

## Mid Cap Growth Portfolio

Fourth Quarter 2024

### Portfolio Overview

The Mid Cap Growth portfolio underperformed the Russell Midcap Growth Index in the fourth quarter. Poor stock selection in information technology and an overweight and poor stock selection in consumer discretionary detracted from performance. Good stock selection in financials and an underweight in materials contributed positively to performance.

The biggest contributors to performance during the quarter were Global-e Online and Cloudflare. After an extended integration period, we believe Global-e's partnership with Shopify is hitting its stride. In our view, new merchant contributions have been better than expected and European merchants are adjusting after a period of recessionary conditions. We believe Cloudflare has built a differentiated platform, providing unique value to customers across several use-cases but was initially lacking the right go-to-market strategy to fully unlock its growth potential. Over the last few quarters, we've seen a number of key executive hires accelerate billings on the back of sales rep productivity while hitting multi-year highs. As we see it, a shift in revenue recognition has obscured the impact on top line growth but increased the long-term value of those adopting customers. Other top contributors included Goosehead Insurance, Fair Isaac, and Toast.

The biggest detractors to performance during the quarter were Monolithic Power Systems and MercadoLibre. While other end markets saw signs of cyclical recovery, Monolithic Power reported a deceleration in its Enterprise Data business with a sequential decline in revenues from one of its sizeable customers. Uncertainty around the level of participation in this customer's next generation products has reduced visibility into the growth profile in 2025. MercadoLibre reported much lower than expected EBIT due to an acceleration in their consumer loans and credit cards business. We are monitoring the accelerated pace of credit growth and expect management to revisit the speed of expansion as they monitor loss rates. MercadoLibre's platform provides management with unique insights into the health of its consumers, and we believe that management will exercise prudence based on the data they have access to. Other bottom contributors included Mettler-Toledo International, Teradyne, and Celsius Holdings.

### Outlook

As we look to 2025, we continue to believe it is impossible to predict the unfolding economic outlook. We do see improved business confidence following the results of the election. The labor market remains solid, although not heated; new hires and job openings continue to be strong and the unemployment rate is still low. Corporate debt levels are slightly above long-term averages but appear manageable. Still, inflation has not been completely tamed. We have seen incremental strength in prices, most notably in the services sector production. This presents some challenges as the U.S. economy is driven more by services than goods production. To reach the Fed's 2% inflation target, we will need to see a softening in services prices. At the Federal Reserve's December meeting, the decision to cut the fed funds rate by 25 bps was "finely balanced" — several members of the Fed now see the current policy rate as being much closer to neutral (neither restrictive nor stimulative) than when cuts began in September 2024. To us, this indicates the need to keep expectations in check regarding forecasts for rate cuts in 2025.

### Purchases and Sales

New Purchases	Complete Sales
Houlihan Lokey	Diamond Back Energy
Vertex	STAAR Surgical
	Teradyne
	Ulta Beauty

### Portfolio Highlights

**Style:** Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell Midcap® Growth  
**Portfolio Assets:** \$1,747.9 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Research Start Date
<b>Chris Armbruster, CFA</b> Portfolio Manager + Senior Research Analyst	2004
<b>Noran Eid</b> Portfolio Manager + Senior Research Analyst	2012
<b>Richard Sherry, CFA</b> Senior Research Analyst	1998
<b>Katie Advena</b> Research Analyst	2011
<b>Luke Longinotti, CFA</b> ESG Research Analyst	2020
<b>Charlie Wang, CFA</b> Research Analyst	2018
<b>Clarissa Ali</b> Associate Research Analyst	2023

### Top Five Holdings

As of December 31, 2024

Company	Percent of equity (%)
Fair Isaac	8.5
Gartner	5.4
Amphenol	5.0
Global-e Online	4.7
The Trade Desk	4.4
<b>Total</b>	<b>28.0</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>Qualitative Methods</b></p> <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> <p><b>Quantitative Screens</b></p> <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>	<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>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>Negative Company or Industry Changes</b></p> <p><b>Portfolio Upgrade</b></p> <p><b>Acquisition Activity</b></p> <p><b>Extended Valuation</b></p>
<p>Seeking Higher Quality</p>		<p>Seeking Stronger, More Consistent Growth</p>	

## Portfolio Characteristics

As of December 31, 2024

	KAR Mid Cap Growth	Russell Midcap® Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	22.3%	20.7%
Debt/EBITDA*	1.2 x	1.4 x
Earnings Variability—Past 10 Years	57.9%	63.1%
<b>Growth</b>		
Sales Per Share Growth—Past 5 Years	16.5%	16.1%
Earnings Per Share Growth—Past 5 Years	21.8%	18.9%
Earnings Per Share Growth—Past 10 Years	16.9%	16.5%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	58.0 x	43.7 x
P/E Ratio—1 Year Forecast FY EPS	38.1 x	28.5 x
Free Cash Flow Yield†	2.6%	2.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$31.8 B	\$39.5 B
Largest Market Cap	\$86.2 B	\$168.4 B

\*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, 2024. Prices are as of December 31, 2024. Excludes financials.

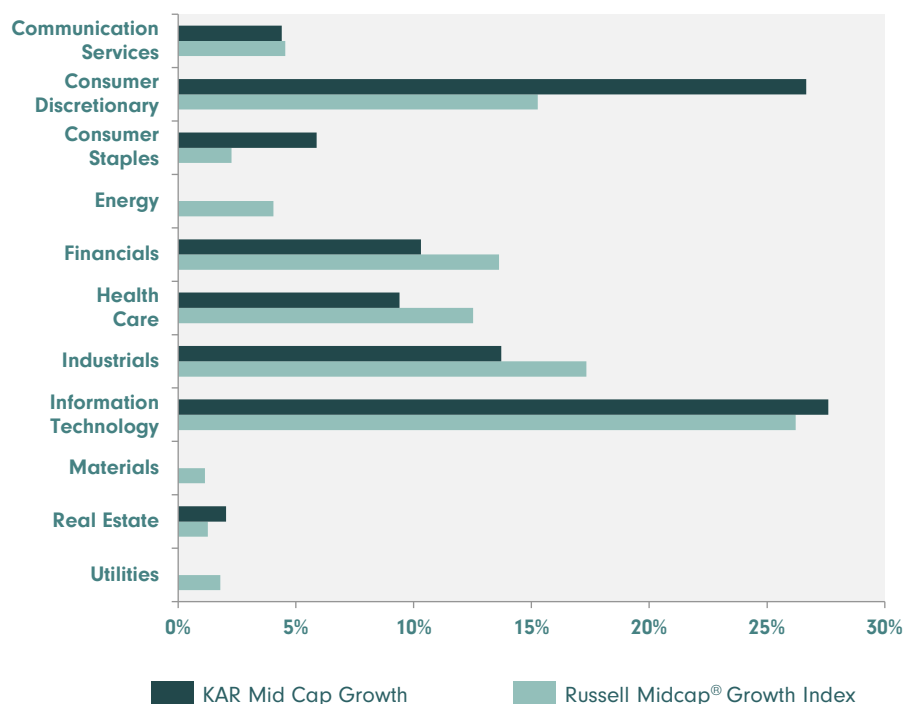
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future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

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Fourth Quarter 2024

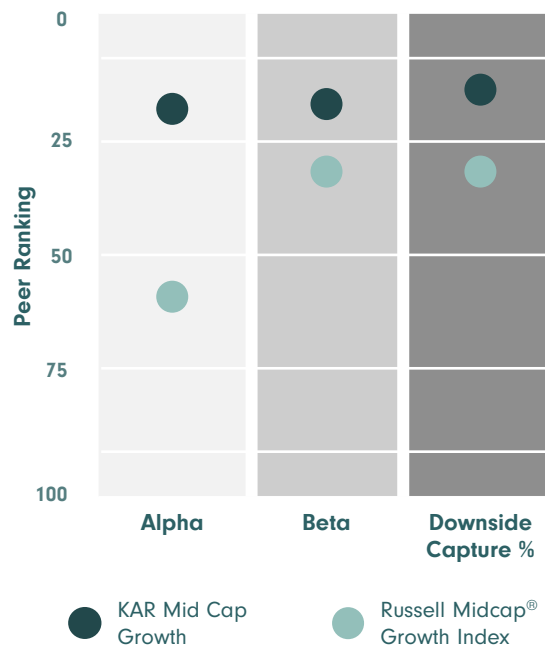
## Sector Diversification

As of December 31, 2024



## Peer Comparison Chart

Ten Years Ending December 31, 2024



The eVestment Mid Cap Growth Universe includes 81 managers 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 Growth (gross)	KAR Mid Cap Growth (net) <sup>†</sup>	Russell Midcap® Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of December 31, 2024			
4 <sup>th</sup> Quarter	(0.77)	(0.96)	8.14
One Year	8.69	7.88	22.10
Three Years	(3.26)	(3.99)	4.04
Five Years	9.20	8.39	11.47
Seven Years	13.61	12.77	12.08
Ten Years	13.51	12.67	11.54
Inception*	13.81	12.97	13.59
<b>Annual Returns (%)</b>			
2024	8.69	7.88	22.10
2023	23.32	22.41	25.87
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, 2024

	KAR Mid Cap Growth (gross)	KAR Mid Cap Growth (net)	Russell Midcap® Growth Index
Alpha	0.31	(0.44)	0.00
Sharpe Ratio	0.68	0.63	0.72
Information Ratio	0.03	(0.10)	N/A
Beta	1.01	1.01	1.00
Downside Capture	105.80	107.52	100.00
Tracking Error	6.52	6.52	N/A

\*January 1, 2012

<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. 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.**

# Mid Cap Growth Composite

## Fourth Quarter 2024

### 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)
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
2022	(32.45)	(33.36)	(26.72)	26.48	24.87	248	0.31	1,785	33,531
2023	23.32	21.75	25.87	23.17	21.36	229	0.48	1,971	41,186

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, 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 Growth Composite has had a performance examination for the period from January 1, 2012 through December 31, 2023. 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 Growth Portfolios. Mid Cap 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. Prior to April 2024, the name of the composite was the Mid Cap Sustainable Growth Composite. 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 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 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.