



Equity Income Portfolio

Second Quarter 2025

Portfolio Review

The Equity Income Portfolio outperformed the Russell 1000 Value Index in the second quarter. Good stock selection and an overweight in information technology and an underweight in health care contributed positively to performance. Poor stock selection and an underweight in financials and poor stock selection in industrials detracted from performance.

The biggest contributors to performance during the quarter were Broadcom and BAE Systems.

- Broadcom outperformed over the past quarter as the general market sentiment around AI stocks recovered, and the general fear on a Trump tariff war faded. We believe Broadcom is still well positioned for AI Application-Specific Integrated Circuits (ASIC) demand, as well as growth in Ethernet AI adoption. The company is also ramping up two additional hyperscaler customers, although still small, in ASIC demands.
- BAE Systems benefited from a powerful combination of surging global defense spending, record order intake, and robust financial performance. The company's direct exposure to heightened geopolitical tensions, including the ongoing war in Ukraine, escalating conflicts in the Middle East, and rising confrontation in the Indo-Pacific, has driven unprecedented demand for advanced military systems and modernization programs.
- Other top contributors included Amphenol, Microsoft, and IBM.

The biggest detractors to performance during the quarter were AbbVie and Watsco.

- Biopharma stocks in general have had a tough start to the year as the new administration has taken aim at drug pricing and implemented tariffs impacting the cost of active ingredient components of medications (APIs) which are mostly imported. AbbVie, like many of its peers, is planning to invest in more U.S. manufacturing, reviewing API sourcing, and looking for other ways to mitigate the impact of policy changes. Meanwhile, its underlying business is performing well with strength across the portfolio but particularly in Immunology where Skyrizi and Rinvoq continue to have strong share of patients new to therapy or switching from other therapies.
- Watsco is facing revenue headwinds from weaker equipment sales, particularly in its commercial business due to new refrigeration transition disruptions. More recently, the residential market is beginning to show signs of softness heading into the peak cooling season.
- Other bottom contributors included Kimberly-Clark, Marsh & McLennan, and Eastman Chemical.

Outlook

At the peak of tariff terror (the low point for the market), we saw equity valuations normalize, particularly those of expensive technology shares. At that time, valuations ranged from fair to attractive, particularly for small cap stocks. As investors gained confidence that cooler heads would prevail in the tariff wars, we saw valuations bounce back materially. This is particularly true for the largest companies in the S&P 500 (i.e., the big tech firms leading the surge). With so much uncertainty both at home and abroad, it is hard to gauge whether higher valuations are likely to be justified with strong earnings growth. Earnings estimates have been sliding as the year has progressed, which is not unusual. But this does put more pressure on expectations for the end of 2025 and into 2026.

It is also possible that investor expectations for interest rate cuts support higher equity market valuations. We would caution though that the Fed's stance currently is that the economy is on solid enough footing that it does not need to cut rates. Should that change, and the Fed were forced to cut rates, that probably would not be positive for equity valuations overall.

Purchases and Sales

New Purchases	Complete Sales
Bank of New York Mellon	Amcor
Medtronic	Eastman Chemical
	Merck & Co.

Portfolio Highlights

Style: Large Cap
Index: Russell 1000® Value Index*
Portfolio Turnover: 25%–45%
Number of Holdings: 25–50

Investment Management Team

Name	Research Start Date
Richard Sherry, CFA Portfolio Manager + Senior Research Analyst	1998
Chris Armbruster, CFA Senior Research Analyst	2004
Noran Eid Senior Research Analyst	2012
Katie Advena Research Analyst	2011
Luke Longinotti, CFA Governance & Sustainability Analyst	2020
Charlie Wang, CFA Research Analyst	2020
Clarissa Ali Associate Research Analyst	2023

Top 10 Holdings

As of June 30, 2025

Company	Percent of equity (%)
Broadcom	5.7
Fortis	5.0
Zurich Insurance Group	4.8
PNC Financial Services	4.3
BAE Systems	4.1
AbbVie	3.9
International Business Machines	3.7
Southern Company	3.6
Coca-Cola	3.4
Walmart	3.3
Total	41.7

*The benchmark for the portfolio changed to the Russell 1000® Value Index on January 1, 2025. Prior to January 1, 2025, the benchmark was the MSCI® U.S. High Dividend Yield Index. This change has been applied retroactively and occurred due to the strategy's reduced emphasis on yield and to bring the strategy in line with industry peers.

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.**

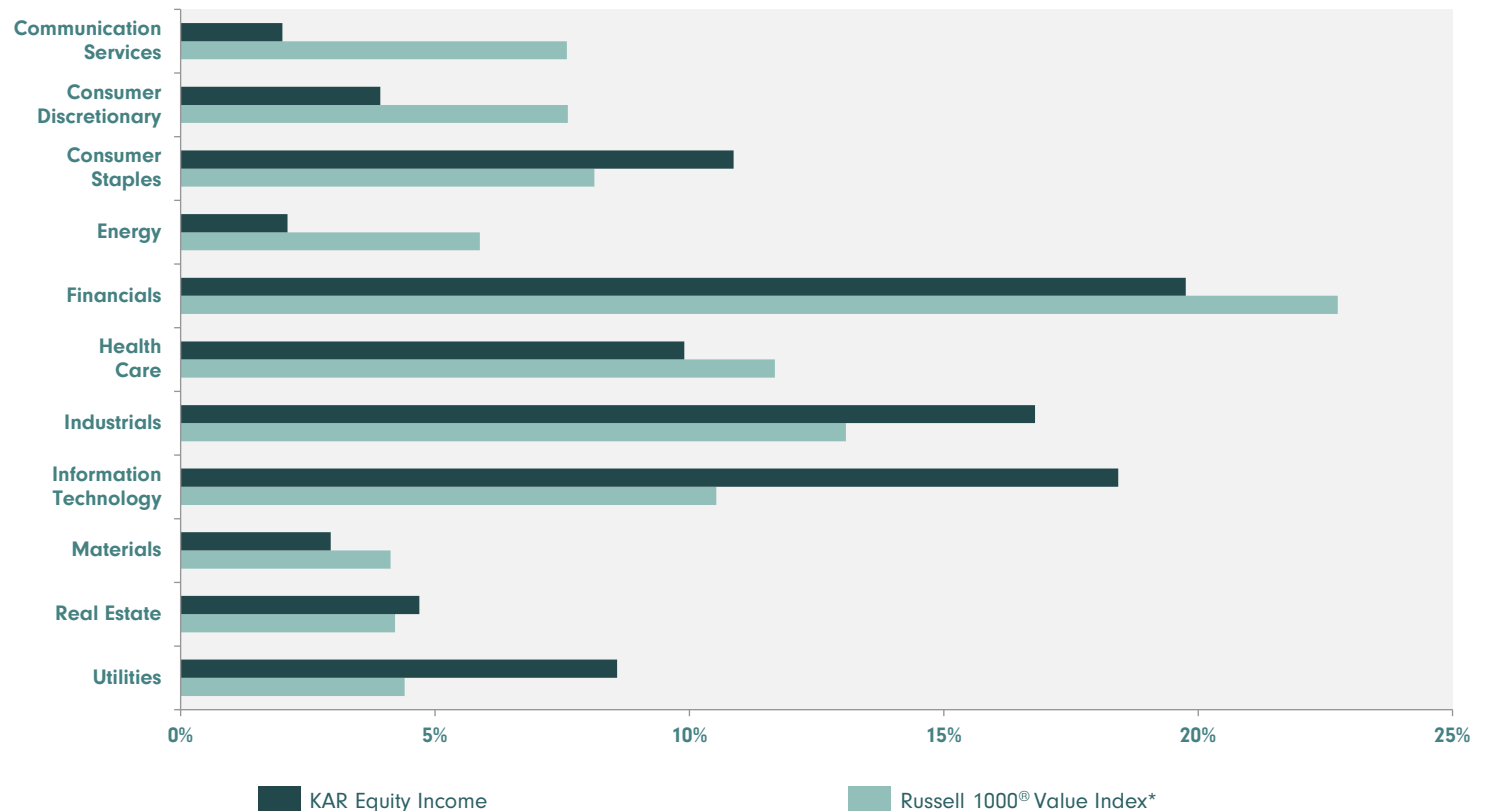
Investment Process: Discovering Quality

Development of KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
KAR Universe Typical Quantitative Screens <ul style="list-style-type: none"> Investment-grade balance sheet Market cap > \$1.0 billion 5-year average ROE > 7.5% No dividend cut the last five years (under normal market conditions) 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 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 Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 45% 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% 	Potential dividend cut Balance sheet deterioration Inability to cover dividend via internal cash generation over medium-to-long term

Seeking High Yield	Seeking Market Return	Seeking Low Risk
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Sector Diversification

As of June 30, 2025



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Equity Income Portfolio

Second Quarter 2025

Portfolio Characteristics

As of June 30, 2025

	KAR Equity Income	Russell 1000® Value Index*
Quality		
Return on Equity—Past 5 Years	25.2%	18.2%
Debt/EBITDA†	1.9 x	1.9 x
Earnings Variability—Past 10 Years	26.3%	50.2%
Growth		
Earnings Per Share Growth—Past 5 Years	9.3%	13.4%
Earnings Per Share Growth—Past 10 Years	9.7%	9.3%
Dividend Per Share Growth—Past 5 Years	8.0%	7.3%
Dividend Per Share Growth—Past 10 Years	10.0%	8.0%
Capital Generation—{ROE x (1-Payout)}	8.4%	11.2%
Value		
P/E Ratio—Trailing 12 Months	24.6 x	22.5 x
Dividend Yield‡	2.8%	2.0%
Free Cash Flow Yield§	3.2%	4.0%
Market Characteristics		
Dividend Payout Ratio—5 Year Average	66.7%	38.7%
\$ Weighted Average Market Cap	\$330.6 B	\$292.5 B
Largest Market Cap	\$3,697.0 B	\$2,328.2 B
Beta—Since Inception (Net of Fees)	0.76	1.00

Historical Returns

	KAR Equity Income (gross)	KAR Equity Income (net)**	Russell 1000® Value Index*
Annualized Returns (%)¶			
As of June 30, 2025			
2 nd Quarter	6.14	5.95	3.79
Year to Date	9.33	8.95	6.00
One Year	17.18	16.37	13.70
Three Years	8.22	7.47	12.76
Five Years	11.01	10.24	13.93
Inception	11.27	10.50	14.05
Annual Returns (%)			
2024	10.57	9.81	14.37
2023	2.36	1.65	11.46
2022	(1.40)	(2.09)	(7.54)
2021	18.49	17.68	25.16
2020††	20.10	19.56	26.12

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†KAR utilizes the interquartile method when calculating Debt/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers—only the extreme ends are excluded—and that it can be applied consistently as a quantitative method for most fundamental characteristics. Debt/EBITDA utilizes net debt for the calculation.

‡Dividend yield is a financial ratio that shows how much companies have paid out in dividends in the most recent year relative to their stock price at the end of such year. Dividend yield is being shown here as a characteristic of the stocks held in the portfolio and not to infer how the stocks have or will perform, as dividends are not the only component of the portfolio's performance. Dividends are subject to change from year-to-year, and the portfolio's dividend yield could be lower or higher in future years.

§Free cash flow data is as of March 31, 2025. Prices are as of June 30, 2025. Excludes financials.

||May 1, 2020

¶All periods less than one year are total returns and are not annualized. Returns are final.

**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. To the extent actual performance results are shown in comparison to an index, the index is not actively managed, does not reflect the deduction of any investment management or other fees and expenses, and is not available for direct investment. While the securities comprising any such index are not identical to those in the composite, KAR believes this comparison may be useful in evaluating performance.

††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. For further details on the composite and the index, 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.



Equity Income Composite

Second Quarter 2025

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)	Total Firm Assets (\$ Millions)
2020*	20.10	19.09	26.12	N/A	N/A	< 5	N/A	235	39,582
2021	18.49	16.98	25.16	N/A	N/A	7	N/A	250	47,269
2022	(1.40)	(2.68)	(7.54)	N/A	N/A	28	0.06	256	33,531
2023	2.36	1.04	11.46	13.62	16.74	43	0.14	223	41,186
2024	10.57	9.15	14.37	13.42	16.89	43	0.19	210	45,494

*2020 performance numbers in this table reflect the composite inception date of May 1, 2020 through December 31, 2020.

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, 2024. 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 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. In March 2025, the benchmark was changed from MSCI® USA High Dividend Yield Index to Russell 1000® Value Index for all periods. 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 for periods prior to 2023 because 36 monthly composite returns are not available.