

## Small-Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2022

### Portfolio Review

2022 closed out the year with another volatile quarter where it was challenging to find any real leadership. Large cap stocks performed strongly in the quarter with the S&P 500 Index increasing 7.56%, whereas the Russell 2000 Index of small cap stocks increased 6.23%. Posturing transitioned through the quarter with a risk-on environment early on when less terrifying but still high inflation led to investor optimism. As we entered December, however, investors became more concerned about the economy and central banks globally made it clear they were committed to holding interest rates higher for however long it takes to get to reasonable levels of inflation. For the year, the S&P 500 Index declined 18.11% and the Russell 2000 Index declined 20.44%. The Russell 2500 Index increased 7.43% in the quarter. The trend of value outperforming growth returned with the Russell 2500 Value Index increasing 9.21% and the Russell 2500 Growth Index up 4.72%. Investors continued to sell high-flying technology stocks, preferring less expensive, older-economy type businesses. The Small-Mid Cap Sustainable Growth portfolio outperformed the Russell 2500 Growth Index during the quarter. Strong stock selection in health care and industrials contributed positively to performance. An underweight in energy, the best performing sector in the quarter, and poor stock selection and an underweight in consumer discretionary detracted from performance. In general, sector allocation detracted from performance while stock selection contributed positively.

The biggest contributors to performance during the quarter were Fair Isaac and Silk Road Medical. Over the last 12 months, Fair Isaac's shares have been volatile but have outperformed due to improvements in profitability and a more favorable outlook despite increasing mortgage headwinds. The company also continues to make good progress in driving platform software annual recurring revenue. Silk Road Medical reported a solid quarter despite hospital utilizations still being below historical averages. This included the fourth sequential quarter of higher Transcatheter Artery Revascularization (TCAR) utilization (procedures per physician per quarter) with higher volumes on a year-over-year and sequential basis. We believe profitability is also moving in the right direction despite ongoing cost pressures. Other top contributors included Bentley Systems, Globus Medical, and Teledyne Technologies.

The biggest detractors from the portfolio were nCino and Tyler Technologies. Like many software businesses, nCino's share price was under pressure for most of 2022. In the most recent quarter, revenue grew organically, and the company reported its first quarter of adjusted operating profit. The company also continues to grow its backlog of contracts and is winning new customers. Despite these positives, the stock was an underperformer due to the market's aversion to software names and concerns an economic slowdown in 2023 will dampen demand from banks. Tyler Technologies reported solid results in the quarter, although the move to more ratable revenue versus perpetual licenses did impact near-term results and profitability. The company also experienced pressure on its services business, but this was a result of not being able to staff projects rather than from softer demand. We believe there continues to be healthy underlying demand for the company's services and the SaaS revenue model will bring greater stability. Other bottom contributors included HealthEquity, West Pharmaceutical Services, and Copperleaf Technologies.

### Purchases and Sales

During the quarter, we purchased Atrion. There were no sales during the quarter. Atrion develops, manufactures, and sells products for fluid delivery, cardiovascular, and ophthalmology applications worldwide. Their products are utilized in various medical procedures that are vital for treatment. While some of these products may seem commoditized, they are highly engineered with little room for malfunction in areas such as intensive care and oncology. Atrion has relatively little competition from larger players given the smaller size of its markets.

### 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.

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### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell 2500™ Growth  
**Portfolio Inception:** 2018  
**Portfolio Assets:** \$451.2 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	36
<b>Julie Biel, CFA</b> Portfolio Manager + Senior Research Analyst	14
<b>Chris Wright, CFA</b> Portfolio Manager + Senior Research Analyst	10
<b>Todd Beiley, CFA</b> Senior Research Analyst	23
<b>Jon Christensen, CFA</b> Senior Research Analyst	27
<b>Julie Kutsov</b> Senior Research Analyst	21
<b>Craig Stone</b> Senior Research Analyst	33
<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 December 31, 2022

Company	Percent of equity (%)
Ryan Specialty	6.4
Silk Road Medical	6.0
HEICO	4.9
Copart	4.8
Fair Isaac	4.4
<b>Total</b>	<b>26.6</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.

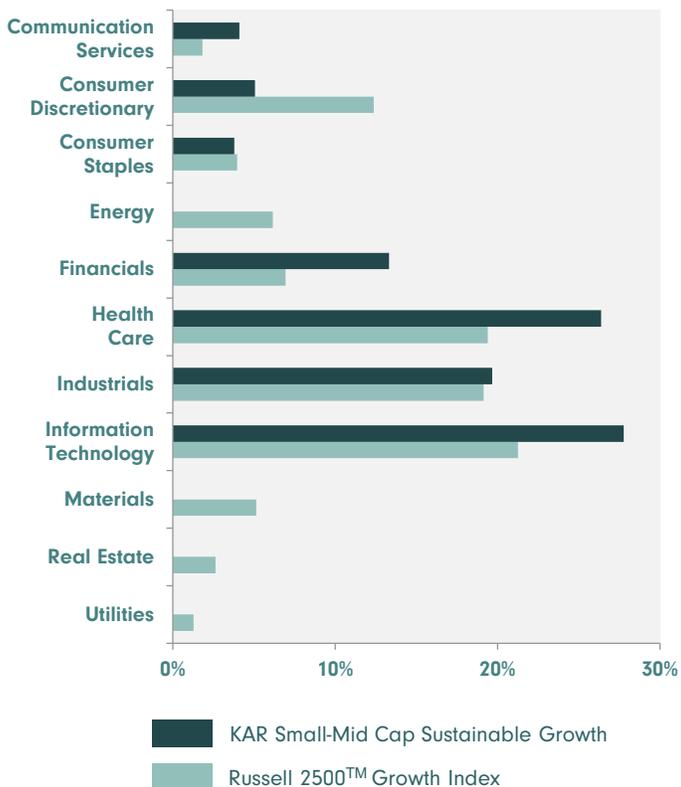
## Investment Process: Discovering Quality

<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 December 31, 2022



## Portfolio Characteristics

As of December 31, 2022

	KAR Small-Mid Cap Sustainable Growth	Russell 2500™ Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.0%	16.0%
Total Debt/EBITDA*	1.7 x	1.7 x
Earnings Variability—Past 10 Years	34.0%	70.2%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	14.5%	13.5%
Capital Generation—{ROE x (1-Payout)}	18.7%	13.6%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	65.2 x	37.8 x
Free Cash Flow Yield†	1.4%	2.1%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap.	\$11.2 B	\$5.8 B
Largest Market Cap	\$28.9 B	\$20.5 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.

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.**

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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Fourth Quarter 2022

## Risk-Return Analysis

Inception\* to December 31, 2022



## Peer Comparison Chart

Inception\* to December 31, 2022



## Historical Returns

	KAR Small-Mid Cap Sustainable Growth (gross)	KAR Small-Mid Cap Sustainable Growth (net) <sup>†</sup>	Russell 2500 <sup>™</sup> Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of December 31, 2022			
4 <sup>th</sup> Quarter	7.03	6.81	4.72
One Year	(21.94)	(22.62)	(26.21)
Three Years	7.28	6.37	2.88
Inception*	11.75	10.81	4.49
<b>Annual Returns (%)</b>			
2022	(21.94)	(22.62)	(26.21)
2021	6.58	5.68	5.04
2020	48.40	47.18	40.47
2019	46.11	44.91	32.65
2018 <sup>§</sup>	(9.44)	(9.77)	(15.93)

The eVestment Small-Mid Cap Growth Universe includes 69 managers categorized in the small-mid cap growth asset class by eVestment. KAR does not pay any fees to be included in the eVestment Small-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.**

## Performance Statistics

Inception\* to December 31, 2022

	KAR Small-Mid Cap Sustainable Growth (gross)	KAR Small-Mid Cap Sustainable Growth (net)	Russell 2500 <sup>™</sup> Growth Index
Annualized Standard Deviation	21.20	21.20	24.38
Alpha	7.51	6.60	0.00
Beta	0.80	0.80	1.00
Sharpe Ratio	0.50	0.46	0.14
R-Squared	84.33	84.33	100.00

\*August 1, 2018

<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 0.90% 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.

<sup>§</sup>Performance calculations are for the five months ended December 31, 2018.

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. 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 2500™		Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
			Growth Index Return (%)	3-Yr Std Dev (%)					
2018*	(9.44)	(9.95)	(15.93)	N/A	N/A	< 5	N/A	< 1	17,840
2019	46.11	44.28	32.65	N/A	N/A	< 5	N/A	< 1	25,685
2020	48.40	46.54	40.47	N/A	N/A	65	N/A	24	39,582
2021	6.58	5.21	5.04	18.89	22.28	126	0.81	427	47,269

\*2018 performance numbers in this table reflect the composite inception date of August 1, 2018 through December 31, 2018.

The Russell 2500™ 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, 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 Small-Mid Cap Sustainable Growth Composite has had a performance examination for the period from August 1, 2018 through December 31, 2021. 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 is defined as all fully discretionary institutional and pooled Small-Mid Cap Sustainable Growth Portfolios. Small-Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ Growth Index, that have market control, solid 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 2500™ Growth Index. The Russell 2500™ Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 2,500 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 August 2018. The composite was created in August 2018. 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: 0.85% for the first \$25 million; 0.75% on the next \$25 million; 0.70% on the next \$50 million; 0.60% 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 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 2021 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 2500™ Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 2,500 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.