

Small-Mid Cap Sustainable Growth Portfolio

Second Quarter 2020

Portfolio Review

The Small-Mid Cap Sustainable Growth portfolio outperformed the Russell 2500 Growth Index in the second quarter. Stock selection was the primary driver of the outperformance although sector allocation also contributed modestly. Stock selection and an overweight in technology and strong stock selection in consumer discretionary contributed positively to performance. Negative stock selection in health care and negative stock selection and an overweight in consumer staples detracted from performance.

The biggest contributors to performance during the quarter were DocuSign and Avalara.

- DocuSign's technology enables companies to conduct more of their business digitally. Beyond eSignature, the company provides total contract lifecycle management, which during an unprecedented shift to work at home, has had robust performance.
- Similarly, Avalara offers robust tax calculation engines with streamlined tax filing for small-and-medium sized businesses. With so much commerce shifting online, Avalara saw strong demand for its products.
- Other top contributors included MarketAxess Holdings, Ollie's Bargain Outlet Holdings and Five9.

The biggest detractors from the portfolio were InterActive Brokers Group and Elanco Animal Health

- While InterActive Brokers had seen increased trading on its platform thanks to market volatility, investors were concerned about the impact of near-zero rates on net interest margin. There is also some concern for large customer losses thanks to the precipitous decline in oil prices.
- Elanco Animal Health announced a change to its distribution strategy this quarter, which was disruptive to first quarter sales and earnings per share. Additionally, investors were concerned about the sizeable Bayer acquisition. We believe both of these issues are transitory and should eventually lead to a stronger, more competitive company.
- Other bottom contributors included Cooper Companies, Lamb Weston Holdings and Teledyne Technologies.

Purchases and Sales

There were no complete purchases or sales this quarter.

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.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Growth
Index: Russell 2500™ Growth
Portfolio Inception: 2018
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Julie Biel, CFA Portfolio Manager + Senior Research Analyst	12
Todd Beiley, CFA Senior Research Analyst	21
Jon Christensen, CFA Senior Research Analyst	25
Julie Kutasov Senior Research Analyst	19
Craig Stone Senior Research Analyst	31
Chris Wright, CFA Senior Research Analyst	8
Sean Dixon Research Analyst	11
Adam Xiao, CFA Research Analyst	5

Top Five Holdings

As of June 30, 2020

Company	Percent of equity (%)
DocuSign	8.6
Avalara	6.0
Five9	5.5
MarketAxess Holdings	5.1
Tyler Technologies	4.7
Total	29.9

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. 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. 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 High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	Qualitative Analysis <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market Financial Analysis <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business 	Position Weights <ul style="list-style-type: none"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints Non-U.S. Holdings <ul style="list-style-type: none"> Up to 20% Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10% 	Extended Valuation Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes

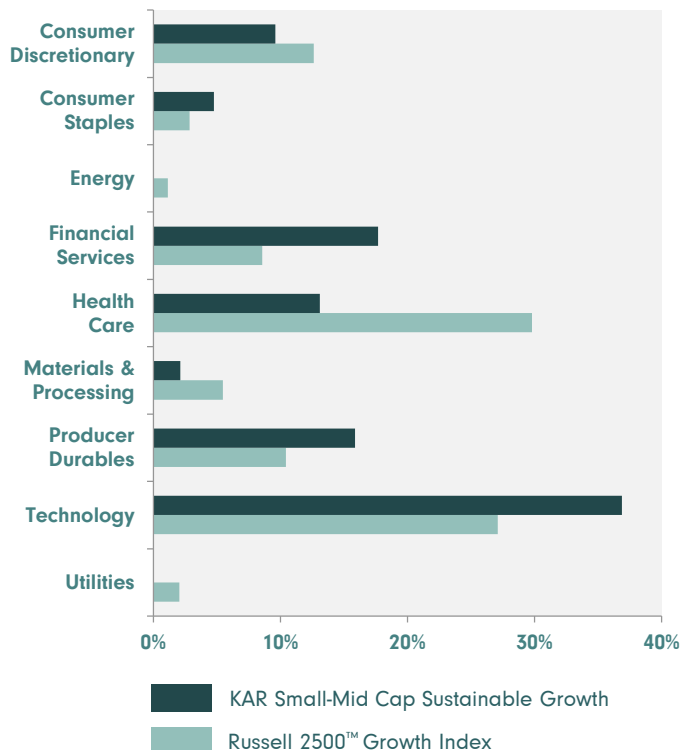
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of June 30, 2020



Portfolio Characteristics

As of June 30, 2020

	KAR Small-Mid Cap Sustainable Growth	Russell 2500™ Growth Index
Quality		
Return on Equity—Past 5 Years	22.2%	11.0%
Total Debt/EBITDA	3.3 x	9.5 x
Earnings Variability—Past 10 Years	29.1%	66.5%
Growth		
Earnings Per Share Growth—Past 10 Years	18.0%	10.5%
Capital Generation—{ROE x (1-Payout)}	20.0%	9.5%
Value		
P/E Ratio—Trailing 12 Months	68.0 x	492.1 x
Free Cash Flow Yield [†]	1.6%	1.2%
Market Characteristics		
\$ Weighted Average Market Cap.	\$13.9 B	\$5.1 B
Largest Market Cap	\$31.2 B	\$14.2 B

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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

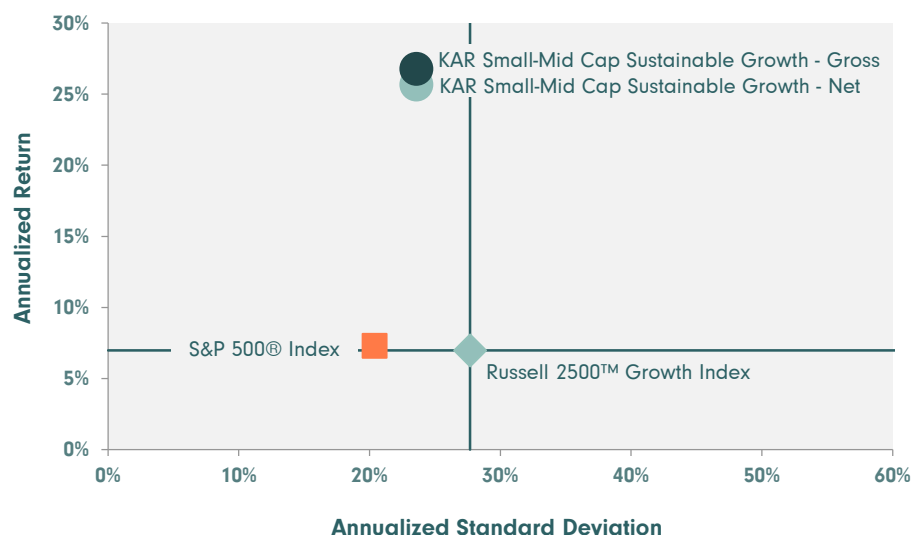
[†]Free cash flow data is as of March 31, 2020. Prices are as of June 30, 2020. Excludes financials. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be 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.**

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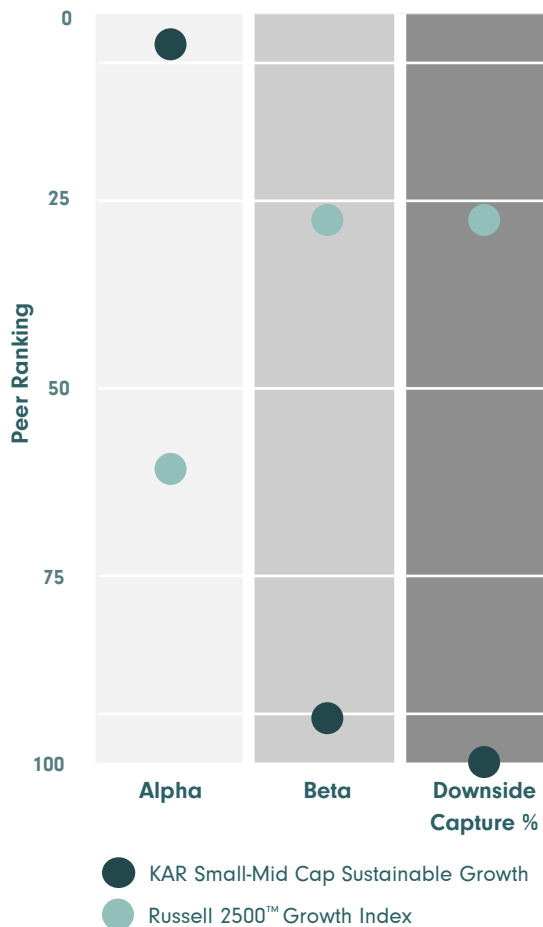
Strong Risk-Adjusted Returns

Inception* to June 30, 2020



Peer Comparison Chart

Inception* to June 30, 2020



Historical Returns

	KAR Small-Mid Cap Sustainable Growth (gross)	KAR Small-Mid Cap Sustainable Growth (net) [†]	Russell 2500™ Growth Index
Annualized Returns (%)[†]			
As of June 30, 2020			
2 nd Quarter	35.36	35.09	32.87
Year to Date	19.12	18.60	2.02
One Year	31.20	30.04	9.21
Inception*	26.79	25.68	6.97
Annual Returns (%)			
2019	46.11	44.84	32.65
2018 [§]	(9.44)	(9.79)	(15.93)

Performance Statistics

Inception* to June 30, 2020

	KAR Small-Mid Cap Sustainable Growth	Russell 2500™ Growth Index
Annualized Return	26.79	6.97
Annualized Standard Deviation	23.56	27.69
Alpha	19.25	0.00
Beta	0.81	1.00
Sharpe Ratio	1.08	0.19
R-Squared	90.66	100.00

*August 1, 2018

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

[‡]Net of all fees and expenses. Assumes a 0.90% annual fee.

[§]Performance calculations are for the five months ended December 31, 2018.

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. The Small-Mid Cap Growth Universe includes all managers categorized in the small-mid cap growth asset class by eVestment. 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

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 is defined as all fully discretionary institutional and pooled Small-Mid Cap Sustainable Growth Portfolios. Small-Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ Growth Index, that have market control, solid 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™ Growth Index. The Russell 2500™ Growth Index is a market capitalization-weighted index of growth-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 composite was created in August 2018. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Non-fee-paying portfolios represent 100% of composite assets as of 12/31/2018.

The standard fee schedule in effect is as follows: 0.90% for the first \$25 million; 0.80% on the next \$25 million; 0.75% on the next \$50 million; 0.60%

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 IIA 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, 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.

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2500™ Growth Index Annual Return (%)	Internal Dispersion
2018*	17,840	0	< 5	(9.44)	(9.79)	(15.93)	N/A

*2018 performance numbers in this table reflect the composite inception date of August 1, 2018 through December 31, 2018.

The Russell 2500™ Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.