

Small-Mid Cap Core Portfolio

First Quarter 2020



Portfolio Review

The Small-Mid Cap Core portfolio and the Russell 2500 Index both slid into negative territory late in the first quarter, with the Small-Mid Cap Core portfolio outperforming the index. Performance primarily was driven by strong stock selection in the financial services and consumer discretionary sectors. An underweight in utilities and poor stock selection and an underweight in health care detracted from performance, along with a general deterioration of the overall equity markets due to the COVID-19 pandemic.

The biggest contributors to performance during the quarter were DocuSign and MSCI. DocuSign's enabling technology and expanded use cases are likely insulating the company from the impacts of the COVID-19 pandemic. Results prior to the coronavirus showed strong growth and improved profitability. We believe the company will solidify its competitive position in this downturn. MSCI's operational results in the most recent quarter were strong with both revenue and profit growing double digits. These better-than-expected results pushed shares higher in the quarter. While the emergence of COVID-19 caused an initial sell-off in the stock, shares mostly recovered by the end of the quarter as investors believed the company could successfully navigate the current economic uncertainty. Other top contributors included Jack Henry & Associates, Rollins and Scotts Miracle-Gro.

The biggest detractors from the portfolio were Thor Industries and CDW. Thor Industries underperformed as recent economic developments stemming from shelter-in-place restrictions due to COVID-19 are likely to negatively impact the overall demand of new RVs for a period of time. However, we continue to believe Thor's capacity to flex its cost structure protects its business throughout an economic cycle. Despite reporting another excellent quarter, CDW declined due to investor expectations that the company's business volumes may decline as small-to-medium sized businesses hold off on new investments. However, with the recent COVID-19 pandemic, we see opportunities for the company to take share, enabling mid-sized organizations to effectively work from home, and flexing its scale to get access to products, while smaller value-added resellers will likely struggle. Other detractors included FLIR Systems, Lennox International and Winmark.

Purchases and Sales

During the quarter, we purchased Allegian and Equifax and sold Expeditors International of Washington.

Allegian manufactures and sells mechanical and electronic security products and solutions. The company offers door closers and controls; doors and door systems; electronic security products and systems; exit devices; and locks and lock sets. Its leading brands are Schlage, Von Duprin and LCN. The company was spun off from Ingersoll Rand in 2013.

Founded in 1899, Equifax is a leading global provider of information management, transaction processing, and knowledge-based services facilitating consumer and business-initiated financial transactions. It is one of the three largest credit bureaus with databases supporting billions of credit decisions annually.

We sold Expeditors International due to migration towards marine volume, an area in which Expeditors has less structural advantage and control over pricing and capacity. With its strong cash balance sheet, the stock was a relatively stoic performer during the initial phase of the market decline. We used the proceeds toward names that we believe have better long-term return potential.

Outlook

We believe that a few things will need to occur for the economy to begin to emerge from a recession: 1) The number of global COVID-19 cases peak out and decline sequentially; 2) fixed-income spreads stabilize and tighten fairly consistently; 3) returns for the Russell 2000 Index (small-capitalization stocks) are greater than the S&P 500 Index (large-capitalization stocks), particularly on down days; and 4) debt-laden companies perform better (or at least stop going down).

Nobody really knows when this will happen in the future, so what are we doing at KAR? Fortunately, our quality investment style lends itself to owning businesses with more variable cost structures, debt-free balance sheets and positive cash flow. These businesses are not immune to recession, but we believe they have the highest probability of surviving it and will ultimately prosper. As always, we are thinking about the next three-to-five years and we feel very confident that we will recover at some point.

Uncertainty is high in the short-term and predictability is very low over the near-term, but we believe the long-term outlook for our businesses is favorable.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$4,225.5 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	25
Julie Kutasov Portfolio Manager + Senior Research Analyst	19
Craig Stone Portfolio Manager + Senior Research Analyst	31
Todd Bailey, CFA Senior Research Analyst	21
Julie Biel, CFA Senior Research Analyst	12
Chris Wright, CFA Senior Research Analyst	8
Sean Dixon Research Analyst	11
Adam Xiao, CFA Research Analyst	5

Top Five Holdings

As of March 31, 2020

Company	Percent of equity (%)
MSCI	7.0
DocuSign	6.7
Scotts Miracle-Gro	6.0
Teradyne	4.4
AMN Healthcare Services	4.1
Total	28.2

*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. A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. 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 High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	Qualitative Analysis <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market Financial Analysis <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business 	Position Weights <ul style="list-style-type: none"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints Non-U.S. Holdings <ul style="list-style-type: none"> Up to 20% Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10% 	Extended Valuation Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes

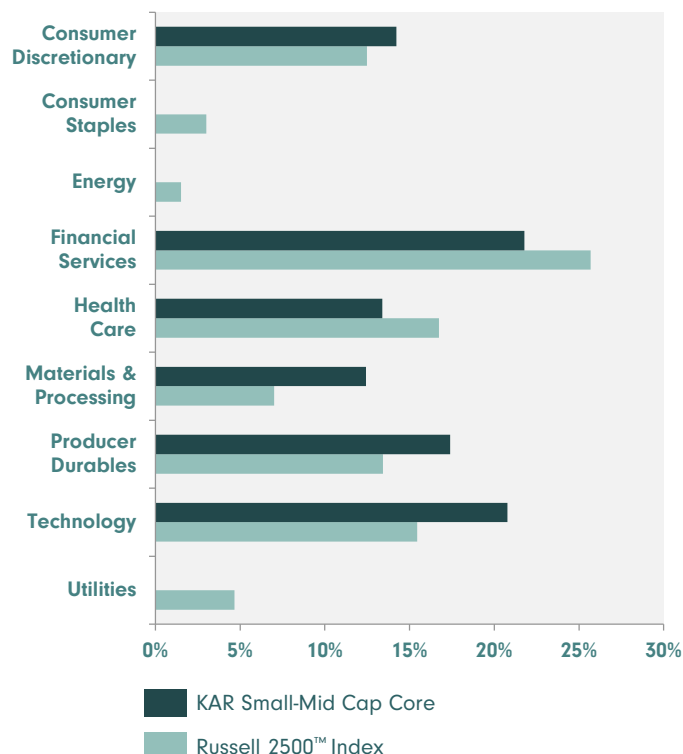
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of March 31, 2020



A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. 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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of March 31, 2020

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity—Past 5 Years	22.9%	11.5%
Total Debt/EBITDA	2.0 x	7.3 x
Earnings Variability—Past 10 Years	40.4%	59.1%
Growth		
Earnings Per Share Growth—Past 5 Years	18.4%	11.7%
Earnings Per Share Growth—Past 10 Years	15.0%	10.4%
Capital Generation—{ROE x (1-Payout)}	18.1%	8.5%
Value		
P/E Ratio—Trailing 12 Months	24.8 x	22.7 x
Dividend Yield	0.9%	2.2%
Free Cash Flow Yield†	4.0%	4.3%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$8.6 B	\$5.1 B
Largest Market Cap—3-Year Avg.	\$18.1 B	\$20.1 B
Annualized Standard Deviation—Since Inception*	14.6%	17.7%

†Free cash flow data is as of December 31, 2019. Prices are as of March 31, 2020. Excludes financials.

*April 1, 1992

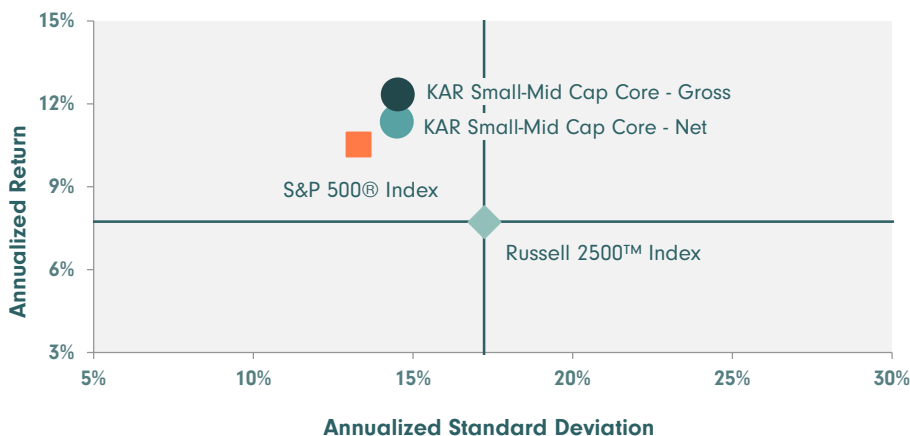
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

Small-Mid Cap Core Portfolio

First Quarter 2020

Strong Risk-Adjusted Returns

Ten Years Ending March 31, 2020



Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) [†]	Russell 2500™ Index
Annualized Returns (%)[†]			
As of March 31, 2020			
1 st Quarter	(16.18)	(16.38)	(29.72)
One Year	2.19	1.27	(22.47)
Three Years	8.19	7.22	(3.10)
Five Years	9.39	8.42	0.49
Seven Years	11.81	10.81	4.91
Ten Years	12.35	11.36	7.73
Inception*	10.85	9.80	9.14
Annual Returns (%)			
2019	40.77	39.54	27.77
2018	(4.41)	(5.27)	(10.00)
2017	19.77	18.71	16.81
2016	17.30	16.26	17.59
2015	6.16	5.23	(2.90)
2014	9.74	8.74	7.07
2013	31.61	30.47	36.80
2012	8.82	7.90	17.88
2011	8.45	7.56	(2.51)
2010	20.46	19.27	26.71
2009	30.58	29.31	34.39
2008	(30.20)	(30.92)	(36.79)
2007	0.35	(0.66)	1.38
2006	13.83	12.71	16.17
2005	3.13	2.09	8.11
2004	14.19	13.03	18.29
2003	24.81	23.60	45.51
2002	(16.98)	(17.83)	(17.80)
2001	5.06	4.03	1.22
2000	23.80	22.58	4.27
1999	6.09	5.06	24.14
1998	21.39	20.20	0.38
1997	20.82	19.63	24.36
1996	27.00	25.74	19.03
1995	17.47	16.30	31.70
1994	2.75	1.74	(1.05)
1993	20.00	18.84	16.55
1992 [§]	9.65	8.85	11.36

*April 1, 1992

[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

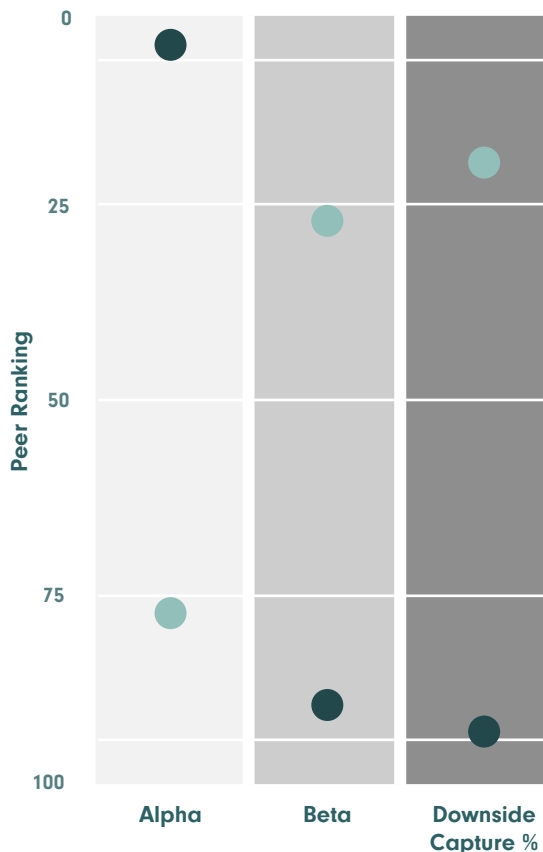
[‡]Net of all fees and expenses. Assumes a 0.90% annual fee.

[§]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 preliminary and gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. The Small-Mid Cap Core Universe includes all managers categorized in the small-mid cap core asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.**

Peer Comparison Chart

Ten Years Ending March 31, 2020



● KAR Small-Mid Cap Core
● Russell 2500™ Index

Performance Statistics

Ten Years Ending March 31, 2020

	KAR Small-Mid Cap Core	Russell 2500™ Index
Annualized Return	12.35	7.73
Annualized Standard Deviation	14.52	17.23
Alpha	5.72	0.00
Beta	0.79	1.00
Sharpe Ratio	0.81	0.42
R-Squared	86.99	100.00



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Disclosure

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small-Mid Cap Core Composite has been examined for the period from January 1, 1999 through December 31, 2018. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC, 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. Kayne Anderson Rudnick Investment Management, LLC 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 Small-Mid Cap Core Portfolios. Small-Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index 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 composite was created in July 2000. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Prior to January 1, 2011, the composite minimum was \$250,000. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. From July 1, 2000 to December 31, 2010, only non-taxable Small-Mid Cap Core Portfolios are included in the composite. As of January 1, 2011, the composite was redefined to include both taxable and tax-exempt accounts. This composite contained < 1% non-fee-paying portfolios as of each annual period from 2013-2018.

The standard management fee schedule currently in effect is as follows: 0.90% for the first \$25 million; 0.80% on the next \$25 million; 0.75% on the next \$50 million; 0.60% on the balance. Prior to January 1, 2013, the standard management fee schedule in effect for this strategy was as follows: 0.85% for the first \$25 million; 0.70% on the next \$25 million; 0.60% on the next \$50 million; 0.50% on the balance. 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. Prior to January 1, 2011, the highest tier assumed of the standard management fee schedule for this product was 1.00%.

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 ended at the following dates:

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2011	18.53	23.73
2012	15.19	19.24
2013	12.17	15.85
2014	10.27	11.84
2015	12.23	12.59
2016	12.63	13.86
2017	11.15	12.31
2018	13.31	14.30

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2500™ Index Annual Return (%)	Internal Dispersion
2009	4,010	22	12	30.58	29.31	34.39	0.47
2010	4,729	25	9	20.46	19.27	26.71	0.13
2011	5,232	37	25	8.45	7.56	(2.51)	0.13
2012	6,545	40	26	8.82	7.90	17.88	0.12
2013	7,841	59	27	31.61	30.47	36.80	0.24
2014	7,989	21	20	9.74	8.74	7.07	0.26
2015	8,095	21	18	6.16	5.23	(2.90)	0.23
2016	9,989	34	39	17.30	16.26	17.59	0.13
2017	14,609	137	83	19.77	18.71	16.81	0.31
2018	17,840	111	92	(4.41)	(5.27)	(10.00)	0.19

The Russell 2500™ Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.