

## Small Cap Core Portfolio

Fourth Quarter 2023

### Portfolio Review

The Small Cap Core portfolio outperformed the Russell 2000 Index in the fourth quarter. An underweight in energy and good stock selection in industrials contributed positively to performance. Poor stock selection in financials and information technology detracted from performance.

The biggest contributors to performance during the quarter were Simpson Manufacturing and FTI Consulting.

- Simpson Manufacturing's shares performed strongly following the company's reports of better-than-expected operating results and improved profitability.
- FTI Consulting's shares outperformed due to an improved financial outlook for the company. Revenue growth was solid with a notable pickup in restructuring and business transformation activity. Margins also improved as the company better aligned its cost structure and slowed down hiring in areas of low utilization.
- Other top contributors included CorVel, Acushnet, and UFP Industries.

The biggest detractors from performance during the quarter were Atrion and RLI.

- Atrion continues to be impacted by destocking at its largest customers. Some of these customers over-ordered during the pandemic and are now winnowing down inventories. We do not believe the company is facing more intense competitive pressures and we expect a return to growth in 2024.
- RLI's shares declined modestly in the quarter as investors anticipated the potential for slowing interest rate increases across the property and casualty insurance industry as inflation moderates.
- Other bottom contributors included PriceSmart, Aspen Technology, and Rightmove.

### Purchases and Sales

During the quarter, we purchased Kadant and UFP Industries. We sold PriceSmart. Kadant is a global supplier of highly engineered products and systems serving industrial process markets. Kadant supplies capital equipment and parts/consumables to customers across three business segments: Industrial Processing, Flow Control, and Material Handling. UFP Industries is a manufacturer and supplier of wood, wood composite, and other products to retailers, the manufactured housing industry, residential and commercial construction, and other industrial customers. We sold our position in PriceSmart because the company struggled to operate its warehouse club retail model in Latin American countries in a way that generates persistently high returns on capital.

### Outlook

With the Federal Reserve hiking cycle behind us and corporate earnings growth likely to resume, we believe 2024 should be a favorable year for equity returns. Coming into 2024, investor sentiment is nowhere near as negative as it was coming into 2023 but there is still plenty of cash on the sidelines built up over the last year. As short-term interest rates decline and the yield curve moves to flat, or even positively sloped, we believe this capital will make its way into fixed income and equity markets. From our perspective, returns in 2024 are unlikely to be as robust as 2023 but are likely to generate returns in line with earnings growth. We expect that 2024 will experience more volatility due to the election, which is likely to be contentious.

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### Portfolio Highlights

**Style:** Small Cap  
**Sub-Style:** Core  
**Index:** Russell 2000®  
**Portfolio Inception:** 1992  
**Portfolio Assets:** \$12,341.7 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Research Start Date
<b>Todd Beiley, CFA</b> Portfolio Manager + Senior Research Analyst	1999
<b>Jon Christensen, CFA</b> Portfolio Manager + Senior Research Analyst	1995
<b>Julie Biel, CFA</b> Senior Research Analyst	2004
<b>Julie Kutasov</b> Senior Research Analyst	2001
<b>Craig Stone</b> Senior Research Analyst	1990
<b>Chris Wright, CFA</b> Senior Research Analyst	2012
<b>Adam Xiao, CFA</b> Senior Research Analyst	2013
<b>Sean Dixon</b> Research Analyst	2008
<b>Luke Longinotti</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 December 31, 2023

Company	Percent of equity (%)
Simpson Manufacturing	8.6
EMCOR Group	7.2
FTI Consulting	6.4
Manhattan Associates	5.4
Primerica	5.2
<b>Total</b>	<b>32.8</b>

\*Figures in USD.

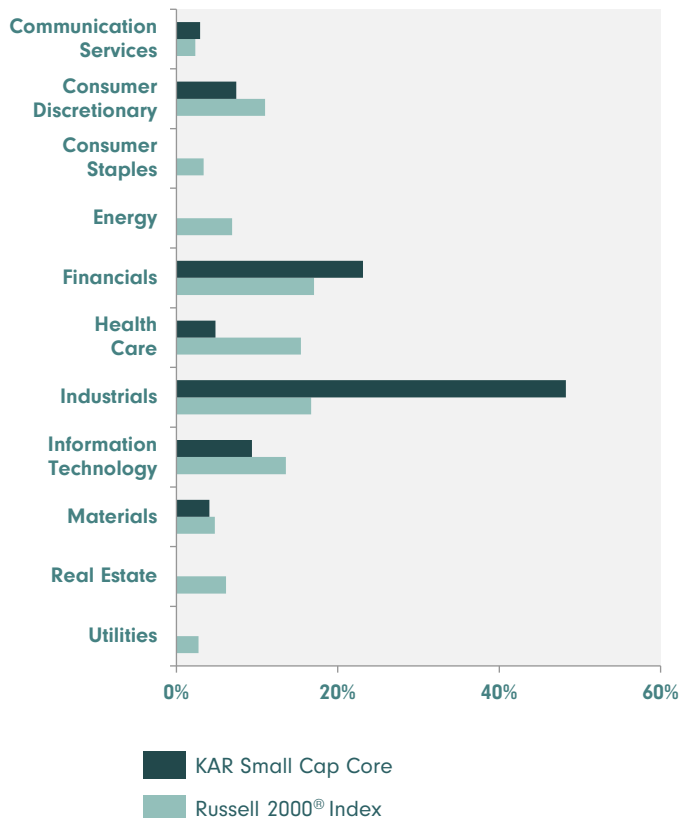
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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>
<b>Higher Quality   Stronger, More Consistent Growth   Better Value</b>			

## Sector Diversification

As of December 31, 2023



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## Portfolio Characteristics

As of December 31, 2023

	KAR Small Cap Core	Russell 2000® Index
<b>Quality</b>		
Return on Equity—Past 5 Years	26.4%	10.0%
Debt/EBITDA*	0.5 x	2.2 x
Earnings Variability—Past 10 Years	33.3%	80.0%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	13.3%	10.0%
Dividend Per Share Growth—Past 10 Years	11.8%	4.9%
Capital Generation—{ROE x (1-Payout)}	19.5%	8.2%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	25.8 x	36.8 x
Dividend Yield	1.1%	1.4%
Free Cash Flow Yield†	4.5%	2.6%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Avg.	\$6.9 B	\$3.1 B
Largest Market Cap—3-Year Avg.	\$19.3 B	\$15.0 B
Annualized Standard Deviation—Since Inception‡	15.5%	19.4%

\*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.

†Free cash flow data is as of September 30, 2023. Prices are as of December 31, 2023. Excludes financials.

‡April 1, 1992. Standard deviation for the KAR strategy is based on net-of-fee returns.

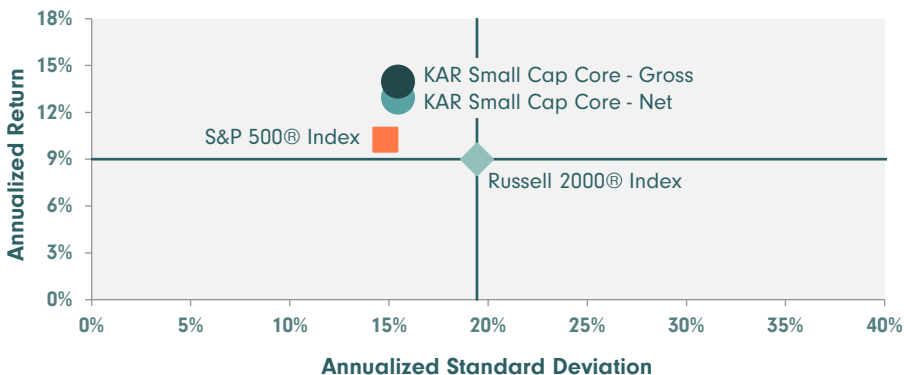
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. 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

Fourth Quarter 2023

## Risk-Return Analysis

Inception\* to December 31, 2023



## 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 December 31, 2023			
4 <sup>th</sup> Quarter	14.83	14.58	14.03
One Year	33.95	32.77	16.93
Three Years	12.89	11.89	2.22
Five Years	20.08	19.02	9.97
Seven Years	19.01	17.96	7.33
Ten Years	16.06	15.03	7.16
Inception*	13.97	12.96	8.99
<b>Annual Returns (%)</b>			
2023	33.95	32.77	16.93
2022	(9.92)	(10.74)	(20.44)
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

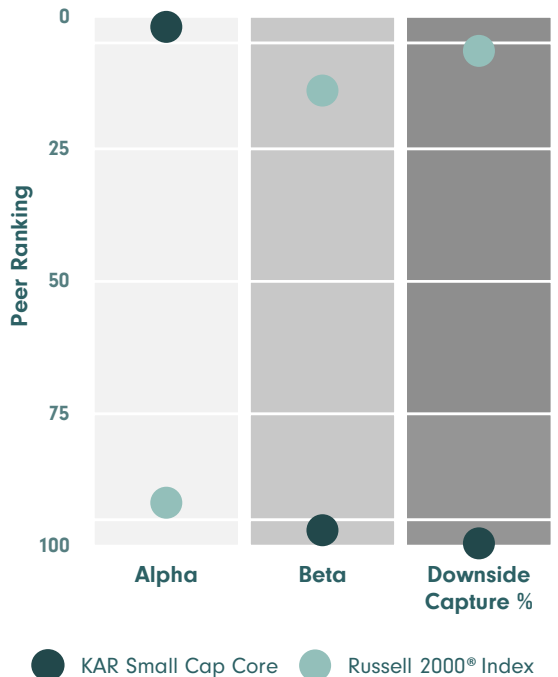
\*April 1, 1992

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are final. 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

## Peer Comparison Chart

Ten Years Ending December 31, 2023



The eVestment Small Cap Core Universe includes 130 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 December 31, 2023

	KAR Small Cap Core (gross)	KAR Small Cap Core (net)	Russell 2000 <sup>®</sup> Index
Alpha	6.45	5.50	0.00
Sharpe Ratio	0.75	0.68	0.34
Information Ratio	0.52	0.42	N/A
Beta	0.70	0.70	1.00
Downside Capture	56.07	57.64	100.00
Tracking Error	9.49	9.49	N/A

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 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.**

## Small Cap Core Composite

Fourth Quarter 2023

### 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)
2013	30.10	28.46	38.82	11.81	16.68	121	1.41	1,018	7,841
2014	7.51	6.13	4.89	9.79	13.31	145	0.24	965	7,989
2015	2.37	1.05	(4.41)	11.28	14.16	157	0.23	1,048	8,095
2016	19.10	17.59	21.31	12.50	15.99	209	0.49	1,303	9,989
2017	36.61	34.89	14.65	11.59	14.11	392	0.70	2,091	14,609
2018	(0.83)	(2.12)	(11.01)	14.03	16.01	557	0.45	2,619	17,840
2019	40.88	39.11	25.52	14.77	15.93	719	0.89	3,692	25,685
2020	23.17	21.60	19.96	19.35	25.63	895	1.02	4,775	39,582
2021	19.24	17.72	14.82	16.58	23.68	1,073	1.45	5,285	47,269
2022	(9.92)	(11.10)	(20.44)	19.05	26.39	1,183	0.64	4,532	33,531

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, 2022.

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, 2022. 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 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.

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: 0.90% 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

**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 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.