

## All Cap Sustainable Growth Portfolio

Third Quarter 2020

### Portfolio Review

The All Cap Sustainable Growth portfolio underperformed the Russell 3000 Growth Index in the third quarter. Poor stock selection in information technology and consumer discretionary detracted from performance. Good stock selection and an underweight in health care and good stock selection in communications services helped to offset the underperformance.

Holdings that contributed the most to performance were NVIDIA and Alibaba. NVIDIA outperformed due to three new and very powerful long-term growth drivers (datacenters, auto and VR). Demand is soaring across multiple end markets. The company has called ray-tracing “the most important graphics innovation in over a decade” for gaming where demand is up from stay-at-home players. Datacenter spending is also up as the pandemic has driven spending on software and cloud infrastructure. NVIDIA’s Mellanox acquisition also appears to be successful as it has expanded the company’s offerings to move AI closer to the network edge and also proved highly synergistic as Mellanox’s datacenter networking and processing efficiency is a perfect complement to NVIDIA’s leading graphics processing unit. Alibaba’s marketplaces have huge network effects and it is fostering the ecosystem with investments in payments, physical retail, content, services and logistics partnerships. As with most other online marketplaces, Alibaba benefitted greatly with core commerce revenue accelerating. Other top contributors included The Trade Desk, Amazon.com and Bill.com.

Holdings that detracted the most from performance were Ollie’s Bargain Outlet and Avalara. Due to COVID-19, Ollie’s Bargain Outlet benefitted significantly from its capacity to remain open throughout the pandemic. Recently, the market’s enthusiasm for Ollie’s performance dampened. However, we believe the fundamental competitive position of Ollie’s is likely to improve and we remain shareholders. Shares of Avalara underperformed after a robust second quarter. Other bottom contributors included Illumina, National Research and HealthEquity.

### Outlook

It will take several years to fully recover from this health crisis, particularly in the hardest hit travel-related areas. But we will recover. A full recovery will be dependent upon the restoration of health confidence brought about by a vaccine becoming widely available or the virus slowly dissipating. However, at some point, taxes will probably be raised materially (regardless of who wins the election) causing future growth to be modest. Earnings growth is likely to continue to recover from the precipitous drop in the second quarter and it should show meaningful improvement over the next two to three years, even in a modest growth environment. While there continues to be above-average uncertainty (second wave risk, election results and economic recovery timeline) in the near term, we continue to believe our time-tested strategy of owning quality companies will continue to be rewarded over the long haul.

### Purchases and Sales

New Purchases	Complete Sales
Duck Creek Technologies	Old Dominion Freight Line
National Beverage	SEI Investments
nCino	Slack Technologies
Snowflake	
Vital Farms	

### Portfolio Highlights

**Style:** All Cap  
**Sub-Style:** Growth  
**Index:** Russell 3000® Growth  
**Portfolio Assets:** \$248.7 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	34
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	15
<b>Todd Bailey, CFA</b> Senior Research Analyst	21
<b>Julie Biel, CFA</b> Senior Research Analyst	12
<b>Jon Christensen, CFA</b> Senior Research Analyst	25
<b>Julie Kutsov</b> Senior Research Analyst	19
<b>Richard Sherry, CFA</b> Senior Research Analyst	22
<b>Craig Stone</b> Senior Research Analyst	31
<b>Chris Wright, CFA</b> Senior Research Analyst	8
<b>Sean Dixon</b> Research Analyst	11
<b>Noran Eid</b> Research Analyst	7
<b>Adam Xiao, CFA</b> Research Analyst	5

### Top Five Holdings

As of September 30, 2020

Company	Percent of equity (%)
Amazon.com	5.4
Bill.com	4.7
Paycom Software	4.1
The Trade Desk	3.6
NVIDIA	3.4
<b>Total</b>	<b>21.2</b>

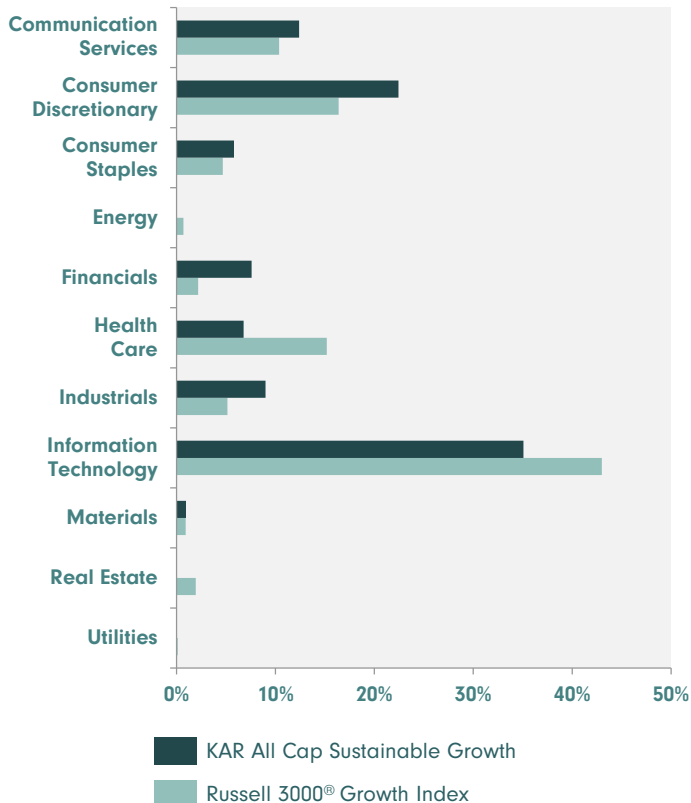
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor’s opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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

<b>Development of High-Quality Universe</b>	<b>Proprietary Fundamental Research</b>	<b>Portfolio Construction</b>	<b>Sell Discipline</b>
<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 superior 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>Diversification Requirements</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>
<b>Higher Quality   Stronger, More Consistent Growth   Better Value</b>			

## Sector Diversification

As of September 30, 2020



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 September 30, 2020

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.4%	26.4%
Total Debt/EBITDA	9.6 x	2.7 x
Earnings Variability—Past 10 Years	36.9%	45.0%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	23.8%	18.7%
Earnings Per Share Growth—Past 10 Years	16.2%	12.5%
Capital Generation—{ROE x (1-Payout)}	18.1%	19.6%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	65.7 x	45.4 x
P/E-to-10-Year Growth	4.1 x	3.6 x
Free Cash Flow Yield*	1.8%	3.0%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$199.6 B	\$625.1 B
Largest Market Cap	\$1,570.5 B	\$1,980.6 B

\*Free cash flow data is as of June 30, 2020. Prices are as of September 30, 2020.

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.

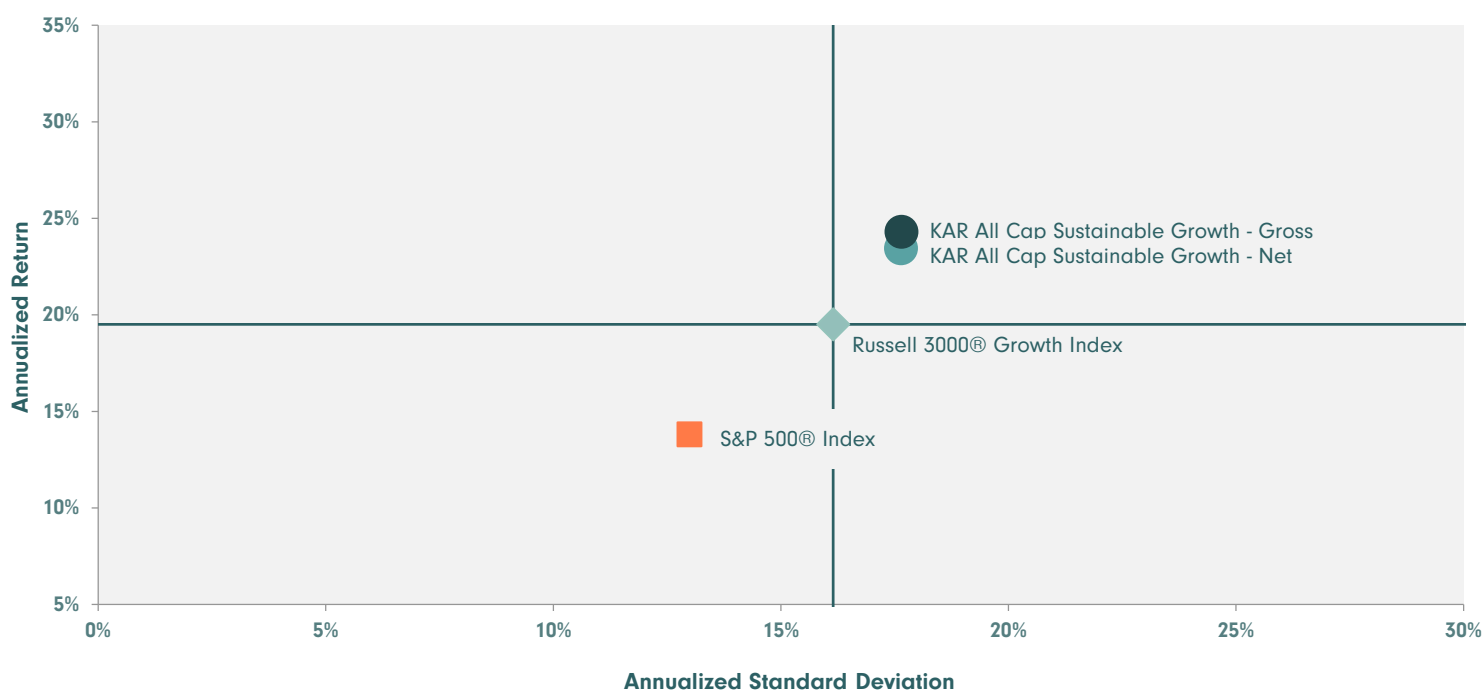
**Past performance is no guarantee of future results.**

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Third Quarter 2020

## Risk-Return Analysis

Five Years Ending September 30, 2020



## Historical Returns

	KAR All Cap Sustainable Growth (gross)	KAR All Cap Sustainable Growth (net) <sup>†</sup>	Russell 3000® Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of September 30, 2020			
3 <sup>rd</sup> Quarter	11.47	11.28	12.86
Year to Date	31.65	30.97	23.00
One Year	46.22	45.23	36.12
Three Years	25.78	24.92	20.73
Five Years	24.30	23.45	19.51
Seven Years	19.31	18.49	16.80
Inception*	19.00	18.18	17.07
<b>Annual Returns (%)</b>			
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 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 September 30, 2020

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
Annualized Return	24.30	19.51
Annualized Standard Deviation	17.65	16.15
Alpha	3.67	0.00
Beta	1.04	1.00
Sharpe Ratio	1.32	1.15
R-Squared	89.70	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 as 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.