

## Mid Cap Core Portfolio

Third Quarter 2020



Manager of the  
Decade for the last  
4 years (2016-19)

### Portfolio Review

The Mid Cap Core portfolio performed in line with the Russell Midcap Index in the third quarter. Strong stock selection in health care and an underweight in energy contributed positively to performance. Poor stock selection in industrials and consumer discretionary detracted from performance.

The biggest contributors to performance during the quarter were West Pharmaceutical Services and Autohome. Despite COVID-19 issues, West Pharmaceutical saw its shares rise in the quarter as far fewer clinical trials have been cancelled and the need for the company's delivery products during this crisis created solid performance. The company also has low debt and solid free cash flow. Autohome's stock rose as market participants increasingly anticipate a recovery in China's economy and new car sales activity as the country recovers from the COVID-19 pandemic. The company's competitive position and profitability remain healthy. Other top contributors included Elanco Animal Health, Aspen Technology and AMETEK.

The biggest detractors from the portfolio were Equifax and Exponent. Equifax shares have performed well for much of the year due to solid business results that have been supported by robust mortgage origination activity. Despite reporting much better-than-expected results in the most recent quarter, the stock sold off due to the expectation that revenue growth will slow and earnings could come under pressure for the remainder of the year. Nonetheless, the business is performing very well in a tough environment and has some unique data assets with significant growth potential and pricing power. During the quarter, Exponent's activity remained muted relative to normal levels due to delays caused by the pandemic. Delays include trial dates for litigation, in-person inspections, in-person laboratory work and field inspections. Legal settlement activity has not picked up so the company expects the delays to be temporary, but the stock has sold off in reaction to current revenue declines. We believe Exponent continues to maintain its strong brand and continues to find opportunities to grow its practice areas. Other bottom contributors included SEI Investments, Allegion and Bentley Systems.

### Purchases and Sales

During the quarter, we purchased Bentley Systems and Equity Lifestyle Properties. We sold AMN Healthcare Services and Primerica. Bentley Systems sells software for the infrastructure markets, both on the project delivery side (large Engineering and Construction contractors as customers) as well as the asset performance side (public entities and large corporations). Bentley has developed a brand synonymous with infrastructure. Across its very diverse product line up, it holds either the #1 or #2 market position. Equity LifeStyle Properties is a real estate investment trust that engages in the ownership and operation of lifestyle-oriented properties consisting primarily of manufactured home (MH) and recreational vehicle (RV) communities. We believe opportunities remain for Equity Lifestyle Properties to add sites to existing parks, increase occupancy further, complete selective merger and acquisitions and convert transient RV customers into annual or seasonal customers. We sold our position in AMN Healthcare Services as hospitals are experiencing both operational and financial stress due to the COVID-19 crisis and the elevation of telehealth use has created further cloudiness in understanding the company's value-add in travel nurses and locum tenen doctors in the future. We sold our position in Primerica as we approached our company ownership limits.

### 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.

### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Core  
**Index:** Russell Midcap®  
**Portfolio Inception:** 2000  
**Portfolio Assets:** \$1,372.0 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	34
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	25
<b>Craig Stone</b> Portfolio Manager + Senior Research Analyst	31
<b>Todd Beiley, CFA</b> Senior Research Analyst	21
<b>Julie Biel, CFA</b> Senior Research Analyst	12
<b>Julie Kutasov</b> Senior Research Analyst	19
<b>Chris Wright, CFA</b> Senior Research Analyst	8
<b>Sean Dixon</b> Research Analyst	11
<b>Adam Xiao, CFA</b> Research Analyst	5

### Top Five Holdings

As of September 30, 2020

Company	Percent of equity (%)
West Pharmaceutical Services	6.3
AMETEK	5.4
Brooks Automation	4.6
Globus Medical	4.3
Aspen Technology	4.2
<b>Total</b>	<b>24.8</b>

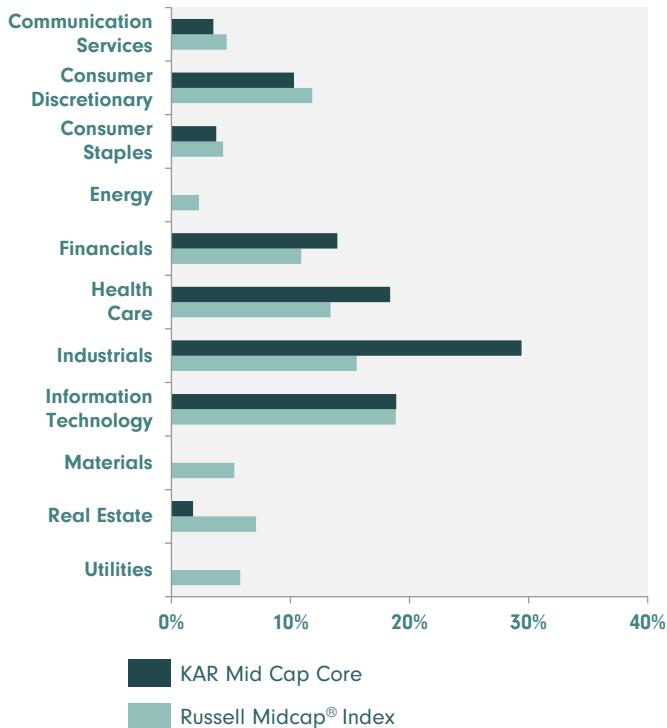
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation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

Development of 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 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>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>
Higher Quality   Stronger, More Consistent Growth   Better Value			

## 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 Mid Cap Core	Russell Midcap Index
<b>Quality</b>		
Return on Equity—Past 5 Years	21.2%	14.5%
Total Debt/EBITDA	2.1 x	4.9 x
Earnings Variability—Past 10 Years	34.4%	55.4%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	12.4%	9.1%
Earnings Per Share Growth—Past 10 Years	10.7%	9.5%
Dividend Per Share Growth—Past 5 Years	12.8%	8.2%
Dividend Per Share Growth—Past 10 Years	15.2%	11.5%
Capital Generation—{ROE x (1-Payout)}	15.6%	10.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	37.6 x	38.3 x
Dividend Yield	0.7%	1.6%
Free Cash Flow Yield*	3.2%	3.6%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$13.3 B	\$15.6 B
Largest Market Cap—3-Year Avg.	\$43.0 B	\$51.1 B
Annualized Standard Deviation—Since Inception†	14.4%	17.3%

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

†January 1, 2000

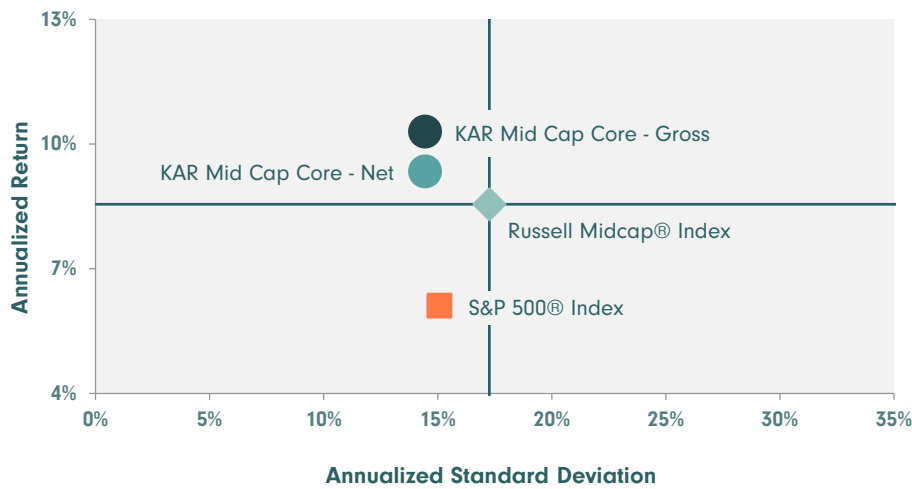
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

# Mid Cap Core Portfolio

Third Quarter 2020

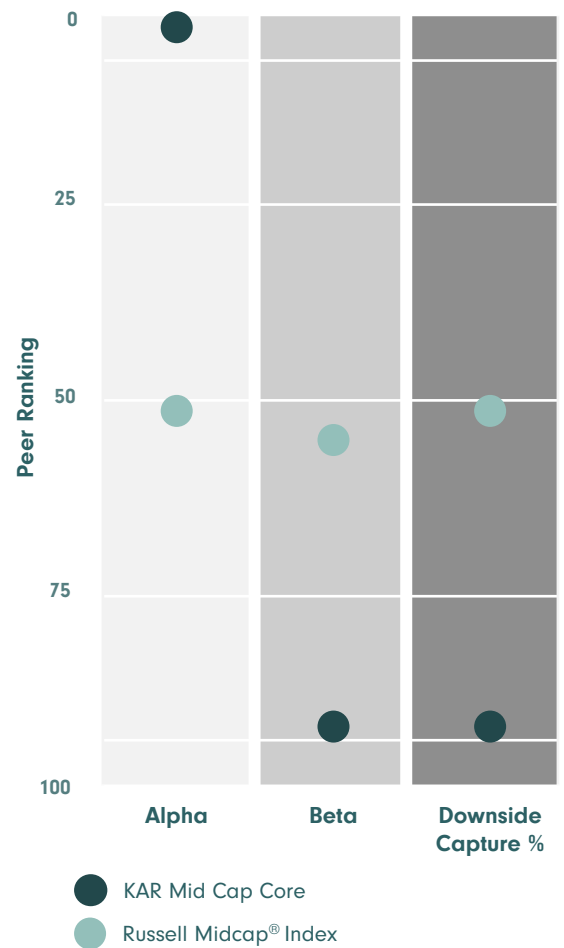
## Strong Risk-Adjusted Returns

Inception\* to September 30, 2020



## Peer Comparison Chart

Ten Years Ending September 30, 2020



## Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) <sup>†</sup>	Russell Midcap <sup>®</sup> Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of September 30, 2020			
3 <sup>rd</sup> Quarter	7.51	7.31	7.46
Year to Date	7.39	6.79	(2.35)
One Year	15.63	14.78	4.55
Three Years	14.42	13.57	7.13
Five Years	15.82	14.96	10.13
Seven Years	14.51	13.66	9.37
Ten Years	15.42	14.56	11.76
Inception*	10.30	9.34	8.55
<b>Annual Returns (%)</b>			
2019	32.17	31.20	30.54
2018	(3.21)	(3.93)	(9.06)
2017	26.13	25.21	18.52
2016	12.32	11.49	13.80
2015	3.37	2.60	(2.44)
2014	18.17	17.28	13.22
2013	28.54	27.62	34.76
2012	16.58	15.72	17.28
2011	4.52	3.76	(1.55)
2010	20.23	19.06	25.48
2009	21.11	19.92	40.48
2008	(28.63)	(29.37)	(41.46)
2007	6.45	5.40	5.60
2006	13.05	11.93	15.26
2005	8.86	7.78	12.65
2004	15.23	14.08	20.22
2003	26.72	25.49	40.06
2002	(12.62)	(13.50)	(16.19)
2001	(2.76)	(3.71)	(5.62)
2000	21.54	20.33	8.25

## Performance Statistics

Inception\* to September 30, 2020

	KAR Mid Cap Core	Russell Midcap <sup>®</sup> Index
Annualized Return	10.30	8.55
Annualized Standard Deviation	14.44	17.26
Alpha	3.00	0.00
Beta	0.78	1.00
Sharpe Ratio	0.60	0.40
R-Squared	86.16	100.00

\*January 1, 2000

<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 0.75% 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. The Mid Cap Core Universe includes all managers categorized in the mid cap core asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.**

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Third Quarter 2020

### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell Midcap® Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	20.23	19.06	25.48	21.04	26.84	7	0.31	8	4,729
2011	4.52	3.76	(1.55)	17.51	21.86	14	0.26	10	5,232
2012	16.58	15.72	17.28	15.39	17.44	15	0.18	11	6,545
2013	28.54	27.62	34.76	12.53	14.23	15	0.48	15	7,841
2014	18.17	17.28	13.22	10.29	10.29	12	0.13	17	7,989
2015	3.37	2.60	(2.44)	11.96	11.00	15	0.44	40	8,095
2016	12.32	11.49	13.80	12.31	11.72	22	0.36	79	9,989
2017	26.13	25.21	18.52	10.76	10.51	72	0.23	170	14,609
2018	(3.21)	(3.93)	(9.06)	11.33	12.15	181	0.30	352	17,840
2019	32.17	31.20	30.54	12.49	13.08	323	0.39	700	25,685

The Russell Midcap® Index and Russell 1000® Index are trademarks/service marks 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.

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. The Mid Cap Core Composite has been examined for the period from January 1, 2000 through December 31, 2019. The verification and performance examination reports are available upon request.

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 Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the

Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2000. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included. Prior to January 1, 2011, the composite minimum was \$250,000, and accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite.

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: 0.75% for the first \$25 million;

0.65% on the next \$25 million; 0.55% on the next \$50 million; 0.50% 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 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.