

## Large Cap Sustainable Growth Portfolio

Third Quarter 2021

### Portfolio Review

The Large Cap Sustainable Growth portfolio outperformed the Russell 1000 Growth Index in the third quarter. Good stock selection in information technology and an underweight in real estate contributed positively to performance. Poor stock selection in consumer discretionary and communication services detracted from performance.

The biggest contributors to performance during the quarter were Bill.com and Paycom Software. In June of this year Bill.com acquired a provider of software for expense and budget management targeted primarily at small and mid-size businesses. With strong growth and gross margins, the software provider looked like an attractive business that would unlock cross-sell opportunities as well as revenue synergies from a more comprehensive back-office offering. In the most recent quarter, Bill.com unveiled its first guidance that included its acquisition and it was above Street consensus, which led to a meaningful increase in the stock's price. Paycom Software prices its product on a per-employee basis so the reduction in payrolls over the last 18 months had a significant impact on the company. Paycom responded by increased marketing to customers with between 2,000 to 10,000 employees. The company also continued to innovate with new products that allow employees to process their own payroll. This quarter, new clients and effective cross-selling more than offset lower employment numbers, helping the company re-accelerate growth to the fastest pace since 2016. Other top contributors included Netflix, NVIDIA, and Danaher.

The biggest detractors to performance during the quarter were Alibaba and Tencent. Alibaba is in the crosshairs of Chinese government regulators. It agreed to pay a large fine in conjunction with its practice of forced exclusivity with retailers on its commerce sites, and the company's fintech unit, Ant Financial, was forced to become a regulated financial holding company, while Alipay was forced to allow interoperability with other payment options. The company also announced it would be investing \$15 billion by 2025 in China's "common prosperity" in addition to reducing fees for small businesses. We believe the company has several strong businesses with future potential growth ahead, but it will take some time for the market to become comfortable with the significant number of new regulations that have been placed on the company. Perhaps in response to the Chinese government's investigation into Tencent's monopolistic behavior, the company has committed to increasing investment into platform-as-a-service and software-as-a-service capabilities to meet rising demand for Chinese-developed software sitting in Chinese data centers. Additionally, the company intends to invest in the development of AAA games, even though the government has further increased regulations, allowing minors just three hours per week to play video games. We believe many of these negative changes have been priced into the company's shares. Other bottom contributors included Amazon.com, Las Vegas Sands, and Fair Isaac.

### Outlook

We believe the two most important variables affecting equity markets are interest rates and corporate profitability. The Federal Reserve will start tapering their purchases of bonds next month, but this has been well telegraphed to investors. Relatively benign interest rates and strong corporate profitability are a prescription for rising equity prices over time. However, we believe investors should expect a more selective market going forward and more muted equity returns. It is more likely that we will continue to grow but at a more moderate and sustainable pace. We believe this should be an environment where stocks of high-quality businesses can perform well.

### Purchases and Sales

New Purchases	Complete Sales
MongoDB	Activision Blizzard
ZoomInfo Technology	Kansas City Southern
	Las Vegas Sands
	Trip.com

### Portfolio Highlights

**Style:** Large Cap  
**Sub-Style:** Growth  
**Index:** Russell 1000® Growth  
**Portfolio Assets:** \$2,143.5 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	<b>35</b>
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	<b>16</b>
<b>Richard Sherry, CFA</b> Senior Research Analyst	<b>23</b>
<b>Noran Eid</b> Research Analyst	<b>8</b>

### Top Five Holdings

As of September 30, 2021

Company	Percent of equity (%)
Amazon.com	8.4
Bill.com	8.3
NVIDIA	7.7
Facebook	6.1
Paycom Software	4.6
<b>Total</b>	<b>35.0</b>

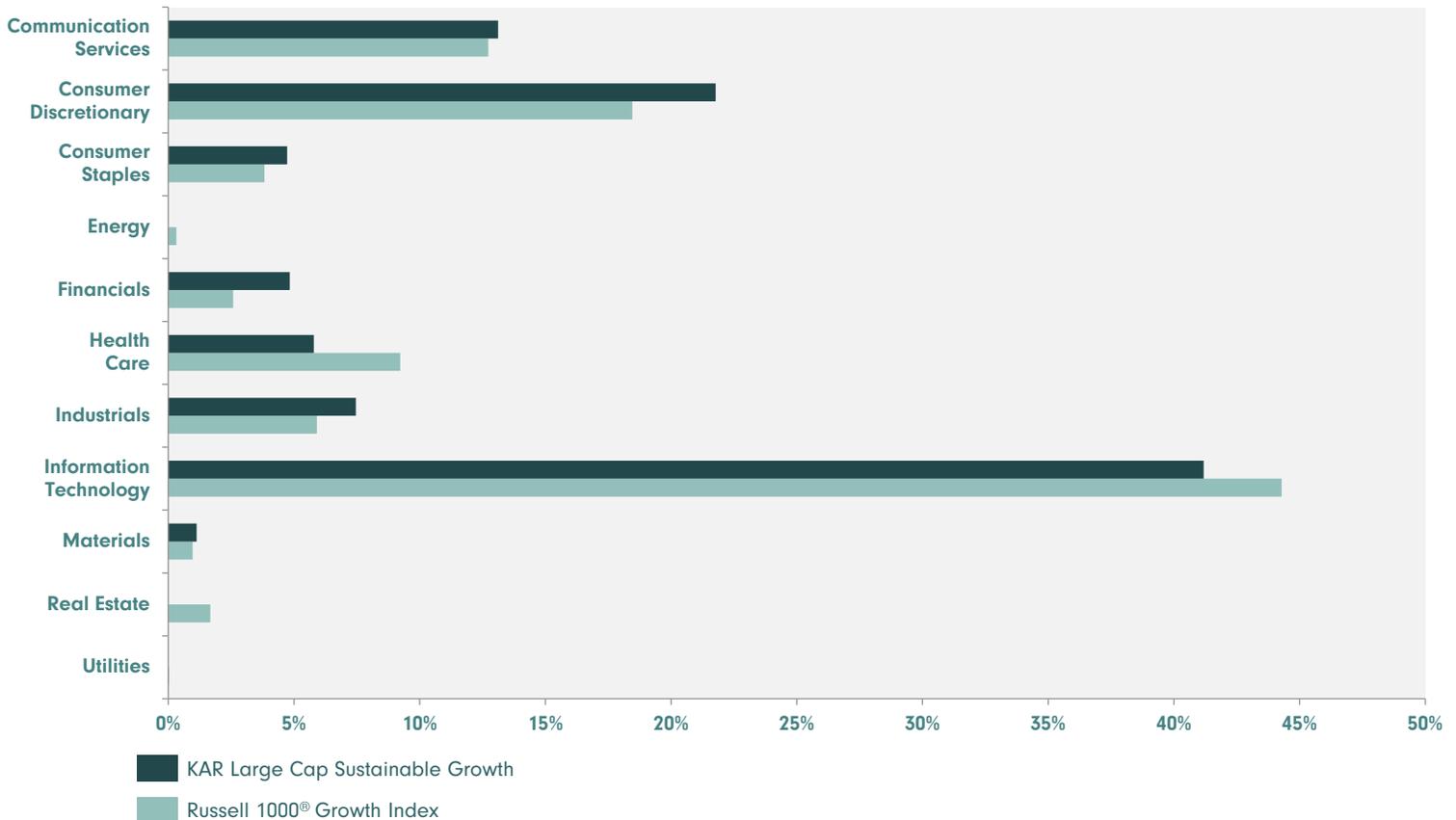
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<p><b>Quantitative Methods</b></p> <ul style="list-style-type: none"> <li>Investment conferences</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Research on existing portfolio holdings</li> <li>Third-party research</li> </ul> <p><b>Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Earnings surprise</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul>	<p><b>Qualitative Analysis</b></p> <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> <p><b>Financial Analysis</b></p> <ul style="list-style-type: none"> <li>Evaluate basis for profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <p><b>Valuation Analysis</b></p> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<p><b>Position Weights</b></p> <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> <p><b>Sector Tolerances</b></p> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <p><b>Holding Period</b></p> <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> <p><b>Cash Levels</b></p> <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>	<p><b>Negative Company or Industry Changes</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Acquisition Activity</b></p> <p><b>Extended Valuation</b></p>
<p>Higher Quality   Stronger, More Consistent Growth   Better Value</p>			

## Sector Diversification

As of September 30, 2021



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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Third Quarter 2021

## Portfolio Characteristics

As of September 30, 2021

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	27.8%	26.8%
Total Debt/EBITDA	2.0 x	2.3 x
Earnings Variability—Past 10 Years	40.0%	47.2%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	20.1%	16.6%
Earnings Per Share Growth—Past 5 Years	28.7%	26.1%
Earnings Per Share Growth—Past 10 Years	19.7%	13.9%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	86.8 x	42.6 x
P/E Ratio—1-Year Forecast FY EPS	35.8 x	28.7 x
Free Cash Flow Yield <sup>‡</sup>	1.9%	2.9%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$341.0 B	\$826.2 B
Largest Market Cap	\$1,656.7 B	\$2,361.3 B

## Performance Statistics

Inception\* to September 30, 2021

	KAR Large Cap Sustainable Growth <sup>†</sup>	Russell 1000® Growth Index
Annualized Standard Deviation	15.74	14.03
Beta	1.06	1.00
Sharpe Ratio	1.18	1.32
R-Squared	89.95	100.00

## Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net) <sup>§</sup>	Russell 1000® Growth Index
<b>Annualized Returns (%)<sup>  </sup></b>			
As of September 30, 2021			
3 <sup>rd</sup> Quarter	2.01	1.83	1.16
Year to Date	9.10	8.53	14.30
One Year	23.29	22.44	27.32
Three Years	23.85	22.99	22.00
Five Years	23.17	22.32	22.84
Seven Years	19.41	18.59	18.51
Inception*	19.13	18.31	18.99
<b>Annual Returns (%)</b>			
2020	51.02	49.99	38.49
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

\*January 1, 2012

<sup>†</sup>Performance statistics are based on gross of fee returns.

<sup>‡</sup>Free cash flow data is as of June 30, 2021. Prices are as of September 30, 2021. Excludes financials.

<sup>§</sup>Net of all fees and expenses. Assumes a 0.70% annual fee.

<sup>||</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

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.