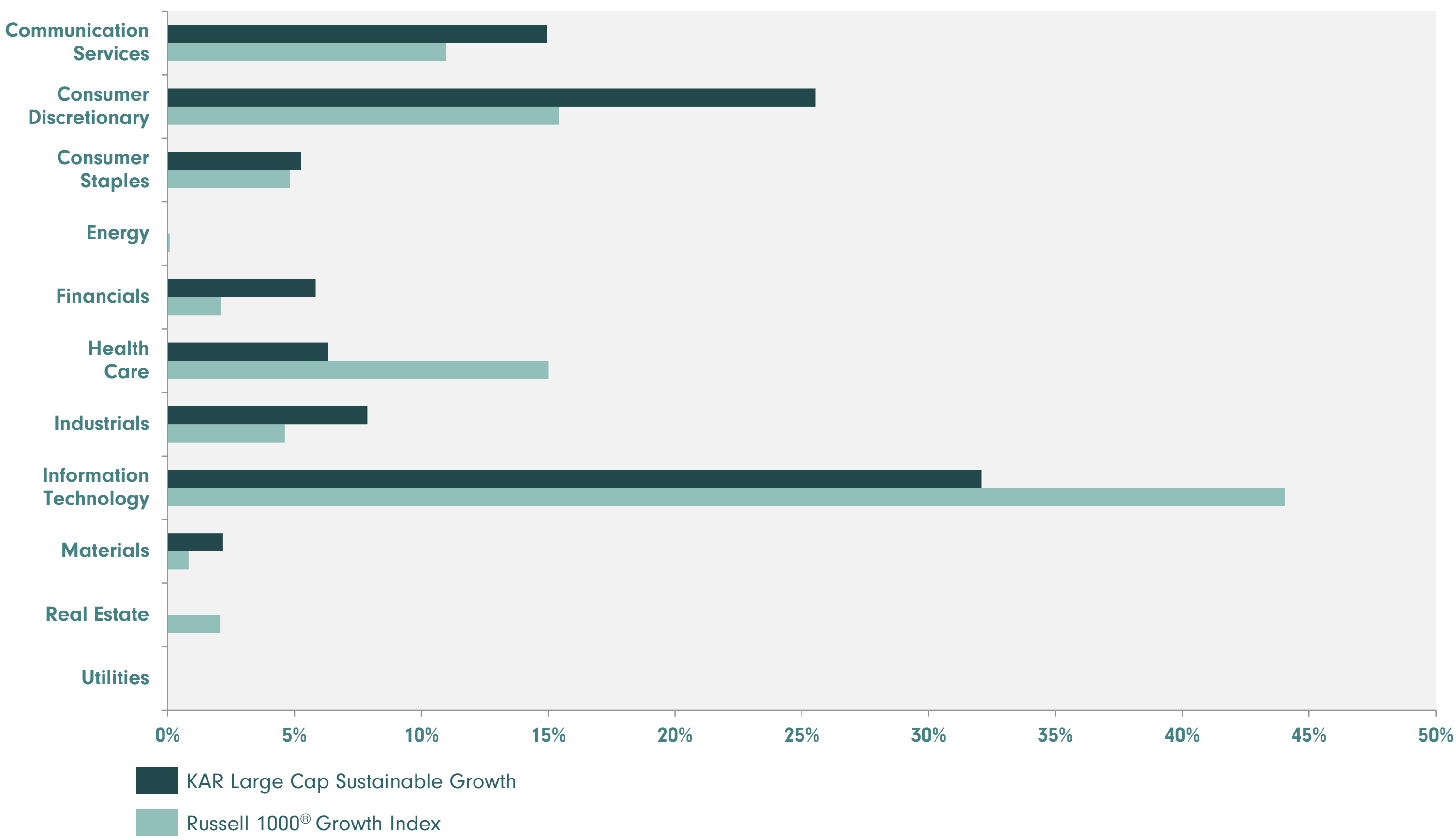
Acquisition Activity

Extended Valuation

Higher Quality | Stronger, More Consistent Growth | Better Value

Sector Diversification

As of June 30, 2020



A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. 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.

Large Cap Sustainable Growth Portfolio

Second Quarter 2020

Portfolio Characteristics

As of June 30, 2020

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	**25.4%**	26.1%
Total Debt/EBITDA	**3.4 x**	2.3 x
Earnings Variability—Past 10 Years	**38.4%**	45.0%
Growth		
Sales Per Share Growth—Past 5 Years	**19.6%**	14.7%
Earnings Per Share Growth—Past 5 Years	**25.5%**	19.5%
Earnings Per Share Growth—Past 10 Years	**17.6%**	12.6%
Value		
P/E Ratio—Trailing 12 Months	**55.7 x**	39.0 x
P/E Ratio—1-Year Forecast FY EPS	**41.0%**	31.6%
Free Cash Flow Yield*	**2.0%**	3.2%
Market Characteristics		
$ Weighted Average Market Cap	**$286.9 B**	$575.8 B
Largest Market Cap	**$1,376.0 B**	$1,581.2 B

Performance Statistics

Inception‡ to June 30, 2020

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	**17.37**	16.93
Annualized Standard Deviation	**15.59**	13.40
Beta	**1.12**	1.00
Sharpe Ratio	**1.07**	1.22
R-Squared	**92.28**	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)§	Russell 1000® Growth Index
Annualized Returns (%)† As of June 30, 2020			
2nd Quarter	33.67	33.45	27.84
Year to Date	16.68	16.28	9.81
One Year	25.79	24.93	23.28
Three Years	20.33	19.50	18.99
Five Years	16.47	15.67	15.89
Seven Years	17.71	16.90	16.62
Inception‡	17.37	16.56	16.93
Annual Returns (%)			
2019	41.05	40.09	36.39
2018	(6.43)	(7.09)	(1.51)
2017	35.87	34.95	30.21
2016	(0.03)	(0.73)	7.08
2015	10.43	9.68	5.67
2014	12.66	11.86	13.05
2013	30.66	29.78	33.48
2012	14.76	13.96	15.26

**Free cash flow data is as of March 31, 2020. Prices are as of June 30, 2020. Excludes financials.*

†All periods less than one year are total returns and are not annualized. Returns are preliminary.

‡January 1, 2012

§Net of all fees and expenses. Assumes a 0.70% annual fee.

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 and gross of fees 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 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

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2018. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

Kayne Anderson Rudnick Investment Management, LLC, 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. Kayne Anderson Rudnick Investment Management, LLC 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 composite was created in January 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

This composite contained 8% non-fee-paying portfolios as of December 31, 2013, 0.1% non-fee-paying portfolios as of December 31, 2014 and December 31, 2015 and <0.1% non-fee-paying portfolios as of each annual period from 2016-2018.

The standard management fee schedule currently in effect is as follows: 0.70% for the first $10 million; 0.55% on the next $25 million; 0.45% on the next $50 million; 0.35% on the balance. 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. 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 ended at the following dates:

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2014	10.39	9.73
2015	12.33	10.85
2016	13.24	11.31
2017	12.52	10.69
2018	14.27	12.30

Year	Total Firm Assets ($ millions)	Total Composite Assets ($ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 1000® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	583	24	14.76	13.96	15.26	0.03
2013	7,841	674	25	30.66	29.78	33.48	0.08
2014	7,989	681	25	12.66	11.86	13.05	0.14
2015	8,095	687	31	10.43	9.68	5.67	0.35
2016	9,989	928	57	(0.03)	(0.73)	7.08	0.06
2017	14,609	1,175	142	35.87	34.95	30.21	1.50
2018	17,840	991	217	(6.43)	(7.09)	(1.51)	0.18