Kayne Anderson Rudnick
Investment Management

Small Cap Core Portfolio

Third Quarter 2020

Manager of the Decade for the last 5 years (2015-19)

Portfolio Review

The Small Cap Core portfolio outperformed the Russell 2000 Index in the third quarter. Performance was helped by strong stock selection in communication services and an overweight in industrials. An underweight and poor stock selection in consumer discretionary and materials detracted from performance.

The biggest contributors to performance during the quarter were Autohome and POOLCORP. 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. POOLCORP managed to post first-quarter revenue growth despite the market shift midway through March due to COVID-19. In many states construction was deemed an essential service and allowed to continue despite the stay-at-home orders. This helped the industry and POOLCORP. Many homeowners are increasingly spending or looking to spend on home projects instead of taking vacations. Additionally, given that today only about 20% of the company's business is tied to new construction, higher usage of pools helps the company's business even if recession lingers. Other top contributors included Graco, Toro and Rightmove.

The biggest detractors to performance during the quarter were First Hawaiian Bank and Jack Henry & Associates. First Hawaiian Bank's shares have yet to recover from the sharp sell off at the end of the first quarter due to COVID-19. The ongoing pandemic and strict quarantine restrictions in Hawaii have brought tourism to a standstill and caused a significant uptick in unemployment. With loan losses expected to rise, the bank has been increasing its loss reserves, which caused earnings to decline compared to the previous quarter. While we expect the impact of COVID-19 to remain a meaningful near-term headwind for the Hawaiian economy, we think First Hawaiian Bank's conservative balance sheet will allow it to navigate this tough environment. Jack Henry & Associates revenue growth slowed during the quarter as COVID-19 elongated software implementation times and reduced card processing volumes. COVID is likely to be a headwind to fiscal year 2021 results as well. We view these headwinds as short-term in nature and are encouraged by the company's continued ability to win new accounts away from competitors, which bodes well for future revenue and profit growth. Other bottom contributors included Dril-Quip, RBC Bearings and Primerica.

Purchases and Sales

During the quarter, there were no new purchases. We sold MarketAxess Holdings and Old Dominion Freight Line due to their larger market capitalizations.

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: Small Cap
Sub-Style: Core
Index: Russell 2000®
Portfolio Inception: 1992
Portfolio Assets: $8,477.7 M
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of September 30, 2020

Company	Percent of equity (%)
Autohome	7.4
Teledyne Technologies	6.8
POOLCORP	6.5
CDW	6.1
Rightmove	5.3
Total	**32.2**

Investment Process: Discovering Quality

Development of High-Quality Universe

Quantitative Screens
- High return on capital over a full economic cycle
- Long and resilient earnings history
- High return on net operating assets
- Minimal debt

Other Resources
- Research on existing portfolio holdings
- Meetings with companies
- Industry reviews
- Investment conferences
- Third-party research

Proprietary Fundamental Research

Qualitative Analysis
- Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market

Financial Analysis
- Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately

Valuation Analysis
- Determine the current and potential value of the business

Portfolio Construction

Position Weights
- Maximum initial position size is 5% (at cost)
- Maximum position size is10% (at market)

Sector Tolerances
- Seek broad diversification, but no sector constraints

Non-U.S. Holdings
- Up to 20%

Holding Period
- Typically 3-to-5 years, but is often longer
- Portfolio turnover is typically 25% to 35%

Cash Levels
- Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%

Sell Discipline

Extended Valuation

Portfolio Upgrade

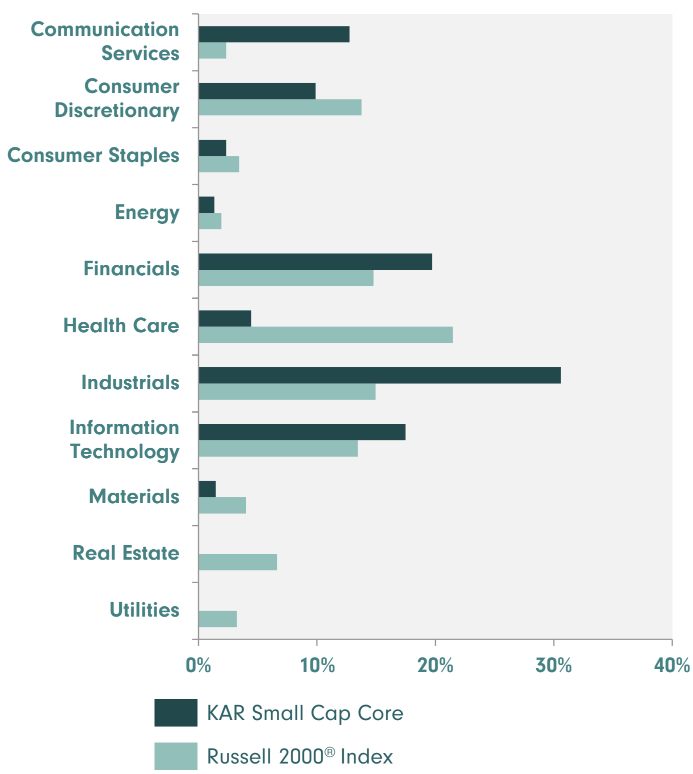
Acquisition Activity

Negative Company or Industry Changes

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 Small Cap Core	Russell 2000® Index
Quality		
Return on Equity—Past 5 Years	**20.1%**	8.6%
Total Debt/EBITDA	**1.2 x**	8.0 x
Earnings Variability—Past 10 Years	**24.8%**	75.2%
Growth		
Earnings Per Share Growth—Past 10 Years	**12.9%**	6.6%
Dividend Per Share Growth—Past 10 Years	**10.9%**	7.5%
Capital Generation—{ROE x (1-Payout)}	**14.1%**	6.8%
Value		
P/E Ratio—Trailing 12 Months	**26.7 x**	121.1 x
Dividend Yield	**1.2%**	1.3%
Free Cash Flow Yield*	**4.0%**	3.9%
Market Characteristics		
$ Weighted Average Market Cap—3-Year Avg.	**$7.5 B**	$2.3 B
Largest Market Cap—3-Year Avg.	**$15.4 B**	$9.2 B
Annualized Standard Deviation—Since Inception†	**15.2%**	19.0%

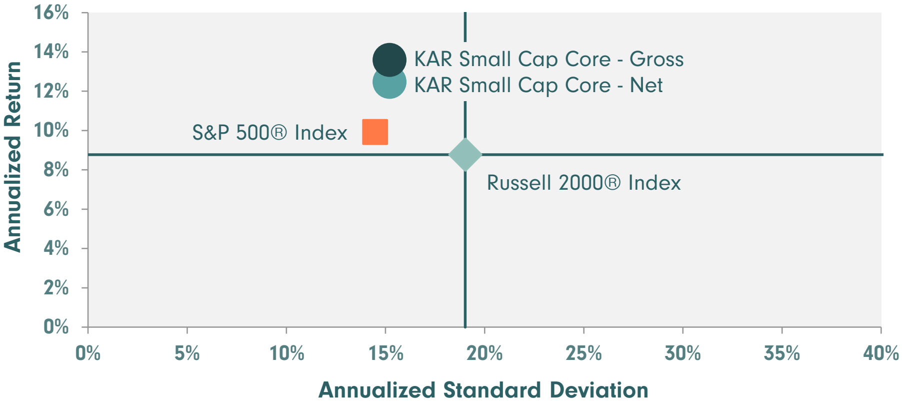
**Free cash flow data is as of June 30, 2020. Prices are as of September 30, 2020. Excludes financials.*
†April 1, 1992
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and 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.***

Small Cap Core Portfolio

Third Quarter 2020

Strong Risk-Adjusted Returns

Inception* to September 30, 2020

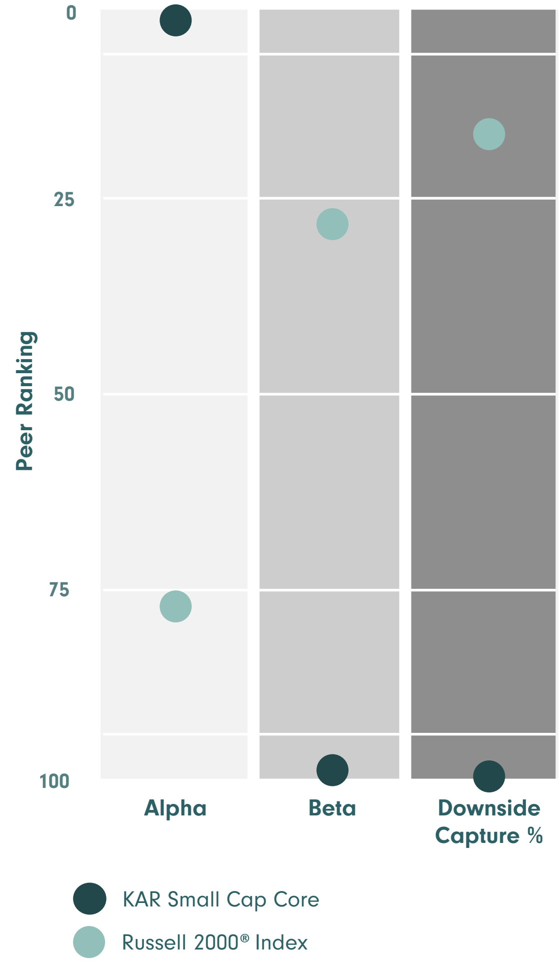


Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net)‡	Russell 2000® Index
Annualized Returns (%)† As of September 30, 2020			
3rd Quarter	7.58	7.32	4.93
Year to Date	5.46	4.67	(8.69)
One Year	11.47	10.37	0.39
Three Years	17.63	16.48	1.77
Five Years	20.93	19.74	8.00
Seven Years	16.04	14.89	6.42
Ten Years	17.29	16.14	9.85
Inception*	13.59	12.47	8.77
Annual Returns (%)			
2019	40.88	39.51	25.52
2018	(0.83)	(1.82)	(11.01)
2017	36.61	35.29	14.65
2016	19.10	17.93	21.31
2015	2.37	1.36	(4.41)
2014	7.51	6.43	4.89
2013	30.10	28.84	38.82
2012	13.42	12.29	16.35
2011	10.14	9.08	(4.18)
2010	25.00	23.79	26.85
2009	32.09	30.80	27.17
2008	(27.64)	(28.40)	(33.79)
2007	3.16	2.14	(1.57)
2006	13.43	12.30	18.37
2005	7.78	6.70	4.55
2004	23.37	22.14	18.33
2003	34.34	33.06	47.25
2002	(12.74)	(13.62)	(20.48)
2001	6.16	5.13	2.49
2000	21.38	20.18	(3.02)
1999	6.09	5.06	21.26
1998	21.39	20.20	(2.55)
1997	20.82	19.63	22.36
1996	27.00	25.74	16.49
1995	17.47	16.30	28.45
1994	2.75	1.74	(1.82)
1993	20.00	18.84	18.88
1992§	9.65	8.85	10.16

Peer Comparison Chart

Ten Years Ending September 30, 2020



Performance Statistics

Inception* to September 30, 2020

	KAR Small Cap Core	Russell 2000® Index
Annualized Return	**13.59**	8.77
Annualized Standard Deviation	**15.20**	19.02
Alpha	**6.25**	0.00
Beta	**0.70**	1.00
Sharpe Ratio	**0.73**	0.33
R-Squared	**76.13**	100.00

**April 1, 1992*

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

‡Net of all fees and expenses. Assumes a 1% annual fee.

§Performance calculations are for the nine months ended December 31, 1992.

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 Small Cap Core Universe includes all managers categorized in the small 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 2000® Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets ($ Millions)	Firm Assets ($ Millions)
2010	25.00	23.79	26.85	24.63	28.08	22	0.76	63	4,729
2011	10.14	9.08	(4.18)	20.61	25.34	88	0.67	362	5,232
2012	13.42	12.29	16.35	15.26	20.48	102	0.33	541	6,545
2013	30.10	28.84	38.82	11.81	16.68	121	1.41	1018	7,841
2014	7.51	6.43	4.89	9.79	13.31	145	0.24	965	7,989
2015	2.37	1.36	(4.41)	11.28	14.16	157	0.23	1048	8,095
2016	19.10	17.93	21.31	12.50	15.99	209	0.49	1303	9,989
2017	36.61	35.29	14.65	11.59	14.11	392	0.70	2091	14,609
2018	(0.83)	(1.82)	(11.01)	14.03	16.01	557	0.45	2619	17,840
2019	40.88	39.51	25.52	14.77	15.93	719	0.89	3692	25,685

The Russell 2000® 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.

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 Small Cap Core Composite has been examined for the period from January 1, 1999 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 discretionary institutional and pooled Small Cap Core Portfolios. Small Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® 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 2000® Index. The Russell 2000® Index is a market capitalization-weighted index of the 2,000 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 composite was created in April 1992. 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. As of January 1, 2011, the composite was redefined to include both taxable and tax-exempt accounts. Prior to December 31, 2010, only non-taxable portfolios are included in the composite. 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: 1.00% for the first $25 million; 0.80% on the next $25 million; 0.70% 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.