

## Equity Income Portfolio

### Second Quarter 2024

#### Portfolio Review

The Equity Income portfolio slightly underperformed the MSCI USA High Dividend Yield Index in the second quarter. Poor stock selection and an underweight in information technology and poor stock selection in industrials detracted from performance. An underweight in consumer discretionary and good stock selection in consumer staples contributed positively to performance.

The biggest contributors to performance during the quarter were Broadcom and Southern Company.

- Broadcom continues to see strong demand from its hyperscaler customers related to generative artificial intelligence (AI) and AI-related networking. In addition, we believe the integration of a recent acquisition and its cloud-related business are going well.
- Southern Company recently placed its second (and final) nuclear plant into service. We believe the placement of these two units into service should provide an uplift to free cash flow. In addition, the company expects AI-related demand and a desire from AI customers for green energy to provide good momentum for the business going forward.
- Other top contributors included Watsco, Kimberly-Clark, and Amcor.

The biggest detractors to performance during the quarter were MSC Industrial Direct and IBM.

- A sluggish macro economy has negatively impacted MSC Industrial Direct's customer sentiment. In addition, the company had some execution issues regarding a web pricing initiative to help stimulate business among its core customers.
- A weak macro environment contributed to lower-than-expected enterprise revenue and weighed on IBM's gross margins. The headwinds continued into the second quarter and contributed to the company lowering guidance.
- Other bottom contributors included AbbVie, Bank of Hawaii, and UPS.

#### Outlook

It is always important to remember that no one can predict the macroeconomic environment with any regular accuracy. That is especially true right now. That said, until the Federal Reserve's most recent hiking cycle, the U.S. economy enjoyed 13 years of rates averaging 0.5%. This supported asset prices and made it easier for businesses, regardless of quality, to be successful. While we expect the Federal Reserve to eventually cut interest rates, we do not expect interest rates to return to 0%. Assuming interest rates settle at around 3-4%, that could have a profound impact on how companies operate and how assets are priced. We believe rates at this level may allow for quality companies with low leverage to better differentiate themselves to investors. Competitively advantaged businesses typically are better positioned to weather a more capital constrained environment.

#### Purchases and Sales

New Purchases	Complete Sales
Broadcom	Crown Castle
Lowes	Patterson Companies

#### Portfolio Highlights

**Style:** Large Cap  
**Index:** MSCI® U.S. High Dividend Yield Index  
**Portfolio Turnover:** 25%–45%  
**Number of Holdings:** 25–50

#### Investment Management Team

Name	Research Start Date
<b>Richard Sherry, CFA</b> Portfolio Manager + Senior Research Analyst	1998
<b>Chris Armbruster, CFA</b> Senior Research Analyst	2005
<b>Noran Eid</b> Senior Research Analyst	2012
<b>Katie Advena</b> Research Analyst	2011
<b>Luke Longinotti, CFA</b> ESG Research Analyst	2020
<b>Clarissa Ali</b> Associate Research Analyst	2023

#### Top 10 Holdings

As of June 30, 2024

Company	Percent of equity (%)
International Business Machines	6.1
Zurich Insurance Group	5.1
Fortis	4.7
AbbVie	4.4
Verizon	4.2
PNC Financial Services	4.1
Amcor	4.0
Watsco	3.8
MSC Industrial Direct	3.8
BAE Systems	3.7
<b>Total</b>	<b>44.0</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. 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.***

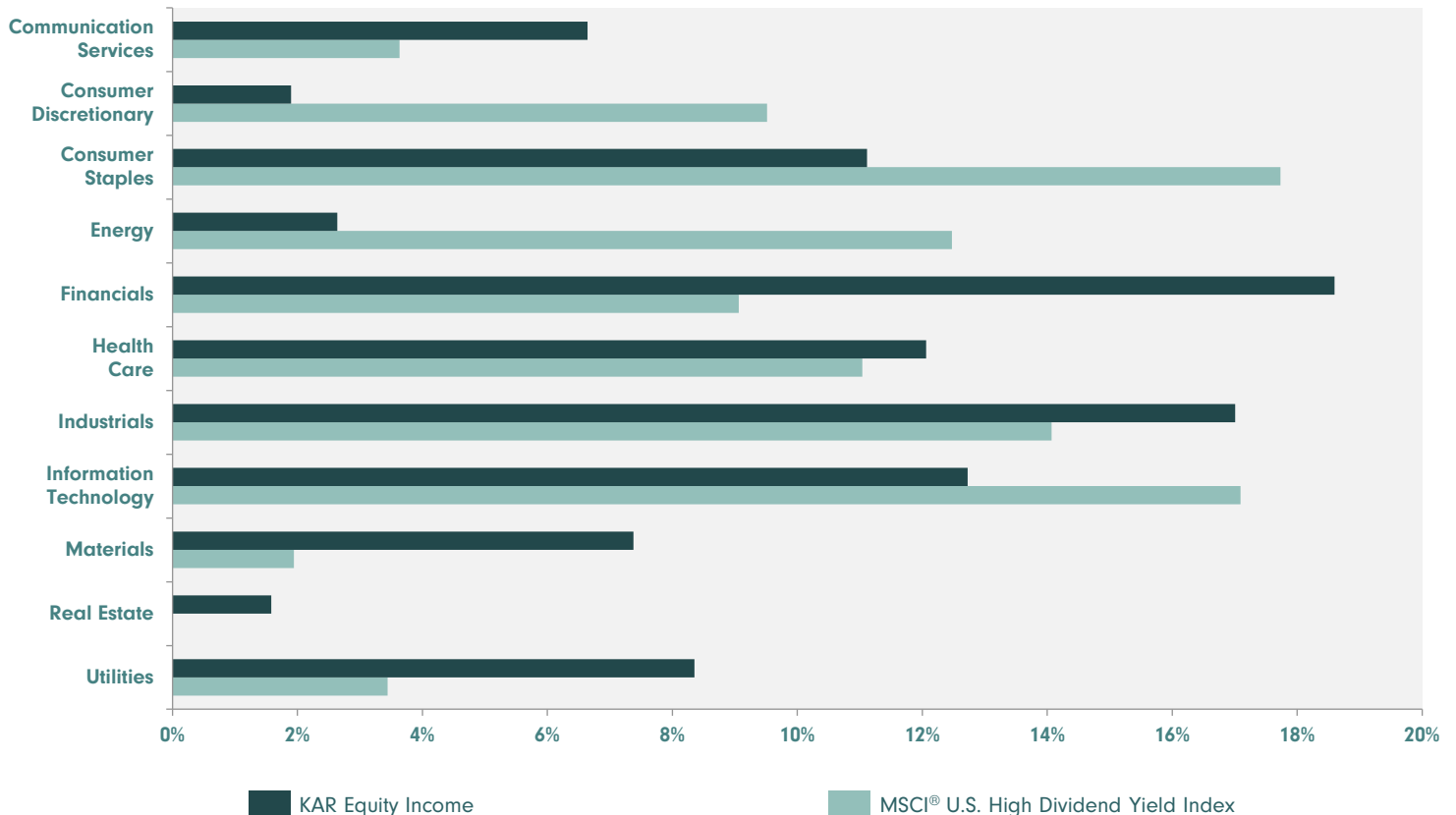
## Investment Process: Discovering Quality

Development of KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<p><b>KAR Universe</b></p> <p><b>Typical Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>Investment-grade balance sheet</li> <li>Market cap &gt; \$1.0 billion</li> <li>5-year average ROE &gt; 7.5%</li> <li>No dividend cut the last five years (under normal market conditions)</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 45%</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>Potential dividend cut</b></p> <p><b>Balance sheet deterioration</b></p> <p><b>Inability to cover dividend via internal cash generation over medium-to-long term</b></p>

Seeking High Yield	Seeking Market Return	Seeking Low Risk
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## Sector Diversification

As of June 30, 2024



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Second Quarter 2024

## Portfolio Characteristics

As of June 30, 2024

	KAR Equity Income	MSCI® U.S. High Dividend Yield Index
<b>Quality</b>		
Return on Equity—Past 5 Years	23.5%	24.7%
Debt Coverage	6.1 x	8.2 x
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	3.3%	14.9%
Dividend Per Share Growth—Past 5 Years	5.0%	8.3%
<b>Value</b>		
Dividend Yield	3.8%	3.0%
<b>Market Characteristics</b>		
Dividend Payout Ratio—5 Year Average	71.8%	59.1%
\$ Weighted Average Market Cap	\$118.8 B	\$198.7 B
Largest Market Cap	\$749.3 B	\$749.3 B

## Historical Returns

	KAR Equity Income (gross)	KAR Equity Income (net) <sup>‡</sup>	MSCI® U.S. High Dividend Yield Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2024			
2 <sup>nd</sup> Quarter	(1.89)	(2.07)	(1.95)
Year to Date	3.17	2.81	5.80
One Year	7.37	6.63	11.67
Three Years	3.44	2.72	4.98
Inception*	9.90	9.14	10.21
<b>Annual Returns (%)</b>			
2023	2.36	1.65	5.83
2022	(1.40)	(2.09)	(4.60)
2021	18.49	17.68	20.86
2020 <sup>§</sup>	20.10	19.56	16.14

\*May 1, 2020

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

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.70% 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>Performance calculations are for the eight months ended December 31, 2020.

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 final. For further details on the composite, please see the disclosure statement in this presentation. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

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## Equity Income Composite

### Second Quarter 2024

#### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	MSCI® USA High Dividend Yield Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Total Firm Assets (\$ Millions)
2020*	20.10	19.09	16.14	N/A	N/A	< 5	N/A	235	39,582
2021	18.49	16.98	20.86	N/A	N/A	7	N/A	250	47,269
2022	(1.40)	(2.68)	(4.60)	N/A	N/A	28	0.06	256	33,531
2023	2.36	1.04	5.83	13.62	14.95	43	0.14	223	41,186

\*2020 performance numbers in this table reflect the composite inception date of May 1, 2020 through December 31, 2020. The MSCI® USA High Dividend Yield Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc.

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, 2023. 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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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 Equity Income Portfolios. Equity Income Portfolios are primarily invested in U.S. equity securities of high-quality companies that pay sustainable dividends. For comparison purposes, the composite is measured against the MSCI® USA High Dividend Yield Index (net). The MSCI® USA High Dividend Yield Index is designed to reflect the performance in the MSCI® USA Index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. Benchmark returns are not covered by the report of the independent verifiers. The inception date of the composite is May 2020. The composite was created in May 2020. 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: 0.70% for the first \$25 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; 0.35% 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 MSCI® USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.