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Kayne Anderson Rudnick Investment Management

Kayne Anderson Rudnick Investment Management, LLC

2000 Avenue of the Stars, Suite 1110

Los Angeles, CA 90067

(800) 231-7414

kayne.com

March 26, 2025

This brochure (the "Brochure") provides information about the qualifications and business practices of Kayne Anderson Rudnick Investment Management, LLC ("Kayne Anderson Rudnick" or "KAR" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at +1.800.231.7414 and/or compliance@kayne.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Kayne Anderson Rudnick is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information you can use to determine whether to hire or retain an adviser.

Additional information about KAR is also available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with KAR who are registered as investment adviser representatives of KAR.

Item 2 – Material Changes

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. You will receive a Brochure of any material changes to this and subsequent Brochures within 120 days of the close of the fiscal year of our business, which is December 31. We will provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Where possible, we will provide our Brochure, including any updates, electronically to the primary e-mail address we have on file for you. At any time, you may also request our Brochure by contacting Compliance at +1-800-231-7414 or compliance@kayne.com. Our Brochure is available on our website, kayne.com, and is also free of charge upon request.

Material Changes

There have been no material changes made to this Form ADV, Part 2A since our last annual update dated March 27, 2024.

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Item 4 – Advisory Business

Kayne Anderson Rudnick Investment Management, LLC ("KAR", "Kayne Anderson Rudnick", or the "Firm") is 100% owned by Virtus Investment Partners, Inc. (NYSE: VRTS) ("VRTS" or "Virtus"), a publicly traded multi-manager asset management business. KAR has been an SEC-registered investment adviser since 1985.

KAR provides discretionary advisory and sub-advisory investment services and manages investment advisory accounts in its various investment strategies for institutions, charitable organizations and endowments, professional and religious organizations, corporations and other commercial entities, pension and profit-sharing plans, insurers, banks, family offices, private pooled funds, open-end investment companies including exchange-traded funds ("ETFs"), UCITS, collective investment trusts, registered investment advisers, individuals, trusts, and estates. These services are tailored to the needs and investment mandates of each client, and clients can generally impose restrictions on investing in certain securities or types of securities in their accounts managed by the Firm when negotiating their investment advisory agreement. KAR provides investment advisory services for accounts that are (i) established directly with the client; (ii) introduced through wrap-fee and other separately-managed account programs of other financial-services firms, such as broker-dealers, registered investment advisers, and other intermediaries; or (iii) sub-advisory relationships with affiliated and non-affiliated U.S. and non-U.S. mutual funds.

Assets under Management

As of December 31, 2024, KAR's total assets under management was approximately $67,876,800,000, of which $45,493,900,000 is regulatory assets under management and $22,382,900,000 is model/emulation assets under contract. Model/emulation assets refer to assets that KAR is under contract to deliver a model portfolio for and are not considered regulatory assets under management.

Advisory Services – Institutional

KAR provides investment services and manages investment advisory accounts for U.S. and non-U.S. corporations and other commercial entities, institutions, charitable organizations and endowments, family offices, professional and religious organizations, pension and profit-sharing plans, insurers, banks, open-end investment companies, closed-end funds, EU UCITS, EU AIFMs, and other non-U.S. fund structures. KAR manages these accounts subject to each client's investment guidelines. KAR is also the adviser to the Kayne Anderson Rudnick Collective Investment Trust (the "CIT"). SEI Trust Company is the Trustee of the CIT, and SEI Institutional Transfer Agent Inc. serves as transfer agent for the CIT.

Advisory Services – Mutual Funds and ETFs

KAR provides investment management services to the following portfolios, all of which are sponsored and distributed by an affiliate of KAR, as a sub-adviser under sub-advisory agreements with Virtus Investment Advisers, LLC, which is an affiliate of KAR:

- Virtus KAR Capital Growth Fund
- Virtus KAR Capital Growth Series
- Virtus KAR Developing Markets Fund
- Virtus KAR Emerging Markets Small-Cap Fund
- Virtus KAR Equity Income Fund
- Virtus KAR Equity Income Series
- Virtus KAR Global Quality Dividend Fund
- Virtus KAR Global Small-Cap Fund
- Virtus KAR Health Sciences Fund
- Virtus KAR International Small-Mid Cap Fund
- Virtus KAR Long/Short Equity Fund
- Virtus KAR Mid-Cap Core Fund
- Virtus KAR Mid-Cap ETF
- Virtus KAR Mid-Cap Growth Fund
- Virtus KAR Small-Cap Core Fund
- Virtus KAR Small-Cap Growth Fund
- Virtus KAR Small-Cap Growth Series
- Virtus KAR Small-Cap Value Fund
- Virtus KAR Small-Cap Value Series
- Virtus KAR Small-Mid Cap Core Fund
- Virtus KAR Small-Mid Cap Growth Fund
- Virtus KAR Small-Mid Cap Value Fund
- Virtus Tactical Allocation Series (Equity Portion)
- Virtus Tactical Allocation Fund (Equity Portion)

Advisory Services - UCITS and Other Vehicles

KAR is authorised by (though not regulated or supervised by) the Central Bank of Ireland to provide investment management services to Irish-authorized collective investment schemes and, as such, KAR provides investment management services to the following funds, each of which are UCITS funds distributed by VP Distributors, LLC, an affiliate of KAR:

- Virtus GF Global Small Cap Fund
- Virtus GF U.S. Small Cap Focus Fund
- Virtus GF U.S. Small Cap Growth Fund
- Virtus GF U.S. Small-Mid Cap Fund
- Virtus GF U.S. Mid Cap Core Fund
- Virtus GF U.S. Mid Cap Growth Fund

KAR also provides investment management services as adviser or sub-adviser to other non-affiliated U.S.- and non-U.S. mutual funds, UCITS funds, and EU AIFMs. KAR provides investment management services as investment manager to other non-affiliated non-U.S. pooled investment vehicles.

Advisory Services – Wrap Programs and Dual Contract

In wrap-fee accounts, KAR is chosen by the client to act as an investment adviser or sub-adviser through a selection process administered by the wrap program sponsor. The client information compiled through the selection process enables KAR to provide individualized investment services, which it maintains through ongoing contact with the wrap sponsor. In dual contract accounts, a participant enters into an investment advisory agreement with KAR and a separate agreement with the program sponsor. Dual contract programs are generally managed in a manner similar to wrap programs as discussed throughout this Brochure.

KAR serves as investment adviser under certain wrap programs and as investment sub-adviser under other wrap programs (including dual contract programs), and at times acts in both capacities under different programs sponsored by the same financial-services firm. Wrap-program sponsors typically offer comprehensive brokerage, custodial, and advisory services for a single "wrap fee," based on a percentage of assets under management. The wrap sponsor pays KAR a portion of the wrap fee in connection with the advisory services it provides. Under

some arrangements, the wrap sponsor and KAR each charge a separate fee for their respective services. Dual contract clients have an investment advisory agreement directly with KAR and pay investment advisory fees directly to KAR in accordance with such investment advisory agreement and such fees are in addition to any fees paid by the client to their dual contract program sponsor.

Wrap-account and dual contract clients invest in KAR's model investment strategies. Non-wrap clients also invest in KAR's model strategies. The model strategies that are generated for each investment strategy are implemented across all client accounts, whether wrap or non-wrap. Deviations from the model portfolio can occur for various reasons, including to accommodate specific investment guidelines of an individual client and, as a result, certain accounts may not be aligned with a strategy's model portfolio and performance differences can occur between such an account and the model portfolio for the strategy.

The wrap sponsor's and dual contract sponsor's services include, in addition to assistance with the selection of one or more investment advisers, asset allocation advice; execution of portfolio transactions (free of commissions); custodial services, including trade confirmation and periodic reporting; continuing evaluation of investment performance; and consultation on investment objectives and suitability. Each client should evaluate whether a given wrap or dual contract program is suitable for his or her needs. Clients of wrap programs should consider, depending upon the level of the single fee charged under a wrap program, the package of services provided by the wrap sponsor. Based upon the amount of portfolio activity, or turnover, in the account and the value of custodial and portfolio monitoring services, the single fee that a wrap client pays their wrap sponsor can be higher or lower than the total cost of all services the client is receiving if they were to pay for each service separately. KAR's investment strategies often have relatively low rates of portfolio turnover and, for wrap programs that include investment strategies with low rates of turnover, the single all-inclusive fee that a wrap client pays to their wrap sponsor could be more than if the client was paying solely an asset-based investment advisory fee alongside applicable brokerage commissions and custodial and other fees charged by such client's broker-dealer(s) and custodial bank(s). Clients should assess the overall level of service provided by their wrap sponsor alongside other factors described within this Brochure when determining whether a given wrap program is suitable for his or her needs.

Advisory Services – Unified Managed Accounts (UMA)

KAR provides investment advisory services, as sub-adviser or model provider, to other investment advisers that seek specific securities-related advice and recommendations. The advice and recommendations are provided through the development of unified managed accounts ("UMAs") or other model-driven programs. KAR does not enter into a direct relationship with the clients of these investment advisers and does not provide administrative or account-specific performance reporting services to those clients. KAR typically provides periodic market commentary and information relating to the performance of its models to these investment advisers but does not initiate any trading in the UMAs to these investment advisers. However, at the direction of these investment advisers, KAR can implement trading in these UMAs. KAR recommendations that are provided to investment advisers are used by such investment advisers in their sole discretion, and therefore, it is at the investment adviser's discretion whether and to what extent to implement the UMA or each recommendation.

KAR provides investment advisory services to UMA or model-driven platforms in investment strategies where our portfolios hold positions where limited liquidity or other liquidity constraints could pose an issue in UMA or other model-driven platform trading implementation. In these circumstances in its sole discretion, KAR implements a "Liquidity Overlay Model" that holds replacement securities with more favorable liquidity generally without materially altering the characteristics of the portfolio. A replacement security can be a completely new holding, a current holding (or holdings) with a higher weight, or a combination of these as determined by the strategy's portfolio manager. The determination to deploy a Liquidity Overlay Model in place of the standard model of the investment strategy is the result of an analysis of the strategy's and the firm's assets under management, position weights in the model portfolio, and historical volume data based on anticipated access to liquidity in the holdings. Based on this review, a determination is made by the portfolio manager(s) as to which security (or securities) need to be replaced with alternative securities in the Liquidity Overlay Model and, in doing so, KAR seeks to minimize differences between the standard model of the investment strategy. For example, a replacement security for the Liquidity Overlay Model will likely be from the same sector as the security it is replacing and will be initiated at a similar weight of the replaced security. KAR deploys the same level of analysis and due diligence to the replacement security for the Liquidity Overlay Model. In addition, the replacement security is generally held in at least one other strategy managed by KAR. Performance of a Liquidity Overlay Model will differ from the standard model of the investment strategy as a result of this process. Any reporting provided by KAR that includes composite performance of a strategy that also has a Liquidity Overlay Model includes composite performance for the standard model and not the Liquidity Overlay Model.

Wealth Advisory Services

Kayne Anderson Rudnick Wealth Advisors ("KARWA"), a division of KAR, makes available a full suite of Wealth Advisory services to the Firm's private clients and their associated organizations. These services are offered in a "modular" fashion, customized to meet the individual needs of each client. The Firm facilitates the use of strategic third-party business partners to provide a customized solution in areas such as estate planning, tax advisory services, risk management services and lending services. The provision of these services is subject to a separate agreement between clients and the third-party business partner.

The services that KAR makes available to its wealth advisory clients include:

Investment Advisory: Through an interview process, KARWA assists each client in developing customized long-term goals and objectives for the clients' capital managed by the Firm. KARWA designs a customized portfolio solution for each client that reflects a combination of each client's investment profile and the Firm's capital market outlook. Client portfolios are opportunistically rebalanced based on changes in capital markets and/or changes in the clients' life circumstances. The Firm operates within an open architecture platform that is designed to provide a robust set of investment solutions (proprietary and non-proprietary) for our clients.

KAR participates in a number of arrangements where it receives a model and will exercise investment discretion for Wealth Advisory clients invested in such model portfolios. It is at KAR's discretion whether or not and to what extent to implement the models or each recommendation. In certain other cases, KAR contracts with sub-advisers who have discretion over Wealth Advisory clients' assets allocated to the sub-adviser's strategy or strategies.

Financial Planning: KARWA offers customized financial planning services, including retirement and cash-flow planning, risk management, estate planning and wealth transfer, charitable gifting solutions and tax planning. The Firm often utilizes strategic third-party business partners who are experts in such complex areas to provide customized solutions for our clients.

The Firm does not as a matter of course conduct ongoing reviews of its clients' financial plans; however, a client and their wealth advisor may mutually agree to have the Firm perform an ongoing review of a client's financial plans at a client's request. The frequency of an ongoing review of a client's financial plan will be mutually agreed upon by the client and KAR. KAR does not charge its clients additional fees for any financial planning services it provides, and any such services are included in the Wealth Advisory or investment management fees it charges such clients.

Concentrated Portfolio Solutions: The Firm works with third-party business partners and/or sub-advisers that are able to provide liquidity solutions for our clients who receive equity grants as part of their corporate compensation plan. These services include: 1) tax-managed portfolio transition services, 2) hedging services, and 3) exchange fund solutions.

Consulting Services for Wealth Advisory Clients: The Firm provides a full suite of consulting services to our Wealth Advisory Clients. These services include: 1) investment policy statement design and implementation, 2) strategic asset allocation and portfolio design, 3) investment strategy and manager due diligence and selection, 4) portfolio transition analysis and execution, 5) portfolio monitoring and reporting, 6) consolidated performance reporting, and 7) quarterly reporting including macro-economic and capital markets updates. All such services are typically provided to clients as part of the Wealth Advisory or investment management fees they pay to us, unless another arrangement is mutually agreed with the recipient of any such services.

KARWA Wealth Advisory Clients

For each Wealth Advisory client, KARWA creates a portfolio consisting of one or more of the following: individually managed securities managed by KAR or a designated affiliated or non-affiliated sub-adviser, mutual funds managed by KAR, mutual funds affiliated with KAR, non-affiliated mutual funds, exchange-traded funds, limited partnerships or other pooled vehicles, structured notes, concentrated portfolio solutions, or any combination of these.

Under no circumstances does KAR provide accounting, legal or tax advice. Before implementing recommendations made by KAR, clients should carefully consider the benefits and costs of the investments or strategies held by KAR, and clients should seek further advice from their attorneys and/or accountants, particularly in connection with estate planning, taxes, or business financial planning issues.

Advisory Services – Other

Under certain circumstances, clients of KAR request that KAR trade a security categorized as an "unsupervised" or "unmanaged" asset. An unsupervised or unmanaged asset is an asset managed by KAR's client and not charged an investment management or advisory fee by KAR. As an accommodation to our clients, KAR effects transactions in such unsupervised or unmanaged assets only at its clients' specific instruction on a best-efforts basis using its trading skills and infrastructure on the client's behalf and does not charge any fees to the client to do so. KAR is not a broker-dealer and is not required or equipped to effect transactions immediately.

Types of Investments

KAR offers investment advice on the following types of instruments: equity securities (common stocks and equivalents) including exchange-listed securities; over-the-counter securities; foreign issues; warrants; corporate-debt securities (other than commercial paper); certificates of deposit; municipal securities; government agencies; mortgage- and asset-backed securities; investment company securities, including traditional mutual-fund shares and exchange-traded funds; and United States government securities. KAR also offers investment advice, where appropriate, on options contracts on securities, interests in partnerships or other pooled vehicles investing in real estate and oil and gas interests, structured notes, private equity, and various exchange-traded funds. KAR does not generally advise on or select cash sweep vehicles for cash held in clients' portfolios, and generally leaves such determination to its clients' to decide with their custodian.

Item 5 – Fees and Compensation

This section describes KAR's standard fee schedules. KAR, in its sole discretion, can and does negotiate its fees where special circumstances exist with any particular client, as each client's circumstances may vary. KAR can and does often determine to group multiple accounts of one client relationship together for purposes of calculating its fee, and KAR can and does determine not to charge a fee to certain accounts of a client because of the overall fee the client is paying on the total relationship assets under management with us. This is done on a case-by-case basis pursuant to each client's agreement with us and is not automatic. KAR reserves the right to negotiate its fees with clients and can and does charge higher or lower fees than those described herein. KAR believes that its fees are competitive with those charged by other investment advisers for comparable services; however, similar services are available from other sources for fees below those charged by KAR.

The fees KAR charges its clients are reflected in a client's written agreement with KAR. Clients can elect to be billed directly for fees or to authorize KAR to directly debit fees from their custodial accounts. Accounts are typically charged a management or advisory fee based on the amount of assets under management. Fees are typically payable quarterly in advance based on the fair market value of the account as of the last day of the prior period. Fees can also be payable in arrears based on a three-month average of fair market value of the account or in arrears based on the fair market value of the account on the last day of the period. KAR also considers other billing methods upon request. A limited number of KAR's direct accounts are charged a fixed fee.

Clients may generally terminate their investment management or wealth advisory agreement upon written notice at any time and for any

reason. Upon termination, clients receive a pro-rata refund of any fees paid in advance, if applicable. For accounts that are billed in arrears, an invoice is issued that includes the fee calculation based on the final balance as of the termination date. A termination fee may be applicable, as discussed in the specific fee schedule applicable to the account.

KAR's fees are separate from and do not include applicable brokerage commissions, transaction fees and other related costs and expenses that are incurred by the client by or through the client's external brokerage or custodial accounts. Please refer to Item 12, Brokerage Practices, of this Brochure for more information on our brokerage practices. Clients can also incur certain other charges imposed by custodians, brokers, third-party investments and other third parties in connection with KAR's advisory services described throughout this Brochure, including fees charged by third-party managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, certain of which are provided in a separate agreement between the client and the third-party providers. Mutual funds, closed-end funds, ETFs, and alternative investments have their own operating expenses, including compensation paid to their advisers and sub-advisers and other service providers, as well as other expenses and fees that are in addition to the fees charged by KAR. This information is disclosed in a fund's prospectus or offering documents. Third-party professionals and business partners that KAR introduces to its clients will have their own separate fee arrangement with the client, and those professionals' services are not included in our fee schedule with the client.

Advisory Fees – Wrap / Dual Contract Programs

Where KAR serves as investment adviser to clients of dual contract program sponsors, it contracts separately with each participating client and generally provides the same record-keeping and reporting services as it provides to direct-fee clients. In such cases, KAR's fee is paid directly by the client or authorized by the client for payment directly from the client's custodial account. Fees range from 0.45% to 1.25% per annum of the market value of the client's account and will be specified in the client's advisory agreement.

When KAR serves as an investment adviser or sub-adviser to wrap program sponsors, it contracts with the wrap sponsor for its services rather than the clients of the sponsor. The wrap sponsor serves as a master investment adviser and is responsible for much of the client record keeping and reporting. The management fees payable to KAR as investment adviser or sub-adviser to a wrap program sponsor are lower than those paid to KAR as investment adviser in a dual contract relationship, reflecting that some of the services it would otherwise provide are provided instead by the program sponsor in its capacity as wrap program sponsor. The fees paid to KAR by the wrap sponsor in cases where KAR serves as investment adviser to a wrap program sponsor range from 0.40% to 0.60% per annum of the market value of the client's account.

Advisory Fees – Model Portfolios

KAR provides investment advisory services, as sub-adviser, to unaffiliated investment advisers that seek specific securities-related advice and recommendations. The advice and recommendations are provided through the development of model portfolios. KAR receives an annual management fee ranging from 0.20% to 0.55% of the market value under management for these model portfolios.

Advisory Fees – Institutional

Annual Fee Schedule for Institutional Accounts

Minimum Relationship Size: $10 million for all strategies with the exception of our international and global strategies, which generally require a minimum investment of $25 million and include the following: Developing Markets, International Small Cap, International Small-Mid Cap, Emerging Markets Small Cap, Global Dividend Yield, and Global Small Cap.

Large Cap Equity: 0.60% on the first $25 million; 0.55% on the next $25 million; 0.45% on the next $50 million; and 0.35% on the balance.

U.S. Mid Cap Equity: 0.75% on the first $25 million; 0.65% on the next $25 million, 0.55% on the next $50 million; and 0.50% on the balance.

U.S. Small-Mid Cap Equity: 0.85% on the first $25 million; 0.75% on the next $25 million; 0.70% on the next $50 million; and 0.60% on the balance.

U.S. Small Cap Equity: 0.90% on the first $25 million; 0.80% on the next $25 million; and 0.70% on the balance.

Small Cap Quality Select: 1.25% on all assets.

Long/Short Equity: 1.20% on all assets.

Emerging Markets Small Cap Equity: 0.95% on the first $50 million; 0.85% on the next $50 million, 0.75% on the balance.

International Small Cap and International Small-Mid Cap Equity: 0.90% on the first $50 million; 0.80% on the next $50 million; 0.70% on the next $100 million; 0.60% on the balance.

Developing Markets Equity: 0.90% on the first $50 million; 0.80% on the next $50 million; 0.70% on the balance.

Global Dividend Yield and U.S. Equity Income: 0.70% on the first $25 million; 0.55% on the next $25 million; 0.45% on the next $50 million; 0.35% on the balance.

Global Small Cap Equity: 0.90% on the first $50 million; 0.80% on the next $50 million; 0.70% on the next $100 million; 0.60% on the balance.

Health Sciences: 0.75% on the first $50 million; 0.65% on the next $50 million; 0.50% on the balance.

Thematic Quality: 0.75% on the first $25 million; 0.65% on the next $25 million; 0.55% on the next $50 million; 0.50% on the balance.

Global Impact-Aligned: 0.75% on the first $25 million; 0.65% on the next $25 million; 0.55% on the next $50 million; 0.50% on the balance.

Advisory Fees – Collective Investment Trust

Investment management fees for collective investment trusts that KAR advises range from 0.40% to 0.95% of the market value under management.

Advisory Fees – Mutual Funds

KAR receives an annual management fee ranging from 0.23% to 0.85% of the market value under management for sub-advising affiliated and non-affiliated mutual funds.

Advisory Fees – Wealth Advisory Clients

Kayne Anderson Rudnick Wealth Advisors ("KARWA")– Wealth Advisory Client Fee Schedule

Minimum Relationship Size: $1 million

Minimum Fee: The minimum annual fee per relationship is $10,000. Relationships below the annual minimum will be billed $2,500 on a quarterly basis.

Wealth Advisory Fee Schedule

Assets under Advisement	Annual Fee
First $3 Million	1.00%
Next $2 Million	0.80%
Next $5 Million	0.70%
Additional Assets	0.60%

Additional Fees for Wealth Advisory Accounts

Separately Managed Account Fees:

Separately managed accounts ("SMAs") are accounts with individually managed securities in strategies advised or sub-advised by any of the following parties: (1) KAR; (2) an affiliate of KAR; or (3) an investment adviser who is not affiliated with KAR.

For KARWA clients with SMAs as part of their asset allocation, an additional fee of 0.30% per annum will be assessed on assets in those SMAs, with the exception of SMAs in KAR's Small Cap Quality Select investment strategy. SMAs in KAR's Small Cap Quality Select investment strategy are charged an additional fee of 1.25% per annum on those assets. Together, these fees are "SMA Fees."

These SMA Fees are charged on standard taxable accounts and IRA accounts and KAR can and does, in its sole discretion, waive certain SMA Fees for certain accounts depending on various circumstances, including but not limited to the size and type of the relationship. For ERISA accounts (which does not include IRA accounts), these SMA Fees are only charged where the SMAs are advised or sub-advised by an investment adviser who is not affiliated with KAR.

The recommendation for a client to invest in a SMA managed by KAR or one of its affiliates presents a conflict of interest because clients pay fees when investing in a SMA that are in addition to their management or advisory fees paid to KAR for its wealth advisory services, and KAR or its affiliates' earn additional revenue in these circumstances.

Proprietary and Affiliated Mutual Fund Fees:

Accounts can be and are often invested in mutual funds, including exchange-traded funds ("ETFs"), sub-advised by the Adviser, which include the following:

- Virtus KAR Capital Growth Fund
- Virtus KAR Developing Markets Fund
- Virtus KAR Emerging Markets Small-Cap Fund
- Virtus KAR Equity Income Fund
- Virtus KAR Global Quality Dividend Fund
- Virtus KAR Global Small-Cap Fund
- Virtus KAR Health Sciences Fund
- Virtus KAR International Small-Mid Cap Fund
- Virtus KAR Long/Short Equity Fund
- Virtus KAR Mid-Cap Core Fund
- Virtus KAR Mid-Cap ETF
- Virtus KAR Mid-Cap Growth Fund
- Virtus KAR Small-Cap Core Fund
- Virtus KAR Small-Cap Growth Fund
- Virtus KAR Small-Cap Value Fund
- Virtus KAR Small-Mid Cap Core Fund
- Virtus KAR Small-Mid Cap Growth Fund
- Virtus KAR Small-Mid Cap Value Fund
- Virtus Tactical Allocation Fund (Equity Portion)

Where mutual funds, including ETFs, sub-advised by KAR are utilized, KAR earns an investment advisory fee for its management of the mutual funds from such funds, which is in addition to the Wealth Advisory service fee that it earns, except as described below under "Affiliated Mutual Fund Fees in IRA and ERISA Accounts." KAR's recommendation to invest in mutual funds sub-advised by KAR or KAR's affiliates presents a conflict of interest between KAR and its clients because KAR and/or its affiliates earn additional revenue when clients are invested in mutual funds that are sub-advised by KAR or its affiliates. Clients consent to such use of affiliated mutual funds in their agreements with KAR. Clients can revoke their consent to the use of mutual funds advised or sub-advised by KAR or its affiliates at any time by making a written request to their primary KAR relationship contact. KAR can and frequently does invest a portion of KAR wealth advisory clients' accounts in one or more mutual funds sub-advised by KAR or certain of its affiliates.

Certain of the SMAs and mutual funds advised or sub-advised by KAR may employ relatively new investment strategies that have limited historical track records, whereas other SMAs and mutual funds that are not advised or sub-advised by KAR may have more established investment strategies or longer track records. Where KAR utilizes KAR-advised or sub-advised SMAs or mutual funds of such relatively new investment strategies, it has the effect of supporting the growth of new lines of business of KAR and/or its affiliates which generally has the effect of providing additional revenue to KAR and/or its affiliates over time, and this creates a conflict of interest. KAR believes these conflicts are sufficiently mitigated by KAR's manager due diligence process, as described in greater detail in Item 11. KAR's Wealth Advisory Investment Committee reviews the due diligence of the SMAs, mutual funds, and other investment products included on KARWA's platform and ultimately determines if a manager and/or strategy should be included on the platform and/or remain on the platform. Finally, KAR's wealth advisors are not incentivized by compensation or otherwise to choose KAR's investment strategies, including KAR's SMAs or sub-advised mutual funds, over other comparable strategies available on KAR's Wealth Advisory investment platform.

Affiliated Mutual Fund Fees in IRA and ERISA Accounts

For IRA and ERISA accounts, Wealth Advisory fees are not charged on assets invested in mutual funds sub-advised by KAR or its affiliates,

other than fees directly payable to such funds. Please refer the applicable mutual fund summary prospectus details for the funds' net expense ratios. Fees are in addition to other transaction charges incurred by the funds (e.g., brokerage commissions).

Concentrated Portfolio Hedging Solutions Fees

KAR offers clients the ability to manage their assets in a concentrated portfolio hedging solution, a service that is designed to take into account concentrated stock positions clients have and offset the risks of such concentration with other exposures. This solution is provided by an unaffiliated third-party that is a sub-adviser to KAR. Clients utilizing only this portfolio hedging solution will be charged a 1.00% service fee per annum on such assets by KAR. In addition to what KAR charges on such assets, the unaffiliated provider of this service also directly charges such clients separate charges that are in addition to the advisory or management fees paid to KAR and that are pursuant to a separate arrangement between such client and the unaffiliated provider. The minimum account size for clients investing only in this portfolio hedging solution is $500,000. For clients that establish a Wealth Advisory relationship that includes an allocation to this portfolio hedging solution, the minimum eligibility requirements include assets of $1 million or above in the Wealth Advisory relationship plus a minimum investment of $500,000 in the portfolio hedging solution. Clients that establish both a Wealth Advisory relationship and an allocation to the portfolio hedging solution will be charged 0.75% per annum on the assets utilizing the portfolio hedging solution. This is in addition to the fees charged directly to the client by the provider of this service, described above. The portfolio hedging solution is not included in the calculation of break points on the advisory or management fees paid to KAR.

Concentrated Portfolio Solutions - Exchange Fund Service Fee

KAR offers clients the ability to manage their assets in a concentrated exchange fund, a financial product designed to take into account concentrated stock positions clients have and exchange the risk from such concentration with other exposures. The exchange fund product is provided by an unaffiliated third-party fund sponsor. Clients investing in only the exchange fund product will be charged a 1.00% service fee per annum. In addition to what KAR charges on such assets, available exchange funds products also have fees and expenses that are directly charged to such clients that are more fulsomely described in the offering documents related to the applicable exchange fund product. Clients should ensure they have read and understand such offering documents before deciding with their advisor to invest in an exchange fund product. The minimum account size for clients investing only in an exchange fund product is $1 million. For clients that establish a Wealth Advisory relationship that includes an allocation to an exchange fund product, the minimum eligibility requirements include assets of $1 million or above in the Wealth Advisory relationship plus a minimum investment of $1 million in the exchange fund product. Clients that establish both a Wealth Advisory relationship and an allocation to the exchange fund product will be charged 0.50% per annum on the assets in the exchange fund product. This is in addition to the fees and expenses charged directly to the client by the exchange fund product itself, described above. The exchange fund product is not included in the calculation of break points on the Wealth Adviser Service Fee.

Other Investment Products

Other investment products on KAR's wealth advisory platform, including private and other types of funds and commingled vehicles, real estate-related funds (e.g., 1031 exchange funds), direct indexing, options strategies, and any structured products have embedded fees and expenses that are in addition to KAR's Wealth Adviser Service Fee. Clients who are invested in any such investments should carefully review the related offering documentation for such investments and consider the related fees and expenses when deciding with their wealth advisor to make such an investment.

Advisory Fees – Other

KAR does not charge its clients a fee for buying or selling an "unsupervised" or "unmanaged" asset. Client account statements normally include the unsupervised asset, but these assets are not included in the account fee calculations or in account performance.

Item 6 – Performance-Based Fees and Side-By-Side Management

KAR accepts performance-based fees, which are fees based on a portion of capital gains or on capital appreciation of the assets of a client. Performance-based fee arrangements are only entered into with qualified clients, subject to individual negotiation. Such arrangements comply with Section 205 of the Investment Advisors Act of 1940, as amended, and the rules thereunder, and all applicable laws and regulations.

The management of performance-based fee accounts side-by-side with other accounts creates a potential conflict of interest for KAR because of the incentive to favor accounts for which it receives a performance-based fee over accounts on standard fee schedules. KAR mitigates this conflict by following well-defined procedures at the investment strategy level that are intended to ensure that accounts with performance-based fees are not favored in trading over other client accounts within a given investment strategy. KAR informs its clients that it performs investment advisory and investment management services for various clients and gives advice and takes action with respect to one client that differs from advice given or the timing or nature of action taken with respect to another client. It is, however, KAR's policy not to favor or disfavor consistently or consciously any clients or class of clients in the allocation of investment opportunities, with the result that, to the extent practicable, all investment opportunities are to be allocated among clients on a fair and equitable basis over time.

Item 7 – Types of Clients

KAR provides investment services and manages investment advisory accounts for institutions, charitable organizations and endowments, professional and religious organizations, corporations and other commercial entities, pension and profit-sharing plans, insurers, banks, family offices, private pooled funds, open-end investment companies including exchange-traded funds ("ETFs"), registered investment advisers, individuals, trusts, estates, closed-end investment companies, non-U.S. registered and unregistered pooled investment vehicles, and collective investments trusts.

KAR serves as investment adviser under certain wrap programs, as investment sub-adviser under other wrap programs, and at times acts in both capacities under different programs sponsored by the same financial-services firm. KAR provides investment advisory services, as sub-adviser, to investment advisers that seek specific securities-related advice and recommendations. The advice and recommendations are

provided through the development of model portfolios, where applicable.

The minimum size of an institutional account is generally $10 million except for our international strategies, such as International Small Cap, International Small-Mid Cap, Emerging Markets Small Cap, Developing Markets, Global Dividend Yield, and Global Small Cap, which each generally require a minimum investment of $25 million. The minimum size of a Wealth Advisory client account is $1 million. The minimum amount of assets for wrap-program accounts generally ranges from $50,000 to $250,000, depending on the wrap program and the investment strategy of the account. KAR, at its discretion, accepts or continues to provide services to smaller accounts.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

For KARs' proprietary investment strategies, the goal of the Firm's research process is to identify companies with business models that provide competitive protections and control over their markets. KAR uses a disciplined investment process to identify what it believes to be high-quality companies available at reasonable prices. This process focuses generally on consistently growing, highly profitable, low-debt companies with rising cash flows, and also considers strength of management and relative competitive position. The research process is designed to develop a deep understanding of the sources of these competitive protections and control. Further, this analysis should generally lead to a high level of conviction that these protections and controls can be sustained going forward for a security to be considered for investment.

The primary objective of the Firm's research process is to determine if a business possesses a competitive advantage and, if so, to evaluate its durability. As part of this, KAR reviews various sources, including regulatory filings, press releases, and industry data. KAR conducts interviews with management and in many cases meets with company personnel, past and present. This process is intended to identify the unique attributes of a company and evaluate the strength of its competitive barriers. In evaluating a company's competitive advantage, KAR strives to understand the relationship between a business's qualitative attributes and its financial character. In this regard, KAR studies how a company's competitive differentiation translates into its capital efficiency, growth profile, margin history, capital structure, and business resiliency.

Further, KAR assesses the ability of a company's management team to allocate capital in a sensible, shareholder-friendly manner. This means reinvesting capital in a way that reinforces and cultivates the business's competitive advantage and distributing excess cash appropriately. KAR favors companies with high insider ownership because KAR believes it promotes alignment of interests.

Upon completion of the business and industry research, KAR evaluates the market price of the company. Simply stated, KAR estimates the long-term investment return by approximating the long-term discretionary earnings of the business and comparing that to the current price. The acceptable return will vary according to many variables including business predictability, timing and magnitude of shareholder distributions, and KAR's confidence level in its assumptions. KAR generally strives to think like private business buyers and generally seeks to pay a price that will provide an attractive long-term return based on its reasonable, well-informed assumptions.

KAR invests principally in equity securities (e.g., U.S. common stocks, ordinary foreign stocks, GDRs, ADRs, and equivalents) traded on or in a recognized exchange or market. KAR's principal portfolio strategies include large-cap equities and small- to mid-cap equities. Using KAR's investment process, KAR also from time to time identifies, considers, and invests in pre-IPO private placement securities offered under an applicable exemption from registration in the U.S. in the accounts of certain qualified clients with advance express approval of such clients. KAR also offers other, more specialized or concentrated equity strategies.

Where material to a particular investment opportunity and consistent with an investment strategy's investment goals and objectives, KAR seeks to consider governance and sustainability factors that KAR believes could influence risks and rewards related to a company's sources of competitive advantage as an element of KAR's investment research and decision-making processes. However, such governance and sustainability factors are not by themselves determinative to an investment decision. KAR's investment team uses a proprietary governance and sustainability ratings framework to generate governance and sustainability scores for businesses in KAR's investment portfolios. KAR refers to the Sustainable Accounting Standards Board ("SASB") general issue categories as a guide for identifying industry-level material factors included in these ratings, but does not apply universal sustainability criteria for all investments. Instead, KAR prefers to rely on its own company-specific assessment in analyzing issue materiality. KAR assesses its holdings based on these key issues, along with any other financially material sustainability factors, and assigns a rating that is updated at least once per year, or more frequently should a material event occur which could have an impact on KAR's investment thesis. This rating is taken into account similar to any other investment risk and opportunity pertaining to a business. To conduct such analysis, KAR uses data from outside sources as supplemental to its own proprietary process. Such data can be adjusted by KAR's investment team where inaccuracies are found through additional research.

For Wealth Advisory clients, KAR can invest the assets of these clients through sub-advisers and third-party managers. In reviewing investment opportunities, KAR conducts due diligence and research on the sub-advisers and third-party managers to satisfy itself as to the suitability of the third-party manager and sub-adviser. KAR also invests in an array of what it believes to be high-quality fixed-income securities, including U.S. treasuries, government agency bonds, mortgage-backed securities, corporate bonds, and municipal bonds (taxable and non-taxable), with a focus on intermediate-term bonds. KAR offers both taxable and tax-free fixed-income strategies.

Risks of Investing

Clients should understand that all investments made pursuant to the strategies that we offer or advise on involve risk of loss that clients should be prepared to bear, including the potential loss of the entire investment in clients' accounts, which clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investment will fluctuate due to market conditions and other factors. The investment decision made and the

actions taken for client accounts will be subject to various market, liquidity, currency, economic, political, war, and other risks, and will not necessarily be profitable and can lose value. Past performance of client accounts is no guarantee of future performance.

The strategies described in the Investment Strategies section also are subject to the risks summarized below. However, the following list of risk factors is not a complete listing or explanation of the risks involved in an investment strategy. Prospective clients are encouraged to consult their own financial advisers and legal and tax professionals on an ongoing basis in connection with selecting and engaging the services of KAR for a particular strategy. In addition, due to the dynamic nature of investments and markets, strategies can be subject to additional and different risk factors not discussed herein.

The value of a portfolio can be affected by one or more of the following risks, any of which could cause the portfolio's return or the portfolio's yield to fluctuate:

- Market Risk: The value of a portfolio's assets will fluctuate as the stock or bond market fluctuates. The value of your investments can decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- Management Risk: A portfolio is subject to management risk because it is actively managed by KAR's investment professionals. KAR applies its investment techniques and risk analyses in making decisions for your portfolio, but there is no guarantee that these techniques and our judgment will produce the intended results.
- Foreign (Non-U.S.) Risk: A portfolio's investments in securities of non-U.S. issuers can involve more risk than those of U.S. issuers. These equities can fluctuate more widely in price and be less liquid due to adverse market, economic, political, regulatory and other factors, including the imposition of tariffs or other levies by the U.S. and foreign governments. Adverse fluctuations in foreign currency values, possible imposition of foreign withholding or other taxes on income payable on the securities, as well as adverse political, social and economic developments, such as political upheaval, acts of terrorism, financial troubles, or natural disasters. Many foreign securities markets are less stable, smaller, less liquid, and less regulated than U.S. securities markets, and the costs of trading in those markets is often higher than in U.S. securities markets. There also can be less publicly available information about issuers of foreign securities compared to issuers of U.S. securities and foreign issuers sometimes are not subject to the same accounting, auditing, and financial recordkeeping standards compared to issuers of U.S. securities. Investments in, or exposure to, foreign securities could be affected by restrictions on receiving the investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations. Transactions sometimes are subject to less efficient settlement practices, including extended clearance and settlement periods.
- Small- and Mid-Capitalization Risk: Investments in small- and mid-capitalization companies are typically more volatile than investments in large-cap companies. Investments in small-cap companies can have additional risks because these companies have limited product lines, markets or financial resources. Investing in smaller companies, some of which can be newer companies or start-ups, generally involves greater risks than investing in larger, more established ones. The securities of companies with smaller market capitalizations often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations. In addition, such securities could be subject to more abrupt or erratic price movements and securities of such issuers can lack sufficient market liquidity to enable the Adviser to effect sales at an advantageous time or without a substantial drop in price. Small-capitalization companies often have limited product lines, narrower markets and more limited managerial and financial resources, or can depend on the expertise of a few people, than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a portfolio holding them. In addition to the risks discussed herein for small-capitalization companies, mid-capitalization companies can also have limited product lines, markets or financial resources or can depend on the expertise of a few people and can be subject to more abrupt or erratic market movements than securities of larger, more established companies or the market averages in general. Impacts of adverse market, economic, political, regulatory, and other factors, including the imposition of tariffs or other levies by the U.S. and foreign governments, can adversely affect such companies more than larger capitalization companies.
- Liquidity Risk: Investments in securities that are difficult to purchase or sell (illiquid or thinly-traded securities) can reduce returns if we are unable to sell the securities at an advantageous time or price or achieve a desired level of exposure. In times of market volatility, it is possible to experience elevated transaction volumes and liquidity, but certain securities or classes of securities can still become illiquid or less liquid despite this. Government or regulatory actions can also decrease market liquidity for certain securities. Small-capitalization companies and companies domiciled in emerging markets can in certain market environments pose greater liquidity and price volatility risks. Certain securities that were liquid when purchased can later become illiquid or less liquid, particularly in times of overall economic distress. KAR from time to time can and does own in the aggregate, on behalf of investment advisory clients, a relatively large portion of the shares outstanding of certain companies held across one or more of its investment strategies, in particular in small- and mid-capitalization companies. When this is the case, such positions' liquidity risk profile could be amplified in the event an unexpected event occurs and one of these positions needs to be partially or fully sold in a market environment experiencing depressed trading volumes. In addition, although the fixed-income securities markets have grown significantly in the last few decades, regulations and business practices have led some financial intermediaries to curtail their capacity to engage in trading (i.e., "market making") activities for certain debt securities. As a result, dealer inventories of fixed-income securities, which provide an indication of the ability of financial intermediaries to make markets in fixed-income securities, are at or near historic lows relative to market size. Because market makers help stabilize the market through their financial intermediary services, further reductions in dealer inventories could have the potential to decrease liquidity and increase volatility in the fixed-income securities markets.
- Emerging and Frontier Market Investing Risk: This is the risk that prices of emerging-markets securities will be more volatile or more greatly affected by negative conditions than those of their counterparts in more-established foreign markets. Investments in, or exposure to, securities that are tied economically to emerging markets involve greater risk from economic and political systems that typically are less developed, and likely to be less stable, than those in more advanced economies. Companies operating in emerging and frontier markets may also have less familiarity with what would be considered customary in developed capital markets and could make decisions that would not be considered customary in a developed economy, which can lead to situations that result in an unexpected decrease or disappearance in liquidity in such a

security's shares. Further, emerging and frontier market and less developed countries often have economies that are predominantly based on only a few industries or dependent on revenues from particular commodities. There can also be government policies that restrict investment by foreigners, greater government influence over the private sector than in the U.S., and a higher risk of a government taking private property in emerging and less-developed countries. Investments in, or exposure to, emerging market countries and/or their securities markets can present market, credit, currency, liquidity, legal, political technical and other risks different from, or greater than the risks of investing in developed countries.

- Market Direction Risk (applicable only to Long/Short Strategy): Portfolios in our long/short strategy hold both long and short positions. An investment in a long/short portfolio will involve market risks associated with types of investment decisions that are different from those made for a typical "long-only" portfolio. The portfolio's results could suffer when there is a general market advance and the portfolio holds significant "short" positions or when there is a general market decline and the portfolio holds significant "long" positions. The markets can have considerable volatility from day to day and even in intra-day trading.

- Concentration/Diversification Risk: An account's concentration of investments in securities of a limited number of issuers, industries, sectors, countries, states or regions subjects an account to conditions that can adversely impact the area of concentration. Moreover, concentration of investments of issuers located in a particular state subjects an account to government policies within that state. Similarly, a concentrated account can invest a large portion of its assets in a fewer number of issuers than an account with a larger number of positions. If a relatively high percentage of an account's assets are invested in the securities of a limited number of issuers, the account can be more susceptible to any single economic, political or regulatory occurrence than a more diversified portfolio. It can and sometimes does take additional time to sell all or part of a concentrated investment in a particular security, and consequently, concentrating portfolio investments could also limit the ability of the Fund to take advantage of other investment opportunities.

- Currency Rate Risk: Foreign securities in which an account invests generally trade in currencies other than the U.S. dollar. As such, changes in currency exchange rates will affect the value of an account, the value of dividends and interest earned, and gains and losses realized on the sale of securities. Because the value of an account's shares is calculated in U.S. dollars, it is possible for the account to lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if the local-currency value of the account's holdings goes up. Generally, a strong U.S. dollar relative to other currencies will adversely affect the value of the account's holdings in foreign securities.

- Business Continuity Risk: KAR has adopted a business continuation strategy to maintain critical functions in the event of a partial or total building outage affecting our offices or a technical problem affecting applications, data centers or networks. The recovery strategies are designed to limit the impact on clients from any business interruption or disaster. Nevertheless, our ability to conduct business can be curtailed by a disruption in the infrastructure that supports our operations.

- Cybersecurity Risk: In addition to the risks associated with the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. A breach in cybersecurity refers to both intentional and unintentional events that can cause an account to lose proprietary information. Such events include misappropriating sensitive information, access to digital systems to obtain client and financial information, corrupting data or causing operational disruption. Similar adverse consequences could result from cybersecurity incidents affecting counterparties with which we engage in transactions, third-party service providers (e.g. a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, third-party investment managers, third-party private funds and their sponsors or distributors, banks, broker dealers and other financial institutions, and other parties.

- Governance and Sustainability Integration Risk: Although KAR's consideration of governance and sustainability factors is intended to aid in the evaluation of financial risks and rewards of a given investment and is not expected to by itself determine an investment decision, KAR's consideration of governance and sustainability factors could cause investment strategies to perform differently compared to strategies that do not have such considerations. The relevance and weightings of specific governance and sustainability factors can and does vary across asset classes, sectors, and strategies and no single factor is determinative. There is no guarantee that governance and sustainability integration will enhance the quality of asset allocation or portfolio construction, though for all investment strategies except Global Impact-Aligned, KAR believes this possibility is mitigated by KAR's focus on perceived financial materiality in its integration of relevant governance and sustainability factors in investment decisions. For all strategies, governance and sustainability considerations, at times, might be based on company disclosures or third-party information sources that are forward-looking statements of intent and not necessarily fact-based or objectively measurable, which could result in significant differences in interpretations of a company's governance and sustainability exposures. This lack of uniformity and objective metrics can lead to missed opportunities or miscalculations as to the realized future impact of perceived positive and negative governance and sustainability factors on company fundamentals, leading to different investment outcomes. While KAR believes its interpretations of governance and sustainability factors and those provided by its third-party data providers are reasonable, the governance and sustainability-related portfolio decisions KAR makes may differ from other investors' or investment managers' views on governance and sustainability. governance and sustainability-related information from third-party data providers may be incomplete, inaccurate or unavailable, which may adversely impact the investment process. Governance and sustainability factors that are evaluated as part of KAR's investment process are anticipated to evolve over time and one or more characteristics may not be relevant with respect to all issuers that are eligible for investment. The regulatory landscape with respect to governance and sustainability integration in the U.S. is developing and future rules and regulations may require KAR to modify or alter its investment process with respect to governance and sustainability integration.

- Extraordinary Events and Market Volatility Risk: Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, increases in inflation rates, the imposition of tariffs or other levies by the U.S. and foreign governments, recessions, or other events could significantly impact the global securities markets, including hampering the ability to invest in a strategy's assets as intended. Further, such events can negatively affect general economic fortunes, including sales, profits and production, and can lead to depressed securities prices and problems with trading facilities and infrastructure.

- Tax Loss Harvesting Risk: KAR seeks to accommodate reasonable requests by clients or their representatives to assist them with tax-optimization strategies by selling securities held in their account with the intended result of having the client realize

investment losses for their own tax purposes. When KAR facilitates these requests, KAR generally will leave the proceeds in cash but, upon request, can also invest in exchange-traded funds (ETFs) to maintain a particular investment exposure while the client seeks to avoid a tax "wash sale". Buying and selling the ETF security likely will result in a taxable event for such client and holding such ETF instead of the security that was sold will likely lead to investment results that differ from those of other clients in the same investment strategy who are not seeking to optimize their income tax profile in this manner. Such transactions by KAR at its clients' instruction may or may not achieve their intended result. KAR is unable to provide specific tax advice and KAR's clients should consult their own tax advisors when requesting that KAR assist them with any tax loss harvesting or other tax optimization strategies. For Wealth Advisory clients who decide with their wealth advisor to invest in a sub-advised direct indexing strategy, clients are responsible for disclosing to KAR all equity holdings in the universe of their direct indexing strategy that are held outside of their relationship with KAR in order to allow KAR to work with the sub-adviser to be able to avoid tax "wash sales" resulting from activity in the direct indexing account. Failure to provide all such holdings information to KAR to relay to the sub-adviser can result in inadvertent tax "wash sales", and should any such inadvertent tax "wash sales" occur, KAR and the sub-adviser are not responsible for costs related to the inadvertent tax "wash sale".

- Healthcare Sector Risk: Strategies that focus their investments in the healthcare sector will be subject to the risks particular to that sector, including rapid obsolescence of products and services, the potential and actual performance of a limited number of products and services, technological change, patent expirations, risks associated with new regulations and changes to existing regulations, changes in government subsidy and reimbursement levels, risks associated with the governmental approval process, and chances of lawsuits against healthcare companies due to product or service liability issues.
- Municipal Securities Risk: Litigation, legislation or other political events, local business or economic conditions, or bankruptcy of the issuer could have a significant effect on the issuer's ability to make payments of principal and/or interest or otherwise affect the value of such securities. The value of these securities could decline because of a market perception that the issuer might not make payments on time.
- Credit risk: Debt securities are subject to the risk that an issuer will fail to make timely payments of interest or principal or go bankrupt, or that the value of the securities will decline because of a market perception that the issuer might not make payments on time. The lower the rating of a debt security, the higher its credit risk.
- Interest Rate Risk: The price of fixed-income securities responds to economic developments, particularly interest rate changes and inflation or expectations of inflation, as well as to perceptions about the credit risk of individual issuers. Rising interest rates generally will cause the price of bonds and other fixed-income debt securities to fall. In addition, falling interest rates may cause an issuer to redeem, call or refinance a security before its stated maturity (if possible), which could result in the holder having to reinvest the proceeds in lower yielding securities. Longer maturity fixed-income securities can be subject to greater price fluctuations than shorter maturity fixed-income securities. Holders of fixed income securities are subject to a greater risk of rising interest rates in periods of historically low rates.
- Privately placed securities risk: Generally, privately placed securities are illiquid and are subject to resale restrictions. Typically, the securities are sold as an offering exempt from regulation with the U.S. Securities and Exchange Commission. Investments in these securities usually will decrease a Fund's liquidity level to the extent that the owner of such investment could be unable to sell or transfer these securities due to restrictions on transfers or on the ability to find buyers interested in purchasing the securities. The illiquid nature of the market for privately placed securities, as well as the lack of publicly available information regarding these securities, might also adversely affect the ability to fair value such securities at certain timed and could make it difficult for the securities to be sold.
- Rule 144A securities risk: Rule 144A securities are securities offered as exempt from registration with the SEC, but are often treated as liquid securities because there is a market for such securities. Rule 144A securities often have an active trading market, but carry the risk that the active trading market doesn't continue, which could result in an unexpected decrease or disappearance in liquidity in such a security's shares. To the extent institutional buyers become, for a time, uninterested in purchasing Rule 144A securities, investing in such securities could adversely impact the liquidity profile of owning such security.
- Short sale risk: A short sale is effected by selling a security that an account does not own. If the price of the security sold short increases, an account would incur a loss; conversely, if the price declines, an account would realize a gain. Short sales involve greater reliance on the investment manager's ability to accurately anticipate the future value of an instrument, potentially higher transaction and other costs, and imperfect correlation between the actual and desired level of exposure. Because an account's potential loss on a short position arises from increases in the value of the asset sold short, the extent of such loss, like the price of the asset sold short, is theoretically unlimited. An account holding both long and short positions could have long positions decline in value at the same time that the value of short positions increases, thereby increasing the account's overall potential for loss to a greater extent than would occur without the use of shorting. Short positions typically involve increased liquidity risk and transaction costs, and the risk that the third party to the short sale fails to honor its contract terms.
- Structured Products Risk (Wealth Advisory Clients): For KAR's wealth advisory clients who decide with their wealth advisor to invest in structured products, investments in structured products, including instruments such as structured notes, are potentially high-risk derivatives. For example, a structured product may combine a traditional stock, bond, or commodity with an option or forward contract. Generally, the principal amount, amount payable upon maturity or redemption, or interest rate of a structured product is tied (positively or negatively) to the price of some commodity, currency or securities index or another interest rate or some other economic factor (each a "benchmark"). The interest rate or (unlike most fixed income securities) the principal amount payable at maturity of a structured product may be increased or decreased, depending on changes in the value of the benchmark, such as a broad-based market index such as the S&P 500®. Structured products can be used as an efficient means of pursuing a variety of investment goals, including duration management and increased total return. Structured products may not bear interest or pay dividends. The value of a structured product or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and fluctuate more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events, such as commodity shortages and currency devaluations, which cannot be readily foreseen by the purchaser of a structured product. Under certain conditions, the redemption value of a structured product could be zero. Thus, an investment in a structured product may entail significant market risks that are not associated with a similar investment in an index. The purchase of structured products also exposes investors to the credit risk of the issuer of the structured product. These risks may cause significant fluctuations in the value of the structured product. Clients deciding with their wealth advisor to make such

investments should ensure that they carefully read any and all offering documentation provided to them by KAR and/or the structured product provider that KAR works with. Clients should generally plan to hold any such structured products to maturity.

- Equity and Equity Index Options Risk (Wealth Advisory Clients): For KAR's wealth advisory clients who decide with their wealth advisor to invest in sub-advised strategies that include equity or equity index options, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve the intended result. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction could be unsuccessful due to market behavior or unexpected events. During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity to profit from a price increase in the underlying security above the exercise price, but, as long as its obligation as a writer continues, has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. If a put or call option purchased is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put) or remains less than or equal to the exercise price (in the case of a call), the holder will lose its entire investment in the option. Also, where a put or call option on a particular security is purchased to hedge against price movements in a related security or index, the price of the put or call option may move more or less than the price of the related security or index. There can be no assurance that a liquid market will exist when an option holder seeks to close out an option position. If trading were suspended in an option, the holder would not be able to close out the option.
- Sub-Adviser and Third-Party Managers Risk (Wealth Advisory Clients): The success of an account's investment through sub-advisers and/or third-party managers in general is subject to a variety of risks, including those related to (i) the quality of the management of the sub-adviser and/or third-party manager; (ii) the quality of the management of the operating companies and the ability of such management to develop and maintain successful business enterprises; and (iii) the ability of a sub-adviser and/or third-party manager to successfully source investment opportunities, operate and manage their investments. Such sub-advisers and third-party managers are subject to the same Business Continuity and Cybersecurity risks articulated above, to the extent they have in their possession clients' information in order to provide their services.
- Asset Allocation Risk: The asset classes in which a client account seeks investment exposure can perform differently from one another at any given time (as well as over the long term). As such, a client account will be affected by its allocation among equity securities, debt securities, alternatives and cash-equivalent securities.

Investment Strategies

Small Cap Quality Value:

This strategy pursues long-term capital appreciation in small-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap value companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk, despite their discounted valuations.

Small Cap Core:

This strategy pursues long-term capital appreciation in small-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations.

Small Cap Growth:

This strategy pursues long-term capital appreciation in small-cap stocks while seeking to provide a comparable risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap growth companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations.

Small Cap Quality Select:

This highly concentrated portfolio strategy pursues long-term capital appreciation in small-cap stocks. The strategy invests in a select group of small-cap companies believed to be undervalued. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations. The strategy can invest in companies domiciled outside of the U.S., including in emerging markets.

Small Cap Focus:

This strategy pursues long-term capital appreciation in small-cap stocks. The strategy invests in a select group of small-cap companies believed to be undervalued. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations.

Small-Mid Cap Core:

This strategy pursues long-term capital appreciation in small-to-mid-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small- and mid-cap companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations.

Small-Mid Cap Quality Value:

This strategy pursues long-term capital appreciation in small-to-mid-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small- and mid-cap value companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk, despite their discounted valuations.

Small-Mid Cap Growth

This strategy pursues long-term capital appreciation in small-to-mid-cap stocks, while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small- and mid-cap companies with business models that possess competitive advantages generating sustainable growth over the long-term. In addition to their durable competitive advantages, these businesses are believed to have strong management teams, and low financial risk, and we seek to purchase these businesses at reasonable valuations.

Mid Cap Core:

This strategy pursues long-term capital appreciation in mid-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of mid-cap companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles, despite their discounted valuations.

Mid Cap Growth:

This strategy pursues long-term capital appreciation in mid-cap growth stocks. The strategy invests in a select group of mid-cap growth companies with business models that possess competitive advantages and characteristics that create sustainable growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk.

Large Cap Quality Value:

This strategy invests in a select group of large-cap value companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk, despite their discounted valuations.

Large Cap Growth:

This strategy pursues long-term capital appreciation in large-cap growth stocks. The strategy invests in a select group of large-cap growth companies with business models that possess competitive advantages and characteristics that create sustainable growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk.

U.S. Equity Income

This strategy pursues an above-average dividend yield by investing in a select group of high-quality businesses. The strategy invests in companies primarily located in the United States. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk, as well as an ability to generate strong free cash flow, with a significant portion of that cash flow returned to shareholders via dividends.

Health Sciences

This strategy pursues long-term capital appreciation in health sciences-related companies. The strategy seeks to invest in a select group of health science-related companies that possess sustainable competitive advantages and are purchased at attractive valuations. Health sciences-related companies generally include businesses that design, manufacture, or sell products or services used for or in connection with health care, medicine, or life sciences.

International Small Cap:

This strategy pursues long-term capital appreciation in international small-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap companies located globally excluding the United States that are believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk that can grow over market cycles despite their discounted valuations.

International Small-Mid Cap:

This strategy pursues long-term capital appreciation in international small-to-mid-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small- and mid-cap companies located globally excluding the United States that are believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk that can grow over market cycles despite their discounted valuations.

Emerging Markets Small Cap:

This strategy pursues long-term capital appreciation in emerging-markets small-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap companies located in emerging markets, as defined by MSCI, that are believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk that can grow over market cycles despite their discounted valuations.

Developing Markets:

This strategy pursues long-term capital appreciation in developing markets equity securities. The strategy invests in a select group of developing markets companies believed to be undervalued relative to their future market growth potential. Developing markets countries include emerging markets and frontier markets. The investment strategy emphasizes companies that KAR believes to have a sustainable competitive advantage, strong management, and low financial risk and to be able to grow over market cycles.

Global Small Cap:

This strategy pursues long-term capital appreciation in global small-cap stocks while seeking to provide a lower risk profile than the index over a complete market cycle. The strategy invests in a select group of small-cap companies located globally, including the U.S., that are believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk that can grow over market cycles.

Long/Short Equity:

This strategy pursues long-term capital appreciation across market capitalizations while seeking to provide principal preservation by reducing exposure to general equity-market risk. The strategy invests

in a select group of high-quality large-, mid- and small-cap companies at reasonable business valuations (the "Long Portfolio"). The Long Portfolio investments represent companies that KAR believes to have a competitive advantage, strong management, low financial risk and an ability to grow over market cycles. This strategy will also establish short positions in low-quality companies (the "Short Portfolio"). The Short Portfolio investments represent companies that KAR believes lack a competitive advantage and have deteriorating financial performance and/or high financial risk.

All Cap Growth:

This strategy pursues long-term capital appreciation across market capitalizations. The strategy invests in large-, mid-, and small-cap growth companies with business models that possess competitive advantages and characteristics that create sustainable growth potential. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk.

Global Dividend Yield:

This strategy pursues an above-average dividend yield by investing in a select group of high-quality businesses. The strategy invests in companies located globally, including the United States. The investment strategy emphasizes companies that KAR believes to have a competitive advantage, strong management and low financial risk, as well as an ability to generate strong free cash flow, with a significant portion of that cash flow returned to shareholders via dividends.

Thematic Quality:

This strategy pursues long-term capital appreciation in equity securities of all market capitalizations while seeking to protect against permanent impairment of capital. The strategy is invested in securities that we believe can capitalize on thematic industry shifts with market dominant business models, solid balance sheets, strong economics, and consistent growth.

Global Impact-Aligned:

This strategy pursues long-term capital appreciation in equity securities of all market capitalizations by identifying companies that offer the potential for strong financial returns while also demonstrating a commitment to sustainable business practices and positive impact. The strategy emphasizes companies that KAR believes to have a competitive advantage, strong management, low financial risk, and demonstrated leadership in one or more of the following impact areas: resource solutions, improved health care outcomes, and/or equitable access.

California Municipal:

This strategy seeks current income free from federal and state income taxes by investing in municipal bonds issued in the state of California. The management team focuses on high-quality California tax-exempt municipal bonds, gauging the value of a security by issue type, credit quality and bond structure.

National Municipal:

This strategy seeks current income free from federal taxes by investing in municipal bonds issued in the U.S. The management team focuses on high-quality U.S. tax-exempt municipal bonds, gauging the value of a security by issue type, credit quality and bond structure.

Municipal:

This strategy seeks current income free from federal state income taxes by investing in municipal bonds issued in various states. The management team focuses on high-quality tax-exempt municipal bonds, gauging the value of a security by issue type, credit quality and bond structure.

Intermediate Total Return:

This strategy seeks high total return by investing in a diversified portfolio of primarily intermediate, high-quality bonds, including corporate and mortgage- and asset-backed securities. The strategy employs a value-oriented approach seeking to capitalize on individual issues and sectors that appear to offer the best value. It also seeks to add value through interest-rate anticipation.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KAR or the integrity of KAR's management.

On July 16, 2018, KAR received notice from Norway's financial regulator, the Financial Supervisory Authority of Norway ("Finanstilsynet"), that Finanstilsynet had levied a penalty against KAR equivalent to approximately $18,500 USD based on a finding that two notifications of large share ownership in a Norwegian company were not made in a timely manner under Norwegian law.

On June 16, 2021, KAR received notice from Norway's financial regulator, Finanstilsynet, that Finanstilsynet had levied a penalty against KAR equivalent to approximately $23,000 USD based on a finding that a notification of large share ownership in a Norwegian company was not made in a timely manner under Norwegian law.

Item 10 – Other Financial Industry Activities and Affiliations

KAR has material relationships with its affiliates, as described below.

KAR is a wholly owned subsidiary of Virtus Partners, Inc. ("VPI"), which is a wholly owned subsidiary of Virtus Investment Partners, Inc. ("Virtus" or "VRTS"). Virtus is a publicly traded company operating a multi-manager asset management business (NYSE: VRTS). Certain officers and directors of Virtus serve as officers of Virtus's indirect, wholly owned affiliates, including KAR.

KAR has a number of affiliates that are registered investment advisers, either in the U.S. or outside of the U.S., including:

- AlphaSimplex Group, LLC
- Ceredex Value Advisors LLC
- Duff & Phelps Investment Management Co.
- NFJ Investment Group, LLC
- Seix CLO Management LLC
- Silvant Capital Management LLC
- Virtus International Management, LLP
- Virtus International Fund Management Limited
- Sustainable Growth Advisers, LP
- Virtus Alternative Investment Advisers, LLC
- Virtus Advisers, LLC
- Virtus Fixed Income Advisers, LLC (divisions include Newfleet

Asset Management, Seix Investment Advisors, and Stone Harbor Investment Partners)
- Virtus Capital Advisers, LLC
- Virtus Global Partners PTE. Ltd.
- Virtus Investment Advisers, LLC
- Westchester Capital Management, LLC
- Westchester Capital Partners, LLC

KAR has been engaged by certain of its affiliated investment advisers to provide sub-advisory services with respect to certain open-end mutual funds, including exchange-traded funds ("ETFs"), managed by the affiliated investment advisers (such funds, "Virtus-branded mutual funds"), and additional relationships of that nature will likely be entered into by KAR in the future. KAR's compensation for such arrangements is typically structured as a percentage of the overall management fee paid by the fund to the hiring affiliated investment adviser.

KAR is not registered, and does not have an application pending to register, as a broker-dealer. However, an affiliate of KAR, VP Distributors, LLC ("VPD"), is a registered broker-dealer. VPD is a limited purpose broker-dealer that serves as principal underwriter and distributor of certain open-end mutual funds and ETFs managed by KAR and/or its affiliated investment advisers. Certain KAR personnel whose job responsibilities either require or are appropriate for registering as broker-dealer representatives are registered representatives of VPD.

Certain employees of VPD promote the services of KAR as well as the products managed by KAR. When KAR pays a fee to VPD for the efforts of VPD's employees to promote KAR's services, VPD is an affiliated third-party promoter for KAR as discussed further in Item 14, below.

Certain employees of a related person of KAR, Virtus International Management, LLP ("Virtus International"), also promote the services of KAR as well as the products managed by KAR. Virtus International's representatives are permitted to introduce KAR's investment advisory services and UCITS funds to which KAR is the investment manager to institutional entities and sovereign wealth funds and other foreign official institutions within the United Kingdom and in other jurisdictions globally, to the extent permitted by the laws of each applicable jurisdiction. In the Asia-Pacific region, approved persons of Virtus Global Partners PTE. LTD ("Virtus Singapore") (UEN 201018015Z), which is authorized and regulated by the Monetary Authority of Singapore ("MAS"), are permitted to introduce the investment advisory services of KAR and certain of its affiliates to institutional entities, sovereign wealth funds, and other foreign official institutions.

KAR is not registered, and does not have an application pending to register, as a futures commission merchant, a commodity pool operator, or a commodity trading advisor. Certain of KAR's affiliated investment advisers are registered as commodity pool operators or commodity trading advisors in connection with their management activities.

In providing services to its clients, KAR could potentially utilize personnel or services of one or more of its affiliated investment advisers or other corporate affiliates, and KAR's affiliated investment advisers could potentially use personnel or services of KAR. Services provided in these arrangements include, among other things, investment advice, portfolio execution and trading, back-office processing, accounting, reporting, and client servicing. These services are provided through arrangements that take a variety of forms, including dual employee, participating affiliate, delegation arrangement, sub-advisory, consulting, or other servicing agreements. In each case, the personnel of the entity providing services are required to follow policies and procedures designed to ensure that the applicable clients' accounts are handled appropriately and the in the best interests of the clients. When KAR uses the personnel or services of an affiliate to provide services to KAR's clients, KAR remains responsible for the account from a legal and contractual perspective. Similarly, if an affiliated investment adviser uses the personnel or services of KAR to provide services to such affiliated investment adviser's clients, the affiliated investment adviser remains responsible for the account from a legal and contractual perspective. No additional fees are charged to the clients for such services except as otherwise set forth in the client's applicable investment management or other agreement.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

To protect the interest of our clients, employees and affiliates, any employee found to engage in improper or unlawful activity faces administrative and legal action. Everyone has a responsibility to ensure that employees are conducting business professionally and are complying with the procedures and policies governing our collective responsibility. Anyone aware of employees engaged in wrongdoing or improper conduct must immediately report such activity to their supervisor and compliance officer. Failure to report wrongdoing can result in additional action being taken against that individual.

KAR has adopted the Virtus Code of Conduct and Code of Ethics (the "Codes") in accordance with Rule 204A-1 of the Investment Advisers Act of 1940, as amended, and Rule 17j-1 of the Investment Company Act of 1940, as amended, The Codes have been reasonably designed to prevent and detect possible conflicts of interest with client trades. Compliance with the Codes is a condition of employment. All of our employees must acknowledge their terms at least annually or as amended. Any employee found to have engaged in improper or unlawful activity faces appropriate disciplinary action. Each employee is responsible for ensuring that they and those they manage conduct business professionally and comply with our firm's policies and procedures. Employees must immediately report (to their supervisor, a compliance officer or corporate legal counsel) their knowledge of any wrongdoing or improper conduct. Failure to do so could result in disciplinary action being taken against that individual. Our reporting procedures are supported by a telephone number and similar on-line reporting technology available 24-hours/day to any employee to confidentially report, or request assistance concerning possible violations of the Codes and other firm policies. This technology and reporting platform is administered by an independent, third-party.

Our officers and employees are encouraged to invest in shares of investment products that we and/or our affiliates advise. Subject to limitations described herein and set forth by our Codes, our directors, officers, and/or associated personnel can and do buy, hold, and sell the same investments for their own accounts as are held or to be held or sold for a client account and they can and do engage in the following:

• Recommend that clients buy or sell securities or investment products in which we or a related person have some financial interest; and/or

• Buy or sell securities or investment products that our firm and/or our directors, officers, associated personnel or a related person recommends to our clients.

Our Codes are designed to prevent and detect conflicts of interest in regard to the above.

None of our directors, officers, Access or Advisory persons can buy or sell any security or any option to buy or sell such security, such that they hold or acquire any direct or indirect beneficial ownership as a result of the transaction, if they know at the time of such transaction that such a security or option is being bought, sold, or considered for purchase or sale for a client account, unless one or more of the following conditions exist:

• They have no influence or control over the transaction from which they will acquire a beneficial interest, except where they are a portfolio manager on the strategy in which they also have a separately managed account, at which time the portfolio manager's personal account within the Firm's strategy is treated the same as the other accounts within the strategy, trading within KAR's trade allocation policies and procedures and receiving their pro rata portion of executions in adherence with the Firm's trade allocation policies and procedures;

• The transaction is non-volitional on their part or the client's;

• The transaction is a purchase under an automatic dividend reinvestment plan or pursuant to the exercise of rights issues, pro-rata to them and other holders of the same class of the issuer's securities; or

• They have obtained, in advance, approval from someone authorized to grant such approval when circumstances indicate no reasonable likelihood of harm to the client or violation of applicable laws and regulations.

KAR deems all of its employees to be Access Persons and Advisory Persons under the Codes.

The following highlights some of the provisions of the Virtus Code of Conduct:

Virtus Code of Conduct

The Virtus Code of Conduct directs our employees' conduct in the following areas:

- Compliance with Applicable Laws, Rules and Regulations
- Insider Trading
- Conflicts of Interest and Related Party Transactions
- Corporate Opportunities
- Fair Dealing
- Protection and Proper Use of Company Assets
- Confidentiality
- Recordkeeping
- Interaction with Government Officials and Lobbying
- Contract Review and Execution
- Company Disclosures and Public Communications
- Information Protection Policies
- Human Resource Policies
- Use of Social Media
- Intellectual Property
- Designation of Compliance Officers
- Seeking Guidance About Requirements of the Code
- Reporting Violations
- Waivers, Discipline and Penalties

A complete copy of Virtus's Code of Conduct is available to any client or prospective client by sending a written request to KAR Investment Management, Attn: Chief Compliance Officer, 2000 Avenue of the Stars, Suite 1110, Los Angeles, California 90067, or by contacting Compliance at 1-800-231-7414 or via email at Compliance@kayne.com.

KAR's and Virtus's Code of Ethics

KAR is covered under the Code of Ethics of its parent company, Virtus. The following highlights some of the provisions of the Virtus Code of Ethics (the "Code"), which is reasonably designed to mitigate conflicts of interest posed by our employees and other related persons investing in the same securities or related securities (e.g., warrants, options, or futures) at or about the same time or otherwise that KAR is recommending to clients or that we are buying and selling for client accounts:

- Pre-clearance is required for all non-exempt transactions with respect to which an employee is beneficial owner in order to prevent the employee from buying or selling or within the applicable restriction period.
- 30-day holding period for covered securities.
- Brokerage provision of duplicate copies of brokerage statements and confirmations to our Compliance Department.
- Employee provision of Initial Holding Reports, Quarterly Transaction Reports and Annual Certification and Holding Reports, which our Compliance Department reviews for trading activity.
- Requirement that personal transactions be consistent with the Code of Ethics in a manner that avoids any actual or potential conflict of interest.
- Any covered employee not in observance of the above can be subject to discipline.
- Employees classified as Advisory Persons are further prohibited from directly or indirectly acquiring or disposing of a security on the date of, and within seven calendar days before and after the portfolio(s) associated with that person's portfolio management activities.

Subject to limitations in the Code, KAR or a related person can recommend that clients buy or sell securities or investment products in which KAR or a related person has a financial interest. Likewise, KAR or a related person can buy or sell securities that KAR also recommends to clients.

Our officers and employees are encouraged to invest in shares of Virtus-branded mutual funds that we advise.

We seek to ensure that the investment management and overall business of the Firm comply with both our and Virtus policies, as well as with applicable U.S. federal and state securities laws and regulations.

A complete copy of our current Code of Ethics is available to any client or prospective client by sending a written request to KAR, Attn: Compliance Department, 2000 Avenue of the Stars, Suite 1110, Los Angeles, California 90067, or by contacting a member of the Compliance team at 800-231-7414 or via email at Compliance@kayne.com.

Other Related Policies and Procedures

We have adopted the Insider Trading Policy and Procedures designed to mitigate the risks of our firm and its employees misusing and misappropriating any material non-public information that they become aware of, either on behalf of our clients or for their own benefit. Personnel are not to divulge or act upon any material, non-public information, as defined under relevant securities laws and in our Insider Trading Policy and Procedures. The policy applies to each of our Supervised, Access and Advisory Persons and extends to activities both within and outside their duties to our firm, including for an employee's personal account.

In addition to the above, our policies set limitations on and require reporting of gifts, entertainment, business meals, sponsorships, business building and charitable donations made on clients' or prospective clients' behalf, whether given or received. Generally, our employees are prohibited from accepting or providing gifts or other gratuities from or to clients of or individuals seeking to conduct business with KAR's investment advisory business generally in excess of $250. Employees, under certain circumstances, can be granted permission to serve as directors, trustees or officers of outside organizations. Employees must receive approval from the chief compliance officer and the chief operating officer, and such approval is based on a determination that such position does not pose a potential or actual conflict of interest with our clients.

Participation or Interest in Client Transactions

KAR recommends that its clients, including its wealth advisory clients, invest in Virtus-branded mutual funds, including exchange-traded funds ("ETFs"). KAR serves as an investment sub-adviser to various such Virtus-branded mutual funds and is paid management fees by such Virtus-branded mutual funds. KAR recommends that clients invest their assets in certain Virtus-branded mutual funds, including funds that KAR sub-advises. This creates a conflict of interest because KAR earns additional revenue when its clients invest their assets in mutual funds KAR sub-advises. KAR's recommendation for a client to invest in a Virtus-branded mutual fund presents a conflict of interest because clients pay fees when investing in Virtus-branded mutual funds that are in addition to their management or advisory fees paid to KAR, and KAR and its affiliates' earn additional revenue from the Virtus-branded mutual funds in these circumstances. Under certain circumstances, KAR charges separate advisory fees on client assets which are invested in the Funds sub-advised by KAR. The management fees paid to KAR by such Funds are often different from the management fees that are charged on separately managed assets in the same or similar investment strategies.

For client accounts established under certain previous fee schedules, but not KAR's current fee schedules, KAR receives an ongoing payment from VP Distributors, LLC ("VPD") for certain of its Wealth Advisory clients' investments in Virtus mutual funds, including those sub-advised by KAR , as well as Virtus mutual funds that are not sub-advised by KAR. This payment ranges from 30 to 45 per cent of the investment management fee paid by the Fund. This payment creates a conflict of interest because the client's wealth advisor could favor affiliated mutual funds over non-affiliated mutual funds because of the payments KAR receives from VPD.

These conflicts of interest are mitigated by KAR's manager due diligence process and KAR's compensation practices, which do not incentivize recommendations of Virtus-branded mutual funds, including ETFs. All investment options on the Wealth Advisory open architecture platform are put through a quantitative and qualitative assessment process. The Director of Manager Research and Investment Solutions, under the direction of KAR's Wealth Advisory Investment Committee, performs due diligence on each prospective manager or investment product, which includes affiliated funds of KAR. This review process includes a due diligence questionnaire, interviews, and/or onsite or other meetings to develop a qualitative assessment of the manager's skill and discipline. Further, KAR's Wealth Advisory Investment Committee reviews the due diligence and makes the final decision if a manager should be included on the platform.

For client accounts established under our current fee schedules, KAR does not receive a payment from VP Distributors, LLC for its Wealth Advisory Group's client investments in Virtus mutual funds managed by KAR as a sub-advisor to the Funds, or Virtus mutual funds otherwise affiliated with KAR.

Employees of KAR have and are able to have separately managed accounts in strategies that KAR advises provided that any such accounts strictly follow the model account for such strategy and such officers and employees themselves have no direct or indirect ability to influence or control such accounts other than as part of investment decisions made for the entire investment strategy and model account for such strategy. KAR typically manages these investment accounts for its employees and employees of its affiliates for no fee.

Employees from time to time make political contributions. The inappropriate influencing of a prospect or client in an effort to gain an unfair advantage in acquiring or retaining clients creates a conflict of interest. KAR has established procedures to comply, at a minimum, with federal law, including what is known as the SEC's "Pay-to-Play Rule." In addition, employees subject to federal law, including the Pay-to-Play Rule, are required to certify on a quarterly basis that they have reported all applicable monetary political contributions and that the contributions met certain standards.

Item 12 – Brokerage Practices

KAR uses its best efforts to obtain the most favorable terms under the circumstances of each trade and, in doing so, considers best execution to encompass the most favorable overall cost or proceeds that can be reasonably obtained for a transaction under current circumstances surrounding the trade. KAR generally determines the broker with whom securities transactions are to be affected. In selecting brokers for a portfolio transaction, KAR considers, without limitation, the overall direct net economic results to an account. When executing client

transactions with broker-dealers, KAR allocates client transactions to such broker-dealers for execution, in its good-faith judgment and in the best interest of the client, taking into consideration available prices and brokerage commission rates, as well as other relevant factors. Relevant factors include: (1) overall execution quality (general past performance under similar trading circumstances), (2) liquidity of the name and the liquidity that the broker is expected to be able to provide, (3) the broker's ability to minimize information leakage of KAR's orders to the marketplace, (4) responsiveness and promptness in providing executions and ability to maintain anonymity, (5) difficulty of the trade, (6) capital commitment of the broker to facilitate timely completion of the trade, (7) opportunity for price improvement, (8) commission rates, and (9) clearance and settlement capabilities of the broker.

Clients can also establish a bank custodial account and authorize KAR to use any broker-dealer with whom KAR has negotiated institutional-level commission rates. These bank custodian accounts can provide access to other bank services that are of value to the client. In addition, these discretionary accounts provide KAR with a level of flexibility that benefits the client's ability to participate in block trades. As a result, bank custodial arrangements are usually more attractive to larger, institutional accounts. However, clients should consider the custodial fees charged by a bank custodian in evaluating this alternative, as the custodial fees charged to smaller account sizes could be larger than the benefit received by the account by having the flexibility for KAR to be able to execute transactions away from such custodial account's associated broker-dealer.

In situations where a client has directed KAR to use particular broker-dealers, or where certain trades need to be handled separately from other orders ("Directed Accounts"), these trades could be delayed until the completion of other orders rather than being executed simultaneously. This is done to avoid multiple orders from KAR competing for execution in the marketplace at the same time. It also avoids any excessive market impact that could result if the market thought multiple broker-dealers were working orders. Directed Accounts that do not allow KAR to trade away from their custodial bank's associated broker-dealer and those that are not able to participate in block trades are placed in a separate rotation so as to not disadvantage all other accounts.

As a general rule, contemporaneous trades in the same security in the same direction for client accounts that do not have any sort of broker-direction, soft dollar restrictions, or public transparency of portfolio holdings (in near-real time, *i.e.*, on or prior to the business day after trade date) are aggregated into a single block order, where possible, and where the terms of the order are the same. Where KAR receives multiple orders for the same security with the same terms for separate investment strategies, the orders shall generally be aggregated, and the total fill aggregated and allocated with the price averaged across all executions with the same execution venue, where possible. Trade aggregation is not required under applicable rules and regulations, however. In accordance with applicable rule, regulation, and guidance, any decision by KAR to aggregate, block, or "bunch" transactions will be made on the basis of a determination that executing the order as a single, aggregated trade is consistent with KAR's duty to seek best execution.

Where KAR determines that it is appropriate to aggregate or "bunch" orders for multiple clients, trade sequence and rotation is an important principle in assuring participating accounts are treated equitably over time by such trade aggregation. KAR has designed its trade sequence and rotation process to provide clients with fair access to trading opportunities over time and to avoid and/or minimize information leakage in the marketplace related to our or our clients' trading activities to prevent other market participants from trading on the basis of that information in a manner that could harm KAR's clients. KAR maintains trading groups for our clients' accounts to facilitate orderly execution of trades that are generally defined by the level of trading discretion afforded to KAR by clients within such trading groups or the client type, while also taking into account the likelihood that trading for a group or type of accounts could potentially result in information leakage to the broader market and the risks that other market participants trading on the basis of such information could harm clients.

When determining the sequence of client account trades that KAR has determined to aggregate, KAR generally adheres to the following trade rotation sequence in order to achieve best execution for all of its clients: (1a) "Primary Block" (accounts that do not have any brokerage restrictions or limitations and where KAR has full trading discretion); followed by (1b) "Execution-only Client Block" (accounts where KAR also has full trading discretion, but that are required to be traded solely with execution-only broker-dealers); followed by (2) "Partial Trade Discretion and Partial-Directed Accounts" (accounts where KAR has been granted some level of trade discretion or where KAR has high conviction in the client's directed broker to be able to obtain best execution for the trade); and (3) "Fully-Directed Accounts" (accounts where KAR is directed to a particular broker regardless of KAR's level of comfort with their ability to obtain best execution on the transaction). "Partial Trade Discretion and Partial-Directed Accounts" and "Fully-Directed Accounts" are completed in the order within each group as dictated by the results of randomization. Because the "Execution-only Client Block", "Partial Trade Discretion and Partial-Directed Accounts", and "Fully-Directed Accounts" generally trade after the "Primary Block" accounts, it is possible they will not receive as favorable prices on securities as received by the "Primary Block" and other accounts that trade ahead of them or vice versa.

For "Fully- and Semi-Transparent Vehicles," including ETFs, that KAR advises or sub-advises which are required to publish their portfolio model holdings and weights to the public on the business day after a model change, KAR takes the following approach: if there is an opportunity for a trade for an active portfolio management decision for a "Fully- and Semi-Transparent Vehicle" to be aggregated with other client trades, KAR may or may not determine to aggregate such orders with concurrent trades for other non-"Fully- and Semi-Transparent Vehicle" client orders in the above-referenced trade rotation sequence. KAR aggregates concurrent trades involving "Fully- and Semi-Transparent Vehicles" with other clients in the above-referenced trade rotation sequence only when such aggregation is consistent with a Trade Size and Liquidity Test that KAR has in place that is designed, in KAR's view, to minimize the risk of harm to non-"Fully- and Semi-Transparent Vehicle" clients in the aggregated trade rotation sequence resulting from public transparency of portfolio holdings (in near-real time, *i.e.*, on or prior to the business day after trade date) by "Fully- and Semi-Transparent Vehicles." KAR's Trade Size and Liquidity Test for trades for "Fully- and Semi-Transparent Vehicles" allows such clients to have their trades aggregated with other KAR clients in the above-referenced trade rotation sequence only when doing so is aligned with KAR's fiduciary duties, including KAR's duty to achieve best execution, to all of its clients. KAR's Trade Size and Liquidity Test is based on the size of the potential aggregated trade and a pre-determined percentage

of the particular security's 30-day average volume traded, is subject to change, and is only used for trades involving "Fully- and Semi-Transparent Vehicles" that could potentially be aggregated with other client trades where KAR has full discretion to select the execution venue.

KAR's trade sequence and rotation process may be amended, modified or supplemented at any time at KAR's discretion without prior notice to clients. With respect to many of its discretionary client accounts, KAR has full authority to determine the broker-dealers with whom transactions for the discretionary client accounts are executed, and those trades take place in the Primary Block and/or the Execution-only Client Block. KAR selects such broker-dealers for execution and determines the commission rates payable to them in the manner described above.

Directed Brokerage

KAR accepts direction from clients regarding the brokers to be used for such clients' accounts. Some clients have existing arrangements permitting them to offset certain administration, accounting, custody, consultant or other fees in relation to the amount of brokerage transactions handled by a specific broker. At the same time, KAR has arrangements to receive investment-related research products or services provided by the same broker-dealer, which are separate from the clients' direction to use a particular broker to execute either all or part of the brokerage transactions from their accounts. Commission rates and execution quality obtainable from the directed broker can in certain circumstances be less favorable than those obtainable from other brokers for various reasons, including the following: (1) generally, orders subject to client brokerage direction cannot be aggregated with contemporaneous orders for non-directed accounts and therefore cannot benefit from any economics of scale that apply to larger orders; (2) directed brokers could achieve less favorable prices than brokers we would select based on execution capability; and (3) client brokerage direction limits our ability to negotiate commissions rates charged by directed brokers and limits our ability to transact with large institutional investor liquidity and minimize market impact and could impact our ability to achieve best execution.

Other than to satisfy its obligation to seek best execution, KAR does not have authority to determine the broker-dealer(s) to be used for a wrap account or for a direct-fee account when the client has directed KAR to use a specific broker-dealer.

Trading Away and Step-Out Trades

In cases where KAR is an investment adviser or investment sub-adviser to a wrap fee program, such clients are typically not charged separate brokerage commissions for the execution of transactions in the client's account that are executed by or through the sponsor. Depending on the equity strategy a client is invested in, a portion of equity portfolio transactions could be traded away from the sponsor firm via step-out trades. Step-out trades are trades in which an executing broker-dealer executes an order but agrees to allocate a designated portion of the order for clearance and settlement by another broker-dealer. The executing broker-dealer clears and settles the portion of the order not stepped out and can add a charge to the overall cost of the trade. KAR also utilizes step-out trades for certain of its clients, including its Wealth Advisory and wrap clients, and dual contract clients, in certain instances to guard against information leakage and minimize market impact during trading, as well as to obtain best execution. KAR seeks to work with one or a limited number of brokers that, for our Wealth Advisory wrap and dual contract clients, is not the particular client's broker, who can access a wider variety of liquidity sources up to and including finding a natural counterparty. These firms have particular industry expertise or are able to provide "high-touch capabilities." By consolidating our trade executions to a limited number of brokers, KAR can more efficiently transact on behalf of many of our clients while at the same time limiting information leakage. Step-out trades can benefit clients by allowing KAR to source liquidity and execute trades with natural buyers and sellers on terms more favorable than might otherwise be available in the market.

KAR utilizes the services of a trade and/or settlement aggregator (an "Aggregator") when placing block orders that include step-out trades. KAR believes that the use of an Aggregator can address issues associated with market fragmentation, including but not limited to additional clearing/settlement costs associated with the executions through multiple trading venues, by enabling KAR to access multiple pools of liquidity while minimizing clearing/settlement costs. The cost of the aggregation service is included in the commission rates or net prices associated with the underlying trades.

Wrap sponsors and/or custodians of directed accounts and dual contract SMA accounts often charge additional fees for any trades that are stepped out to another broker-dealer. Dual contract SMA accounts are accounts where the end-client has an investment management agreement with their registered investment adviser as well as with KAR for each party's individual services. Confirmations from wrap sponsors with respect to "step-out" or "trade-away" trades in sponsor accounts and dual contract SMA accounts can reflect, within the price per share, applicable net costs instead of reflecting this as a separate item on the confirmation. A wrap client can incur an additional "net" trade cost if a trade is made away from the client's wrap sponsor. These costs and commissions can also appear separately. For fixed-income trades, the commission is not generally shown on the trade confirmation but is reflected in the negotiated price of the bond. KAR believes that it is able to effect trades away from the designated broker in order to obtain best execution without jeopardizing its business relationships, and, in any case, its policy and practice are to act in the best interest of its clients. Directed brokerage clients that do not allow KAR to participate in step-out trades often pay higher commission and implementation costs than clients that allow KAR to participate in step-out trades. Accounts that participate in step-out trades can incur additional transaction costs.

Foreign Exchange ("FX") Transactions

For equity transactions in non-U.S. securities, KAR utilizes a designated third-party specialist or the client's custodian to execute the vast majority of FX transactions on behalf of the participating accounts in order to purchase the foreign security using the currency of the applicable country. In instances where a client elects to direct the execution of its FX transactions through its custodian or direct the execution of its FX transactions to a specific market, the client's account could experience negative or positive performance dispersion from other accounts managed by KAR in the same strategy and for which KAR has full discretion to select the counterparty for FX transactions.

Trade Aggregation and Allocation

Due to client or regulatory restrictions, not all client orders can be aggregated. This situation is the norm on any given trading day and results from certain clients requiring or necessitating that orders be placed or directed through particular brokers or through their own trading desks. As part of its effort to obtain best execution, KAR aggregates orders, or "block trades," for several clients where possible. KAR believes that aggregation or "bunching" orders results in a more favorable overall execution. KAR trades all non-directed accounts that don't contain trade restrictions for contemporaneous purchase and sell orders as a single block where it deems this to be appropriate, in the best interest of clients and consistent with KAR's fiduciary duties.

Although the trade sequence described earlier in Item 12 is our general practice, we will sometimes aggregate "Primary Block", "Execution-only Client Block", and/or "Partial Trade Discretion / Partial-Directed Accounts", where possible. This typically would occur when: (i) KAR utilizes execution-only broker-dealers for the "Primary Block", and in such instances the "Execution-only Client Block" accounts can be aggregated with the "Primary Block"; or (ii) where KAR is able to bunch "Partial Trade Discretion / Partial-Directed Accounts" with the "Primary Block." Trades for "Fully- and Semi-Transparent Vehicles" can and will be aggregated with other blocks, where possible, provided KAR's Trade Size and Liquidity Test, described above, has been met.

The decision to aggregate is only made after KAR determines that: it does not intentionally favor any account over another; it does not systematically advantage or disadvantage any account; KAR does not receive any additional compensation or remuneration solely as the result of the aggregation; and each participating account will receive the average share price and will share transaction costs on a pro-rata basis. Traders and members of the Portfolio Implementation group consider various criteria when evaluating whether to aggregate an order, including, as relevant, the participating accounts' investment objectives and guidelines, policies, tax status, nature and size of the block trade, ability to minimize information leakage in the marketplace if aggregating, and any other factors deemed appropriate under the circumstances. These trades are modeled in our order management system, and then executed simultaneously as a block. Fully-executed blocks are allocated to accounts on a pro-rata basis, rounding as necessary. If a trade is only partially completed, the trader primarily allocates the shares on a pro-rata basis across all accounts, rounding as necessary. If a small number of shares were executed out of a larger order where there were many accounts involved in the initial order, it is often unrealistic to spread the small number of executed shares over all of the accounts. In such cases, the trader allocates the executions on a randomized basis so as not to unfairly favor one account over another, while recognizing that many bank or discount brokerage domiciled accounts are charged per trade no matter what the size. In situations for which pro-rata allocations would result in excessive trading costs, the allocation is also made based on simple random selection.

In instances where the Trading Department receive an order for a security at the same time as there is an existing open order with a broker, the additional order is added to the existing open order. However, any partial fills of the existing open order that occurred prior to the time of the placement of the second order with the same broker shall be allocated solely to the clients participating in the existing open order based on guidance herein, and the unfilled portion of the existing open order is added into the subsequent order. If such a subsequent order includes one of KAR's clients that is a "Fully- or Semi-Transparent Vehicle," the Trade Size and Liquidity Test set forth above (for trades where KAR has full discretion to select the execution venue for the trade) will be used for the aggregated trade to determine whether the trade for the "Fully- and Semi-Transparent Vehicle" will be aggregated with trades for other non-"Fully- and Semi-Transparent Vehicle" clients.

Clients should be aware that certain types of purchase or sale transactions are not able to be included in aggregated orders. Such transactions include trades resulting from the opening and closing of accounts, trades resulting from contributions to or withdrawals from existing accounts, trades for accounts that could result in information leakage in the marketplace, and trades for accounts with highly particularized investment policies or restrictions. In such cases, clients' executions can be better or worse than they might otherwise receive from aggregated orders.

Directed brokerage client accounts (which includes "Partial-Directed Accounts" and "Fully-Directed Accounts") trade behind non-directed accounts and in the order dictated by the results of randomization. Third-party model sponsor relationships are included in the directed brokerage rotation. Buy and sell recommendations within a strategy model will be updated and communicated in the order determined in the rotation sequence. In such instances, these broker-directed accounts can trade at prices that are lower or higher than KAR's other client accounts. If there are limitations to the prompt execution of trades by the model sponsor/overlay manager, if the model sponsor/overlay manager does not, or is not able to, communicate the status of completed orders back to KAR, or if there are other restrictions that could disadvantage other directed accounts, changes to the model portfolio will be communicated after trades are placed or executed for KAR's other directed accounts. KAR does not exercise trading discretion over the model accounts as execution of the trades is the responsibility of the model sponsor.

Miscellaneous

Those direct-fee clients who seek advice from KAR on broker selection have many options available to them. These options include discounted brokerage firms, such as Charles Schwab and Co. ("Schwab") and Fidelity Investments ("Fidelity"), and clients can also choose to become a retail client of the many other unaffiliated brokerage firms with which KAR conducts business. The commission rates and minimum ticket charges charged by the discount firms are generally more favorable than retail rates normally charged by full-service brokerage firms, and in many cases the discount firms have ceased charging commissions for most or many transactions. However, full-service firms might, in their clients' view, offer additional services of value to the client. Commission rates are subject to change, and clients are encouraged to inquire into the rates available to them at the time they engage KAR, or at any other time.

The market price of small-cap securities generally is more volatile than that of larger-cap securities, which can adversely affect the price that a client pays for or recovers upon the sale of a small-cap security. Small-cap securities can be difficult to dispose of at a fair price or rapidly when a client terminates an account.

Investments in securities of non-U.S. issuers can involve more risk than those in securities of U.S. issuers. Equities of non-U.S. issuers can fluctuate more widely in price and be less liquid due to adverse market,

economic, political, regulatory, or other factors. Trades on foreign exchanges generally incur greater transactions charges than trades on U.S. exchanges.

Fixed-Income Practices

Fixed-income trade allocations are generally determined prior to or at the same time as the placement of a trade. However, in those circumstances where an order is only partially filled or when a security is acquired prior to determining the allocation, the fixed income trader allocates the trade in a manner that is fair and equitable to all affected accounts. Such allocations are based on objective criteria such as the specific instrument traded, the available position size, the instrument's duration, and the instrument's market sector as well as the needs of the accounts within the fixed income portfolio at the time of allocation. Under no circumstances is the performance of a holding considered when making allocation determinations.

Securities for fixed-income discretionary accounts are traded either through competitive bids/offers, by comparison of bids/offerings, or through comparison of the price level with levels seen in the market. In the case of broker-directed trades, every effort is made to bring the trade price in line with the institutional market.

When purchasing municipal bonds for discretionary accounts, comparisons are made between the bond being offered and bonds with similar characteristics trading in the market at the time. Comparisons are made based on credit name, structure (i.e., coupon, maturity and call/put options), underlying credit rating, credit enhancement, municipal sector, etc. When selling municipal bonds for broker discretionary accounts, multiple bids are sought where feasible. In the case of broker-directed trades, every effort is made to bring the trade price in line with the institutional market. On broker-directed accounts where the client or broker does not allow the adviser to step-out the trades, the client could incur a higher cost than broker discretionary accounts.

Research and Other Soft-Dollar Benefits

Subject to applicable law and regulation, KAR effects securities transactions with broker-dealers that provide brokerage or research services or pay for research services provided by third parties to us. These services are paid with soft dollar credits generated by our clients' brokerage commissions. These types of eligible transactions and benefits received are in accordance with Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). KAR has established a Best Execution Committee, which reports to its Risk and Compliance Committee, consisting of members from senior management, operations, trading, portfolio management, and compliance. The Best Execution Committee generally meets quarterly to review brokerage allocation activity of the firm and to identify the quality of execution and settlement services provided. It also reviews the approved broker list and the value to client portfolios of the purchased product or service. Soft-dollar arrangements are reviewed and approved by at least two members of the Best Execution Committee, including the Chief Operating Officer and Chief Compliance Officer, based on a good-faith determination that the amount of the commission to be paid is reasonable in light of the brokerage and research services being provided.

Under Section 28(e) of the Securities Exchange Act of 1934, KAR can pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by or through the broker. When it does so, KAR has an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services rather than in the clients' interest in receiving a better commission rate, and this presents a conflict of interest between KAR and its clients that we mitigate with our best execution policies and procedures.

KAR believes that it is important to its investment decision-making processes to have access to independent research. Research furnished by brokers (proprietary research) and research created or developed by other third parties can be used to service any or all of KAR's clients and is used in connection with accounts other than those making the payment to the broker providing the research, in accordance with Section 28(e). The receipt of these benefits means that KAR benefits because it does not have to produce or pay for these research services itself. Only brokerage commissions from certain but not all client accounts are used to pay for the research services furnished by brokers. KAR uses these research services to service all of its accounts and not just the accounts whose transactions paid for the research services. It is possible that the accounts whose transactions generate brokerage commissions that are used to pay for some of KAR's research services do not benefit in any way from this specific research. KAR does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Brokerage and research services provided by brokers falling within the Section 28(e) safe harbor during the current year and last fiscal year includes, but is not limited to, proprietary research and research or data created or developed by a third-party that provides information regarding the economy, industries, sectors of securities, individual companies, statistical information, technical market action, pricing and appraisal services, index data, risk-measurement analysis and performance analytics. Such research services are received primarily in the form of written reports, data feeds, telephone contact and personal meetings with securities analysts or company management. Such research services can also be provided in the form of access to data and investment-related conferences and seminars.

In some cases, research services are generated by third parties but are provided to KAR by or through brokers. KAR uses a variety of securities-quotation tools for day-to-day portfolio management of some or all of its accounts. Most of the services include additional statistics, analytical tools, and news used for portfolio management purposes by the investment management team.

In certain instances, KAR receives products or services that are used both for research or brokerage services and also for other purposes, such as administrative support and marketing. In such instances, KAR makes a good-faith effort to determine the relative proportions of the products or services that should be considered to be eligible research or brokerage. This process poses a potential conflict of interest to us. The portion of the cost of such products or services attributable to eligible brokerage or research would be defrayed through brokerage commissions generated by our clients' transactions, while we pay the portion of the costs attributable to non-eligible products and services out of our own resources. We mitigate this potential conflict of interest

through initial and periodic oversight of our mixed-use allocations by our Best Execution Committee to ensure they continue to be reasonable.

Our use of soft dollar arrangements in general also creates conflicts of interest between us and our clients as we have an incentive to disregard our best execution obligations when selecting brokers that provide us with soft dollar benefits. We manage this conflict of interest by entering into commission sharing arrangements ("CSAs") with brokers that we believe provide best execution as a means to facilitate soft-dollar payments. CSAs enable KAR to pool commission dollars generated in trades with certain brokers to be aggregated and distributed to other brokers to pay for investment research. This allows KAR to compensate research providers who do not have brokerage operations where traditional soft dollars can be credited through trade execution or where, in support of KAR's policy to seek best execution, KAR's traders decide that a research provider's trading desk is not capable of providing best execution when compared to other broker-dealers.

The European Union Markets in Financial Instruments Directive II ("MiFID II") provides that investment advisers registered in the European Union may receive investment research provided by third parties only if certain requirements are met. While KAR is not directly subject to MiFID II, KAR has a small number of clients in the European Union that adhere to MiFID II's requirements with respect to the unbundling of research. As such, KAR is required to substantively comply via contract with MiFID II's "inducement" and "research payment rules" to the extent that KAR provides sub-advisory services to a MiFID-licensed investment firm or otherwise commercially to certain EU clients (each, a "MiFID Client"). KAR is required to comply with these requirements solely for such MiFID Clients and not for its other non-MiFID Clients. With respect to these MiFID Clients, KAR utilizes execution-only broker-dealers that do not provide soft dollar, CSAs, or research benefits, and these MiFID Clients' trades are executed in the "Execution-only Client Block" in our trade rotation sequence, described earlier in Item 12.

In accordance with applicable guidance from the SEC staff and the Firm's soft dollar policy, KAR shall generally trade MiFID Client account orders separately in the "Execution-only Client Block" of its trade order rotation sequence because of certain requirements under MiFID II, and such trades could and do "wait behind" block trades executed for other accounts utilizing soft dollar credits and participating in the aggregated trades in the "Primary Block" of its trade order rotation, as described earlier in Item 12. In such circumstances, the MiFID Client accounts may receive an execution price that varies from (and could be less favorable than) the price received by other accounts managed by the Firm, and the market price of those securities can rise or fall before the trade is executed (and, in certain circumstances, as a direct result of other trades placed by, or on the advice of, KAR), causing the relevant MiFID Clients to purchase the same securities at a higher price (or sell the same securities at a lower price) than the Firm's other discretionary clients. Given all of the foregoing factors, the amount, timing, structuring or terms of an investment by KAR's MiFID Clients will differ from, and performance can be lower than, investments and performance to other clients.

To the extent necessary to achieve best execution in compliance with applicable law, including guidance from the SEC staff, and the Firm's soft dollar policy, KAR may alternatively execute transactions for MiFID Clients on a "step-out" or "trade away" basis. Each client in an aggregated order pays or receives the same average price for the purchase or sale of the underlying security and pay the same amount for execution.

Additionally, KAR follows a trade sequence process, described earlier in Item 12, to achieve best execution for clients where one group of clients has a transaction effected before or after another group of clients and is generally designed to treat clients equitably and fairly over time, including MiFID Clients. To meet this objective, KAR follows the trade rotation sequence process outlined earlier in Item 12, and monitors such trade rotation sequence periodically in order to help the firm with its efforts to ensure each client (or group of clients) is treated fairly to the extent reasonably practicable. As discussed earlier in Item 12, trade orders will bear the market price impact, if any, of those trades executed earlier or later in the rotation, and, as a result, a client could receive a less favorable net price for the trade.

Suggestion of Brokers

A client can instruct KAR to use a specified broker-dealer for the client's account, although KAR reserves the right not to accept such instruction in cases where it does not have a working relationship with the designated broker-dealer. However, the client should be aware that, where it directs KAR to use a specific broker-dealer: (1) a higher commission rate (or fees in the case of wrap-program accounts) might be paid by such client, in part because of additional services which might be available from such broker-dealer as well as KAR's inability to negotiate the commission rate or obtain volume discounts when the client's transaction is combined with those of other clients in a block trade; and (2) the execution of trades for the client by the designated broker-dealer could result in failure to receive the best execution in some transactions. KAR is generally required by wrap-program sponsors to direct trades for client accounts in such programs to such sponsors or their affiliates.

A client who directs KAR to use a particular broker-dealer, including a client who directs use of a broker-dealer that also serves as a custodian (whether or not recommended by KAR), should consider whether commissions expenses, execution, clearance and settlement charges and custodial fees, if applicable, are comparable to those otherwise obtainable by KAR.

While KAR does not consider, in selecting or recommending broker-dealers, whether we receive client referrals from that broker-dealer, KAR can and does benefit by receiving new client referrals from Fidelity given we have other arrangements with Fidelity, as described in Item 14, or other broker-dealers who earn commissions on trades for accounts of existing clients of KAR. As a result, a conflict of interest exists between KAR's interest in such referrals and its obligation to seek the best execution of client trades. We believe this conflict is mitigated by our best execution policies and procedures.

Cross Transactions

On occasion, where appropriate, and subject to applicable advance consent by its clients, KAR will consider effecting cross transactions among eligible client accounts and, when it does so, it complies with applicable disclosure and consent requirements associated with such transactions under the Investment Advisers Act of 1940. To reduce transaction costs and promote trading efficiency for its mutual fund clients, KAR can also engage in cross transactions consistent with procedures adopted pursuant to Rule 17a-7 under the Investment

Company Act of 1940 for its mutual fund clients. As of the date of this Brochure, such cross trades were effected on an infrequent basis, if at all.

Initial Public Offerings (IPOs)/Secondary Offerings

From time to time, KAR participates in an initial public offering ("IPO") or secondary offerings (together, "Public Offerings"). Generally, in the event that KAR receives an allocation for a Public Offering security, it is KAR's policy to allocate the securities proportionally among client portfolios based on asset value, eligibility status, ability of the client's custodian bank to receive Public Offering shares, and suitability for the investment strategy being allocated to. Appropriateness for a specific investment strategy or strategies is determined by KAR based on a number of factors, including but not limited to, the investment strategy's objectives, existing securities in the investment strategy's portfolio, available cash and purchasing power, and portfolio investment restrictions. Certain wrap and dual contract client accounts are not eligible to participate in such Public Offerings because their custodian bank is not able to receive Public Offering shares.

At KAR's sole discretion, a small allocation of a Public Offering would be allocated to only one or a few client portfolios within a particular investment strategy if it is determined that allocation among all eligible accounts in the entire investment strategy would be inefficient or impossible. As such, while based on objective criteria, KAR's allocation of any specific Public Offering might not result in proportional allocation across all of its client portfolios. When this occurs, accounts that receive an allocation of Public Offering shares will have performance that differs, sometimes materially, from accounts that don't receive an allocation of Public Offering shares within the same investment strategy. KAR, however, has allocation policies and procedures in place that are reasonably designed to treat all client portfolios fairly and equitably over time and that avoid giving preference to any particular client or type of clients when allocating a Public Offering.

Pre-IPO Private Placements

From time to time, KAR makes investments in pre-IPO private placements that are not registered under the Federal Securities Laws and that are only available to investors that meet certain eligibility criteria under the Federal Securities Laws. Given these qualification requirements, separately-managed accounts in a given investment strategy that either do not allow private placement investments or that are not eligible for the applicable qualification requirements will not make such investments and, as a result, their actual performance can and likely will differ from the performance of accounts that are eligible either under their own guidelines or under the Federal Securities Laws to make such investments.

Error Correction

Although KAR takes all reasonable steps to avoid errors in our trading process, occasionally errors do occur. It is our policy that errors be identified and resolved promptly and in a manner consistent with KAR's fiduciary duty to its clients. Consistent with this duty, the overriding goal in trade-error resolution is to seek to place the client in the same position that the client would have been in had the error not occurred. There is no single method of calculating gains, losses or compensation due as a result of a trade error. The determination of the method is highly dependent on the facts and circumstances of the error in question. When an error occurs, KAR determines the most appropriate calculation methodology on a case-by-case basis in light of the specific facts and circumstances of each trade error. Generally speaking, errors that result in a net gain to an account will remain in such account while errors that result in a net loss to an account will be reimbursed to the account.

Item 13 – Review of Accounts

KAR establishes a record-keeping account in KAR's portfolio accounting system for each managed client account that includes information concerning the client's investment objectives and guidelines. This information identifies such matters as overall investment strategy, asset allocation targets and cash distribution requirements, as well as any special portfolio restrictions. In the case of wrap programs where KAR serves as investment sub-adviser, the program sponsor maintains and provides KAR with electronic access to the information contained in client record-keeping accounts because trading is conducted through the wrap sponsor's trading platform.

Generally, each account is invested using an approved model portfolio for the chosen strategy. Some direct client accounts are invested with adjustments to the model portfolio where directed by the client because of tax and other special circumstances. As a result, such accounts can be weighted differently or hold securities not in the model portfolio for a number of reasons, including how much of the security KAR already owns on behalf of its other investment advisory clients; these accounts will vary from the model for various reasons. Once initially invested, the account is regularly monitored for drift or variance from the model portfolio weightings and client guidelines. This process is conducted by our portfolio managers, portfolio management associates, investment adviser associates and wrap traders, as applicable. The number of accounts reviewed by each person varies based on the type of account. In its oversight capacity, KAR's compliance department also performs periodic account reviews that can cover various items, including but not limited to comparing an account's strategy and/or allocation to the account's stated risk tolerance or objectives.

KAR manages accounts on a discretionary basis and for those accounts has full authority in determining which securities are purchased and sold and when such purchases and sales are effected. KAR normally sells some or all of the securities in a client account after the initial receipt of the account or the deposit of additional securities into the account. Some securities are normally retained in the account to the extent that they are included in KAR's model holdings for such an account or if requested by the client. The client is responsible for any tax liabilities that result from such transactions.

For direct-fee accounts, KAR is available to meet with the client at least once a year or, in some cases, as often as quarterly if requested by the client. Account reviews are conducted with clients by the client service representatives, with the assistance of the portfolio managers, as appropriate. Wrap-fee accounts (both advisory and sub-advisory) have access to the same personnel through their respective program sponsors or they can contact KAR's client service team directly at any time. Direct accounts can be provided with (i) quarterly (in some cases, monthly) reports identifying holdings and performance and (ii) if taxable, annual reports identifying realized gains/losses, and interest and dividends received. Based upon the sponsor's preference, wrap-program accounts (other than sub-advisory accounts) are provided quarterly reports identifying holdings and, for some programs, performance.

KAR offers customized financial planning services to clients of its wealth advisory business that can include retirement and cash-flow planning, risk management, estate planning and wealth transfer, charitable gifting solutions, and general tax planning. The nature of the Firm's financial planning services means that the Firm typically doesn't conduct ongoing reviews of such financial plans unless specifically requested by the client or when the client's wealth advisor or senior wealth advisor and the client mutually determine to do so. In the event that KAR undertakes to review financial plans on an ongoing basis, the wealth advisor or senior wealth advisor assigned to such client conducts such reviews in consultation with KAR's financial planning team.

Item 14 – Client Referrals and Other Compensation

KAR maintains and from time to time enters into contractual third-party promoter agreements with certain affiliated and unaffiliated parties who refer clients to KAR. These parties can also be clients of KAR, but most are not clients of KAR. KAR, in turn, compensates these parties for any such referrals based on the assets that are managed by KAR arising from such referral. The persons or entities providing the third-party promoter services are commonly known as "third-party promoters." Where the third-party promoter is a client of KAR at the time of the referral, they provide a paid "testimonial", as such term is defined in Rule 206(4)-1 of the Investment Advisers Act of 1940 (the "Advisers Act"), when referring clients to KAR. Where the third-party promoter is not a client of KAR at the time of the referral, they provide a paid "endorsement", as such term is defined in Rule 206(4)-1 of the Advisers Act, when referring clients to KAR. All third-party promoter agreements are made in writing, pursuant to, and in accordance with Rule 206(4)-1 of the Advisers Act.

As discussed in Item 10, above, KAR has third-party promoter arrangements with VP Distributors, LLC ("VPD"), Virtus International Management, LLP ("Virtus International"), and Virtus Global Partners PTE. LTD ("Virtus Singapore), each of which is an affiliate of KAR, whereby KAR compensates those entities for referrals in certain circumstances. The compensation paid by KAR to VPD, Virtus International, and Virtus Singapore for these referral arrangements generally is structured as being all or a portion of any variable compensation paid by the affiliate to its employee(s) relating to assets under management by KAR that were referred by such employee(s), and in some cases the compensation also includes a percentage of the affiliate's costs with respect to employment of the individual(s).

While the specific terms of each agreement can differ, the third-party promoter typically receives a percentage of the management fees received by KAR from accounts referred by the third-party promoter. In some cases, third-party promoter fees can be based on a percent of the assets under management from accounts referred by the third-party promoter. Any fees paid by KAR to a third-party promoter are paid by KAR and not the client. Third-party promoter compensation is not a factor in determining, nor does it adversely affect, the fee KAR charges for its investment management or advisory services.

A conflict of interest exists between any clients referred to KAR third-party promoters in that they are compensated by KAR for introducing investment advisory business to KAR, and the third-party promoter's receipt of such compensation from KAR could influence decision to recommend KAR in a way that is in conflict with the interests of the prospective client. This conflict of interest is mitigated by the requirement that KAR's Form ADV Part 2A and other required disclosures be provided to the prospective client.

With respect to KAR's investment management of certain Irish-domiciled UCITS funds, KAR provides investment management services to such UCITS funds, and at its or its affiliates' discretion and only where permitted by applicable law, can rebate, or cause to rebate, part or all of the investment management fees charged to any UCITS fund shareholder.

KAR has relationships with certain consulting firms and other intermediaries that are designed to support KAR's overall business needs. For example, KAR, from time to time, purchases products or services, such as investment manager performance data, from consulting firms. In compliance with applicable laws and regulations, KAR or an affiliate from time to time pay event attendance participation or other fees; underwrite educational, charitable or industry events; or provide gifts of value to, or at the request of, an organization or individual (including KAR affiliates) that, among other things: (i) promotes or mentions products or services of KAR or an affiliate in a particular program; (ii) provides KAR or an affiliate with access to financial advisors, brokers, employees, or other persons affiliated with financial services firms in order to provide training, marketing support, and educational presentations on products or services affiliated with KAR; and/or (iii) refers or has referred a client to KAR. KAR obtains products and/or services from consulting firms separate and apart from any recommendations made to clients for KAR's investment services, and in doing so, often also provides cash or non-cash support for educational, training, marketing and other events sponsored by consulting firms and other intermediaries, subject to internal policies and regulatory restrictions. Additionally, certain affiliated or third-party institutions provide financial support for marketing, educational, and sales meetings of KAR or affiliates. From time to time, KAR or its affiliates also pays a fee to have information regarding KAR included in databases maintained by certain unaffiliated third-party data providers that in turn make such information available to their investment consultant clients. The payments and benefits described in this paragraph could give the firms receiving them and their personnel an incentive to favor KAR's investment advisory services over those of firms that do not provide the same payments and benefits.

Additionally, KAR or any of its affiliates enter into arrangements with, and/or make payments from their own assets to, intermediaries to enable access to Virtus-branded mutual funds on platforms made available by such intermediaries. KAR or any of its affiliates also enter into arrangements with, and/or make payments from their own assets to assist such intermediaries to upgrade their existing technology systems or implement new technology systems or programs in order to improve the methods through which the intermediary provides services to KAR and its affiliates and/or their clients. Such arrangements or payments establish contractual obligations on the part of such intermediary to provide KAR's or an affiliate's fund clients with certain exclusive or preferred access to the use of the subject technology or programs or preferable placement on platforms operated by such intermediary. The services, arrangements and payments described in this paragraph present conflicts of interest because they provide incentives for intermediaries, customers or clients of intermediaries, or such customers' or clients' service providers to recommend, or otherwise make available, KAR's or its affiliates' strategies or Virtus-

branded mutual funds to their clients in order to receive or continue to benefit from these arrangements from KAR or its affiliates. The provision of these services, arrangements and payments described above by KAR or its affiliates is only to the extent permitted by applicable laws and regulations and is not dependent on the amount of Virtus-branded mutual funds or strategies sold or recommended by such intermediaries, customers or clients of intermediaries, or such customers' or clients' service providers.

Sponsors of wrap programs are often directly or indirectly registered as an investment adviser under the Investment Advisers Act of 1940. Such wrap sponsors from time-to-time request that KAR directly or indirectly pay for some of a wrap sponsor's marketing and advertising expenses, which also can include paying for certain incentive programs. Under these arrangements, KAR could be perceived to be sharing its fees with another investment firm and, separately, these types of payments create a conflict of interest because sponsors of wrap programs are incentivized to utilize KAR's investment strategies.

From time-to-time, KAR's wealth advisory personnel may receive business entertainment from unaffiliated current and prospective third-party sub-advisers and sponsors of investment strategies or products that KAR makes available to its wealth advisory clients. Any such business entertainment is in accordance with KAR's gifts and entertainment policies and procedures. When such a third-party provides such business entertainment, this can present a conflict of interest because it could lead to recommendation or use of these products and services over products that do not provide such business entertainment. This conflict of interest is mitigated by KAR's manager due diligence processes and its risk tolerance guidelines in effect to seek to ensure clients' overall portfolios are invested in accordance with clients' specific financial situation and investment goals. *Participation in Fidelity Wealth Advisor Solutions ®.* KAR participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which KAR receives referrals from Strategic Advisers LLC ("Strategic Advisers"), a registered investment adviser and Fidelity Investments company. KAR is independent and not affiliated with Strategic Advisers or any Fidelity Investments company. Strategic Advisers does not supervise or control KAR, and Strategic Advisers has no responsibility or oversight for KAR's provision of investment management or other advisory services.

Under the WAS Program, Strategic Advisers acts as a third-party promoter for KAR, and KAR pays referral fees to Strategic Advisers for each referral received based on KAR's assets under management attributable to each client referred by Strategic Advisers or members of each client's household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from Strategic Advisers to KAR does not constitute a recommendation or endorsement by Strategic Advisers of KAR's particular investment management services or strategies. More specifically, KAR pays the following amounts to Strategic Advisers for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed-income" assets by Strategic Advisers and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, KAR has agreed to pay Strategic Advisers an annual program fee of $50,000 to participate in the WAS Program. These fees are paid by KAR and not the client.

To receive referrals from the WAS Program, KAR must meet certain minimum participation criteria, but KAR has been selected for participation in the WAS Program as a result of its other business relationships with Strategic Advisers and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, KAR has a conflict of interest with respect to its decision to use certain affiliates of Strategic Advisers, including FBS, for execution, custody, and clearing for certain client accounts, and KAR could have an incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to KAR as part of the WAS Program.

Under an agreement with Strategic Advisers, KAR has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover referral fees paid to Strategic Advisers as part of the WAS Program. Pursuant to these arrangements, KAR has agreed not to solicit clients to transfer their brokerage accounts from affiliates of Strategic Advisers or establish brokerage accounts at other custodians for referred clients other than when KAR's fiduciary duties would so require, and KAR has agreed to pay Strategic Advisers a one-time fee equal to 0.75% of the assets in a client account that is transferred from Strategic Advisers' affiliates to another custodian; therefore, KAR has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of Strategic Advisers. However, participation in the WAS Program does not limit KAR's duty to select brokers on the basis of best execution.

Item 15 – Custody

KAR's investment management clients' assets are held at unaffiliated qualified custodians, and KAR reasonably believes that such qualified custodians send our investment management clients an account statement on at least a quarterly basis. For those clients who have authorized KAR to deduct advisory fees directly from such client's custodian account(s), KAR is deemed to have custody of such clients' funds and securities in that account under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, solely as a consequence of such authority to make withdrawals from such clients' accounts to pay such advisory fees, even though KAR does not hold these assets.

Clients should receive statements on at least a quarterly basis from the broker-dealer, bank or other qualified custodian that holds and maintains client investment assets. KAR urges clients to carefully review such statements and compare such official custodial records to the account statements that KAR provides to clients under separate cover. KAR's statements can vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

KAR generally has full discretion to buy and sell securities without prior client approval under its investment advisory agreements with its clients, and in such capacity, KAR holds a limited power of attorney to act without prior consultation as its clients' investment adviser in its investment advisory agreements. KAR exercises its investment discretion consistent with its fiduciary duties and investment philosophy, as well as any investment guidelines or restrictions imposed by client and accepted by KAR. KAR does not advise clients for a fee with respect to (i) holdings outside their managed accounts or (ii) holdings in their managed accounts which are designated as unsupervised at the direction of or with notice to the client.

Item 17 – Voting Client Securities

Summary of Proxy Voting Policy

KAR has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of our clients, in accordance with our fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940.

The principles for voting proxies are as follows:

1. The Firm votes all proxies to, in its opinion, maximize shareholder value, which is defined as long-term value through dividend and price appreciation. In addition, the Firm's investment philosophy is to purchase "quality" companies for the portfolios of its clients. One of the four main criteria for "quality" is excellence in management. Hence, the Firm tends to vote non-shareholder-value issues in alignment with management's recommendations if there is no conflict with shareholder value. For example, "poison pills" and other anti-takeover measures are not supported, even if recommended by management.
2. To assist in analyzing proxies, KAR subscribes to Institutional Shareholder Services ("ISS"), an unaffiliated third-party corporate governance research service that provides in-depth analyses of shareholder meeting agendas and vote recommendations. KAR fully reviews and approves the ISS Proxy Voting Guidelines and follows its recommendations on most issues brought to a shareholder vote. In special circumstances, including where KAR in good faith believes that any ISS recommendation would be to the detriment of our investment clients, KAR will override an ISS recommendation. At least two members of KAR's Risk and Compliance Committee approve an override on such basis. Additionally, KAR utilizes ISS to vote proxies on its behalf pursuant to the ISS Proxy Voting Guidelines. Absent any special circumstance, the Proxy Voting Guidelines are followed when voting proxies.
3. KAR is occasionally subject to conflicts of interest in the voting of proxies because of business or personal relationships it maintains with persons having an interest in the outcome of specific votes. KAR and its employees also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors or candidates for directorships. If, at any time, the responsible voting parties become aware of any type of potential conflict of interest relating to a particular proxy proposal, they are to promptly report such conflict to the chief compliance officer under the Firm's conflict of interest reporting policies. Conflicts of interest are handled in various ways depending on the type and materiality, but KAR seeks to avoid and mitigate such conflicts of interest as much as possible when carrying out its business, including with respect to its proxy voting activities.

KAR's current Proxy Voting Policy and Guidelines are posted on the public section of the Firm's website, www.kayne.com. For a copy of the policy or guidelines and inquiries regarding how a specific proxy proposal was voted, please contact Compliance at 800.231.7414 or compliance@kayne.com.

Class Actions

A securities "class action" lawsuit is a civil suit brought by one or more people ("Plaintiffs") on behalf of themselves and others who have the same grievance against the issuer of a certain security.

When a class action is filed, a written notice of filing or settlement is prepared (the "Notice"), which outlines the reasons for the lawsuit, the parameters for qualification as a member of the class, and certain legal rights that need to be considered before becoming a member of the class (i.e., participating in the settlement). In addition, the Notice contains instructions issued by the court to brokers/dealers and/or other nominees (e.g., custodians) who receive the Notice and who hold the security on behalf of the owner/beneficiary, to either (1) provide the claims administrator (usually the attorney for the Plaintiffs) with the name and address of each such owner/beneficiary so the claims administrator can send the Notice directly to such owner/beneficiary, or (2) request additional copies of the Notice and send the Notice directly to the owner/beneficiary.

In some cases, in addition to the owner/beneficiary, KAR also receives notification of a class action. Since, as described above, the broker/dealer, nominee, or claims administrator is responsible for sending the Notice to the owner/beneficiary of the security, and KAR does not hold securities on behalf of its clients, KAR does not relay or otherwise send any additional notification of these class actions to its clients.

Because each class action involves certain legal rights that must be considered by the owner/beneficiary of the security before becoming a member of the class, KAR does not instruct or give advice to its clients on whether or not to participate as a member of the class.

In addition, since (1) the client, not KAR, is the owner/beneficiary of the securities that KAR purchases in a client's account, and (2) KAR does not have any knowledge of whether or not the client purchased the security in any account not managed by KAR, KAR cannot and does not automatically file a claim on the client's behalf in any class action. Generally, the client will be asked to contact his or her custodian for transaction information. However, if the client requests additional assistance, KAR endeavors on a best-efforts basis to provide the client with transaction information in its possession pertaining to the client's account that could be helpful and/or needed in order for the client to file a proof of claim in a class action to the extent such information is still required to be maintained by the Investment Advisers Act of 1940 or any other applicable superseding rule or regulation.

Item 18 – Financial Information

KAR is required in this Item to provide you with certain financial information or disclosures about our financial condition. KAR currently has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients and KAR has not been the subject of a bankruptcy proceeding at any time during the past ten years.