

## Mid Cap Core Portfolio

Third Quarter 2024

### Portfolio Review

The Mid Cap Core portfolio underperformed the Russell Midcap Index in the third quarter. Poor stock selection in consumer staples and consumer discretionary detracted from performance. Good stock selection and an overweight in industrials and good stock selection in information technology contributed positively to performance.

The biggest contributors to performance during the quarter were Cooper Companies and Equifax.

- Shares of Cooper Companies were strong in the quarter as the company's contact lens segment continues to see market share gains as lens consumers move to daily wear and the company's surgical segment sees ongoing growth.
- Equifax outperformed in the quarter on healthy non-mortgage revenue growth and easing comparisons in mortgage-related products. Additionally, the stock has benefited from expectations for a better mortgage lending environment as the Federal Reserve lowered interest rates at its most recent meeting.
- Other top contributors included Pentair, Houlihan Lokey, and POOLCORP.

The biggest detractors to performance during the quarter were Lamb Weston and Domino's Pizza.

- Lamb Weston experienced greater-than-expected enterprise resource planning (ERP) implementation disruption that impacted its visibility of finished goods inventories across its distribution network, negatively affecting its ability to process orders and service demand. As a result, customers were forced to procure frozen potatoes from competitors, which resulted in material share loss that could take time to win back.
- Domino's shares underperformed during the quarter in part due to unit growth challenges with one of its master franchisees, who is facing elevated closures following a period of aggressive expansion in Japan and France. The situation caused Domino's to temporarily suspend its long-term global net store growth guidance.
- Other bottom contributors included LPL Financial, West Pharmaceutical Services, and Azena.

### Purchases and Sales

During the quarter, we purchased MSCI. We sold First Financial Bankshares and Lamb Weston. MSCI engages in the provision of investment decision support tools, including indices, portfolio risk and performance analytics, and corporate governance products and services. We sold First Financial Bankshares to fund our increase in Align Technology which we believe provides a better long-term growth outlook. We sold Lamb Weston after the company's financials showed ongoing issues that we believe are longer-term and more structural in nature.

### Outlook

We believe investors should avoid getting too excited about what impact the initial cut in rates will have on the broader economy. The Federal Reserve's 50-basis point rate cut started a descent back to a more normal interest rate level. After the steep increases of the recent past, our current expectation is a gradual decline of rates to a plateau that will likely be 200-300 basis points above our former "normal." While we see many positive signs for the economy, such as a still-healthy labor market, strong consumer demand, and increased investment in infrastructure and manufacturing capacity, we also see some headwinds. The current level of deficit spending is more consistent with unemployment in the 7% to 10% range, not the 4% levels we enjoy today. Companies' pricing power also appears to be weakening as consumers push back against price increases, which could challenge profit margins. Bottom line: we believe there is reason for cautious optimism, but we do not think all companies will benefit equally if we do achieve that soft landing.

### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Core  
**Index:** Russell Midcap®  
**Portfolio Inception:** 2000  
**Portfolio Assets:** \$6,096.5 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Research Start Date
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	1995
<b>Craig Stone</b> Portfolio Manager + Senior Research Analyst	1990
<b>Todd Bailey, CFA</b> Senior Research Analyst	1999
<b>Julie Biel, CFA</b> Senior Research Analyst	2004
<b>Julie Kutasov</b> Senior Research Analyst	2001
<b>Chris Wright, CFA</b> Senior Research Analyst	2012
<b>Adam Xiao, CFA</b> Senior Research Analyst	2013
<b>Tyler Cantarano</b> Research Analyst	2017
<b>Sean Dixon</b> Research Analyst	2008
<b>Luke Longinotti, CFA</b> ESG Research Analyst	2020
<b>Arthur Su, CFA</b> Research Analyst	2015
<b>Clarissa Ali</b> Associate Research Analyst	2023

### Top Five Holdings

As of September 30, 2024

Company	Percent of equity (%)
AMETEK	5.7
Lennox International	4.8
Cooper Companies	4.7
Houlihan Lokey	4.7
HEICO	4.5
<b>Total</b>	<b>24.4</b>

\* Figures in USD

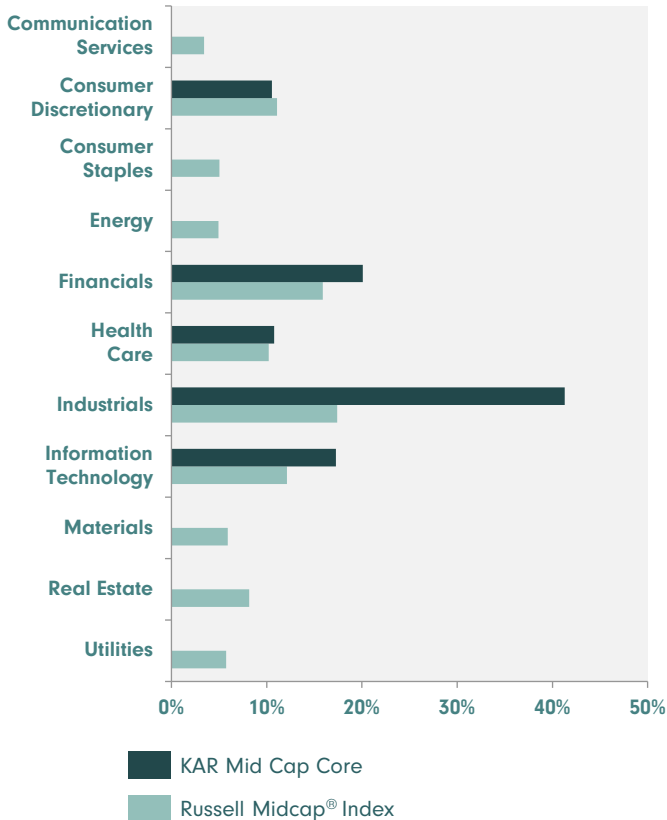
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation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

Development of KAR High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<p><b>Quantitative Screens</b></p> <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> <p><b>Other Resources</b></p> <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>	<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>Non-U.S. Holdings</b></p> <ul style="list-style-type: none"> <li>Up to 20%</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>Extended Valuation</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Acquisition Activity</b></p> <p><b>Negative Company or Industry Changes</b></p>
<p>Seeking Higher Quality   Seeking Stronger, More Consistent Growth   Seeking Better Value</p>			

## Sector Diversification

As of September 30, 2024



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## Portfolio Characteristics

As of September 30, 2024

	KAR Mid Cap Core	Russell Midcap <sup>®</sup> Index
<b>Quality</b>		
Return on Equity—Past 5 Years	24.6%	16.2%
Debt/EBITDA*	1.3 x	2.2 x
Earnings Variability—Past 10 Years	35.0%	61.5%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	13.4%	13.2%
Earnings Per Share Growth—Past 10 Years	13.7%	10.6%
Dividend Per Share Growth—Past 5 Years	12.3%	8.0%
Dividend Per Share Growth—Past 10 Years	11.6%	7.8%
Capital Generation—{ROE x (1-Payout)}	18.9%	11.4%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	35.7 x	26.1 x
Dividend Yield	0.7%	1.6%
Free Cash Flow Yield <sup>†</sup>	2.9%	3.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$18.0 B	\$23.2 B
Largest Market Cap—3-Year Avg.	\$43.1 B	\$64.4 B
Annualized Standard Deviation—Since Inception <sup>‡</sup>	15.1%	17.5%

\*KAR utilizes the interquartile method when calculating Debt/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers—only the extreme ends are excluded—and that it can be applied consistently as a quantitative method for most fundamental characteristics. Debt/EBITDA utilizes net debt for the calculation.

<sup>†</sup>Free cash flow data is as of June 30, 2024. Prices are as of September 30, 2024. Excludes financials.

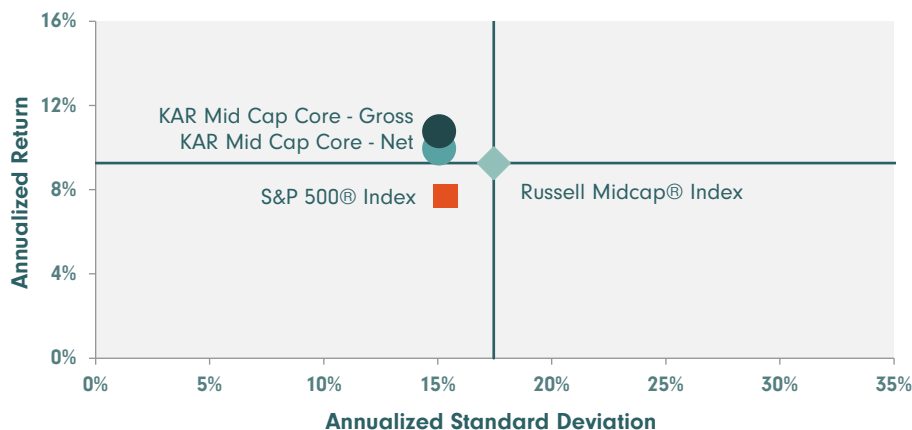
<sup>‡</sup>January 1, 2000. Standard deviation for the KAR strategy is based on net-of-fee returns. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be 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.

# Mid Cap Core Portfolio

Third Quarter 2024

## Risk-Return Analysis

Inception\* to September 30, 2024



## 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, 2024			
3 <sup>rd</sup> Quarter	8.87	8.67	9.21
Year to Date	10.23	9.62	14.63
One Year	23.15	22.24	29.33
Three Years	6.25	5.45	5.75
Five Years	13.82	12.98	11.30
Seven Years	13.82	12.98	10.48
Ten Years	13.90	13.05	10.19
Inception*	10.79	9.97	9.26
<b>Annual Returns (%)</b>			
2023	23.75	22.84	17.23
2022	(19.04)	(19.66)	(17.32)
2021	26.42	25.49	22.58
2020	27.08	26.15	17.10
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	17.29	13.22
2013	28.54	27.60	34.76
2012	16.58	15.72	17.28
2011	4.52	3.74	(1.55)
2010	20.23	19.34	25.48
2009	21.11	20.22	40.48
2008	(28.63)	(29.18)	(41.46)
2007	6.45	5.66	5.60
2006	13.05	12.21	15.26
2005	8.86	8.05	12.65
2004	15.23	14.38	20.22
2003	26.72	25.79	40.06
2002	(12.62)	(13.28)	(16.19)
2001	(2.76)	(3.49)	(5.62)
2000	21.54	20.64	8.25

\*January 1, 2000.

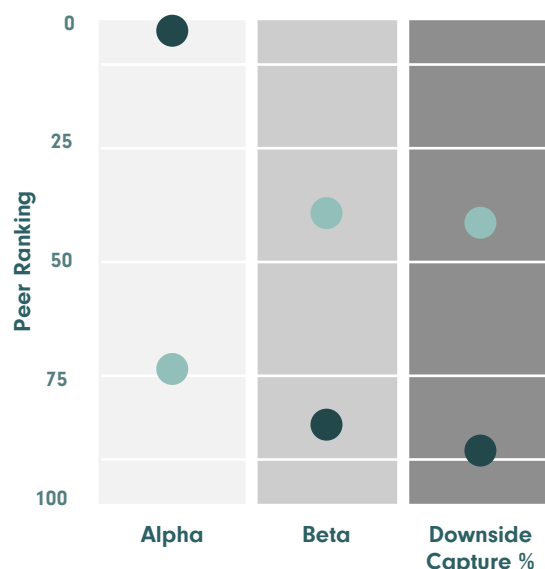
<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are final. Returns could be reduced, or losses incurred, due to currency fluctuations.

<sup>‡</sup>Net of all fees and expenses. Assumes a 0.75% 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 maximum fee across the firm's business units, which is further detailed on that page.

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 final. 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.**

## Peer Comparison Chart

Ten Years Ending September 30, 2024



● KAR Mid Cap Core ● Russell Midcap<sup>®</sup> Index

The eVestment Mid Cap Core Universe includes 43 managers categorized in the mid cap core asset class by eVestment. KAR does not pay any fees to be included in the eVestment Mid 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, 2024

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net)	Russell Midcap <sup>®</sup> Index
Alpha	2.71	1.95	0.00
Sharpe Ratio	0.59	0.54	0.43
Information Ratio	0.24	0.11	N/A
Beta	0.80	0.80	1.00
Downside Capture	75.23	76.76	100.00
Tracking Error	6.43	6.43	N/A

# Mid Cap Core Composite

Third Quarter 2024

## 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)
2014	18.17	16.66	13.22	10.29	10.29	12	0.13	17	7,989
2015	3.37	2.03	(2.44)	11.96	11.00	15	0.44	40	8,095
2016	12.32	10.88	13.80	12.31	11.72	22	0.36	79	9,989
2017	26.13	24.53	18.52	10.76	10.51	72	0.23	170	14,609
2018	(3.21)	(4.46)	(9.06)	11.33	12.15	181	0.30	352	17,840
2019	32.17	30.50	30.54	12.49	13.08	323	0.39	700	25,685
2020	27.08	25.47	17.10	18.88	22.13	362	1.03	1,214	39,582
2021	26.42	24.82	22.58	17.65	20.84	467	0.27	1,946	47,269
2022	(19.04)	(20.11)	(17.32)	21.10	23.95	584	0.30	1,738	33,531
2023	23.75	22.17	17.23	18.95	19.38	692	0.54	2,799	41,186

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, 2023.

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 Mid Cap Core Composite has had a performance examination for the period from January 1, 2000 through December 31, 2023. The verification and performance examination reports are available upon request.

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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 inception date of the composite is January 2000. The composite was created in January 2000. 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.

The model management fee used for the net returns in this table is 1.30% for all periods presented. The standard Institutional 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. 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

**Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Information Ratio:** The information ratio (IR) is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Downside Capture Ratio:** A statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has

dropped. **Tracking Error:** The divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. It is reported as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark they were attempting to imitate.

### INDEX DEFINITION

The Russell Midcap® Index is a market capitalization-weighted index of medium-capitalization stocks of 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.