

## Large Cap Quality Value Portfolio

Second Quarter 2021

### Portfolio Review

The Large Cap Quality Value portfolio outperformed the Russell 1000 Value Index in the second quarter. Good stock selection in industrials and information technology contributed positively to performance. Poor stock selection in consumer discretionary and an underweight in energy detracted from performance.

The biggest contributors to performance were Equifax and Wolters Kluwer. Equifax's mortgage business continues to benefit from low interest rates and its workforce solutions business is benefiting from a dominant position in employment verification. Wolters Kluwer's organic growth was better than expected due to better upselling among existing customers and new contract sales. Other top contributors included Moody's, Oracle, and Trane Technologies.

The biggest detractors to performance were Las Vegas Sands and FLEETCOR Technologies. During the quarter, concerns about COVID-19 flare-ups in parts of China and elsewhere in Southeast Asia weighed on Las Vegas Sands's shares. FLEETCOR continues to rebound, with sales strengthening to what they were pre-COVID-19. However, the company still has some transaction-related revenue that has not yet recovered. Other bottom contributors included WEC Energy, NextEra Energy, and Becton, Dickinson and Company.

### Purchases and Sales

During the quarter, there were no new purchases or complete sales in the portfolio.

### 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.

### Portfolio Highlights

**Style:** Large Cap  
**Sub-Style:** Value  
**Index:** Russell 1000® Value  
**Portfolio Inception:** 1994  
**Portfolio Assets:** \$600.8 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	35
<b>Richard Sherry, CFA</b> Portfolio Manager + Senior Research Analyst	23
<b>Chris Armbruster, CFA</b> Senior Research Analyst	16
<b>Noran Eid</b> Research Analyst	8

### Top Five Holdings

As of June 30, 2021

Company	Percent of equity (%)
Lowe's Companies	4.7
U.S. Bancorp	3.9
Trane Technologies	3.8
Oracle	3.8
Travelers	3.5
<b>Total</b>	<b>19.8</b>

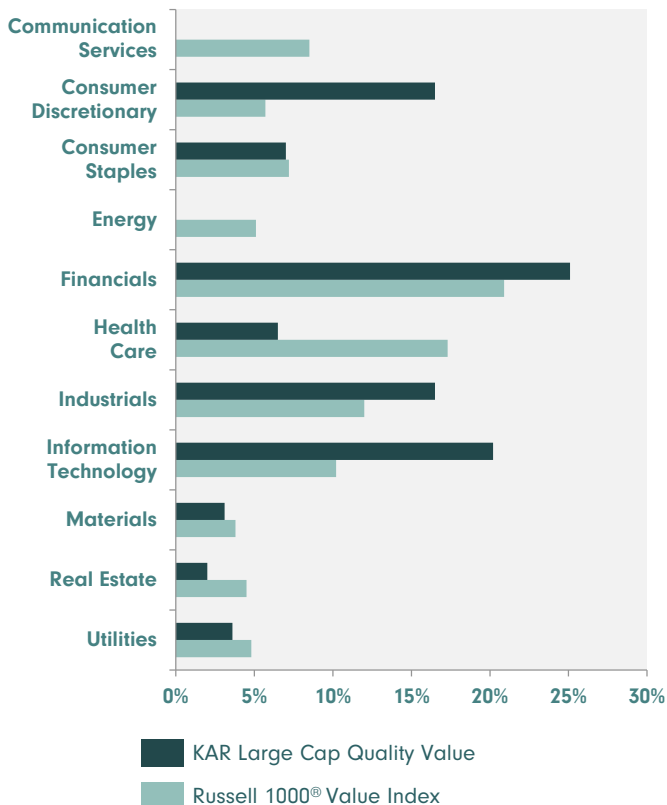
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<b>Quantitative Screens</b> <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> <b>Other Resources</b> <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>	<b>Qualitative Analysis</b> <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> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate 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 5% (at cost)</li> <li>Maximum position size is 10% (at market)</li> </ul> <b>Sector Tolerances</b> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</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>Extended Valuation</b> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>
Higher Quality   Stronger, More Consistent Growth   Better Value			

## 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 Large Cap Quality Value	Russell 1000 Value Index
<b>Quality</b>		
Return on Equity—Past 5 Years	21.7%	15.5%
Total Debt/EBITDA	2.8 x	4.6 x
Earnings Variability—Past 10 Years	29.8%	52.4%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	7.8%	7.3%
Earnings Per Share Growth—Past 10 Years	9.0%	7.2%
Dividend Per Share Growth—Past 5 Years	9.5%	7.3%
Dividend Per Share Growth—Past 10 Years	12.5%	11.3%
Capital Generation—{ROE x (1-Payout)}	12.2%	9.1%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	32.3 x	30.3 x
Dividend Yield	1.4%	1.9%
Free Cash Flow Yield*	4.0%	4.1%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$117.8 B	\$152.7 B
Beta†	0.86	1.00
Annualized Standard Deviation—Tenure Period†	14.2%	16.0%

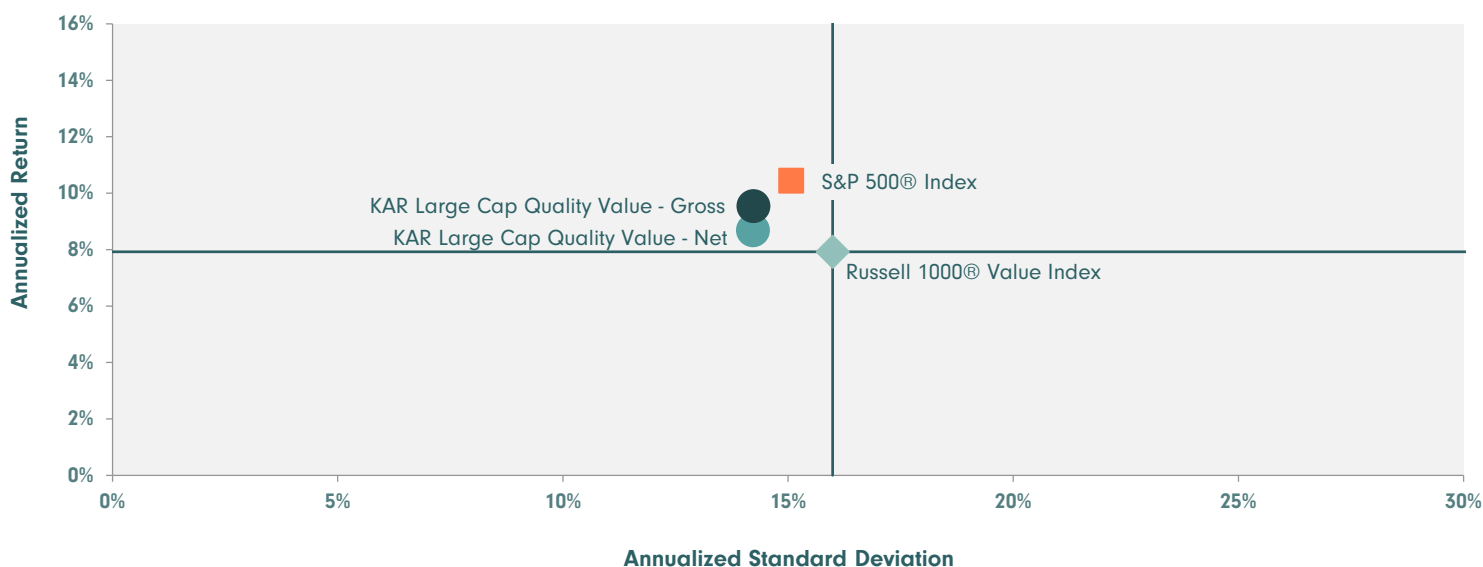
\*Free cash flow data is as of March 31, 2021. Prices are as of June 30, 2021. Excludes financials.  
 †Period from April 1, 2006 to June 30, 2021. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.  
 This material is deemed supplemental 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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Second Quarter 2021

## Risk-Return Analysis

Tenure Period\*



## Historical Returns

	KAR Large Cap Quality Value (gross)	KAR Large Cap Quality Value (net) <sup>†</sup>	Russell 1000 <sup>®</sup> Value Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2021			
2 <sup>nd</sup> Quarter	7.15	6.97	5.21
Year to Date	13.05	12.66	17.05
One Year	37.38	36.45	43.68
Three Years	16.08	15.28	12.42
Five Years	14.32	13.53	11.87
Seven Years	11.50	10.72	9.41
Ten Years	12.54	11.76	11.61
Inception*	9.54	8.68	7.92
<b>Annual Returns (%)</b>			
2020	13.14	12.36	2.80
2019	29.61	28.73	26.54
2018	(3.90)	(4.57)	(8.27)
2017	18.58	17.76	13.66
2016	10.70	9.93	17.34
2015	(3.09)	(3.76)	(3.83)
2014	13.88	13.07	13.45
2013	29.95	29.07	32.53
2012	13.63	12.85	17.51
2011	1.65	0.96	0.39
2010	14.30	13.19	15.51
2009	26.02	24.79	19.69
2008	(30.58)	(31.31)	(36.85)
2007	1.45	0.44	(0.17)
2006 <sup>‡</sup>	14.21	13.37	15.40

## Performance Statistics

Tenure Period\*

	KAR Large Cap Quality Value <sup>§</sup>	Russell 1000 <sup>®</sup> Value Index
Alpha	2.36	0.00
Beta	0.86	1.00
Sharpe Ratio	0.60	0.43
Downside Capture	78.96	100.00
R-Squared	93.12	100.00

\*Period from April 1, 2006 to June 30, 2021. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.

<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 the nine months ended December 31, 2006.

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.**

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### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 1000® Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	14.30	13.19	15.51	20.07	23.51	12	0.29	6	4,729
2011	1.65	0.96	0.39	18.19	20.98	24	0.21	63	5,232
2012	13.63	12.85	17.51	14.75	15.73	66	0.50	177	6,545
2013	29.95	29.07	32.53	12.04	12.88	61	0.34	183	7,841
2014	13.88	13.07	13.45	8.95	9.33	69	0.28	218	7,989
2015	(3.09)	(3.76)	(3.83)	11.08	10.83	65	0.27	197	8,095
2016	10.70	9.93	17.34	11.43	10.93	75	0.27	209	9,989
2017	18.58	17.76	13.66	10.44	10.34	394	1.29	465	14,609
2018	(3.90)	(4.57)	(8.27)	10.33	10.98	381	0.50	385	17,840
2019	29.61	28.73	26.54	10.64	12.02	379	0.45	464	25,685

The Russell 1000® Value 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.

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. The Large Cap Quality Value Composite has been examined for the period from January 1, 1999 through December 31, 2019. The verification and performance examination reports are available upon request.

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 Large Cap Quality Value Portfolios. Large Cap Quality Value Portfolios are invested in equity securities with market

capitalizations consistent with the Russell 1000® Value Index, that have rising free cash flow, rising dividends and or stock repurchases, strong balance sheets and a high relative yield. For comparison purposes, the composite is measured against the Russell 1000® Value Index. The Russell 1000® Value Index is a market capitalization-weighted index of value-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 October 1994. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included. Prior to January 1, 2011, the composite minimum was \$250,000, and accounts that experienced a significant cash flow, as defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite.

Non-fee-paying portfolios represent < 1% of the composite assets at year-end from 2013 through 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 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.