

Large Cap Sustainable Growth Portfolio

Third Quarter 2020

Portfolio Review

The Large Cap Sustainable Growth portfolio outperformed the Russell 1000 Growth Index in the third quarter. Performance was driven primarily by strong stock selection and an underweight in health care and an overweight in consumer discretionary. Poor stock selection and an underweight in information technology and poor stock selection and an overweight in financials detracted from performance.

The biggest contributors to performance were Nvidia and Alibaba Group. 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 Amazon, The Trade Desk and Facebook.

The biggest detractors from the portfolio were Illumina and Avalara. Illumina underperformed as the recovery for the company has been very uneven. In the research end market, activity levels were running at just 65% of 2019 levels. In the clinical setting, the recovery has been a bit better with activity around 80% of 2019. A former bright spot, China revenue slipped 19% in the most recent quarter. Shares of Avalara underperformed after a robust second quarter. Other bottom contributors included HealthEquity, Equifax and MarketAxess.

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	None
Snowflake	

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000[®] Growth
Portfolio Assets: \$1,786.1 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	34
Chris Armbruster, CFA Portfolio Manager + Senior Research Analyst	15
Richard Sherry, CFA Senior Research Analyst	22
Noran Eid Research Analyst	7

Top Five Holdings

As of September 30, 2020

Company	Percent of equity (%)
Amazon.com	9.8
Alibaba Group	6.3
NVIDIA	6.0
Facebook	5.9
Netflix	4.2
Total	32.1

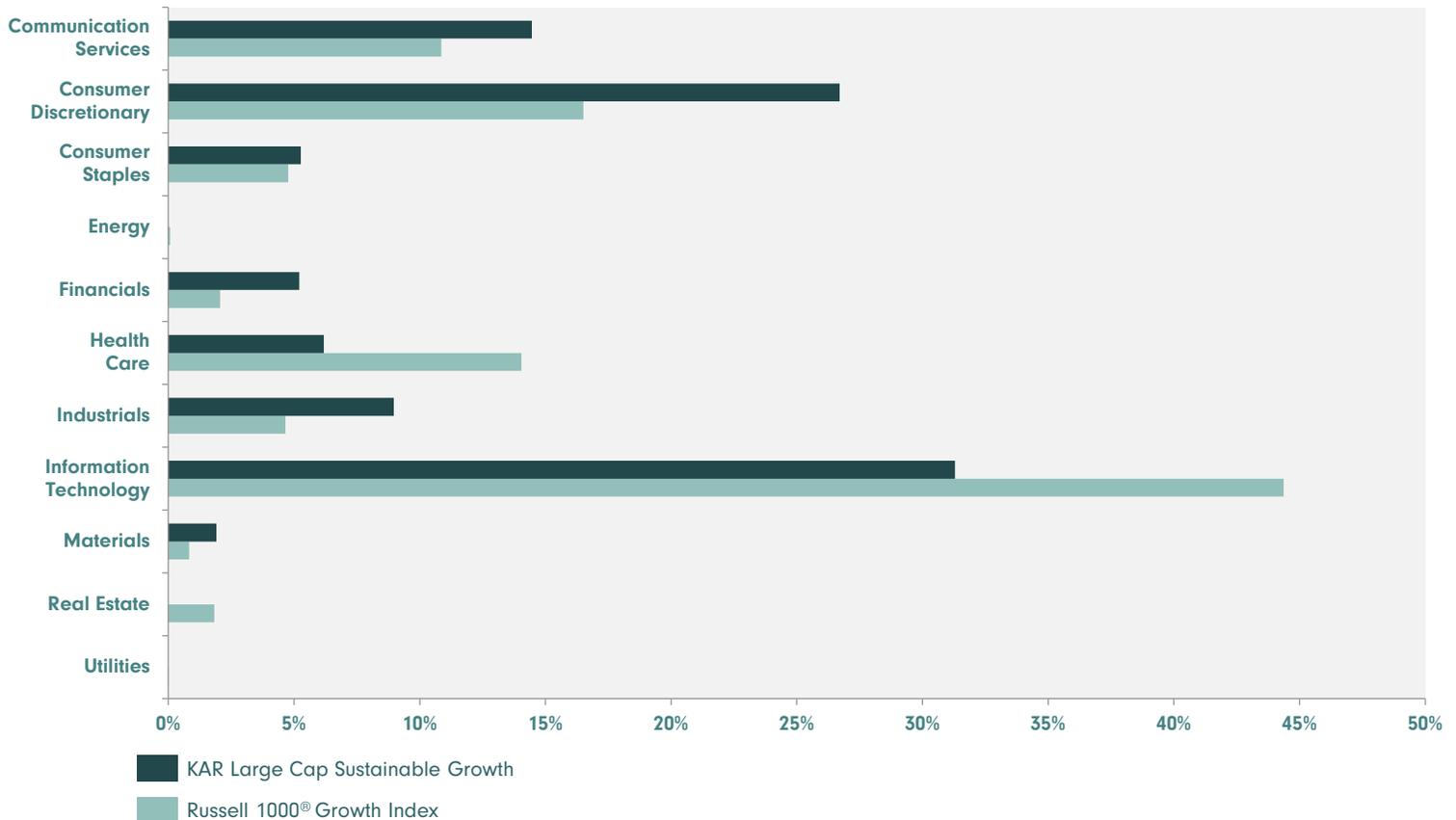
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor’s opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<p>Quantitative Methods</p> <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research <p>Quantitative Screens</p> <ul style="list-style-type: none"> High return on capital over a full economic cycle Earnings surprise Long and resilient earnings history High return on net operating assets Minimal debt 	<p>Qualitative Analysis</p> <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 <p>Financial Analysis</p> <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately <p>Valuation Analysis</p> <ul style="list-style-type: none"> Determine the current and potential value of the business 	<p>Position Weights</p> <ul style="list-style-type: none"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints <p>Holding Period</p> <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% <p>Cash Levels</p> <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10% 	<p>Negative Company or Industry Changes</p> <p>Portfolio Upgrade</p> <p>Acquisition Activity</p> <p>Extended Valuation</p>
<p>Higher Quality Stronger, More Consistent Growth Better Value</p>			

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.

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Portfolio Characteristics

As of September 30, 2020

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	23.9%	27.1%
Total Debt/EBITDA	8.8 x	2.5 x
Earnings Variability—Past 10 Years	39.3%	44.1%
Growth		
Sales Per Share Growth—Past 5 Years	19.4%	14.6%
Earnings Per Share Growth—Past 5 Years	23.1%	18.9%
Earnings Per Share Growth—Past 10 Years	17.2%	12.6%
Value		
P/E Ratio—Trailing 12 Months	56.8 x	42.2 x
P/E Ratio—1-Year Forecast FY EPS	39.8 x	31.4 x
Free Cash Flow Yield*	1.9%	3.1%
Market Characteristics		
\$ Weighted Average Market Cap	\$347.2 B	\$662.2 B
Largest Market Cap	\$1,570.5 B	\$1,980.6 B

Performance Statistics

Inception† to September 30, 2020

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	18.66	18.08
Annualized Standard Deviation	15.73	13.87
Beta	1.09	1.00
Sharpe Ratio	1.15	1.26
R-Squared	91.76	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)§	Russell 1000® Growth Index
Annualized Returns (%)†			
As of September 30, 2020			
3 rd Quarter	14.53	14.34	13.22
Year to Date	33.63	32.95	24.33
One Year	50.63	49.61	37.53
Three Years	23.12	22.27	21.67
Five Years	21.36	20.53	20.10
Seven Years	18.32	17.50	17.39
Inception†	18.66	17.84	18.08
Annual Returns (%)			
2019	41.05	40.09	36.39
2018	(6.43)	(7.09)	(1.51)
2017	35.87	34.95	30.21
2016	(0.03)	(0.73)	7.08
2015	10.43	9.68	5.67
2014	12.66	11.86	13.05
2013	30.66	29.78	33.48
2012	14.76	13.96	15.26

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

†All periods less than one year are total returns and are not annualized. Returns are preliminary.

‡January 1, 2012

§Net of all fees and expenses. Assumes a 0.70% annual fee.

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 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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Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 1000® 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	14.76	13.96	15.26	N/A	N/A	24	0.03	583	6,545
2013	30.66	29.78	33.48	N/A	N/A	25	0.08	674	7,841
2014	12.66	11.86	13.05	10.39	9.73	25	0.14	681	7,989
2015	10.43	9.68	5.67	12.33	10.85	31	0.35	687	8,095
2016	(0.03)	(0.73)	7.08	13.24	11.31	57	0.06	928	9,989
2017	35.87	34.95	30.21	12.52	10.69	142	1.50	1,175	14,609
2018	(6.43)	(7.09)	(1.51)	14.27	12.30	217	0.18	991	17,840
2019	41.05	40.09	36.39	16.39	13.26	284	0.66	1,304	25,685

The Russell 1000® 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 all fully discretionary institutional and pooled Large Cap Sustainable Growth Portfolios. Large Cap Sustainable Growth

Portfolios are invested in equity securities with market capitalizations consistent with the Russell 1000® 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 1000® Growth Index. The Russell 1000® Growth Index is a market capitalization-weighted index of growth-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 January 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 8% of the composite assets at year-end 2013, 0.1% at year-end 2014 through 2015, and < 1% at year-end from 2016 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 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 2014 because 36 monthly composite returns are not available.