

## Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2022

### Portfolio Overview

The Mid Cap Sustainable Growth portfolio underperformed the Russell Midcap Growth Index in the fourth quarter. Poor stock selection in health care and consumer discretionary detracted from performance. Good stock selection in industrials and consumer staples contributed positively to performance.

The biggest contributors to performance during the quarter were Fair Isaac and Gartner. Fair Isaac's shares traded in a relatively narrow range in 2022 (although better than most technology companies) but performed well when the company reported strong 2023 guidance. Setting higher-than-expected estimates for revenue and earnings, Fair Isaac noted its strong pricing power can offset weak volumes in mortgages and autos, as well as some volume gains from personal loan originations and new channels like myFICO.com. Gartner's business benefitted from strong sales in the research and consulting business. Momentum also continued in the conferences business as people returned to in-person events post-pandemic. The broad-based strength prompted the company to raise guidance for the second time this year. Other top contributors included Mettler-Toledo International, Ross Stores, and SiteOne Landscape Supply.

The biggest detractors from the portfolio during the quarter were STAAR Surgical and The Trade Desk. China represents 55% of STARR Surgical's revenue and has continued to grow despite the impact of the country's zero-COVID policies. The next leg of growth is set to come from the U.S. where the EVO Vision lens was approved at the end of March 2022. Early datapoints for sales sent the stock higher over the summer but growth plateaued in the third quarter and sellers erased all the gains the stock made over the summer. Despite reporting strong revenue growth and profitability, The Trade Desk's shares came under pressure due to concerns of a slowdown in advertising and negative market sentiment towards technology-related names. As the largest independent demand-side platform ("DSP") in the programmatic advertising space and increasing switching costs, we think the future remains bright for The Trade Desk. Other bottom contributors included Signature Bank, Global-e Online, and ZoomInfo Technologies.

### Outlook

The Federal Reserve's hawkish monetary policy combined with improving supply chain issues appear to be working in reducing the core inflation rate. Inflation concerns, however, have been replaced by impending recession fears in the market. We certainly have witnessed a growth slowdown over the last year, and we are likely to see a continued growth slowdown over the next six-to-twelve months. The stock market seems to be already pricing in a moderate recession for 2023. This has to be the most anticipated recession in the history of corporate America. This does not mean that a recession cannot occur, but it does suggest a hard landing is less probable. Recession fears will not disappear overnight so investors should expect continued volatility in 2023 and will need to be patient. Additionally, the top-heavy S&P 500 companies, MAMAA (Meta, Apple, Microsoft, Amazon, and Alphabet) in particular, are having significant fundamental growth issues which has not been the case since 2008. In our view, this may bode well for many small- and medium-sized companies, which can continue to grow in a lackluster economic environment.

### Purchases and Sales

New Purchases	Complete Sales
Halliburton	Accuity Brands
Las Vegas Sands	Sweetgreen
Lattice Semiconductor	Zoominfo Technologies
Toast	

### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell Midcap<sup>®</sup> Growth  
**Portfolio Assets:** \$1,811.1 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer + Portfolio Manager	36
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	17
<b>Richard Sherry, CFA</b> Senior Research Analyst	24
<b>Noran Eid</b> Research Analyst	9

### Top Five Holdings

As of December 31, 2022

Company	Percent of equity (%)
Gartner	5.0
Celsius Holdings	4.9
Paycom Software	4.4
Fair Isaac	4.2
SiteOne Landscape Supply	4.1
<b>Total</b>	<b>22.7</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
<b>Qualitative Methods</b> <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> <b>Quantitative Screens</b> <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>	<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>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>Negative Company or Industry Changes</b> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Extended Valuation</b>
Higher Quality		Stronger, More Consistent Growth	

## Portfolio Characteristics

As of December 31, 2022

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	23.5%	22.7%
Total Debt/EBITDA*	1.2 x	1.5 x
Earnings Variability—Past 10 Years	54.8%	59.4%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	13.5%	13.4%
Earnings Per Share Growth—Past 5 Years	18.2%	20.2%
Earnings Per Share Growth—Past 10 Years	16.9%	14.7%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	38.5 x	37.4 x
P/E Ratio—1 Year Forecast FY EPS	23.3 x	19.7 x
Free Cash Flow Yield†	2.3%	3.1%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$21.7 B	\$23.9 B
Largest Market Cap	\$69.0 B	\$52.8 B

\*KAR utilizes the interquartile method when calculating TD/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.

†Free cash flow data is as of September 30, 2022. Prices are as of December 31, 2022. Excludes financials.

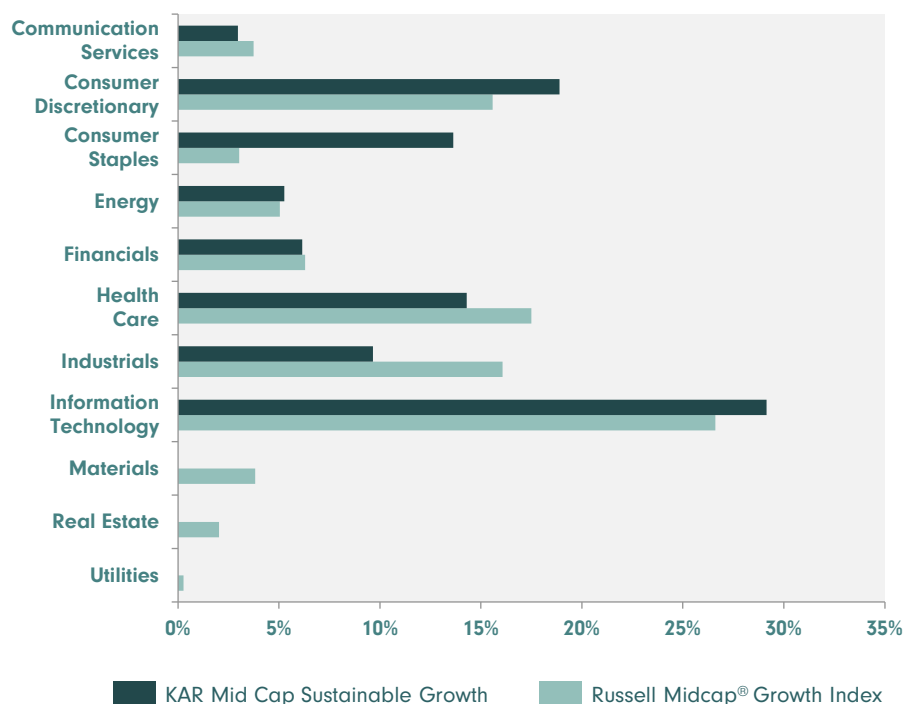
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

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Fourth Quarter 2022

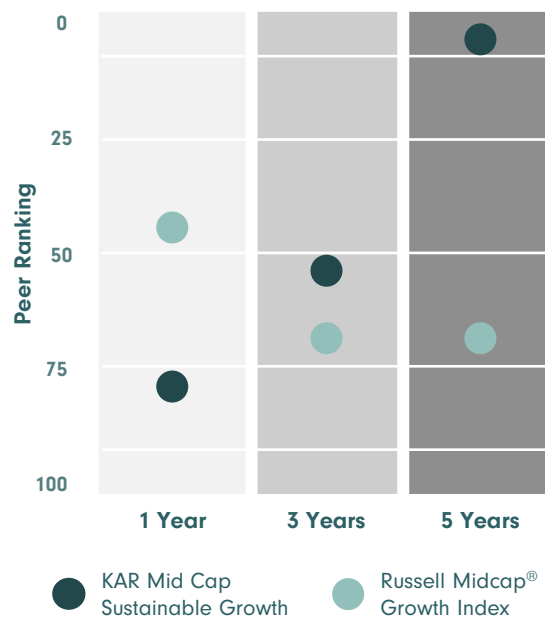
## Sector Diversification

As of December 31, 2022



## Peer Comparison Chart

Annualized Gross Returns Ending December 31, 2022



The eVestment Mid Cap Growth Universe includes 101, 97 and 94 managers for the 1, 3 and 5 Year time periods, respectively, categorized in the mid cap growth asset class by eVestment. KAR does not pay any fees to be included in the eVestment Mid Cap Growth 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.**

## Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) <sup>‡</sup>	Russell Midcap Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of December 31, 2022			
4 <sup>th</sup> Quarter	4.16	3.97	6.90
One Year	(32.45)	(32.97)	(26.72)
Three Years	5.04	4.25	3.85
Five Years	12.76	11.93	7.64
Seven Years	14.29	13.44	9.95
Ten Years	13.41	12.57	11.41
Inception*	13.46	12.62	11.80
<b>Annual Returns (%)</b>			
2022	(32.45)	(32.97)	(26.72)
2021	2.40	1.64	12.73
2020	67.52	66.32	35.59
2019	44.29	43.25	35.47
2018	9.04	8.23	(4.75)
2017	35.26	34.28	25.27
2016	3.27	2.50	7.33
2015	4.06	3.29	(0.20)
2014	4.98	4.20	11.90
2013	26.46	25.53	35.74
2012	13.97	13.13	15.81

## Performance Statistics

Inception\* to December 31, 2022

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net)	Russell Midcap Growth Index
Annualized Standard Deviation	18.28	18.28	16.84
Alpha	1.59	0.83	0.00
Beta	1.01	1.01	1.00
Sharpe Ratio	0.70	0.66	0.66
R-Squared	87.24	87.24	100.00

\*January 1, 2012

<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 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 preliminary unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. 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 from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.**

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## Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell Midcap® 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	13.97	12.51	15.81	N/A	N/A	< 5	N/A	82	6,545
2013	26.46	24.85	35.74	N/A	N/A	< 5	N/A	93	7,841
2014	4.98	3.63	11.90	11.25	11.02	< 5	N/A	90	7,989
2015	4.06	2.72	(0.20)	13.28	11.47	< 5	N/A	88	8,095
2016	3.27	1.94	7.33	14.38	12.35	< 5	N/A	83	9,989
2017	35.26	33.56	25.27	13.14	11.04	< 5	N/A	98	14,609
2018	9.04	7.63	(4.75)	14.52	13.00	7	N/A	172	17,840
2019	44.29	42.48	35.47	15.87	14.07	38	0.19	688	25,685
2020	67.52	65.44	35.59	22.29	21.75	203	1.41	3,513	39,582
2021	2.40	1.08	12.73	21.64	20.47	278	0.38	3,461	47,269

The Russell Midcap® Growth 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, 2021.

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 Sustainable Growth Composite has had a performance examination for the period from January 1, 2012 through December 31, 2021. 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 fully discretionary institutional and pooled Mid Cap Sustainable Growth Portfolios. Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 2012. The composite was created in January 2012. 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 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, 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.

### 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 Midcap® Growth Index is a market capitalization-weighted index of medium-capitalization, growth-oriented 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.