

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
Thursday, October 5, 2023, at 12:30 PM  
City Hall Conference Room 3C**

**AGENDA**

**1. CALL TO ORDER**

**2. PUBLIC COMMENT**

**3. INVESTMENT AND FINANCIAL MATTERS**

Kayne Anderson US SMID Value

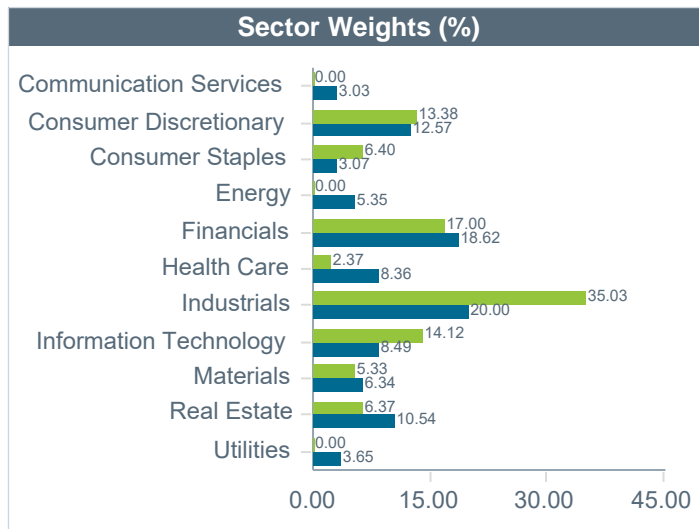
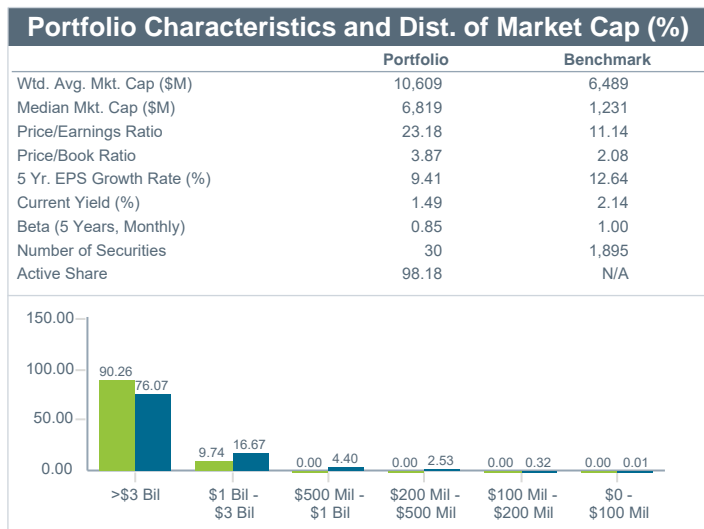
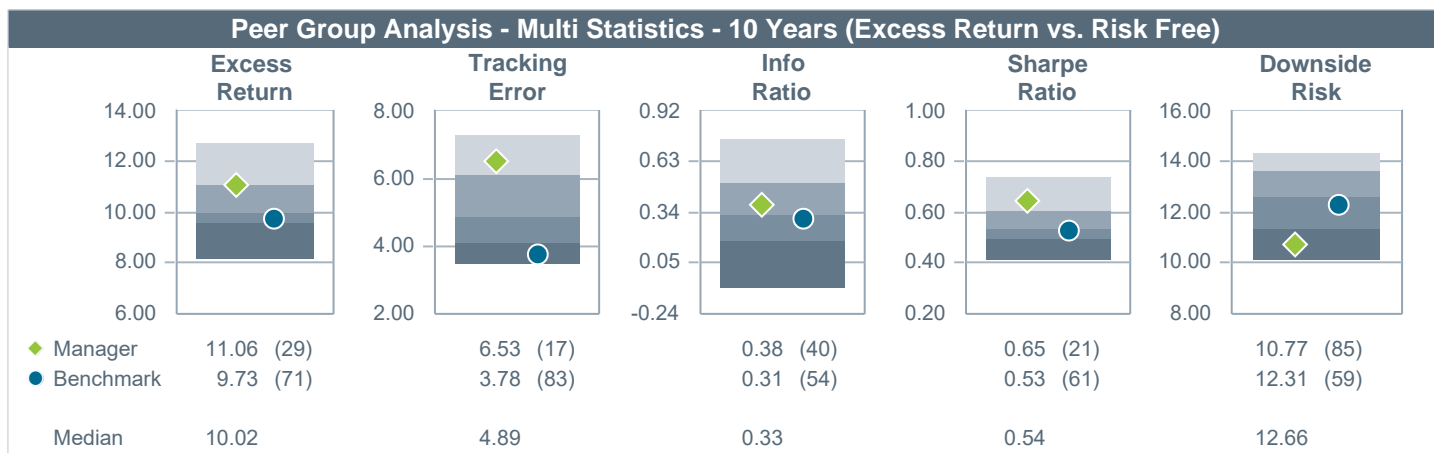
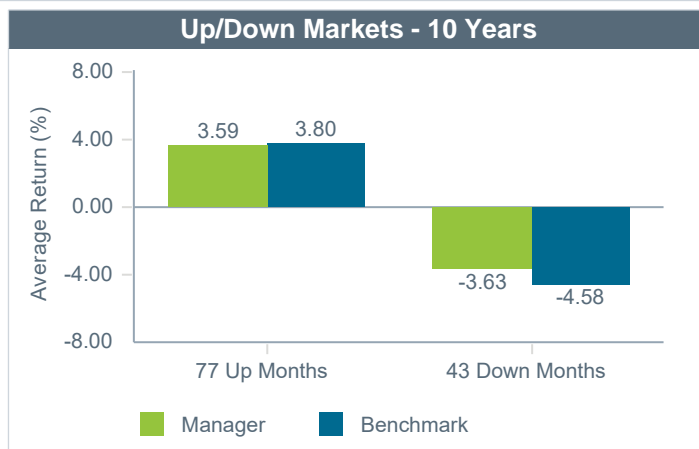
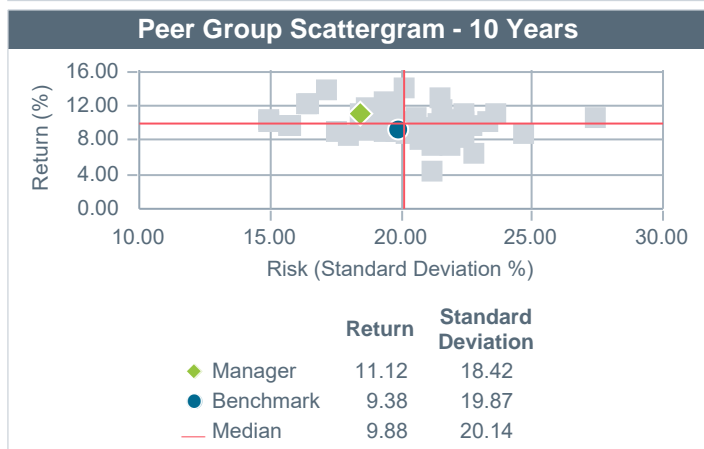
**4. INFORMATION**

- a. Next regular BOT meeting scheduled for Thursday, October 26, 2023, at 2 PM
- b. Baillie Gifford – International Equity discussion scheduled for Thursday, November 2, 2023, at 12:30 PM

**5. PRIVILEGE OF THE FLOOR**

**6. ADJOURNMENT**

Performance											
	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	2022	2021	2020	2019	2018
Manager	3.41	9.58	10.36	8.71	10.36	11.12	-20.00	22.18	24.69	33.20	-11.97
Benchmark	4.37	10.37	16.07	5.32	7.97	8.02	-13.08	27.78	4.88	23.56	-12.36
Difference	-0.96	-0.79	-5.71	3.39	2.39	3.10	-6.92	-5.60	19.81	9.64	0.39
Peer Group Median	4.50	14.25	17.68	7.82	10.39	9.88	-10.29	27.78	7.23	27.19	-12.88
Rank	75	89	96	35	51	21	90	93	5	6	41
Population	66	66	66	62	58	54	73	77	85	85	92



Performance shown is gross of fees and product specific prior to client inception. Calculation is based on monthly periodicity. Parentheses contain percentile ranks.





Kayne Anderson Rudnick  
Investment Management

A VIRTUS INVESTMENT PARTNER

**City of Jacksonville Employees Retirement System**  
**Small-Mid Cap Quality Value Portfolio**  
**Second Quarter 2023 Review**

1. **Portfolio Performance**
2. **U.S. Small-Mid Cap Quality Value Equity**
3. **Commissions**
4. **Proxy Voting Activity**
5. **Market Outlook**
6. **Statement**

# City of Jacksonville Employees Retirement System

Portfolio Summary as of June 30, 2023

Account Number: C0241300

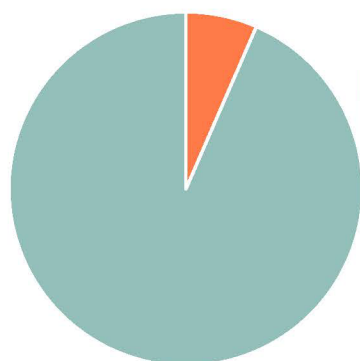


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Investment Management

Inception Date: 02/07/22

## Portfolio Summary

### Asset Allocation



	Market Value (\$)	% of Allocation	Current Yield (%)
Cash & Equivalents	4,471,658	6.52	4.97
Equities	64,140,825	93.48	1.44
<b>Total Portfolio</b>	<b>68,612,483</b>	<b>100.00</b>	<b>1.67</b>

### Change in Portfolio

	Month to Date (\$)	Year to Date (\$)	Inception to Date (\$)
<b>Beginning Total Portfolio Value</b>	<b>63,251,557</b>	<b>63,784,164</b>	<b>83,453,032</b>
Net Contributions/Withdrawals	0	(198,030)	(11,495,985)
Interest/Dividend Income	111,886	603,865	1,550,840
Change in Market Value	5,249,040	4,422,484	(4,895,404)
<b>Ending Total Portfolio Value</b>	<b>68,612,483</b>	<b>68,612,483</b>	<b>68,612,483</b>

### Time Weighted Return

	Month to Date	Quarter to Date	Year to Date	One Year	Annualized			Inception Date
					Three Years	Five Years	Since Inception	
<b>City of Jacksonville Employees Retirement System (C0241300)</b>	<b>8.48</b>	<b>3.26</b>	<b>7.57</b>	<b>9.05</b>	-	-	<b>(2.53)</b>	<b>02/07/22</b>

### Index Results

Russell 2500 Value Index	8.89	4.37	5.83	10.37	-	-	(2.03)	02/07/22
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Market values include accrued income. Performance returns are net of fees. Asset Class Returns (i.e. Fixed Income, Equities), if shown, are gross of fees. Returns greater than one year are annualized. KAR uses the time-weighted-return ("TWR") methodology to present investment returns in your portfolio, which represents the compound growth rate of a portfolio without distortions to returns caused by the timing of inflows/outflows of cash and assets during the time period(s) shown. As a result, your actual rate of return will differ if you have had meaningful inflows/outflows of cash and assets during the time period(s) shown. Please refer to the Disclosures page for a full list of disclosures.

# Firm Overview

As of June 30, 2023



Kayne Anderson Rudnick  
Investment Management

## Profile

- Originally established to manage founder capital
- Over three decades of experience
- A differentiated “business analyst” investment approach focusing on high-quality businesses†
- A disciplined and repeatable investment process that produces high-conviction portfolios
- A wholly owned, independent subsidiary of Virtus Investment Partners

## At a Glance

Year Founded	1984
Headquarters	Los Angeles, CA
AUM	\$53.5 billion*
Number of Equity Investment Professionals	19
Average Investment Experience	17 Years

\*Figures in USD.

†Please refer to the “Tenets of Quality: Our Quality Business Assessment” slide later in this presentation for KAR’s definition of high-quality businesses.

### Investment Philosophy

We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle

### Investment Objectives

- To achieve a return meaningfully above that of the Russell 2500™ Value Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics\*

*\*There is no guarantee that the portfolio will meet its objective.*



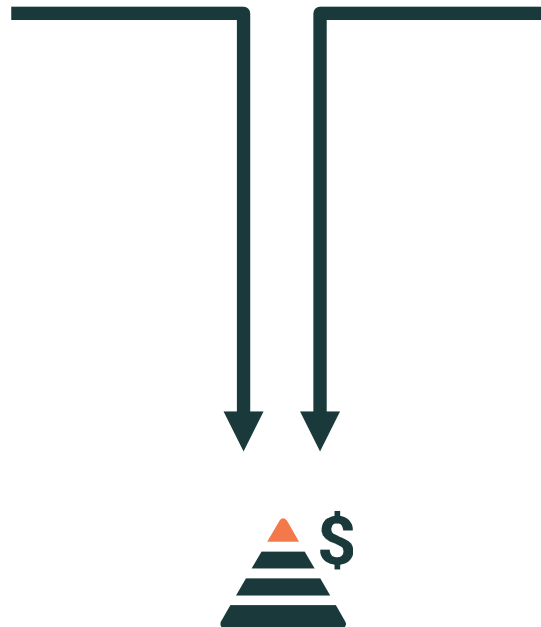
## Competitive Protection

- Brand/Reputation
- Network Effect
- Scale/Cost Advantage
- Benchmarking Standard
- High Customer Switching Costs
- Barriers to Entry/Unique Asset
- Low Obsolescence Risk



## Owner-Oriented Management

- Cultivates Competitive Advantage
- Rational Capital Allocation
- Considers Stakeholder Interests



## HIGH QUALITY BUSINESS

- Protect and Grow Market Share
- High Economic Return on Capital
- Business Returns → Shareholder Returns



# Small-Mid Cap Quality Value Team



Kayne Anderson Rudnick  
Investment Management

Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	37 Years	12 Years
Julie Kutasov	Portfolio Manager and Senior Research Analyst Sector Coverage: Materials, Industrials and Utilities	22 Years	22 Years
Craig Stone	Portfolio Manager and Senior Research Analyst Sector Coverage: Real Estate and Consumer Discretionary	34 Years	23 Years
Todd Beiley, CFA	Senior Research Analyst Sector Coverage: Financials and Information Technology	24 Years	21 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Information Technology and Health Care	15 Years	10 Years
Jon Christensen, CFA	Senior Research Analyst Sector Coverage: Health Care and Industrials	28 Years	22 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Financials, Information Technology, Energy and Industrials	11 Years	11 Years
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Industrials	15 Years	5 Years
Arthur Su, CFA	Research Analyst Sector Coverage: Information Technology, Industrials and Consumer Staples	8 Years	1 Year
Adam Xiao, CFA	Research Analyst Sector Coverage: Financials, Communication Services, Consumer Discretionary and Information Technology	10 Years	5 Years
Clarissa Ali	Junior Research Analyst	<1 Year	5 Years
Institutional Client Services	Responsibility	Industry Experience	Years with KAR
Jason Pomatto	Managing Director - Client Portfolio Manager	29 Years	1 Year
Ben Corser	Institutional Portfolio Specialist	17 Years	5 Years
Maritza Gonzalez	Director - Institutional Client Services	27 Years	19 Years
Ivan Perez	Senior Client Service Specialist	28 Years	1 Year

# Market Review

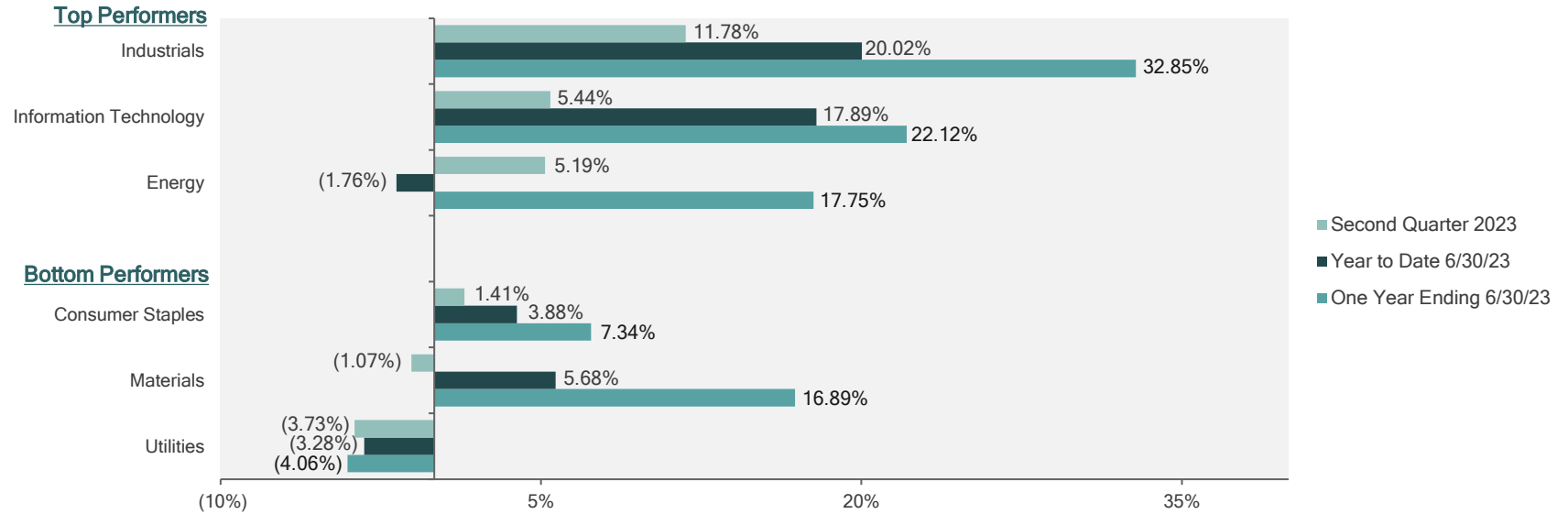
## Performance by Sector and Style



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Investment Management

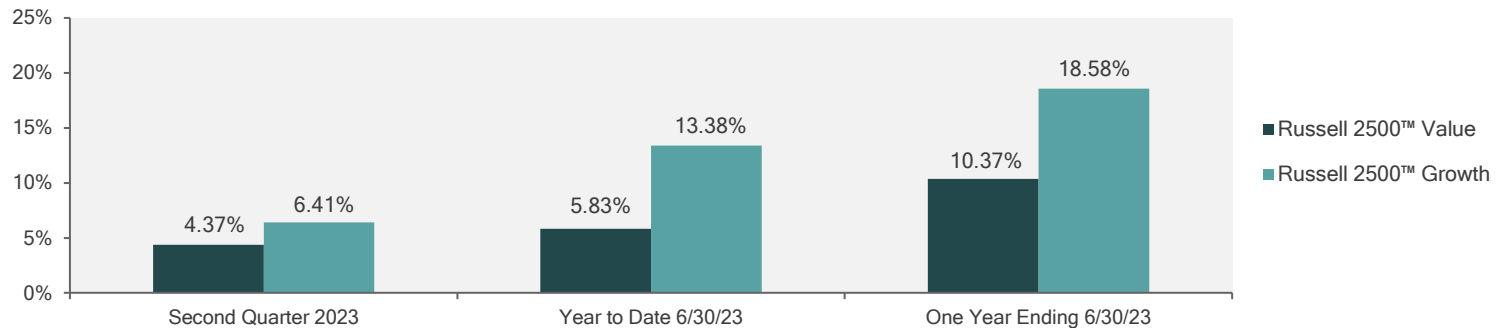
### Sector Performance

Russell 2500™ Value Index



### Performance by Style

Russell 2500™ Value Index vs. Russell 2500™ Growth Index



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# Market Review

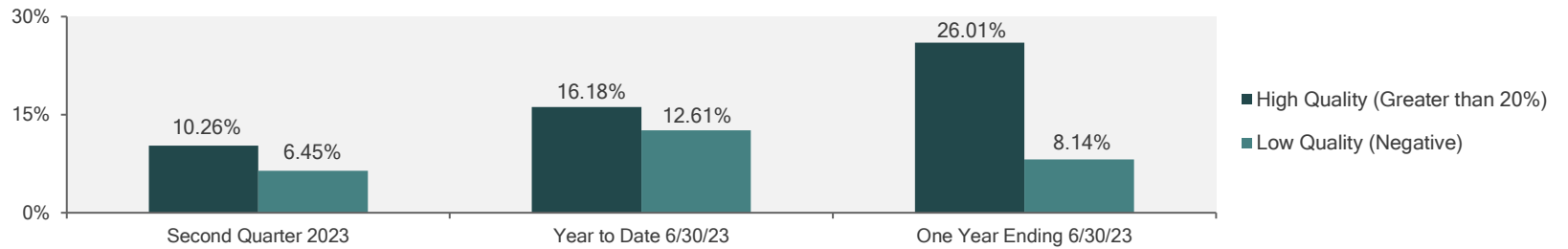
## Performance by Financial Metric



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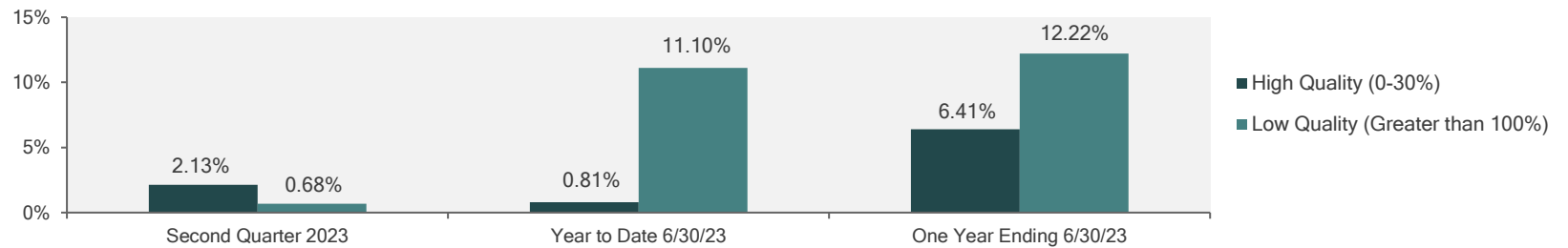
### Performance by Return on Equity

Russell 2500™ Value Index



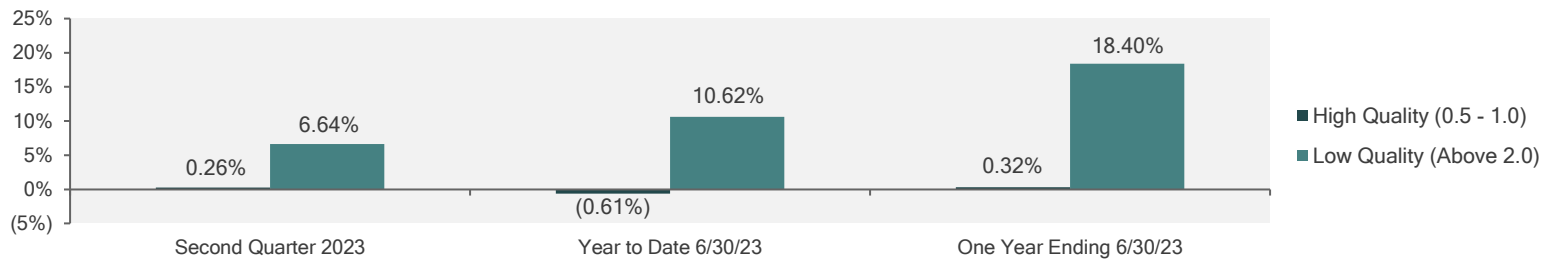
### Performance by Debt/Capital Ratio

Russell 2500™ Value Index



### Performance by Beta

Russell 2500™ Value Index



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# Quarterly Performance Overview

Small-Mid Cap Quality Value Portfolio

Periods Ending June 30, 2023



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Investment Management

## Monthly, Quarterly and Year to Date Performance

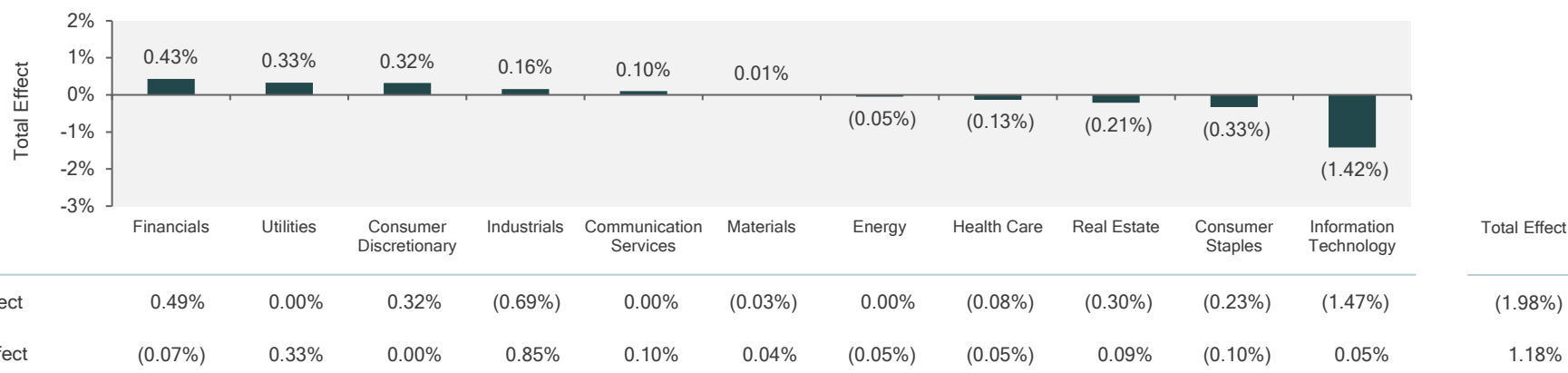
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
April	(0.90)	(0.97)	(1.33)	36
May	(3.89)	(3.96)	(2.85)	(111)
June	8.52	8.45	8.89	(44)
Second Quarter	3.36	3.14	4.37	(123)
Year to Date	7.81	7.36	5.83	153

## Annualized Performance

Periods Ending 6/30/23	Gross (%)	Net (%)	Index (%)
1 Year	9.51	8.59	10.37
5 Years	8.71	7.79	5.32
10 Years	11.12	10.18	8.02

## Attribution by Sector

Quarter Ending June 30, 2023



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The attribution data provided herein is based upon a buy and hold methodology and gross returns for a representative portfolio. Returns for the Kayne Anderson Rudnick composite are final. All periods less than one year are total returns and are not annualized. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

# Highest Contributors

## Small-Mid Cap Quality Value Portfolio

### Quarter Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
TransUnion	+1.21%	In the most recent quarter, TransUnion provided better than expected 2023 guidance with an emphasis on mergers and acquisitions (M&A) integration and debt paydown, which were negative issues previously for the stock.
Thor Industries	+1.18%	Thor Industries continues to feel the effects of slower RV sales. However, the business operates largely as an assembler and not a vertical manufacturer, which helps the business generate free cash flow, even as RV sales decline. The business's valuation multiple expansion has also helped the performance of the stock.
Lennox International	+0.98%	Lennox International reported a quarter of good growth with margin recovery ahead of targets as it executes the turnaround of its commercial business and implements better operational practices.
Graco	+0.78%	We believe Graco's performance benefitted from ongoing business growth across all segments due to the implementation of increased pricing, which helped expand the company's profitability.
Broadridge Financial Solutions	+0.53%	In the quarter, Broadridge Financial Solutions reported strong organic revenue and profit growth. Market participants looked favorably on the growth of recurring revenues across the company's two business lines, causing the stock to perform.

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# Lowest Contributors

## Small-Mid Cap Quality Value Portfolio

### Quarter Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
Bank of Hawaii	(0.51%)	Bank of Hawaii's shares, similar to other regional banks, came under pressure late in the quarter as investors became concerned about deposit outflows after the failure of Silicon Valley Bank and Signature Bank.
Leslie's	(0.40%)	Concerns surrounding chlorine prices from higher levels seen over the past year weighed on Leslie's shares.
Toro	(0.37%)	Toro's recent underperformance stems from a combination of valuation compression and revenue shrinkage in the company's Residential business segment.
National Beverage	(0.36%)	National Beverage raised prices to combat inflationary costs which has helped restore margins. However, sparkling water sales have slowed, and the category is seeing increasing competition, both of which have limited National Beverage's ability to outgrow market expectations resulting in the shares underperforming.
Zebra Technologies	(0.36%)	Zebra Technologies' shares underperformed in the most recent quarter as macroeconomic conditions continued to deteriorate leading to another downward revision to full year guidance.

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# Annual Performance Overview

## Small-Mid Cap Quality Value Portfolio

### Periods Ending June 30, 2023



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Investment Management

#### Quarterly and Annual Performance

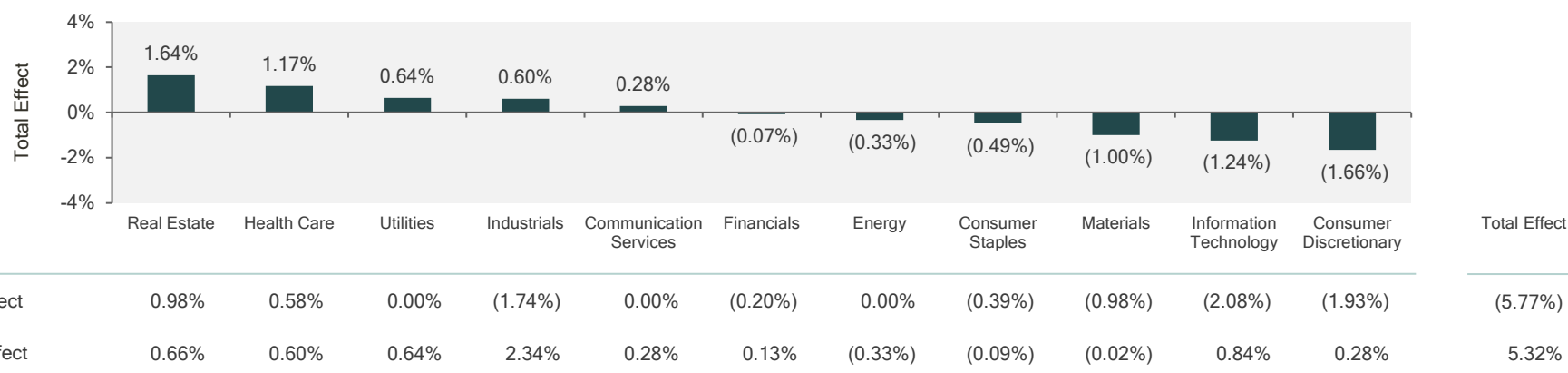
	Gross (%)	Net (%)	Index (%)	Excess Returns - Net (bps)
Third Quarter 2022	(4.06)	(4.27)	(4.50)	23
Fourth Quarter 2022	5.88	5.66	9.21	(355)
First Quarter 2023	4.31	4.09	1.40	269
Second Quarter 2023	3.36	3.14	4.37	(123)
1 Year Ending 6/30/23	9.51	8.59	10.37	(178)

#### Annualized Performance

Periods Ending 6/30/23	Gross (%)	Net (%)	Index (%)
1 Year	9.51	8.59	10.37
5 Years	8.71	7.79	5.32
10 Years	11.12	10.18	8.02

#### Attribution by Sector

One Year Ending June 30, 2023



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# Highest Contributors

Small-Mid Cap Quality Value Portfolio  
One Year Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
Graco	+1.61%	We believe Graco's performance benefitted from ongoing business growth and increased profitability driven by successful management operations and its ability to pass on increased pricing to customers.
Thor Industries	+1.55%	Thor Industries continues to feel the effects of slower RV sales. However, the business operates largely as an assembler and not a vertical manufacturer, which helps the business continue to generate free cash flow, even as RV sales decline. The business's valuation multiple expansion has also helped the performance of the stock.
Lennox International	+1.54%	Over the last 12 months, shares of Lennox International performed well as market participants became more positive on HVAC fundamentals, which were initially expected to be weak after two years of strong growth.
Landstar System	+1.28%	Landstar System continued to report good operating results in a weak trucking environment. Shares have appreciated more recently due to signs that the weak trucking environment may have bottomed.
Toro	+1.15%	Toro's performance benefitted from the ongoing growth and robust demand in their Professional business segment. Also, the company continues to benefit from their ability to increase pricing for their products over time.

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# Lowest Contributors

## Small-Mid Cap Quality Value Portfolio

### One Year Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
Bank of Hawaii	(1.52%)	Bank of Hawaii's shares, similar to other regional banks, remain under pressure due to concerns rising deposit costs will hurt profitability and the potential for future loan losses in a weakening commercial real estate market.
Leslie's	(1.29%)	Concerns surrounding chlorine prices from higher levels seen over the past year weighed on Leslie's shares.
W. R. Berkley	(0.68%)	Property policy losses at W.R. Berkley led to a modest decline in underwriting profitability and earnings despite a healthy overall rate environment for insurance carriers.
Scotts Miracle-Gro	(0.62%)	Shares of Scotts Miracle-Gro declined in 2022 for several reasons including the conflict in Ukraine creating an unprecedented upward pressure on prices of commodities such as urea, a key ingredient in fertilizer products. Other reasons were the company's reports of lower-than-expected operating results and an unexpected departure of the Chief Financial Officer. As the commodity costs' inflation started to ease, shares recovered strongly in Q1 2023 but lagged again in Q2 2023 driven by investor concerns that the company would not fully benefit from lower costs as it depleted its higher-cost raw materials inventory. At the same time, cannabis oversupply issues continued to weigh on the performance of Hawthorne, the company's hydroponics division. While disappointed, we view these issues as temporary in nature.
American Software	(0.59%)	American Software saw bookings decline due to elongated sales cycles as customers place greater scrutiny on software deals in the current uncertain macro-economic environment. Management indicated that the deals did not fall through, but instead the time to close the deals was extended. This decline in bookings, a leading indicator of future sales growth, caused shares to underperform.

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# Purchases

Small-Mid Cap Quality Value Portfolio  
Quarter Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Purchases	Descriptions/Reasons
Houlihan Lokey—Initiated Position	Houlihan Lokey is a leading global independent investment bank with expertise in mergers and acquisitions (M&A), capital markets, financial restructurings, and financial and valuation advisory. Its client base includes governments, middle-market private and public companies, and financial sponsors. The company was founded in 1972 and is headquartered in Los Angeles, CA.

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# New Position

Small-Mid Cap Quality Value Portfolio  
Quarter Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

## Houlihan Lokey (HLI)

- Over the past 30 years, Houlihan Lokey has established itself as a preeminent middle-market investment bank and one of the top restructuring advisors in the world. Unlike bulge bracket banks, Houlihan Lokey does not have other lines of business that could create conflicts of interest with its clients.
- Unlike the other publicly traded independent advisory shops, Houlihan Lokey is focused on deals under \$1 billion in size. As a result, the company's average deal size is in the hundreds of millions compared to over \$1 billion for peers. Despite this smaller deal focus, Houlihan Lokey still brings to bear the expertise and global presence of a bulge bracket bank. From our perspective, this makes the company more attractive to potential clients as an advisor and is a powerful recruiting tool because Managing Directors from smaller middle-market focused firms can do more deals by leveraging the Houlihan Lokey platform.
- Houlihan Lokey has achieved outperformance in revenue and margin resilience during an industry-wide decline in M&A volumes in calendar year 2022 and through 2023 year-to-date.

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# Sales

## Small-Mid Cap Quality Value Portfolio Quarter Ending June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Sales	Reasons
American Software—Sold Entire Position	With its impressive client list, American Software has historically demonstrated an ability to win business against even much larger competitors. It appears, however, that the company is falling behind competitors in terms of both R&D and go-to-market capabilities and, as a result, operating performance. There has also been a shift in the company's capital allocation strategy towards inorganic growth, which is commonly associated with meaningful integration challenges. With these considerations in mind, we exited our position.
OshKosh—Sold Entire Position	OshKosh announced that it was purchasing a precision motion and automation business from a competitor. We believe that OshKosh could have been prudent allocating more of its capital return to shareholders in the form of share repurchases instead of just chasing growth. Therefore, we sold our position.

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# Portfolio Characteristics

## Small-Mid Cap Quality Value Portfolio

### As of June 30, 2023



Kayne Anderson Rudnick  
Investment Management

	KAR Small-Mid Cap Quality Value	Russell 2500™ Value Index
<b>Quality</b>		
Return on Equity—Past 5 Years	25.9%	12.5%
Debt/EBITDA*	2.0 x	2.9 x
Earnings Variability—Past 10 Years	34.6%	72.9%
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	11.0%	11.8%
Earnings Per Share Growth—Past 10 Years	11.5%	9.0%
Dividend Per Share Growth—Past 5 Years	10.2%	6.3%
Dividend Per Share Growth—Past 10 Years	10.4%	7.3%
Capital Generation—{ROE x (1-Payout)}	17.1%	9.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	26.1 x	19.3 x
Dividend Yield	1.4%	2.0%
Free Cash Flow Yield†	3.5%	3.9%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	\$10.3 B	\$6.5 B
Largest Market Cap—3-Year Average	\$34.7 B	\$25.1 B
Annualized Standard Deviation—Since Inception‡ (Net of Fees)	17.9%	20.2%

In a market of average businesses, we seek to own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.

In a market of cyclical businesses requiring growth capital from fickle markets, we seek to own companies producing self-funded strong, consistent growth sustainable into the future.

\*KAR utilizes the interquartile method when calculating Debt/EBITDA. The interquartile method excludes outliers from an aggregate statistic such as weighted average. The interquartile method does not assume that data from the top or bottom of the distribution are outliers—only the extreme ends are excluded—and that it can be applied consistently as a quantitative method for most fundamental characteristics. Debt/EBITDA utilizes net debt for the calculation.

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

‡January 1, 2008

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Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. The statistics presented above are based on a representative portfolio. Actual results may vary. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

# Sector Weights

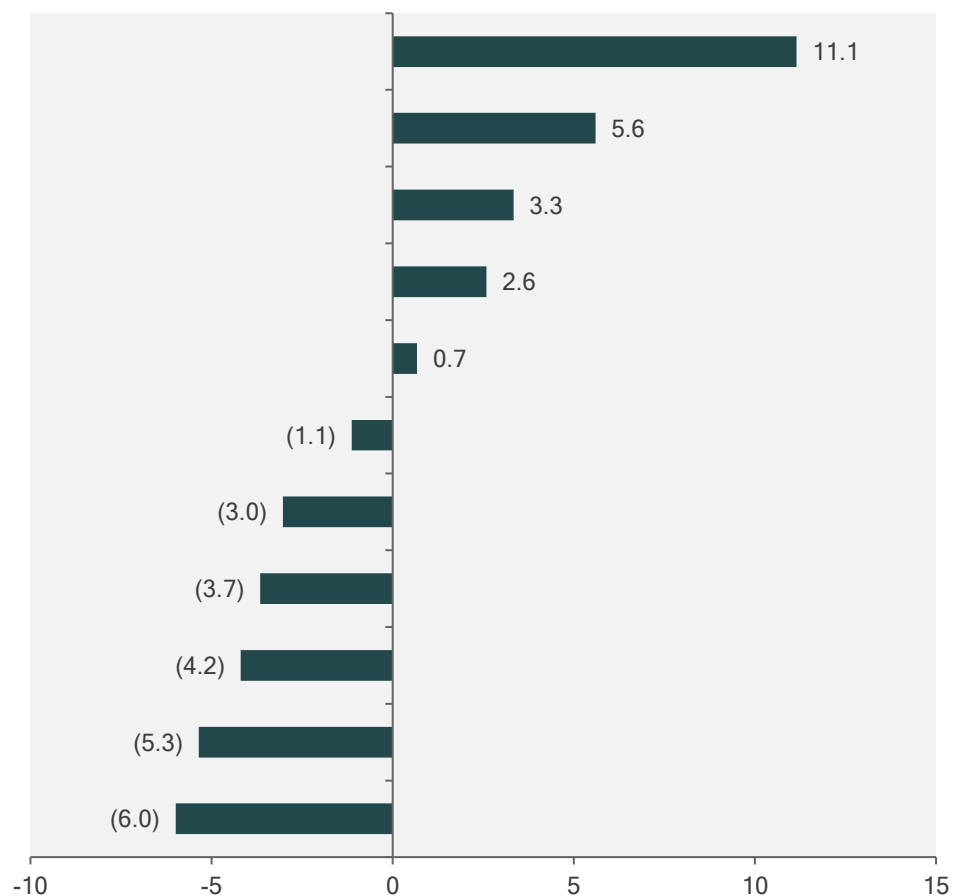
Small-Mid Cap Quality Value Portfolio  
As of June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Sectors	KAR Small-Mid Cap Quality Value (%)	Russell 2500™ Value Index (%)
Industrials	30.8	19.7
Information Technology	14.1	8.5
Consumer Staples	6.4	3.1
Financials	21.2	18.6
Consumer Discretionary	13.4	12.7
Materials	5.3	6.5
Communication Services	—	3.0
Utilities	—	3.7
Real Estate	6.4	10.6
Energy	—	5.3
Health Care	2.4	8.4

## Underweight/Overweight (%)



*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

*Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.*

# Top Ten Holdings

## Small-Mid Cap Quality Value Portfolio

### As of June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Top 10 Holdings	GICS Sector	% of Portfolio
TransUnion	Industrials	5.3
Thor Industries	Consumer Discretionary	4.7
Graco	Industrials	4.6
Landstar System	Industrials	4.6
W. R. Berkley	Financials	4.5
Jack Henry & Associates	Financials	4.4
VICI Properties	Real Estate	4.2
Zebra Technologies	Information Technology	4.2
Broadridge Financial Solutions	Financials	4.2
Dolby Laboratories	Information Technology	4.1
<b>Total</b>		<b>44.8</b>

Research confidence leads to large active weights

	KAR Small-Mid Cap Quality Value	Russell 2500™ Value Index
# of Holdings	30	1,895
Average Position Size (%)	3.3	0.1
Weight of Top Ten Holdings (%)	44.8	4.2
Active Share (%)	98.2	—

The strategy benefits from diversification while still taking significant active positions

*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

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# Returns

## Small-Mid Cap Quality Value Portfolio



Kayne Anderson Rudnick  
Investment Management

### Annualized Performance

Periods Ending 6/30/23	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
Second Quarter	3.36	3.14	4.37	(123)
Year to Date	7.81	7.36	5.83	153
1 Year	9.51	8.59	10.37	(178)
3 Years	10.36	9.43	16.07	(665)
5 Years	8.71	7.79	5.32	247
7 Years	10.36	9.43	7.97	146
10 Years	11.12	10.18	8.02	217
Since Inception*	11.21	10.28	7.59	269

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return - Net (bps)
2022	(19.94)	(20.63)	(13.08)	(755)
2021	22.18	21.16	27.78	(662)
2020	24.69	23.65	4.88	1,877
2019	33.20	32.09	23.56	853
2018	(11.97)	(12.73)	(12.36)	(37)
2017	18.43	17.44	10.36	708
2016	19.69	18.69	25.20	(651)
2015	(0.58)	(1.42)	(5.49)	407
2014	8.88	7.96	7.11	86
2013	36.30	35.17	33.32	185
2012	11.01	10.07	19.21	(914)
2011	7.40	6.49	(3.36)	985
2010	25.83	24.79	24.82	(3)
2009	32.51	31.41	27.68	374
2008	(18.99)	(19.69)	(31.99)	1,230

\*January 1, 2008

**This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.**

Returns for the Kayne Anderson Rudnick composite are final. All periods less than one year are total returns and are not annualized. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.

**Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.



# Risk-Return Analysis

## Small-Mid Cap Quality Value Portfolio

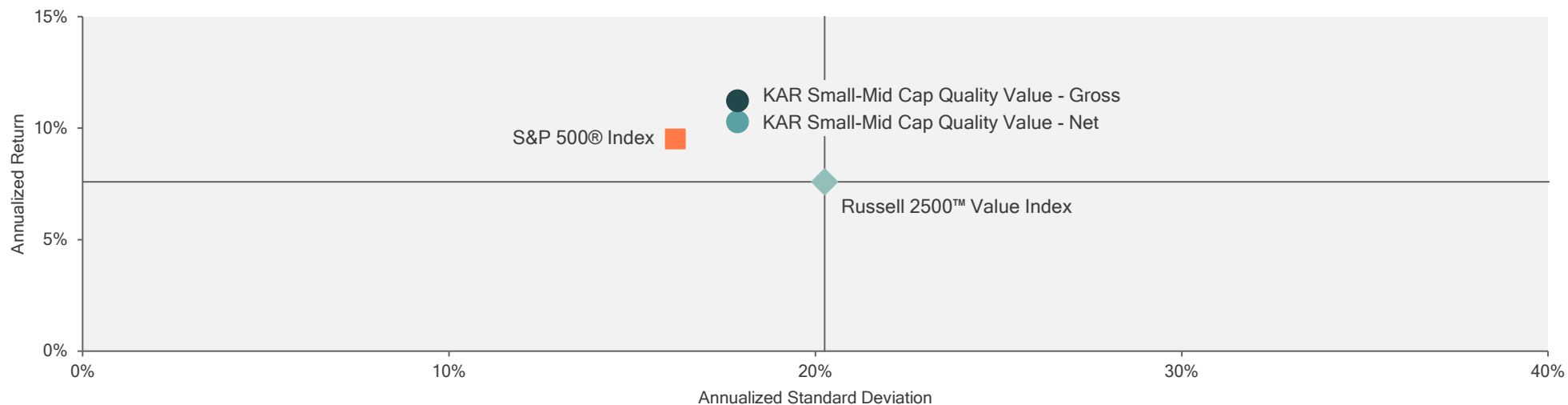
### Inception\* to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

### Meaningful Excess Return with Lower Volatility

Annualized Since Inception\*



### Performance Statistics

Annualized Since Inception\*

	Annualized Return (%)	Alpha (%)	Sharpe Ratio	Information Ratio	Tracking Error	Standard Deviation (%)	Beta	Downside Capture
KAR Small-Mid Cap Quality Value - Gross	11.21	4.34	0.58	0.55	6.61	17.88	0.84	76.87
KAR Small-Mid Cap Quality Value - Net	10.28	3.46	0.53	0.41	6.61	17.88	0.84	78.27
Russell 2500™ Value Index	7.59	0.00	0.34	N/A	N/A	20.19	1.00	100.00

\*January 1, 2008

*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

Returns for the Kayne Anderson Rudnick composite are final. Fees presented on the Disclosure page could vary from the assumed fee in the net-of-fee calculation, as actual fees paid by a particular client account differ depending on a variety of factors including, but not limited to, business unit and size of mandate. The fee used on the Disclosure page utilizes an assumed maximum fee across the firm's business units, which is further detailed on that page. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. **Past performance is no guarantee of future results.** Returns could be reduced, or losses incurred, due to currency fluctuations.

# Brokerage Commissions

City of Jacksonville Employees Retirement System

April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

DESCRIPTION	SHARES	TRADE DATE	COST/ UNIT	GROSS (\$)	COMMISSION	COMM/ SHARE	NET (\$)
<b>Jefferies Algo Trading JEFA</b>							
<b>SALES</b>							
American Software, Inc.CI A	451	6/20/2023	10.532	4,754.31	4.51	0.01	4,749.76
<b>KBW KBWI</b>							
<b>PURCHASES</b>							
Houlihan Lokey, Inc. CI A	6,770	6/13/2023	92.018	622,689.71	270.80	0.04	622,960.51
Houlihan Lokey, Inc. CI A	7,734	6/14/2023	93.045	719,303.76	309.36	0.04	719,613.12
<b>PURCHASES TOTAL</b>	<b>14,504</b>			<b>1,341,993.47</b>	<b>580.16</b>	<b>0.04</b>	<b>1,342,573.63</b>
<b>Liquidnet - INSTL LQNT</b>							
<b>SALES</b>							
Oshkosh Corporation	4,487	6/13/2023	84.514	379,286.11	67.31	0.02	379,215.76
<b>Sanford Bernstein Algo CSA SBAT-CSA</b>							
<b>PURCHASES</b>							
Zurn Elkay Water Solutions Corporation	935	6/27/2023	25.720	24,011.08	37.40	0.04	24,048.48
<b>SALES</b>							
Oshkosh Corporation	13,679	6/13/2023	84.624	1,158,125.70	547.16	0.04	1,157,569.27
American Software, Inc.CI A	17,397	6/13/2023	10.558	184,368.19	695.88	0.04	183,670.83
American Software, Inc.CI A	10,174	6/14/2023	10.513	107,364.19	406.96	0.04	106,956.37
American Software, Inc.CI A	15,772	6/15/2023	10.510	166,402.49	630.88	0.04	165,770.27
American Software, Inc.CI A	32,212	6/16/2023	10.570	341,775.76	1,288.48	0.04	340,484.54

# Brokerage Commissions

City of Jacksonville Employees Retirement System

April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

DESCRIPTION	SHARES	TRADE DATE	COST/ UNIT	GROSS (\$)	COMMISSION	COMM/ SHARE	NET (\$)
SALES TOTAL	89,234			1,958,036.33	3,569.36	0.04	1,954,451.28
Sanford Bernstein Algo CSA TOTAL	90,169			1,982,047.41	3,606.76	0.04	1,978,499.76
GRAND TOTALS	109,611			3,708,081.30	4,258.74	0.04	3,705,038.91

# Meetings Voted Report

## City of Jacksonville Employees Retirement System

### April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Date range covered: 04/01/2023 to 06/30/2023

<b>H.B. Fuller Company</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: FUL	06-Apr-23	08-Feb-23	USA	Annual	359694106	No	No	No	359694106	US3596941068	2354664	1717495

Proxy Level: 3 Blocking Starts: N/A Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	26522	26522	0	FFFFF1A	AutoInstructed	AutoApproved	359694106	156629593

<b>VICI Properties Inc.</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: VICI	27-Apr-23	01-Mar-23	USA	Annual	925652109	No	No	No	925652109	US9256521090	BYWH073	1729022

Proxy Level: 3 Blocking Starts: N/A Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	86172	86172	0	FFFFFFFFF	AutoInstructed	AutoApproved	925652109	158258883

<b>Bank of Hawaii Corporation</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: BOH	28-Apr-23	02-Mar-23	USA	Annual	062540109	No	No	No	062540109	US0625401098	2074070	1730340

Proxy Level: 3 Blocking Starts: N/A Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	29916	29916	0	FFFFFFFFFFFFFFF1F	AutoInstructed	AutoApproved	062540109	159019841

<b>Graco Inc.</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: GGG	28-Apr-23	27-Feb-23	USA	Annual	384109104	No	No	No	384109104	US3841091040	2380443	1729304

Proxy Level: 3 Blocking Starts: N/A Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	33844	33844	0	FFFFF1	jwong2	jwong2	384109104	158526349

# Meetings Voted Report

## City of Jacksonville Employees Retirement System

### April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Date range covered: 04/01/2023 to 06/30/2023

<b>Oshkosh Corporation</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: OSK	03-May-23	23-Feb-23	USA	Annual	688239201	No	No	No	688239201	US6882392011	2663520	1730493

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	18166	18166	0	FFFFFFFFFFFF1F	AutoInstructed	AutoApproved	688239201	159059079

<b>TransUnion</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: TRU	04-May-23	09-Mar-23	USA	Annual	89400J107	No	No	No	89400J107	US89400J1079	BYMWL86	1733248

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	42997	42997	0	FFFFFFFFFFFFFF	AutoInstructed	AutoApproved	89400J107	160030135

<b>Lamar Advertising Company</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: LAMR	10-May-23	13-Mar-23	USA	Annual	512816109	No	No	No	512816109	US5128161099	BSPHGN6	1738091

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	13846	13846	0	FWFWWWWWWF1F	AutoInstructed	AutoApproved	512816109	161647247

<b>Landstar System, Inc.</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: LSTR	10-May-23	15-Mar-23	USA	Annual	515098101	No	No	No	515098101	US5150981018	2503994	1735346

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	15176	15176	0	FFFFFF1	AutoInstructed	AutoApproved	515098101	160934145

# Meetings Voted Report

## City of Jacksonville Employees Retirement System

### April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Date range covered: 04/01/2023 to 06/30/2023

<b>LPL Financial Holdings Inc.</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: LPLA	11-May-23	13-Mar-23	USA	Annual	50212V100	No	No	No	50212V100	US50212V1008	B75JX34	1737116

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	11450	11450	0	FFFFFFFFF1	AutoInstructed	AutoApproved	50212V100	161413383

<b>Zebra Technologies Corporation</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: ZBRA	11-May-23	17-Mar-23	USA	Annual	989207105	No	No	No	989207105	US9892071054	2989356	1737773

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	9155	9155	0	FFFFF1F	AutoInstructed	AutoApproved	989207105	161729783

<b>John Bean Technologies Corporation</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: JBT	12-May-23	17-Mar-23	USA	Annual	477839104	No	No	No	477839104	US4778391049	B3BRJZ8	1737625

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	13776	13776	0	FFFFF1F	AutoInstructed	AutoApproved	477839104	161794108

<b>Teradyne, Inc.</b>	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: TER	12-May-23	16-Mar-23	USA	Annual	880770102	No	No	No	880770102	US8807701029	2884183	1737771

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	20486	20486	0	FFFFFFFFF1F	AutoInstructed	AutoApproved	880770102	161787980

# Meetings Voted Report

## City of Jacksonville Employees Retirement System

### April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Date range covered: 04/01/2023 to 06/30/2023

CDW Corporation	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: CDW	18-May-23	22-Mar-23	USA	Annual	12514G108	No	No	No	12514G108	US12514G1085	BBM5MD6	1741285

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	7919	7919	0	FFFFFFFFF1FFF	AutoInstructed	AutoApproved	12514G108	163575606

Gentex Corporation	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: GNTX	18-May-23	20-Mar-23	USA	Annual	371901109	No	No	No	371901109	US3719011096	2366799	1740705

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	84697	84697	0	FFFFFFFFF1	AutoInstructed	AutoApproved	371901109	163255275

Lennox International Inc.	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: LII	18-May-23	28-Mar-23	USA	Annual	526107107	No	No	No	526107107	US5261071071	2442053	1740806

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	7609	7609	0	FFFFF1F	AutoInstructed	AutoApproved	526107107	163516129

The Cheesecake Factory Incorporated	Meeting Date	Record Date	Country	Meeting Type	Primary Security ID	Share Blocking	ADR	Proxy Contest	CUSIP	ISIN	SEDOL	Meeting ID
Ticker: CAKE	01-Jun-23	05-Apr-23	USA	Annual	163072101	No	No	No	163072101	US1630721017	2192392	1747307

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

IA Name	IA Number	Custodian	CA Number	Shares Available	Shares Voted	Shares on Loan	Vote String	Instructor	Approver	Security ID on Ballot	Ballot ID
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	48428	48428	0	FFFFFFFFF1	AutoInstructed	AutoApproved	163072101	165407691

# Meetings Voted Report

## City of Jacksonville Employees Retirement System

### April 1, 2023 to June 30, 2023



Kayne Anderson Rudnick  
Investment Management

Date range covered: 04/01/2023 to 06/30/2023

<b>W. R. Berkley Corporation</b>	<b>Meeting Date</b>	<b>Record Date</b>	<b>Country</b>	<b>Meeting Type</b>	<b>Primary Security ID</b>	<b>Share Blocking</b>	<b>ADR</b>	<b>Proxy Contest</b>	<b>CUSIP</b>	<b>ISIN</b>	<b>SEDOL</b>	<b>Meeting ID</b>
Ticker: WRB	14-Jun-23	18-Apr-23	USA	Annual	084423102	No	No	No	084423102	US0844231029	2093644	1754245

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

<b>IA Name</b>	<b>IA Number</b>	<b>Custodian</b>	<b>CA Number</b>	<b>Shares Available</b>	<b>Shares Voted</b>	<b>Shares on Loan</b>	<b>Vote String</b>	<b>Instructor</b>	<b>Approver</b>	<b>Security ID on Ballot</b>	<b>Ballot ID</b>
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	48907	48907	0	FFFFF1F	dhudson	dhudson	084423102	166597712

<b>Armstrong World Industries, Inc.</b>	<b>Meeting Date</b>	<b>Record Date</b>	<b>Country</b>	<b>Meeting Type</b>	<b>Primary Security ID</b>	<b>Share Blocking</b>	<b>ADR</b>	<b>Proxy Contest</b>	<b>CUSIP</b>	<b>ISIN</b>	<b>SEDOL</b>	<b>Meeting ID</b>
Ticker: AWI	15-Jun-23	20-Apr-23	USA	Annual	04247X102	No	No	No	04247X102	US04247X1028	B1FT462	1755125

Proxy Level: 3

Blocking Starts: N/A

Blocking Ends: N/A

<b>IA Name</b>	<b>IA Number</b>	<b>Custodian</b>	<b>CA Number</b>	<b>Shares Available</b>	<b>Shares Voted</b>	<b>Shares on Loan</b>	<b>Vote String</b>	<b>Instructor</b>	<b>Approver</b>	<b>Security ID on Ballot</b>	<b>Ballot ID</b>
City of Jacksonville Employees Retirement System	C0241300	The Bank of New York	000280532	18979	18979	0	FFFFFFFFF1	AutoInstructed	AutoApproved	04247X102	166865473

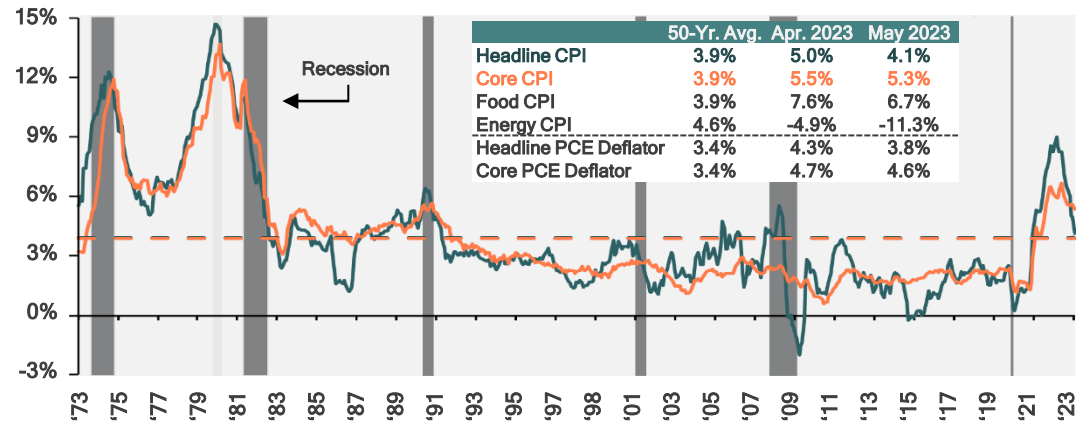


**We believe the economy will continue to slow in 2023. Hawkish monetary policy in response to unacceptable levels of inflation is slowing economic growth already and threatens to engineer a mild recession over the next 12 months.**

- We believe corporate profit growth will moderate in 2023 but will remain slightly positive. However, recession risks, due to inflation, are growing and threatening earnings per share growth over the next year. We believe recession concerns have become the dominant investor concern replacing inflation.
- Inflation concerns have clearly moderated since June 2022. Continued improvement in the inflation outlook should give the Federal Reserve more flexibility in monetary policy in the future. We believe the Fed is attempting to lower inflation without pushing the economy into a severe recession.
- Hawkish monetary policy is already slowing sectors, such as autos, housing, raw materials, used car prices, and even rents. Market interest rates are already well below the Federal Funds rate.
- Short-term interest rate increases and slowing GDP and corporate profits could lead to continued volatility over the next year. However, we believe the stock market has already discounted a shallow/mild recession if it were to occur.
- The failure of Silicon Valley Bank, Signature Bank, and First Republic are unlikely to create a systemic banking crisis due to the unique nature of their deposit base.

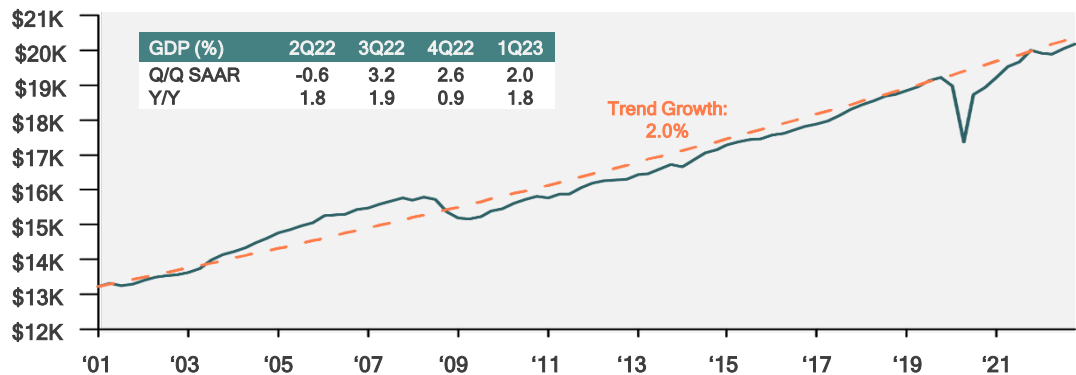
**Figure 1: CPI and Core CPI**

% Change vs. Prior Year, Seasonally Adjusted



**Figure 2: Real GDP**

Trillions of Chained (2012) Dollars, Seasonally Adjusted at Annual Rates



Data as of June 30, 2023. Figure 1 data is obtained from BLS, FactSet and J.P. Morgan Asset Management and is assumed to be reliable. Figure 2 data is obtained from BEA, FactSet and J.P. Morgan Asset Management and is assumed to be reliable. CPI used is CPI-U and values shown are change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19. **Past performance is no guarantee of future results.**

### The global economy is still slowing as well due to interest rate increases by many central banks.

- Global inflation expectations have risen along with the U.S., particularly in Asia where numerous city and country shutdowns have continued to contribute to the supply/demand shortfall globally. Supply chain issues finally appear to be disappearing.
- The U.S. has continued to produce significant returns for over a decade now; however, if the technology sector decline continues, diversification and foreign markets may do relatively better because of a lack of technology exposure in many of the international developed indices. Artificial intelligence (AI) interest, however, is more likely to benefit U.S. benchmarks.
- Emerging markets struggled in 2022 with the prospect of rising interest rates and continued COVID-19 variants causing economic disruptions. China's regulatory crackdown was a clear negative for many Chinese technology and educational companies. China is struggling to grow now, but policies are starting to shift back to fostering recovery.
- The invasion of Ukraine has negative implications for European economic growth. The longer the conflict lasts, the more likely Europe will slip into a deeper recession.
- The collapse of Credit Suisse, which has been years in the making, is unlikely to trigger a systemic banking crisis in Europe.

**Figure 3: Global PMI Suppliers' Delivery Times Index\***  
100 - Global PMI Suppliers' Delivery Times Index



**Figure 4: China Real GDP Contribution**  
Year-Over-Year % Change for GDP, Contribution to GDP for Components

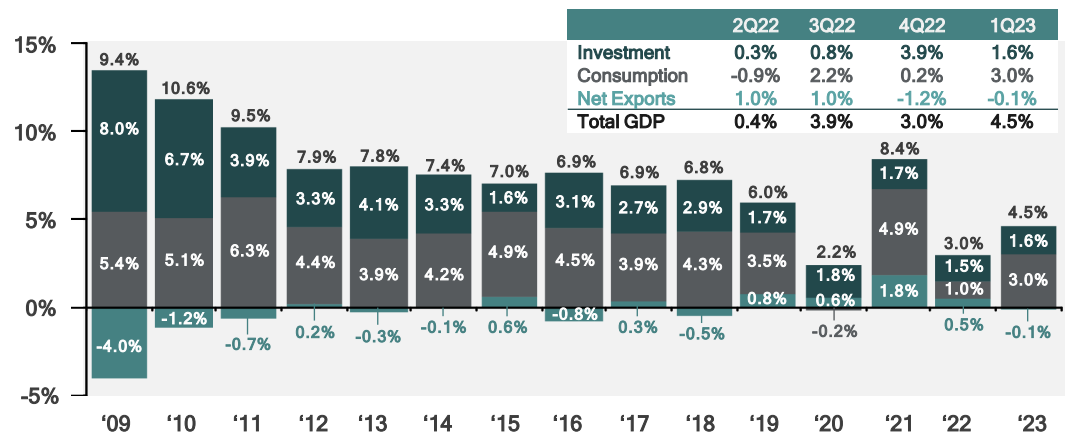
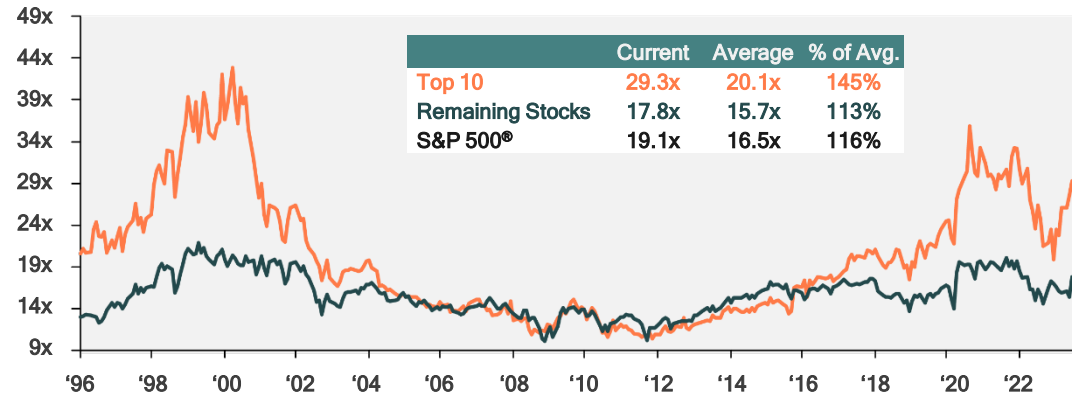


Figure 3 data is as of March 31, 2023 and is obtained from Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Figure 4 data is as of June 30, 2023 and is obtained from FactSet, CEIC and J.P. Morgan Asset Management and is assumed to be reliable. \*Participants in Standard & Poor's PMI business surveys, conducted in 44 countries, are asked: "Are your suppliers' delivery time slower, faster or unchanged on average than one month ago?". Index includes the manufacturing and construction sectors. PMI score reflected above is 100-PMI report by Standard & Poor's. A reading of 50 = no change, <50 = faster delivery time, >50 = slower delivery time. **Past performance is no guarantee of future results.**

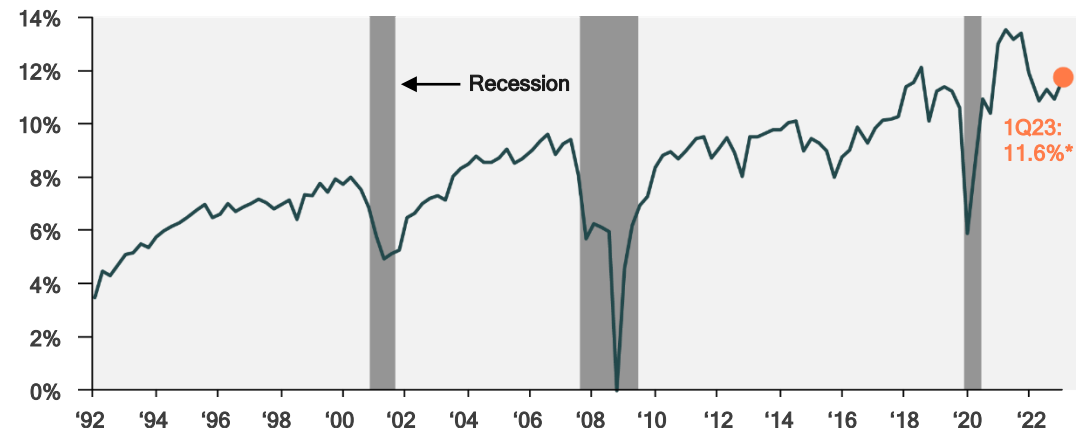
**We continue to believe that the risk/reward ratio for equities over the long-term is favorable on an absolute basis and relative to fixed income.**

- Monetary policy should continue to slow the economy into 2023. However, slower growth and/or a recession may not be as deep as the market currently fears.
- Equity valuations are about normal by historic measures on absolute levels. We think earnings are likely to continue to improve from here on a multi-year basis, albeit at a slower rate. Many parts of the market (excluding the big 7 technology companies) are very reasonably valued on a P/E basis.
- Geopolitical events have caused a more uncertain outlook for global growth. U.S./Taiwan continues to be a risk we are monitoring.
- Corporate profit margins have declined due to high input costs, transportation bottlenecks, and supply constraints although these factors are clearly reversing now.
- In our view, the biggest risk is the Fed overshoots rate increases and slows the economy more than expected and we enter a deeper than anticipated recession over the next 12-to-24 months.
- We believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets over the long term.
- Long-term interest rates appear to have peaked which is key to the value of long duration assets such as equities. The October 2022 low in the market has continued to hold despite many short-term cross currents.

**Figure 5: P/E Ratio of the Top 10 and Remaining Stocks in the S&P 500®**  
Next 12 Months, 1996 - Present



**Figure 6: S&P 500® Profit Margins**  
Quarterly Operating Earnings/Sales



Data as of June 30, 2023. Figure 5 data is obtained from FactSet, Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Figure 6 data is obtained from Compustat, FactSet, NFIB, Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. As of May 31, 2023, the top 10 companies in the index were AAPL (7.5%), MSFT (7.0%), AMZN (3.1%), NVDA (2.7%), GOOGL (2.1%), GOOG (1.8%), Meta (1.7%), BRK.B (1.7%), TSLA (1.6%), UNH (1.3%) and XOM (1.2%). The remaining stocks represent the rest of the 494 companies in the S&P 500. \*Current 1Q23 profit margin is a preliminary estimate. **Past performance is no guarantee of future results.**

# Disclosure

## Small-Mid Cap Quality Value Portfolio



Kayne Anderson Rudnick  
Investment Management

Year	Composite Gross Return (%)	Composite Net Return (%)	Russell 2500™ Value Index Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Number of Accounts	Internal Dispersion (%)	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2013	36.30	34.58	33.32	12.01	15.29	6	0.13	138	7,840
2014	8.88	7.48	7.11	10.65	11.41	12	0.09	140	7,988
2015	(0.58)	(1.86)	(5.49)	12.25	12.19	17	0.05	371	8,095
2016	19.69	18.16	25.20	12.24	13.36	22	0.24	395	9,989
2017	18.43	16.92	10.36	10.88	11.98	49	0.45	427	14,609
2018	(11.97)	(13.13)	(12.36)	12.93	13.77	36	0.40	162	17,840
2019	33.20	31.51	23.56	13.84	14.43	22	0.12	183	25,685
2020	24.69	23.10	4.88	22.40	25.40	20	0.25	143	39,581
2021	22.18	20.62	27.78	20.55	24.49	74	0.15	232	47,269
2022	(19.94)	(21.00)	(13.08)	23.49	26.84	73	0.55	259	33,531

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

KAR (as defined below) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. KAR has been independently verified for the period from January 1, 1999 through December 31, 2022.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.

The Small-Mid Cap Quality Value Composite has had a performance examination for the period from January 1, 2012 through December 31, 2022. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Kayne Anderson Rudnick Investment Management, LLC ("KAR"), a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. KAR manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite is defined as all fully discretionary institutional and pooled Small-Mid Cap Quality Value Portfolios (including cash) under management for at least one full quarter. Small-Mid Cap Quality Value Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ Value Index, that have market control, rising free cash flow, shareholder-oriented management, strong consistent profit growth and low debt balance sheets. For comparison purposes, the composite is measured against the Russell 2500™ Value Index. The Russell 2500™ Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,500 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The inception date of the composite is January 2008. The composite was created in June 2008. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm's list of composite descriptions, list of broad distribution pooled fund and the list of limited distribution pooled funds descriptions are available upon request.

The model management fee used for the net returns in this table is 1.30% for all periods presented. The standard Institutional management fee schedule currently in effect is as follows: 0.85% for the first \$25 million; 0.75% on the next \$25 million; 0.70% on the next \$50 million; 0.60% on the balance. The maximum Wealth Advisory Services Fee in effect is 1.30% for all assets, which breaks out as follows: 1.00% for the first \$3 million; 0.80% on the next \$2 million; 0.70% on the next \$5 million; 0.60% on the balance; with an additional 0.30% for any assets invested in separately managed accounts strategies. The standard investment advisory fee schedule currently in effect for clients not engaging in Wealth Advisory Services is 1.00%. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Returns are presented net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/12th of the highest tier of the standard management fee schedule in effect for the respective period on a monthly basis.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period.



Kayne Anderson Rudnick

City of Jacksonville Employees Retirement System

For the period ending June 30, 2023

Inception Date: 02/07/22

Portfolio Summary

Asset Allocation



	Market Value (\$)	% of Allocation	Current Yield (%)
Cash & Equivalents	4,471,658	6.52	4.97
Equities	64,140,825	93.48	1.44
<b>Total Portfolio</b>	<b>68,612,483</b>	<b>100.00</b>	<b>1.67</b>

Change in Portfolio

	Month to Date (\$)	Year to Date (\$)	Inception to Date (\$)
<b>Beginning Total Portfolio Value</b>	<b>63,251,557</b>	<b>63,784,164</b>	<b>83,453,032</b>
Net Contributions/Withdrawals	0	(198,030)	(11,495,985)
Interest/Dividend Income	111,886	603,865	1,550,840
Change in Market Value	5,249,040	4,422,484	(4,895,404)
<b>Ending Total Portfolio Value</b>	<b>68,612,483</b>	<b>68,612,483</b>	<b>68,612,483</b>

Time Weighted Return

	Month to Date	Quarter to Date	Year to Date	One Year	Annualized			Inception Date
					Three Years	Five Years	Since Inception	
City of Jacksonville Employees Retirement System (C0241300)	8.48	3.26	7.57	9.05	-	-	(2.53)	02/07/22
<b>Index Results</b>								
Russell 2500 Value Index	8.89	4.37	5.83	10.37	-	-	(2.03)	02/07/22

Market values include accrued income. Performance returns are net of fees. Asset Class Returns (i.e. Fixed Income, Equities), if shown, are gross of fees. Returns greater than one year are annualized. KAR uses the time-weighted-return ("TWR") methodology to present investment returns in your portfolio, which represents the compound growth rate of a portfolio without distortions to returns caused by the timing of inflows/outflows of cash and assets during the time period(s) shown. As a result, your actual rate of return will differ if you have had meaningful inflows/outflows of cash and assets during the time period(s) shown. Please refer to the Disclosures page for a full list of disclosures.



Asset Summary

	Cost (\$)	Market Value (\$)	% of Assets	Current Yield (%)	Estimated Annual Income (\$)
<b>Cash &amp; Equivalents</b>					
Cash & Equivalents	4,471,657.97	4,471,657.97	6.52	4.97	222,236.93
<b>Total Cash &amp; Equivalents</b>	<b>4,471,657.97</b>	<b>4,471,657.97</b>	<b>6.52</b>	<b>4.97</b>	<b>222,236.93</b>
<b>Equities</b>					
Consumer Discretionary	10,075,923.23	8,573,081.39	12.49	1.69	145,156.80
Consumer Staples	3,985,737.68	4,104,152.00	5.98	0.82	33,651.52
Financials	14,180,688.03	13,593,949.65	19.81	1.72	233,417.40
Health Care	1,244,851.40	1,518,781.50	2.21		
Industrials	18,876,107.52	19,742,839.52	28.77	0.80	158,894.64
Information Technology	10,565,109.60	9,048,296.45	13.19	0.68	61,338.20
Materials	5,063,522.27	3,415,253.47	4.98	2.51	85,702.04
Real Estate	4,001,007.88	4,082,601.46	5.95	4.99	203,658.32
Accrued Dividends		61,869.50	0.09		
<b>Total Equities</b>	<b>67,992,947.61</b>	<b>64,140,824.94</b>	<b>93.48</b>	<b>1.44</b>	<b>921,818.92</b>
<b>Total Portfolio</b>	<b>72,464,605.58</b>	<b>68,612,482.91</b>	<b>100.00</b>	<b>1.67</b>	<b>1,144,055.85</b>

Market values include accrued income. Please refer to the Disclosures page for a full list of disclosures.



City of Jacksonville Employees Retirement System (C0241300)

Asset Holdings

	Quantity	Last Purchased	Unit Cost (\$)	Cost (\$)	Price (\$)	Market Value (\$)	% of Assets	Dividend Yield (%)	Est. Annual Income (\$)
<b>Cash &amp; Equivalents</b>									
Dreyfus Gov Cash Management Funds Instl				4,471,657.97	1.00	4,471,657.97	6.52	4.97	222,236.93
<b>Total Cash &amp; Equivalents</b>				<b>4,471,657.97</b>		<b>4,471,657.97</b>	<b>6.52</b>	<b>4.97</b>	<b>222,236.93</b>
<b>Equities</b>									
<b>Consumer Discretionary</b>									
Cheesecake Factory, Inc.	48,428	01/31/22	36.79	1,781,666.12	34.58	1,674,640.24	2.44	3.12	52,302.24
Gentex Corp	84,697	11/07/22	30.38	2,572,834.86	29.26	2,478,234.22	3.61	1.64	40,654.56
Leslie's, Inc.	151,087	09/27/22	19.46	2,939,452.25	9.39	1,418,706.93	2.07		
Thor Industries, Inc.	29,000	01/31/22	95.93	2,781,970.00	103.50	3,001,500.00	4.37	1.74	52,200.00
<b>Total Consumer Discretionary</b>				<b>10,075,923.23</b>		<b>8,573,081.39</b>	<b>12.49</b>	<b>1.69</b>	<b>145,156.80</b>
<b>Consumer Staples</b>									
National Beverage Corp	45,336	01/31/22	44.30	2,008,384.80	48.35	2,191,995.60	3.19		
WD-40 Company	10,136	11/15/22	195.08	1,977,352.88	188.65	1,912,156.40	2.79	1.76	33,651.52
<b>Total Consumer Staples</b>				<b>3,985,737.68</b>		<b>4,104,152.00</b>	<b>5.98</b>	<b>0.82</b>	<b>33,651.52</b>
<b>Financials</b>									
Bank of Hawaii Corp	29,916	10/21/22	85.09	2,545,464.38	41.23	1,233,436.68	1.80	6.79	83,764.80
Broadridge Financial Solutions, Inc.	16,308	01/31/22	154.30	2,516,324.40	165.63	2,701,094.04	3.94	1.75	47,293.20
Houlihan Lokey, Inc. Cl A	14,504	06/14/23	92.57	1,342,573.63	98.31	1,425,888.24	2.08	2.24	31,908.80
Jack Henry & Associates, Inc.	16,919	01/31/22	170.55	2,885,535.45	167.33	2,831,056.27	4.13	1.24	35,191.52
LPL Financial Holdings Inc.	11,450	10/21/22	177.24	2,029,383.50	217.43	2,489,573.50	3.63	0.55	13,740.00
W. R. Berkley Corp	48,907	01/31/22	58.51	2,861,406.67	59.56	2,912,900.92	4.25	0.74	21,519.08
<b>Total Financials</b>				<b>14,180,688.03</b>		<b>13,593,949.65</b>	<b>19.81</b>	<b>1.72</b>	<b>233,417.40</b>
<b>Health Care</b>									
CorVel Corporation	7,849	01/31/22	158.60	1,244,851.40	193.50	1,518,781.50	2.21		

Please refer to the Disclosures page for a full list of disclosures.



Kayne Anderson Rudnick

City of Jacksonville Employees Retirement System

For the period ending June 30, 2023

City of Jacksonville Employees Retirement System (C0241300)

Asset Holdings

	Quantity	Last Purchased	Unit Cost (\$)	Cost (\$)	Price (\$)	Market Value (\$)	% of Assets	Dividend Yield (%)	Est. Annual Income (\$)
<b>Total Health Care</b>				<b>1,244,851.40</b>		<b>1,518,781.50</b>	<b>2.21</b>		
<b>Industrials</b>									
Armstrong World Industries, Inc.	18,979	01/31/22	98.31	1,865,825.49	73.46	1,394,197.34	2.03	1.38	19,282.66
Graco, Inc.	33,844	01/31/22	73.89	2,500,733.16	86.35	2,922,429.40	4.26	1.09	31,813.36
John Bean Technologies Corporation	13,776	01/31/22	134.94	1,858,933.44	121.30	1,671,028.80	2.44	0.33	5,510.40
Landstar System, Inc.	15,176	01/31/22	162.82	2,470,956.32	192.54	2,921,987.04	4.26	0.62	18,211.20
Lennox Intl., Inc.	7,609	01/31/22	272.15	2,070,789.35	326.07	2,481,066.63	3.62	1.35	33,479.60
RBC Bearings, Inc.	11,710	10/21/22	177.21	2,075,168.13	217.47	2,546,573.70	3.71		
Toro Company	23,733	01/31/22	97.22	2,307,322.26	101.65	2,412,459.45	3.52	1.34	32,276.88
TransUnion	42,997	11/04/22	86.11	3,702,330.89	78.33	3,367,955.01	4.91	0.54	18,058.74
Zurn Elkay Water Solutions Corporation	935	06/27/23	25.72	24,048.48	26.89	25,142.15	0.04	1.04	261.80
<b>Total Industrials</b>				<b>18,876,107.52</b>		<b>19,742,839.52</b>	<b>28.77</b>	<b>0.80</b>	<b>158,894.64</b>
<b>Information Technology</b>									
CDW CORP/DE	7,919	01/31/22	194.60	1,541,037.40	183.50	1,453,136.50	2.12	1.29	18,688.84
Dolby Laboratories, Inc. Class A	31,144	01/31/22	88.00	2,740,672.00	83.68	2,606,129.92	3.80	1.29	33,635.52
Teradyne, Inc.	20,486	01/31/22	117.34	2,403,827.24	111.33	2,280,706.38	3.32	0.40	9,013.84
Zebra Technologies Corporation Class A	9,155	09/27/22	423.77	3,879,572.96	295.83	2,708,323.65	3.95		
<b>Total Information Technology</b>				<b>10,565,109.60</b>		<b>9,048,296.45</b>	<b>13.19</b>	<b>0.68</b>	<b>61,338.20</b>
<b>Materials</b>									
H.B. Fuller Company	26,522	06/24/22	61.87	1,641,014.27	71.51	1,896,588.22	2.76	1.15	21,748.04
Scotts Miracle-Gro Company CI A	24,225	01/31/22	141.28	3,422,508.00	62.69	1,518,665.25	2.21	4.21	63,954.00
<b>Total Materials</b>				<b>5,063,522.27</b>		<b>3,415,253.47</b>	<b>4.98</b>	<b>2.51</b>	<b>85,702.04</b>
<b>Real Estate</b>									
Lamar Advertising Company CI A	13,846	01/31/22	110.64	1,531,921.44	99.25	1,374,215.50	2.00	5.04	69,230.00
VICI Properties Inc	86,172	01/31/22	28.65	2,469,086.44	31.43	2,708,385.96	3.95	4.96	134,428.32

Please refer to the Disclosures page for a full list of disclosures.





City of Jacksonville Employees Retirement System (C0241300)

Asset Holdings

	Quantity	Last Purchased	Unit Cost (\$)	Cost (\$)	Price (\$)	Market Value (\$)	% of Assets	Dividend Yield (%)	Est. Annual Income (\$)
<b>Total Real Estate</b>				4,001,007.88		4,082,601.46	5.95	4.99	203,658.32
Accrued Dividends						61,869.50	0.09		
<b>Total Equities</b>				67,992,947.61		64,140,824.94	93.48	1.44	921,818.92
<b>Total</b>				72,464,605.58		68,612,482.91	100.00	1.67	1,144,055.85

Please refer to the Disclosures page for a full list of disclosures.



Kayne Anderson Rudnick

City of Jacksonville Employees Retirement System

For the period ending June 30, 2023

Month To Date

Contributions and Withdrawals

No transactions during this reporting period.

This report may include Investment Management fees if they are paid directly from your account. Please refer to the Disclosures page for a full list of disclosures.

Report ID: C0241300



Month To Date

Purchases and Sales

	Date	Quantity	Unit Price (\$)	Amount (\$)
<b>Purchases</b>				
Houlihan Lokey, Inc. CI A	06/13/23	6,770	91.98	622,960.51
Houlihan Lokey, Inc. CI A	06/14/23	7,734	93.01	719,613.12
Zurn Elkay Water Solutions Corporation	06/27/23	935	25.68	24,048.48
<b>Total Purchases</b>				<b>1,366,622.11</b>
<b>Sales</b>				
American Software, Inc.CI A	06/13/23	17,397	10.60	183,670.83
Oshkosh Corporation	06/13/23	4,487	84.53	379,215.76
Oshkosh Corporation	06/13/23	13,679	84.66	1,157,569.27
American Software, Inc.CI A	06/14/23	10,174	10.55	106,956.37
American Software, Inc.CI A	06/15/23	15,772	10.55	165,770.27
American Software, Inc.CI A	06/16/23	32,212	10.61	340,484.54
American Software, Inc.CI A	06/20/23	451	10.54	4,749.76
<b>Total Sales</b>				<b>2,338,416.80</b>

Please refer to the Disclosures page for a full list of disclosures.



Month To Date

Interest and Dividends

	Amount (\$)
<b>Interest</b>	
Cash-USD	14,143.07
<b>Total Interest</b>	<b>14,143.07</b>
<b>Dividends</b>	
Bank of Hawaii Corp	20,941.20
CDW CORP/DE	4,672.21
Cheesecake Factory, Inc.	13,075.56
Jack Henry & Associates, Inc.	8,797.88
John Bean Technologies Corporation	1,377.60
Lamar Advertising Company CI A	17,307.50
LPL Financial Holdings Inc.	3,435.00
Scotts Miracle-Gro Company CI A	15,988.50
Teradyne, Inc.	2,253.46
TransUnion	4,514.69
W. R. Berkley Corp	5,379.77
<b>Total Dividends</b>	<b>97,743.37</b>
<b>Net Income</b>	<b>111,886.44</b>

Please refer to the Disclosures page for a full list of disclosures.



Kayne Anderson Rudnick

City of Jacksonville Employees Retirement System

For the period ending June 30, 2023

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**Month To Date**

**Management Fees**

No transactions during this reporting period.

This is an informational report of fees paid directly from your account. Investment Management fees may have been paid from another account(s) based on your instructions. Please refer to the Disclosures page for a full list of disclosures.



### Important Information about your Investment Portfolio Report

The information contained herein has been obtained from sources we believe to be reliable, but its accuracy is not guaranteed. As your Investment Advisor, we urge you to compare the information contained in this report to the information you receive from your custodian.

ADV Disclosure: In accordance with the Investment Advisors Act, we will furnish upon request, a copy of our Form ADV Part II, free of charge.

Income Disclosure: Current Yield for fixed income securities is calculated as the Current Yield to Next Call Date.

Performance Disclosure: Performance calculations are net of fees. Asset Class Returns (i.e. Fixed Income, Equities), if shown, are gross of fees. Returns greater than one year are annualized unless otherwise stated. Current performance may be lower or higher than the performance data shown. Past performance is no guarantee of future results.

Sector Disclosure: Sector classifications have been presented using the Global Industry Classification Standard (GICS®) as maintained by MSCI and Standard & Poor's. In certain instances, sector classifications may be adjusted by KAR to a classification deemed to be more appropriate than the classification provided by GICS®.

Tax Information Disclosure (as applicable): Information with regard to Dividend Income, Interest Income and Sales Proceeds in your account are also included on Form 1099, or equivalent, which is prepared by your custodian and submitted to the appropriate taxing agencies. Your custodian is responsible for sending you a copy of Form 1099, or equivalent, to be used in preparing your tax return. Always consult your tax advisor regarding tax matters. Cost Basis figures reflect amortized/accreted cost. If cost information is blank, you need to supply to us the original cost basis in order to compute an estimated capital gain or loss. If you are a non-US domiciled investor, this section either may not apply or may apply differently and you should consult with your custodian if you have any questions related to tax information disclosures.

Please ask your Investment Advisor if you have any questions regarding the terms used in this Investment Portfolio Report.

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**QUALITY REPORT**


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Ticker	Price	Portfolio	Sector	Recommendation
		SMQV	FINL	Buy
Growth Rate	Target Low	Target Base	Target High	Valuation

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**BUSINESS OVERVIEW**


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- [REDACTED] and spun-off [REDACTED], [REDACTED] is a leading provider of technology solutions to the financial services industry. The company operates through the **Investor Communication Solutions (ICS)** and **Global Technology & Operations (GTO)** segments:
  - **The ICS segment** (75% of FY'15 revenues / 18.8% FY'15 operating margin (OM)) involves processing and distribution of proxy materials to investors in equity securities and mutual funds as well as facilitation of vote processing.
  - **The GTO segment** (25% of FY'15 revenues / 17.4% FY'15 OM) offers computerized real-time securities transaction processing services from desktop productivity tools, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting.
- Geographic Mix: 88% U.S., 8% Canada, 3% the UK, 1% other.
- Major Competitors:
  - **ICS:** [REDACTED]
  - **GTO:** [REDACTED]
- Insider ownership: 0.9%
- Short Interest: 0.9% of float

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**INVESTMENT PREMISE**


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**Source and Strength of Competitive Protections**

1. **Brand / Market dominance.** [REDACTED] is a clear leader in the two main areas it competes in – investor communications and securities processing. The company is the **dominant provider of investor communication distributions for securities held in “street name”** (over 80% of all position held) with its proxy voting service processing over 80% of outstanding shares in the U.S. and over 70% of the shares voted outside of the U.S.. **In equity securities processing, [REDACTED] holds a roughly 50% share of the outsourced (50% still done inhouse) back-office processing market. In fixed income processing [REDACTED] covers approximately 60% of the fixed income trading volume.**

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The company's **longevity, financial strength, and excellent reputation** represent important elements influencing the highly conservative financial institutions' executives' decision-making process. The **"mission critical" nature** of back-office processing coupled with **increased regulatory scrutiny (incl. that on the data security compliance side)** also makes vendor reputation an important purchase criteria.

2. **Low cost (scale) advantage.** The company's highly scalable business model characterized by low capital intensity creates a clear competitive advantage for ■ as the dominant player.
3. **High customer switching costs.** Once in place, a back-office processing system becomes **highly integrated with client's core operations** making switching to a new vendor both costly and potentially disruptive. **Increased data regulatory scrutiny (particularly on the data security compliance side) significantly increases opportunity costs of switching** in both ICS and GTO segments further enhancing positioning of "trusted" players like ■.

#### Financial Character

1. **Solid revenue visibility.** ■ revenue is **highly predictable** - over 90% of the company's total revenue is recurring in nature with a solid 98% client revenue retention rate.
2. **Stable solid profitability.** The company's strong market positioning has led to attractive consistent profitability with EBIT margins averaging 14% over the past five years, return on equity - over 24%, and return on invested capital – nearly 22%.
3. ■ **highly scalable business model is characterized by low capital intensity** resulting in **solid free cash flow generation** (with excess cash returned to shareholders in the form of cash dividends and opportunistic share repurchases) and **an underleveraged cash-rich balance sheet** (with Debt/EBITDA at 1.25x and an over 18x interest coverage) allowing the company to remain flexible should an attractive acquisition opportunity arise.

#### Key Revenue/Margin/Return Drivers

1. **ICS: Continuous position count growth** driven by an expanding global investor base and consistent holdings' diversification trends.  
**GTO: Continuous trend towards outsourcing of non-core (incl. back-office processing) functions** by financial institutions further accelerated by increased industry complexity and intensified regulatory compliance (incl. data security) scrutiny.
2. **Operating and SG&A leverage gains** supported by ongoing platform efficiency enhancements and added scale in both newer and core operating segments.
3. **Tuck-in acquisitions.**

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### INVESTMENT RETURN DRIVERS

	Trailing 5 Year	Trailing 10 Year	Projected 5 Year	Reasoning
Revenue	4%	5%	6%	Guidance
EBIT	6%	5%	10%	Margin
EPS	10%	█	12%	Buybacks
Dividends	2.4%	1.9%	2.0%	Current Yield
Multiple Change	1.5x	█	(3.0x)	Moderate
Total Return	25%	█	11%	

### CAPITAL USE AND RETURNS ON CAPITAL

	Trailing 5 Year	Est. Returns	Projected 5 Year	Est. Returns	Reasoning
CAPEX	13%	15%	13%	20%	Avg. ROIC
Buybacks	33%	25%	33%	11%	Estimate
Dividends	22%	NA	22%	NA	
Acquisitions	32%	15%	32%	20%	Avg. ROIC
Total	100%	19%	100%	16%	

### RISKS/LIMITS/BEAR CASE

- Regulatory/Pricing.** There has been concern among many for some time that ██████████ “near monopoly” in street-name proxy voting has led to excessive fees for issuers. Pricing for shareholder communications is regulated by various organizations including the SEC and NYSE which in 2012 established a Proxy Fee Advisory Committee to review and recommend potential fee changes. While some level of uncertainty on the regulatory front will always be present, the history of regulatory actions (including the most recent rate amendment effective 1/1/14) suggests that any dramatic changes to the industry’s pricing structure are unlikely.

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2. **Technological change.** We believe that [REDACTED] competitive moat is strongest in paper delivery where scale offers clear advantages. **With more communications being delivered electronically, entry barriers in the ICS segment could be lowered.** Newer entrants incl. [REDACTED] entered the market several years ago with [REDACTED] succeeding in taking a couple of accounts away from [REDACTED] in 2010 (one of these has come back since) by offering significant price discounts. Importantly, 5 years later these players still have a handful of accounts (less than 2% market share) and have not had any significant impact on industry pricing despite aggressive discounting policies. More importantly, increased regulatory scrutiny (including that on the data security compliance side) should further enhance competitive positioning of larger trusted players like [REDACTED].

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#### ANALYST RECOMMENDED ACTION

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**Buy a small [REDACTED] initial position:** While we had always admired [REDACTED] core market positioning, when we performed our initial work on the company in 2010 we passed due to two primary concerns. Our biggest worry had to do with what appeared to be a changing competitive landscape driven by proliferation of electronic communication delivery with a couple of new entrants making some inroads by winning some business away from [REDACTED] via aggressive price discounting, thus, raising concerns about the level of competitive protection in this business. Importantly, five years later these players still have a handful of accounts and have not had any impact on industry pricing. The other issue had to do with the potentially changing regulatory environment. There had been concern among many for some time that [REDACTED] “near monopoly” in street-name proxy voting had led to excessive fees for issuers. At that time the SEC was in the process of reviewing the entire system, and the range of possible outcomes appeared to be wide. In 2012 the NYSE established a Proxy Fee Advisory Committee to review and recommend potential fee changes. While some level of uncertainty on the regulatory front will always be present, the longer-term history of regulatory actions (including the most recent rate amendment effective 1/1/14) suggests that any dramatic changes to the industry’s pricing structure are unlikely. With both of our concerns greatly diminished and with a number of more recent highly significant and sustainable industry trends (incl. focus on data security) further enhancing positioning of dominant trusted players like [REDACTED], I believe that this an opportune time to establish a position in this high quality company. With the shares valuation fair, I recommend taking a smaller [REDACTED] initial position in the stock at this time.

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#### PORTFOLIO MANAGER COMMENTS IF DIFFERENT FROM ANALYST RECOMMENDATION

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Security	Local Currency Code	Traded Shares/Par	CUSIP/CINS	ISIN	TICKER
ARMSTRONG WORLD INDS INC N USD 0.01	USD	16,979.0000	04247X102	US04247X1028	AWI
BANK HAWAII CORP USD 0.01	USD	26,416.0000	062540109	US0625401098	BOH
BERKLEY W R CORP USD 0.2	USD	44,807.0000	084423102	US0844231029	WRB
BROADRIDGE FINL SOLUTIONS USD 0.01	USD	15,008.0000	11133T103	US11133T1034	BR
CACI INTL INC USD 0.1	USD	4,855.0000	127190304	US1271903049	CACI
CHEESECAKE FACTORY INC USD 0.01	USD	45,228.0000	163072101	US1630721017	CAKE
CORVEL CORP USD 0.0001	USD	7,169.0000	221006109	US2210061097	CRVL
DOLBY LABORATORIES INC USD 0.001	USD	28,644.0000	25659T107	US25659T1079	DLB
FULLER H B CO USD 1.0	USD	23,622.0000	359694106	US3596941068	FUL
GENTEX CORP USD 0.06	USD	78,897.0000	371901109	US3719011096	GNTX
GRACO INC USD 1.0	USD	31,094.0000	384109104	US3841091040	GGG
JACK HENRY + ASSOC INC USD 0.01	USD	15,419.0000	426281101	US4262811015	JKHY
HOULIHAN LOKEY INC USD 0.001	USD	13,104.0000	441593100	US4415931009	HLI
JOHN BEAN TECHNOLOGIES COR USD 0.01	USD	12,876.0000	477839104	US4778391049	JBT
KADANT INC USD 0.01	USD	4,193.0000	48282T104	US48282T1043	KAI
LPL FINL HLDGS INC NPV	USD	10,400.0000	50212V100	US50212V1008	LPLA
LAMAR ADVE COM USD0.001 CL A	USD	12,196.0000	512816109	US5128161099	LAMR
LANDSTAR SYS INC USD 0.01	USD	13,926.0000	515098101	US5150981018	LSTR
LENNOX INTL INC USD 0.01	USD	6,809.0000	526107107	US5261071071	LII
LESLIES INC USD 0.001	USD	214,917.0000	527064109	US5270641096	LESL
NATIONAL BEVERAGE CORP USD 0.01	USD	40,586.0000	635017106	US6350171061	FIZZ
RBC BEARINGS INC USD 0.01	USD	10,560.0000	75524B104	US75524B1044	RBC
SCOTTS MIRACLE-GRO CO USD 0.01	USD	21,825.0000	810186106	US8101861065	SMG
TERADYNE INC USD 0.125	USD	18,886.0000	880770102	US8807701029	TER
THOR INDS INC USD 0.1	USD	25,800.0000	885160101	US8851601018	THO
TORO CO USD 1.0	USD	21,633.0000	891092108	US8910921084	TTC
TRANSUNION USD 0.01	USD	39,897.0000	89400J107	US89400J1079	TRU
WD 40 CO USD 0.001	USD	9,436.0000	929236107	US9292361071	WDFC
ZEBRA TECHNOLOGIES CORP USD 0.01	USD	8,355.0000	989207105	US9892071054	ZBRA
ZURN ELKAY WTR SOLUTIONS C USD 0.01	USD	58,796.0000	98983L108	US98983L1089	ZWS
DREYFUS GOVT CM INST 289	USD	10,424,365.9000	X9USDDGCM	X9X9USDDGCM3	