

## Small Cap Core Portfolio

Third Quarter 2022

### Portfolio Review

The Small Cap Core portfolio performed in line with the Russell 2000 Index in the third quarter. Good stock selection in information technology and industrials contributed positively to performance. Poor stock selection and an underweight in health care and poor stock selection and an overweight in communication services detracted from performance.

The biggest contributors to performance during the quarter were Aspen Technology and Manhattan Associates. In the most recent quarter, Aspen Technology reported strong revenue growth, margin improvement, and positive new business opportunities. Manhattan Associates reported a quarter of robust sales, bookings, and profit growth, and management provided reasons why they believe demand for the company's solutions should remain resilient during softer macroeconomic times based on the need for high warehouse service levels. Other top contributors included EMCOR, Toro, and RBC Bearings.

The biggest detractors from performance during the quarter were Simpson Manufacturing and Rightmove. The shares of Simpson Manufacturing lagged despite the company's reports of solid operating results due to investor concerns over slowing residential construction activity and significant steel price inflation. Rightmove reported a quarter of growth in average revenue per advertisers. However, continued investor concerns around a slowdown in the United Kingdom property market and how that may affect the business going forward caused the shares to underperform. Other bottom contributors included Artisan Partners Asset Management, FTI Consulting, and Moelis.

### Purchases and Sales

During the quarter, there were no new purchases or complete sales from the portfolio.

### Outlook

We believe the plethora of bad news has led the stock market to a price level that already discounts a shallow-to-mild recession. However, simply put, equities will not bottom out until long-term bond yields (10 to 30 year) stop increasing. It was not a coincidence that stocks rallied from the middle of June until the middle of August when long-term yields were declining. We need a sustained decline in reported inflation statistics for this to happen. This seems likely at some point over the next six-to-twelve months. Monetary policy is working—raw material prices are falling (including oil); housing and autos are being hit hard (including used car prices and even new recently); semiconductors have turned from a shortage to a surplus in many areas; and many companies are starting to shed workers. Supply chain difficulties, which the Fed cannot directly control, are improving as well, but the Russian war and China's zero-COVID policy continue to create some supply difficulties. Given pessimistic investor sentiment, bearish positioning, and many attractively valued companies on a long-term basis, any better-than-feared news on the course of future interest rate increases could cause the markets to substantially improve from here. Historically, periods of stock market pessimism with zero speculation in them have been good long-term entry points for patient investors.

### Portfolio Highlights

**Style:** Small Cap  
**Sub-Style:** Core  
**Index:** Russell 2000®  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$8,711.6 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	36
<b>Todd Beiley, CFA</b> Portfolio Manager + Senior Research Analyst	23
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	27
<b>Julie Biel, CFA</b> Senior Research Analyst	14
<b>Julie Kutasov</b> Senior Research Analyst	21
<b>Craig Stone</b> Senior Research Analyst	33
<b>Chris Wright, CFA</b> Senior Research Analyst	10
<b>Sean Dixon</b> Research Analyst	14
<b>Arthur Su, CFA</b> Research Analyst	7
<b>Adam Xiao, CFA</b> Research Analyst	9

### Top Five Holdings

As of September 30, 2022

Company	Percent of equity (%)
FTI Consulting	8.1
EMCOR Group	5.8
Manhattan Associates	5.0
Acushnet Holdings	5.0
Primerica	4.9
<b>Total</b>	<b>28.9</b>

\*Figures in USD.

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. 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

<b>Development of KAR High-Quality Universe</b>	<b>Proprietary Fundamental Research</b>	<b>Portfolio Construction</b>	<b>Sell Discipline</b>
<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>

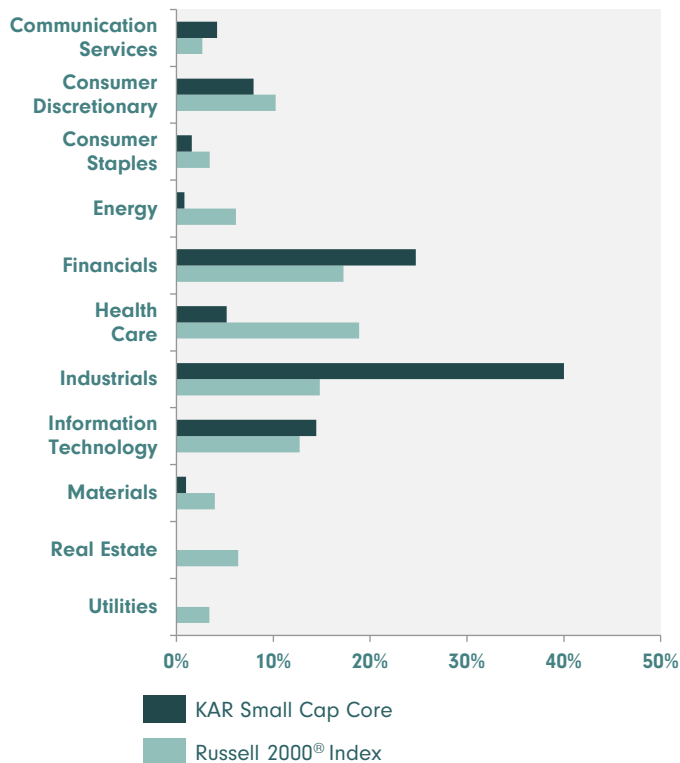
Higher Quality

Stronger, More Consistent Growth

Better Value

## Sector Diversification

As of September 30, 2022



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## Portfolio Characteristics

As of September 30, 2022

	KAR Small Cap Core	Russell 2000® Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.8%	9.7%
Total Debt/EBITDA*	1.4 x	73.1 x
Earnings Variability—Past 10 Years	29.8%	76.7%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	14.2%	9.2%
Dividend Per Share Growth—Past 10 Years	12.5%	5.8%
Capital Generation—{ROE x (1-Payout)}	16.5%	7.9%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	17.5 x	27.4 x
Dividend Yield	1.6%	1.5%
Free Cash Flow Yield†	3.0%	0.2%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.4 B	\$2.9 B
Largest Market Cap—3-Year Avg.	\$19.3 B	\$14.3 B
Annualized Standard Deviation—Since Inception‡	15.3%	19.3%

\*There was a material difference in the Total Debt/EBITDA quality indicator for the Russell 2000® Index as of September 30, 2022 over the prior quarter end of June 30, 2022. This is primarily due to a single issuer in the index reporting income at essentially zero, causing the ratio to increase significantly.

†Free cash flow data is as of June 30, 2022. Prices are as of September 30, 2022. Excludes financials.

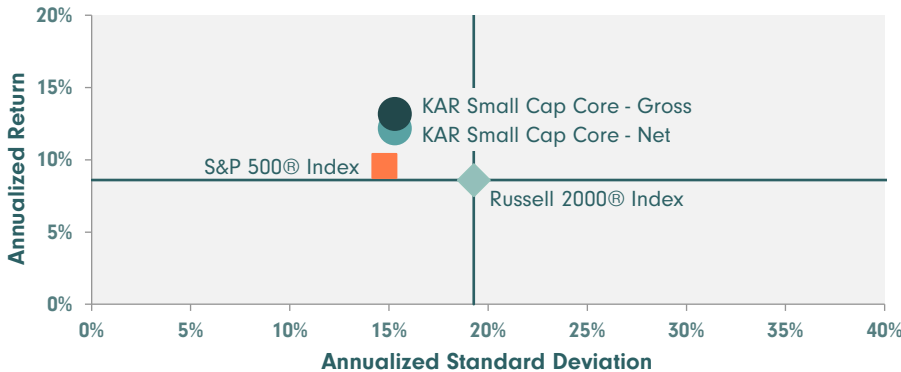
‡April 1, 1992. Standard deviation for the KAR strategy is based on net-of-fee returns. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other 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.** Returns could be reduced, or losses incurred, due to currency fluctuations.

# Small Cap Core Portfolio

Third Quarter 2022

## Risk-Return Analysis

Inception\* to September 30, 2022



## Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net) <sup>†</sup>	Russell 2000 <sup>®</sup> Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of September 30, 2022			
3 <sup>rd</sup> Quarter	(1.97)	(2.19)	(2.19)
Year to Date	(16.86)	(17.44)	(25.10)
One Year	(10.55)	(11.36)	(23.50)
Three Years	8.88	7.91	4.29
Five Years	13.51	12.51	3.55
Seven Years	16.96	15.92	7.51
Ten Years	15.00	13.98	8.55
Inception*	13.19	12.18	8.60
<b>Annual Returns (%)</b>			
2021	19.24	18.18	14.82
2020	23.17	22.08	19.96
2019	40.88	39.65	25.52
2018	(0.83)	(1.72)	(11.01)
2017	36.61	35.42	14.65
2016	19.10	18.05	21.31
2015	2.37	1.45	(4.41)
2014	7.51	6.55	4.89
2013	30.10	28.96	38.82
2012	13.42	12.42	16.35
2011	10.14	9.16	(4.18)
2010	25.00	23.90	26.85
2009	32.09	30.93	27.17
2008	(27.64)	(28.30)	(33.79)
2007	3.16	2.24	(1.57)
2006	13.43	12.43	18.37
2005	7.78	6.82	4.55
2004	23.37	22.28	18.33
2003	34.34	33.17	47.25
2002	(12.74)	(13.53)	(20.48)
2001	6.16	5.21	2.49
2000	21.38	20.30	(3.02)
1999	6.09	5.15	21.26
1998	21.39	20.32	(2.55)
1997	20.82	19.76	22.36
1996	27.00	25.89	16.49
1995	17.47	16.43	28.45
1994	2.75	1.83	(1.82)
1993	20.00	18.94	18.88
1992 <sup>  </sup>	9.65	8.92	10.16

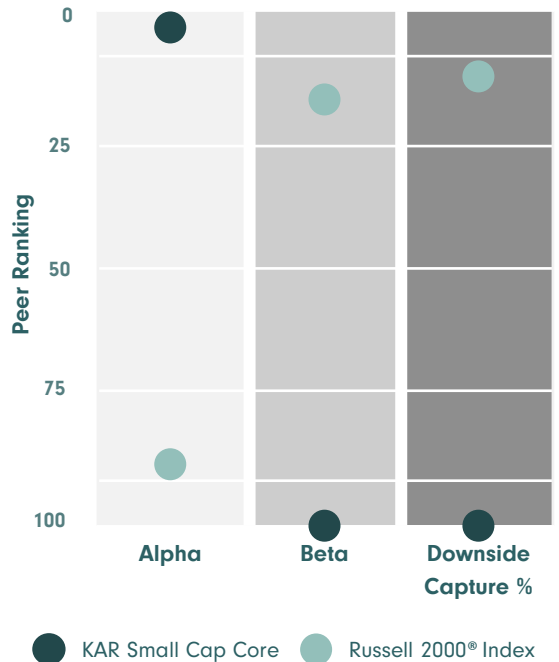
\*April 1, 1992

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary. Returns could be reduced, or losses incurred, due to currency fluctuations.

<sup>‡</sup>Net of all fees and expenses. Assumes a 1% annual fee. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed

## Peer Comparison Chart

Ten Years Ending September 30, 2022



The eVestment Small Cap Core Universe includes 105 managers categorized in the small cap core asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small Cap Core Universe or for the ranking itself. KAR does pay fees for the use of certain products and services provided by eVestment. eVestment rankings are based on gross of fee returns. Gross of fee returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Management fees are described in KAR's Form ADV Part 2A, which is available upon request and can also be found at <https://kayne.com/wp-content/uploads/ADV-Part-2A.pdf>. Returns could be reduced or losses incurred due to currency fluctuations. **Past performance is no guarantee of future results.**

## Performance Statistics

Inception\* to September 30, 2022

	KAR Small Cap Core (gross)	KAR Small Cap Core (net)	Russell 2000 <sup>®</sup> Index
Annualized Standard Deviation	15.29	15.29	19.27
Alpha	6.03	5.09	0.00
Beta	0.69	0.69	1.00
Sharpe Ratio	0.71	0.65	0.33
R-Squared	76.40	76.40	100.00

maximum fee across the firm's business units, which is further detailed on that page.

<sup>||</sup>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. 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 2022

### 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)
2011	10.14	9.05	(4.18)	20.61	25.34	88	0.67	362	5,232
2012	13.42	12.30	16.35	15.26	20.48	102	0.33	541	6,545
2013	30.10	28.83	38.82	11.81	16.68	121	1.41	1,018	7,841
2014	7.51	6.44	4.89	9.79	13.31	145	0.24	965	7,989
2015	2.37	1.35	(4.41)	11.28	14.16	157	0.23	1,048	8,095
2016	19.10	17.93	21.31	12.50	15.99	209	0.49	1,303	9,989
2017	36.61	35.29	14.65	11.59	14.11	392	0.70	2,091	14,609
2018	(0.83)	(1.82)	(11.01)	14.03	16.01	557	0.45	2,619	17,840
2019	40.88	39.51	25.52	14.77	15.93	719	0.89	3,692	25,685
2020	23.17	21.96	19.96	19.35	25.63	895	1.02	4,775	39,582

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, 2020.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.

The Small Cap Core Composite has had a performance examination for the period from January 1, 1999 through December 31, 2020. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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 inception date of the composite is April 1992. The composite was created in April 1992. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm's list of composite descriptions, list of broad distribution pooled fund and the list of limited distribution pooled funds descriptions are available upon request.

Prior to December 31, 2010, only non-taxable portfolios are included in the composite. As of January 1, 2011, the composite was redefined to include both taxable and tax-exempt accounts. 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.

The model management fee used for the net returns in this table is 1.00% for all periods presented. The standard Institutional 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. The maximum Wealth Advisory Services Fee in effect is 1.30% for all assets, which breaks out as follows: 1.00% for the first \$3 million; 0.80% on the next \$2 million; 0.70% on the next \$5 million; 0.60% on the balance; with an additional 0.30% for any assets invested in separately managed accounts strategies. The standard investment advisory fee schedule currently in effect for clients not engaging in Wealth Advisory Services is 1.00%. 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.

#### GLOSSARY

Alpha: A risk-adjusted measure of an investment's excess return relative to a benchmark. Beta: A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. R2: A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. Sharpe Ratio: A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Standard Deviation: Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

#### INDEX DEFINITION

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. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.