

## All Cap Sustainable Growth Portfolio

Second Quarter 2021

### Portfolio Review

The All Cap Sustainable Growth portfolio delivered positive performance but underperformed the Russell 3000 Growth Index in the second quarter. Poor stock selection in communication services and financials detracted the most from performance. Good stock selection and an underweight in health care and an underweight in utilities contributed positively to performance.

The biggest contributors to performance during the quarter were NVIDIA and Bill.com. NVIDIA's ability to leverage its graphics process unit (GPU) has created strong demand across multiple end markets. In addition, the company's Mellanox acquisition has expanded product offerings and proved highly synergistic and a complement to the company's GPU. Bill.com is moving up market, leveraging partnerships with a number of the largest financial institutions in the world and building differentiated integrations with some of the most important software providers for mid-market customers. The company continues to grow average revenue per user from adoption of higher margin cross border (for international vendors) and virtual card (check alternative) offerings. Other top contributors included Avalara, Facebook, and Amazon.com.

The biggest detractors from the portfolio during the quarter were Autohome and Trade Desk. Autohome's shares fell due to recent gains in market share made by a competitor, uncertainty with a new CEO, weakening new car sales in China, and intensified regulatory scrutiny of internet companies in the country. Trade Desk has been pressured for almost all of 2020 by concerns over changes to Identifier for Advertisers (or IDFA) made by Apple and Google. Losing access IDFAs would make ad targeting more challenging, lowering ROI for advertisers and reducing the attractiveness of using Trade Desks' programmatic advertising services. This uncertainty has hurt the stock's performance. Other bottom contributors included MarketAxess, Las Vegas Sands, and Airbnb.

### Outlook

Despite elevated valuations, we believe investors should stay the course and remain invested. Price/earnings (PE) ratios are higher than normal, but this is not unusual when earnings are rapidly recovering and corporate earnings were strong in the first quarter. Ironically, PE ratios may decline as the earnings recovery unfolds. However, as long as earnings growth exceeds multiple contractions, we believe returns should be favorable for investors. As always, our focus remains on high quality businesses regardless of the current economic regime. We believe competitive protections and differentiation are the key investment metrics that matter the most over the long term.

### Purchases and Sales

#### New Purchases

Acuity Brands

Treace Medical Concepts

#### Complete Sales

None

### Portfolio Highlights

**Style:** All Cap  
**Sub-Style:** Growth  
**Index:** Russell 3000® Growth  
**Portfolio Assets:** \$290.9 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	35
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	16
<b>Todd Beiley, CFA</b> Senior Research Analyst	22
<b>Julie Biel, CFA</b> Senior Research Analyst	13
<b>Jon Christensen, CFA</b> Senior Research Analyst	26
<b>Julie Kutsov</b> Senior Research Analyst	20
<b>Richard Sherry, CFA</b> Senior Research Analyst	23
<b>Craig Stone</b> Senior Research Analyst	32
<b>Chris Wright, CFA</b> Senior Research Analyst	9
<b>Sean Dixon</b> Research Analyst	12
<b>Noran Eid</b> Research Analyst	8
<b>Adam Xiao, CFA</b> Research Analyst	6

### Top Five Holdings

As of June 30, 2021

Company	Percent of equity (%)
Bill.com	6.3
Amazon.com	5.0
NVIDIA	4.2
Avalara	3.5
Facebook	3.4
<b>Total</b>	<b>22.4</b>

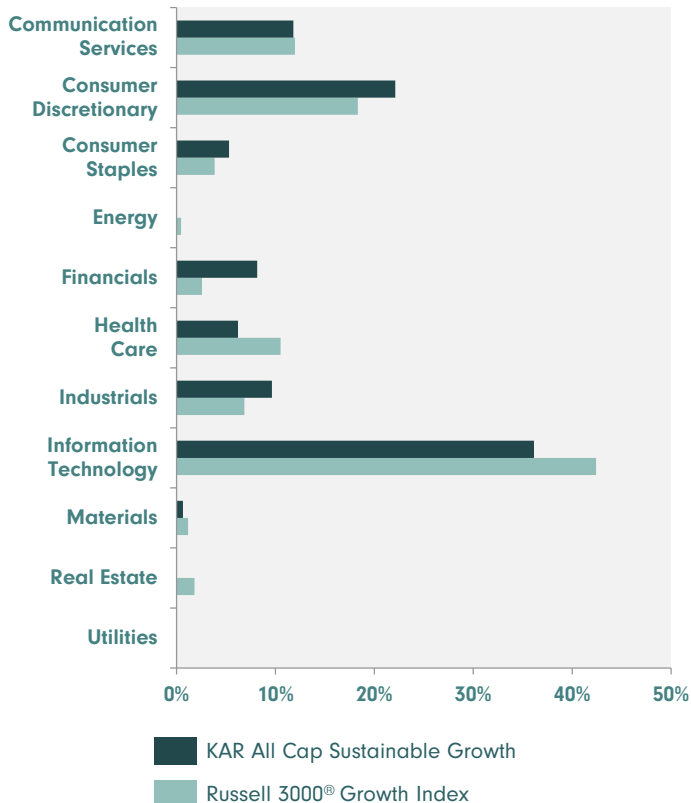
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. 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
<p><b>Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</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 35%</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>Extended Valuation</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Diversification Requirements</b></p> <p><b>Acquisition Activity</b></p> <p><b>Negative Company or Industry Changes</b></p>
<p>Higher Quality   Stronger, More Consistent Growth   Better Value</p>			

## Sector Diversification

As of June 30, 2021



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.

## Portfolio Characteristics

As of June 30, 2021

	KAR All Cap Sustainable Growth	Russell 3000 Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	23.9%	28.2%
Total Debt/EBITDA	2.6 x	2.1 x
Earnings Variability—Past 10 Years	37.9%	47.1%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	25.8%	26.5%
Earnings Per Share Growth—Past 10 Years	17.2%	13.5%
Capital Generation—{ROE x (1-Payout)}	20.7%	21.3%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	89.1 x	49.2 x
P/E-to-10-Year Growth	5.2 x	3.6 x
Free Cash Flow Yield*	1.8%	2.8%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$219.4 B	\$741.2 B
Largest Market Cap	\$1,735.0 B	\$2,285.5 B

\*Free cash flow data is as of March 31, 2021. Prices are as of June 30, 2021.

Excludes financials.

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.

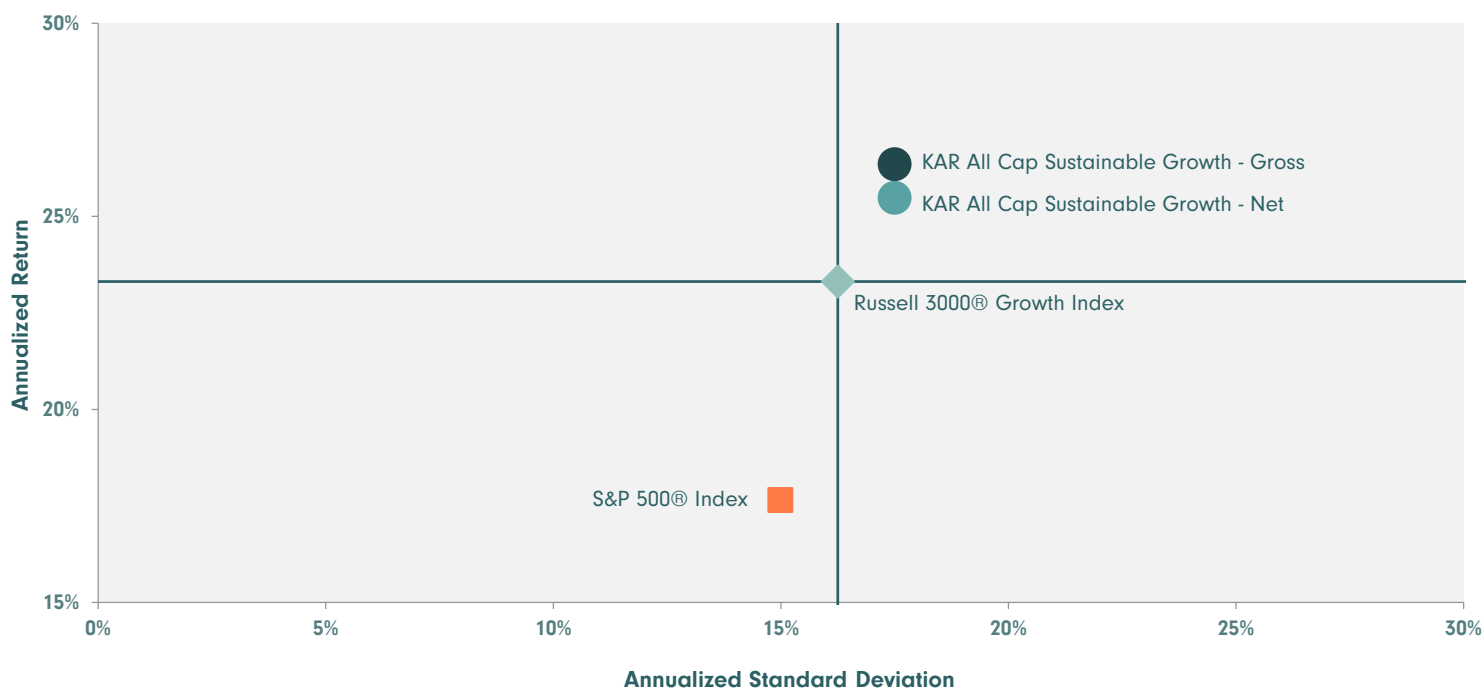
**Past performance is no guarantee of future results.**

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Second Quarter 2021

## Risk-Return Analysis

Five Years Ending June 30, 2021



## Historical Returns

	KAR All Cap Sustainable Growth (gross) <sup>†</sup>	KAR All Cap Sustainable Growth (net) <sup>‡</sup>	Russell 3000 <sup>®</sup> Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2021			
2 <sup>nd</sup> Quarter	7.40	7.22	11.38
Year to Date	4.90	4.54	12.71
One Year	34.54	33.62	42.99
Three Years	24.95	24.09	24.47
Five Years	26.35	25.48	23.31
Seven Years	20.91	20.08	18.16
Inception*	19.73	18.91	18.56
<b>Annual Returns (%)</b>			
2020	51.47	50.44	38.26
2019	40.72	39.77	35.85
2018	1.18	0.47	(2.12)
2017	35.78	34.85	29.59
2016	5.88	5.15	7.39
2015	7.41	6.67	5.09
2014	9.48	8.70	12.44
2013	32.17	31.27	34.23
2012 <sup>  </sup>	7.87	7.17	8.59

\*February 1, 2012

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

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.70% annual fee.

<sup>§</sup>Performance statistics are based on gross of fee returns.

<sup>||</sup>Performance calculations are for eleven months ended December 31, 2012.

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 is assumed to be reliable. **Past performance is no guarantee of future results.**

## Performance Statistics

Five Years Ending June 30, 2021

	KAR All Cap Sustainable Growth <sup>§</sup>	Russell 3000 <sup>®</sup> Growth Index
Annualized Standard Deviation	17.50	16.25
Alpha	2.75	0.00
Beta	1.00	1.00
Sharpe Ratio	1.45	1.38
R-Squared	86.07	100.00

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### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 3000® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2012*	7.87	7.17	8.59	N/A	N/A	12	N/A	67	6,545
2013	32.17	31.27	34.23	N/A	N/A	10	0.37	65	7,841
2014	9.48	8.70	12.44	N/A	N/A	10	0.37	89	7,989
2015	7.41	6.67	5.09	12.34	10.95	9	N/A	92	8,095
2016	5.88	5.15	7.39	13.13	11.50	10	0.10	97	9,989
2017	35.78	34.85	29.59	12.08	10.77	25	0.44	141	14,609
2018	1.18	0.47	(2.12)	13.85	12.47	28	0.12	140	17,840
2019	40.72	39.77	35.85	15.42	13.38	31	0.36	134	25,685

\*2012 performance numbers in this table reflect the composite inception date of February 1, 2012 through December 31, 2012. The Russell 3000® 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, 2019. 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 ("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 All Cap Sustainable Growth Portfolios. All Cap Sustainable Growth

Portfolios are invested in equity securities with market capitalizations consistent with the Russell 3000® 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 3000® Growth Index. The Russell 3000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 3,000 largest 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 February 2012. 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 < 1% of the composite assets at year-end 2019.

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 or for time periods less than one 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 2015 because 36 monthly composite returns are not available.