

## Small-Mid Cap Growth Portfolio

Fourth Quarter 2024

### Portfolio Review

The Small-Mid Cap Growth portfolio underperformed the Russell 2500 Growth Index in the fourth quarter. Poor stock selection in industrials and information technology detracted from performance. Good stock selection and an underweight in health care and an underweight in materials contributed positively to performance.

There was a clear preference this quarter for lower-quality companies. We saw a clear effect by a variety of factors, including stock ranking, credit quality, beta, and return on equity whereby lower quality companies saw much stronger performance in the quarter.

The biggest contributors to performance during the quarter were HealthEquity and Fair Isaac.

- HealthEquity reported strong growth in new health savings accounts and strong custodial growth. We believe the company could also benefit if interest rates do not decline as much as previously expected because it holds large cash balances.
- Fair Isaac reported strong growth in its high-margin Scores business due to price increases more than offsetting weaker lending volumes. Meanwhile, we believe the Software business continues to gain traction with its FICO platform solution.
- Other top contributors included Ollie's Bargain Outlet, West Pharmaceutical Services, and Clearwater Analytics.

The biggest detractors from performance during the quarter were Advanced Drainage Systems and HEICO.

- Advanced Drainage Systems has faced weak demand for non-residential construction pipe products which has pressured the growth of the business.
- During the quarter, HEICO forecasted financials below expectations due to an overall slightly weaker aerospace market. Shares have outperformed in prior quarters, so we believe this was driven by momentum versus structure.
- Other bottom contributors included Simpson Manufacturing, Celsius Holdings, and POOLCORP.

### Purchases and Sales

During the quarter, there were no new purchases or complete sales from the portfolio.

### 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.

### Portfolio Highlights

**Style:** Small-Mid Cap  
**Sub-Style:** Growth  
**Index:** Russell 2500™ Growth  
**Portfolio Inception:** 2018  
**Portfolio Assets:** \$697.3 M\*  
**Portfolio Turnover:** 25%–35%

### Investment Management Team

Name	Research Start Date
<b>Julie Biel, CFA</b> Portfolio Manager + Senior Research Analyst	2004
<b>Chris Wright, CFA</b> Portfolio Manager + Senior Research Analyst	2012
<b>Todd Beiley, CFA</b> Senior Research Analyst	1999
<b>Jon Christensen, CFA</b> Senior Research Analyst	1995
<b>Julie Kutasov</b> Senior Research Analyst	2001
<b>Craig Stone</b> Senior Research Analyst	1990
<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 December 31, 2024

Company	Percent of equity (%)
Ryan Specialty	6.5
HEICO	5.7
Tyler Technologies	4.9
HealthEquity	4.5
West Pharmaceutical Services	4.4
<b>Total</b>	<b>26.0</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

<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>

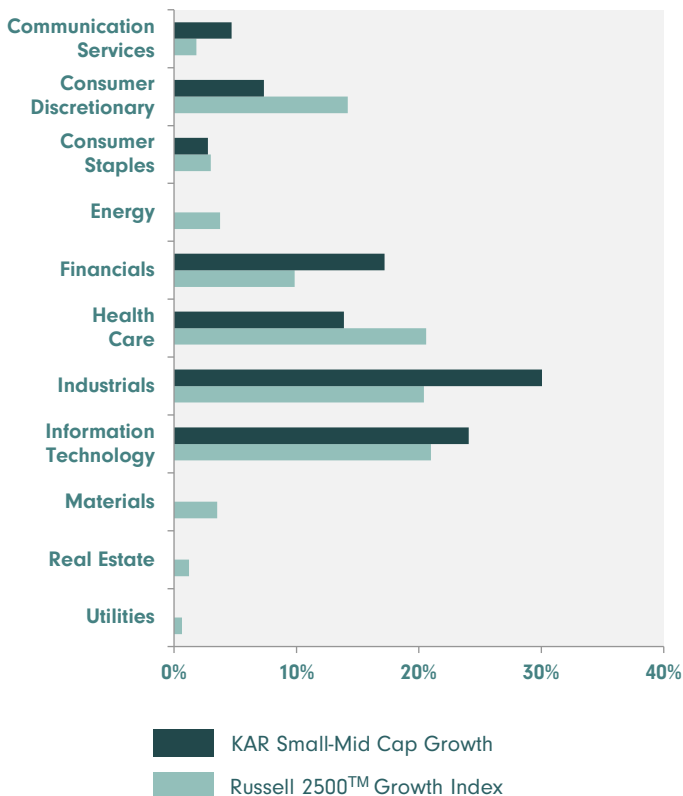
Seeking Higher Quality

Seeking Stronger, More Consistent Growth

Seeking Better Value

## Sector Diversification

As of December 31, 2024



## Portfolio Characteristics

As of December 31, 2024

	KAR Small-Mid Cap Growth	Russell 2500™ Growth Index
<b>Quality</b>		
Return on Equity—Past 5 Years	18.1%	12.5%
Debt/EBITDA*	1.2 x	1.5 x
Earnings Variability—Past 10 Years	47.7%	76.9%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	12.1%	14.1%
Capital Generation—{ROE x (1-Payout)}	14.6%	11.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	47.2 x	89.2 x
Free Cash Flow Yield†	2.1%	2.0%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap.	\$15.6 B	\$7.3 B
Largest Market Cap	\$48.8 B	\$43.5 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.

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.**

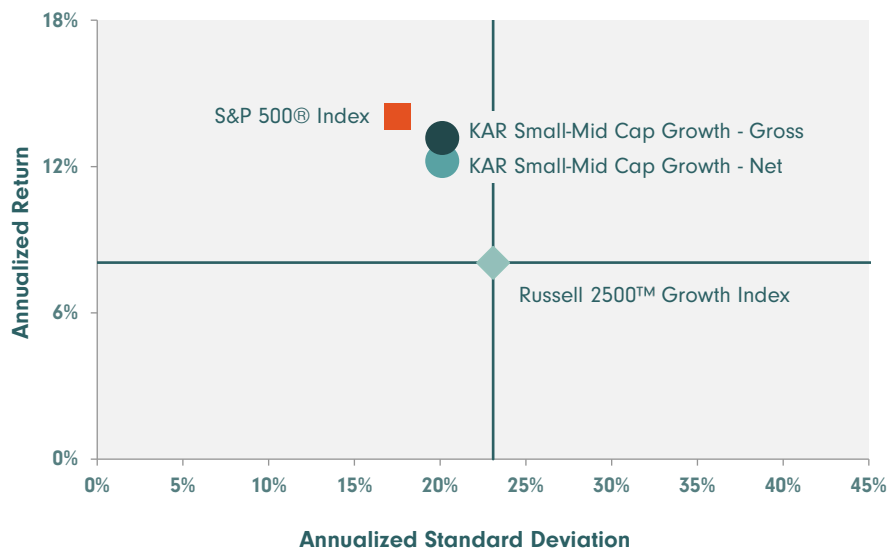
Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

# Small-Mid Cap Growth Portfolio

Fourth Quarter 2024

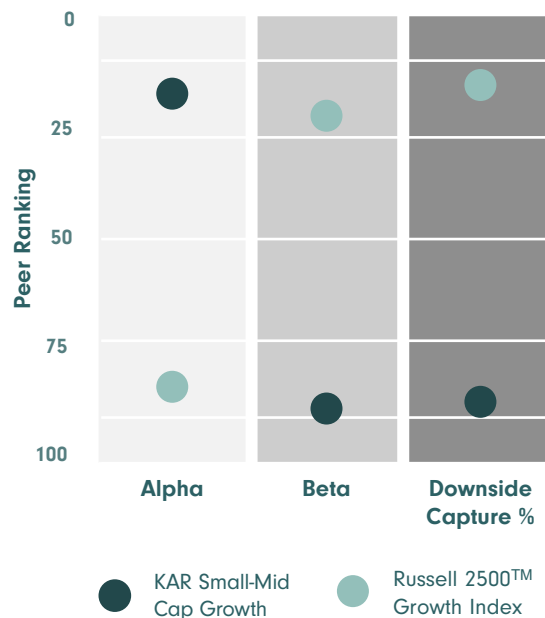
## Risk-Return Analysis

Inception\* to December 31, 2024



## Peer Comparison Chart

Inception\* to December 31, 2024



## Historical Returns

	KAR Small-Mid Cap Growth (gross)	KAR Small-Mid Cap Growth (net) <sup>†</sup>	Russell 2500™ Growth Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of December 31, 2024			
4 <sup>th</sup> Quarter	0.10	(0.11)	2.43
One Year	12.86	11.91	13.90
Three Years	1.89	1.02	(0.02)
Five Years	10.84	9.91	8.08
Inception*	13.18	12.23	8.06
<b>Annual Returns (%)</b>			
2024	12.86	11.91	13.90
2023	20.07	19.06	18.93
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 68 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, 2024

	KAR Small-Mid Cap Growth (gross)	KAR Small-Mid Cap Growth (net)	Russell 2500™ Growth Index
Alpha	5.75	4.86	0.00
Sharpe Ratio	0.53	0.48	0.24
Information Ratio	0.56	0.46	N/A
Beta	0.80	0.80	1.00
Downside Capture	73.26	74.69	100.00
Tracking Error	9.14	9.14	N/A

\*August 1, 2018

<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 0.85% 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 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.**

FOR INSTITUTIONAL USE ONLY

# Small-Mid Cap Growth Composite

Fourth Quarter 2024

## Disclosure

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2500™ Growth Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
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
2022	(21.94)	(22.97)	(26.21)	22.52	25.54	109	0.59	352	33,531
2023	20.07	18.54	18.93	19.56	21.25	100	0.42	471	41,186

\*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, 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 Small-Mid Cap Growth Composite has had a performance examination for the period from August 1, 2018 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 is defined as all fully discretionary institutional and pooled Small-Mid Cap Growth Portfolios. Small-Mid Cap 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. Prior to April 2024, the name of the composite was the Small-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: 0.85% 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. **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 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.