



## Small-Mid Cap Core Portfolio

### Second Quarter 2025

#### Portfolio Review

The Small-Mid Cap Core portfolio underperformed the Russell 2500 Index in the second quarter. Poor stock selection in industrials and health care detracted from performance. An underweight in real estate and energy contributed positively to performance.

The biggest contributors to performance during the quarter were Bentley Systems and Interactive Brokers Group. Bentley Systems reported consistent profitable growth, particularly in software subscriptions, as the business benefits from a strengthening infrastructure spending environment. Interactive Brokers reported continued strong growth in client assets and number of client accounts, with continued strength in Asia and Europe. This strength in client growth drove growth in revenues and profits. Other top contributors included LPL Financial Holdings, Universal Display, and Thor Industries.

The biggest detractors from performance during the quarter were Charles River Laboratories and Saia. Charles River and the Contract Research Organization industry have been impacted by recent announcements from the U.S. Department of Health and Human Services about de-emphasizing animal testing going forward in medical research. Saia's share price declined after the company reported a decline in profits. Near-term profitability is being pressured by the added costs of new terminals opened last year and a still weak shipping environment, which may worsen over the coming months due to tariff uncertainty. Other bottom detractors were Chemed, Cooper Companies, and Watsco.

#### Purchases and Sales

During the quarter, we purchased Hamilton Lane and sold Charles River Laboratories, Scotts Miracle-Gro, and Teradyne. Hamilton Lane is a holding company that engages in the provision of private markets investment solutions. The firm works with clients to conceive, structure, build out, manage, and monitor portfolios of private markets funds and direct investments. It also offers the following solutions: customized separate accounts, specialized funds, advisory services, distribution management, and reporting, monitoring, data, and analytics. We sold Charles River Laboratories as a result of some structural changes that we believe could impact various segments of the company's business for several years to come. On April 10, 2025, the FDA announced it was planning on phasing out the Animal Testing Requirement for Monoclonal Antibodies and other drugs. This process is utilized for a very large amount of therapies that are on the market. While this phase-in could take a while, and Charles River could actually benefit from the AI-based models they are developing, this time frame may be several years. This FDA ruling has a profound impact on all of the company's segments for the future. In our opinion, this creates a structural change in the business model. We sold our shares in Scotts Miracle-Gro due to the lack of consistent capital allocation discipline. We became particularly concerned when Scotts announced an unexpected CFO departure. With large family ownership/Board representation, we believe Scotts needs a strong independent voice guiding consistent capital allocation discipline that the current Chairman/CEO (the son of the company's founder) has lacked. It became clear that the Chief Accounting Officer (the interim CFO) was to be given the permanent CFO role ruining our hopes for a strong replacement. We grew increasingly disappointed with Teradyne's capital allocation decisions particularly as it relates to its continuous investment in the inherently inferior, highly competitive industrial automation (Robotics) business. Therefore, we sold our underweight position in the company.

#### 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.

#### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Core  
**Index:** Russell 2500™  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$22,136.7 M\*  
**Portfolio Turnover:** 25%–35%

#### Investment Management Team

Name	Research Start Date
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	1995
<b>Julie Kutasov</b> Portfolio Manager + Senior Research Analyst	2001
<b>Craig Stone</b> Portfolio Manager + Senior Research Analyst	1990
<b>Todd Beiley, CFA</b> Senior Research Analyst	1999
<b>Julie Biel, CFA</b> Senior Research Analyst	2004
<b>Chris Wright, CFA</b> Senior Research Analyst	2012
<b>Adam Xiao, CFA</b> Senior Research Analyst	2013
<b>Tyler Cantarano</b> Research Analyst	2017
<b>Sean Dixon</b> Research Analyst	2008
<b>Luke Longinotti, CFA</b> Governance & Sustainability Analyst	2020
<b>Arthur Su, CFA</b> Research Analyst	2015
<b>Clarissa Ali</b> Associate Research Analyst	2023

#### Top Five Holdings

As of June 30, 2025

Company	Percent of equity (%)
LPL Financial Holdings	5.6
Interactive Brokers Group	5.2
W. R. Berkley	5.1
Bentley Systems	4.8
Universal Display	4.2
<b>Total</b>	<b>24.9</b>

\*Figures in USD

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
<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>Non-U.S. Holdings</b> <ul style="list-style-type: none"> <li>Up to 20%</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>

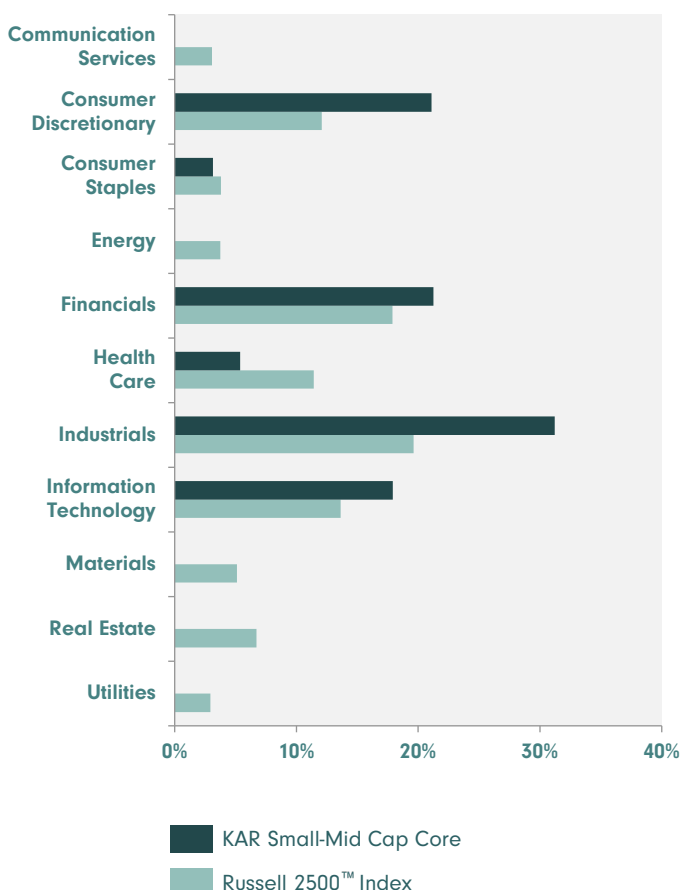
Seeking Higher Quality

Seeking Stronger, More Consistent Growth

Seeking Better Value

## Sector Diversification

As of June 30, 2025



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.

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## Portfolio Characteristics

As of June 30, 2025

	KAR Small-Mid Cap Core	Russell 2500™ Index
<b>Quality</b>		
Return on Equity—Past 5 Years	24.0%	12.1%
Debt/EBITDA*	1.2 x	2.3 x
Earnings Variability—Past 10 Years	35.2%	73.8%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	12.9%	12.5%
Earnings Per Share Growth—Past 10 Years	14.9%	10.0%
Capital Generation—{ROE x (1-Payout)}	18.8%	9.5%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	31.6 x	32.5 x
Dividend Yield†	0.8%	1.5%
Free Cash Flow Yield‡	3.7%	3.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$14.2 B	\$6.9 B
Largest Market Cap—3-Year Avg.	\$36.1 B	\$29.1 B
Annualized Standard Deviation—Since Inception§	15.5%	18.1%

\*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.

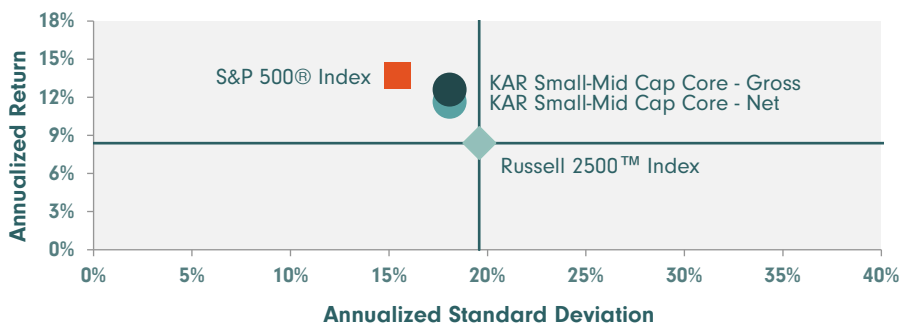
§April 1, 1992. Standard deviation for the KAR strategy is based on net of fee returns. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

# Small-Mid Cap Core Portfolio

Second Quarter 2025

## Risk-Return Analysis

Ten Years Ending June 30, 2025



## Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) <sup>†</sup>	Russell 2500™ Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2025			
2 <sup>nd</sup> Quarter	3.66	3.45	8.59
Year to Date	0.44	0.01	0.44
One Year	7.87	6.96	9.91
Three Years	13.39	12.44	11.31
Five Years	10.16	9.24	11.44
Seven Years	12.07	11.13	7.58
Ten Years	12.61	11.66	8.39
Inception*	11.51	10.58	10.19
<b>Annual Returns (%)</b>			
2024	10.06	9.14	12.00
2023	24.93	23.89	17.42
2022	(23.14)	(23.80)	(18.37)
2021	20.81	19.80	18.18
2020	36.34	35.21	19.99
2019	40.77	39.61	27.77
2018	(4.17)	(4.98)	(10.00)
2017	19.84	18.84	16.81
2016	17.30	16.32	17.59
2015	6.16	5.27	(2.90)
2014	9.74	8.81	7.07
2013	31.61	30.52	36.80
2012	8.82	7.90	17.88
2011	8.45	7.54	(2.51)
2010	20.46	19.45	26.71
2009	30.58	29.50	34.39
2008	(30.20)	(30.81)	(36.79)
2007	0.35	(0.50)	1.38
2006	13.83	12.88	16.17
2005	3.13	2.26	8.11
2004	14.19	13.23	18.29
2003	24.81	23.78	45.51
2002	(16.98)	(17.69)	(17.80)
2001	5.06	4.17	1.22
2000	23.80	22.77	4.27
1999	6.09	5.20	24.14
1998	21.39	20.38	0.38
1997	20.82	19.82	24.36
1996	27.00	25.95	19.03
1995	17.47	16.49	31.70
1994	2.75	1.88	(1.05)
1993	20.00	19.00	16.55
1992 <sup>§</sup>	9.65	8.96	11.36

\*April 1, 1992

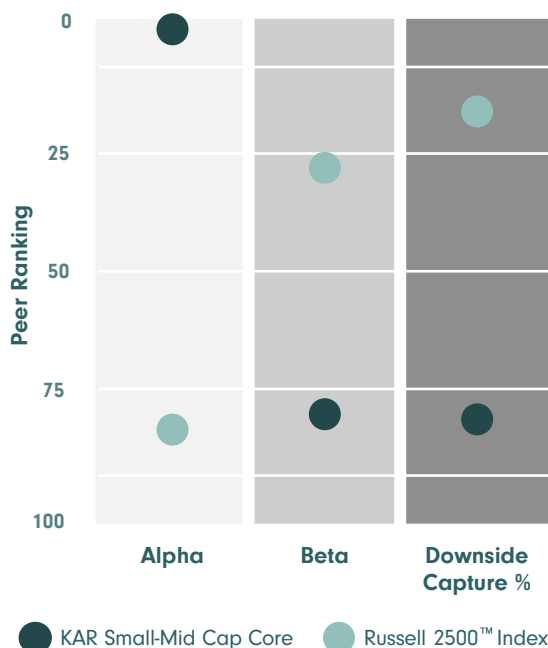
<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are final. Returns could be reduced, or losses incurred, due to currency fluctuations.

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.85% 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 nine months ended December 31, 1992.

## Peer Comparison Chart

Ten Years Ending June 30, 2025



The eVestment Small-Mid Cap Core Universe includes 51 managers categorized in the small-mid cap core asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small-Mid Cap Core Universe or for the ranking itself. KAR does pay fees for the use of certain products and services provided by eVestment. eVestment rankings are based on gross of fee returns. Gross of fee returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Management fees are described in KAR's Form ADV Part 2A, which is available upon request and can also be found at <https://kayne.com/wp-content/uploads/ADV-Part-2A.pdf>. Returns could be reduced or losses incurred due to currency fluctuations. **Past performance is no guarantee of future results.**

## Performance Statistics

Ten Years Ending June 30, 2025

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net)	Russell 2500™ Index
Alpha	4.75	3.86	0.00
Sharpe Ratio	0.59	0.53	0.33
Information Ratio	0.61	0.47	N/A
Beta	0.86	0.86	1.00
Downside Capture	79.73	81.23	100.00
Tracking Error	6.91	6.91	N/A

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns for the Kayne Anderson Rudnick composite are final. All periods less than one year are total returns and are not annualized. For periods prior to July 1, 2000, the Small-Mid Cap Core composite calculations have been linked to the firm's Small Cap Core composite performance, which represents all taxable and nontaxable, fully discretionary Small Cap Core Portfolios (including cash) under management for at least one full quarter. Beginning on July 1, 2000, only Small-Mid Cap Core Portfolios are included in the composite. 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.**



## Small-Mid Cap Core Composite

### Second Quarter 2025

#### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2500™ Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2015	6.16	4.80	(2.90)	12.23	12.59	18	0.23	21	8,095
2016	17.30	15.80	17.59	12.63	13.86	39	0.13	34	9,989
2017	19.84	18.31	16.81	11.15	12.31	83	0.32	137	14,609
2018	(4.17)	(5.41)	(10.00)	13.32	14.30	92	0.29	111	17,840
2019	40.77	39.00	27.77	14.87	14.79	135	0.69	225	25,685
2020	36.34	34.61	19.99	21.16	24.55	190	1.44	1,008	39,582
2021	20.81	19.27	18.18	19.01	22.80	319	0.28	2,031	47,269
2022	(23.14)	(24.15)	(18.37)	23.20	25.52	363	0.38	1,863	33,531
2023	24.93	23.34	17.42	20.94	20.43	366	0.54	2,657	41,186
2024	10.06	8.65	12.00	21.74	22.01	373	0.29	3,373	45,494

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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.

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.

The Small-Mid Cap Core Composite has had a performance examination for the period from January 1, 1999 through December 31, 2024. The verification and performance examination reports are available upon request.

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income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary institutional and pooled Small-Mid Cap Core Portfolios. Small-Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index 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 inception date of the composite is April 1992. The composite was created in July 2000. 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: 0.85% for the first \$25 million; 0.75% on the next \$25 million; 0.70% on the next \$50 million; 0.60% 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 measures the variability of the composite (using gross returns) and the benchmark for the 36-month period.

#### GLOSSARY

Standard Deviation: Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. Alpha: A risk-adjusted measure of an investment's excess return relative to a benchmark. Sharpe Ratio: A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Information Ratio: The information ratio (IR) is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. Beta: A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Downside Capture Ratio: A statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped. Tracking Error: The divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. It is reported as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark they were attempting to imitate.