

## Small Cap Sustainable Growth Portfolio

Third Quarter 2021



### Portfolio Review

The Small Cap Sustainable Growth portfolio outperformed the Russell 2000 Growth Index in the third quarter. Good stock selection in information technology and good stock selection and an overweight in financials contributed positively to performance. Poor stock selection in consumer discretionary and poor stock selection and an overweight in communication services detracted from performance.

The biggest contributors to performance during the quarter were Bill.com and Ryan Specialty Group Holdings. Bill.com continues to report strong topline growth as demand for its software resonates across the company's customer base. We participated in Ryan Specialty Group's IPO, and the company subsequently reported a strong first quarter as a public company, causing the shares to appreciate. Other top contributors included SPS Commerce, nCino and FactSet Research Systems.

The biggest detractors to performance were Ollie's Bargain Outlet, and MediaAlpha. Ollie's reported declines in both revenue and comparable sales. We view these declines as reasonable given the prior year's performance and believe the long-term competitive posture of the business remains intact. In the most recent quarter, MediaAlpha's management commented on auto insurance carriers experiencing growing loss ratios as lockdown measures ease and miles driven increase. Other companies issued similar comments, and this led to concerns about a cyclical decrease in auto insurance customer acquisition spending, which weighed on auto insurance digital advertising companies across the board. Other bottom contributors included Autohome, Fox Factory and Grocery Outlet.

### Purchases and Sales

During the quarter, we purchased Ryan Specialty Group and sold Paycom Software due to its higher market capitalization. Ryan Specialty Group Holdings engages in the provision of wholesale insurance brokerage, distribution and underwriting services through its subsidiaries. Its specialties include Wholesale Brokerage, Binding Authority, and Underwriting Management. The company enjoys scale advantages against smaller competitors, which provide its insurance professionals more relationships with retail brokerages and therefore more policy submission opportunity.

### 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.

### Portfolio Highlights

**Style:** Small Cap  
**Sub-Style:** Growth  
**Index:** Russell 2000® Growth  
**Portfolio Inception:** 1998  
**Portfolio Assets:** \$9,716.8 M  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	35
<b>Todd Bailey, CFA</b> Portfolio Manager + Senior Research Analyst	22
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	26
<b>Julie Biel, CFA</b> Senior Research Analyst	13
<b>Julie Kutsov</b> Senior Research Analyst	20
<b>Craig Stone</b> Senior Research Analyst	32
<b>Chris Wright, CFA</b> Senior Research Analyst	9
<b>Sean Dixon</b> Research Analyst	12
<b>Adam Xiao, CFA</b> Research Analyst	6

### Top Five Holdings

As of September 30, 2021

Company	Percent of equity (%)
Bill.com	9.6
Fox Factory	8.9
Ryan Specialty Group Holdings	5.6
Rightmove	5.4
Auto Trader	5.2
<b>Total</b>	<b>34.7</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 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>

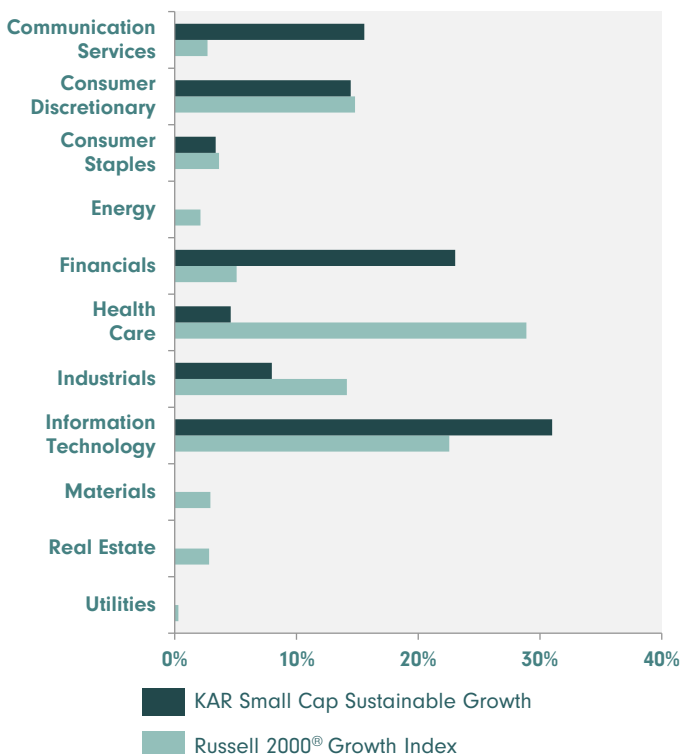
Higher Quality

Stronger, More Consistent Growth

Better Value

## Sector Diversification

As of September 30, 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.

## Portfolio Characteristics

As of September 30, 2021

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	19.1%	7.3%
Total Debt/EBITDA	1.3 x	3.5 x
Earnings Variability—Past 10 Years	29.7%	80.8%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	13.5%	7.9%
Capital Generation—{ROE x (1-Payout)}	16.1%	6.4%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	52.9 x	136.0 x
Free Cash Flow Yield†	1.6%	2.1%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.1 B	\$3.1 B
Largest Market Cap—3-Year Avg.	\$19.8 B	\$11.3 B
Annualized Standard Deviation—Since Inception‡	18.2%	23.0%

†Free cash flow data is as of June 30, 2021. Prices are as of September 30, 2021. Excludes financials.

‡January 1, 1998

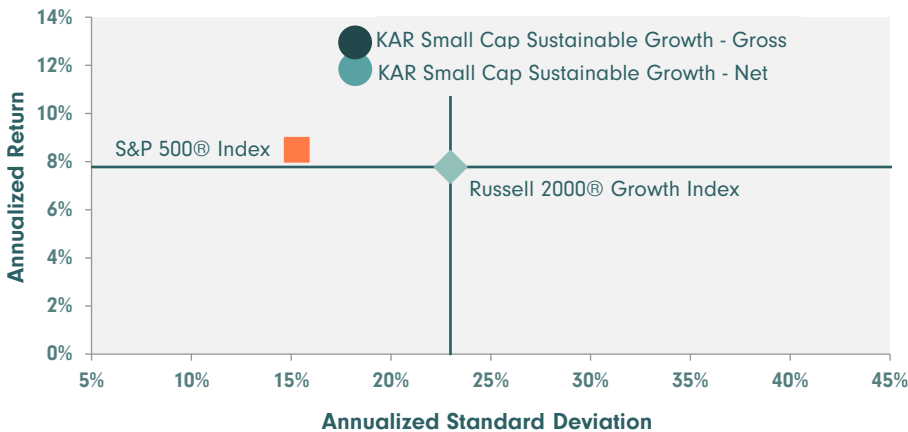
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Third Quarter 2021

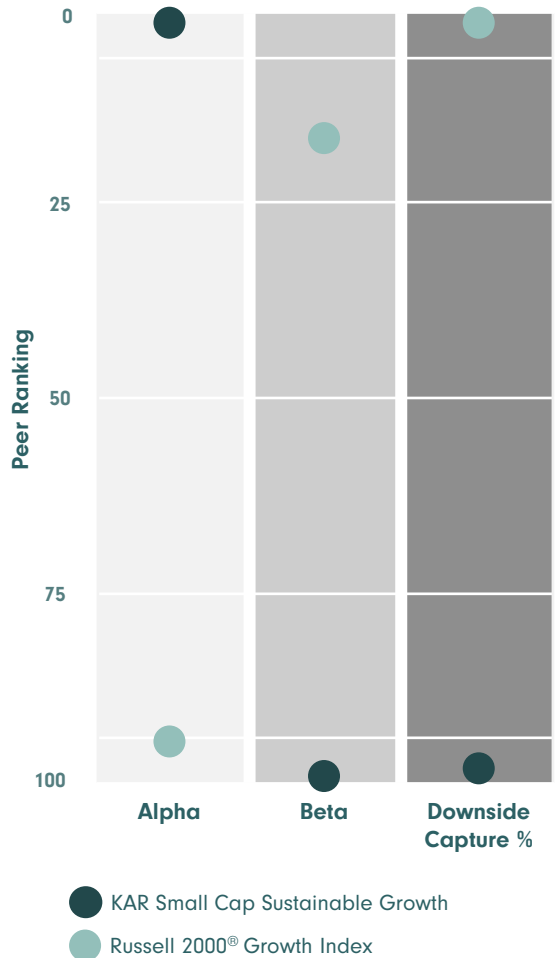
## Strong Risk-Adjusted Returns

Inception\* to September 30, 2021



## Peer Comparison Chart

Ten Years Ending September 30, 2021



## Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) <sup>‡</sup>	Russell 2000 <sup>®</sup> Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of September 30, 2021			
3 <sup>rd</sup> Quarter	1.69	1.44	(5.65)
Year to Date	4.53	3.75	2.82
One Year	22.42	21.22	33.27
Three Years	23.67	22.46	11.70
Five Years	28.03	26.78	15.34
Seven Years	25.25	24.03	13.19
Ten Years	23.05	21.85	15.74
Inception*	12.95	11.84	7.78

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) <sup>‡</sup>	Russell 2000 <sup>®</sup> Growth Index
<b>Annual Returns (%)</b>			
2020	44.70	43.30	34.63
2019	41.37	40.00	28.48
2018	10.69	9.59	(9.31)
2017	39.03	37.69	22.17
2016	26.11	24.88	11.32
2015	2.57	1.55	(1.38)
2014	6.47	5.40	5.60
2013	39.89	38.53	43.30
2012	13.29	12.16	14.59
2011	17.82	16.69	(2.91)
2010	14.82	13.69	29.09
2009	38.51	37.16	34.47
2008	(33.61)	(34.32)	(38.54)
2007	(0.59)	(1.59)	7.05
2006	15.80	14.66	13.35
2005	1.88	0.85	4.15
2004	12.82	11.68	14.31
2003	38.44	37.10	48.54
2002	(23.82)	(24.60)	(30.26)
2001	0.48	(0.49)	(9.23)
2000	6.28	5.22	(22.43)
1999	31.19	29.92	43.09
1998	3.33	2.28	1.23

\*January 1, 1998

<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 1% annual fee.

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

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 Growth Universe includes all managers categorized in the small cap growth 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.**

## Performance Statistics

Inception\* to September 30, 2021

	KAR Small Cap Sustainable Growth <sup>§</sup>	Russell 2000 <sup>®</sup> Growth Index
Annualized Standard Deviation	18.20	22.98
Alpha	6.62	0.00
Beta	0.68	1.00
Sharpe Ratio	0.61	0.26
R-Squared	72.82	100.00

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### Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2000® Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2010	14.82	13.69	29.09	26.31	28.09	12	0.22	12	4,729
2011	17.82	16.69	(2.91)	19.74	24.65	14	0.51	180	5,232
2012	13.29	12.16	14.59	15.54	21.01	17	0.42	155	6,545
2013	39.89	38.53	43.30	12.22	17.52	23	1.42	232	7,841
2014	6.47	5.40	5.60	12.35	14.02	20	0.40	205	7,989
2015	2.57	1.55	(1.38)	14.08	15.16	17	0.40	244	8,095
2016	26.11	24.88	11.32	14.85	16.91	19	0.54	614	9,989
2017	39.03	37.69	22.17	12.69	14.80	40	1.40	2,038	14,609
2018	10.69	9.59	(9.31)	13.29	16.69	79	0.85	4,738	17,840
2019	41.37	40.00	28.48	14.18	16.60	94	0.89	6,416	25,685

The Russell 2000® 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.

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 Sustainable Growth 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 fully discretionary institutional and pooled Small Cap Sustainable Growth Portfolios. Small Cap Sustainable Growth

Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® 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 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 January 1998. 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.

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.