

All Cap Sustainable Growth Portfolio

Fourth Quarter 2017

Portfolio Review

The All Cap Sustainable Growth portfolio underperformed the Russell 3000 Growth Index during the fourth quarter. Strong stock selection in the financials and energy sectors helped the portfolio, while negative stock selection in the consumer discretionary and information technology sectors hurt performance.

Holdings that contributed the most to performance were Amazon.com and Monster Beverage.

Amazon has begun to see material operating efficiencies following years of immense investments into its e-commerce and web services businesses. In its most recent quarter, the company reported another multi-year high in revenue growth with expanding gross margins and return on invested capital. Its Prime subscription service appears to be reaching critical mass, which is encouraging as Prime users convert 75% of the time and spend three times as much as non-Prime users. Web services, Amazon's other growth engine, has four times the capacity of all the other competitors combined and could grow to rival the size of the retail business over time. Despite heavy long-term investments, Amazon has historically shown robust cash returns on cash invested.

Monster Beverage has suffered several quarters of erratic financial performance due to the transition into the Coke global distribution network and some production shortages here in the U.S. However, those headwinds appear to be dissipating as evidenced by recent quarterly results, which showed a pickup in revenue growth in both the domestic and international markets. We think the upswing in domestic markets is sustainable, and as the company gains additional scale from increased international distribution via Coke, profits are expected to increase meaningfully.

Holdings that detracted the most from performance were Celgene and Ctrip.com.

Celgene deployed capital aggressively to bolster future growth, but to date, results of pipeline programs have severely disappointed. More recently, a couple of key products failed to clear trials, and Celgene lowered its 2020 guidance. Losing faith that Celgene would be able to weather its \$15 billion revenue cliff related to a flagship product coming off-patent, we exited our position.

Ctrip has consolidated and monopolized the online travel market in China. Rampant couponing and competition had caused Ctrip's operating margin to sink to the low-teens, but the company is well on its way to returning it to the mid-20s or better. Ctrip has been under fire recently as regulators forced the company to unbundle some products, such as trip insurance, that it would automatically add to ticket purchases. The company's reputation and financial performance are expected to take a near-term hit, though we do not believe the long-term growth story has structurally changed.

Outlook

The outlook for 2018 is favorable overall, but to expect another 2017 would be unreasonable. More volatility and drawdowns are anticipated in 2018 as markets return to more normal conditions. 2018 should continue to provide investors with mid-to-high single-digit equity returns but most likely not without a bumpy ride along the way. Investors should review their asset allocation and make sure they can "sleep at night" with their current equity exposure. We will continue to own high-quality businesses that can shine in good and bad times and have competitive protections.

Purchases and Sales

New Purchases

Altair Engineering
 CarGurus
 MongoDB

Complete Sales

Celgene

Portfolio Highlights

Style: All Cap
Sub-Style: Growth
Index: Russell 3000® Growth
Portfolio Assets: \$140.7 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	31
Todd Bailey, CFA Senior Research Analyst	18
Jon Christensen, CFA Senior Research Analyst	22
Julie Kutasov Senior Research Analyst	16
Richard Sherry Senior Research Analyst	19
Craig Stone Senior Research Analyst	28
Chris Wright, CFA Senior Research Analyst	7
Chris Armbruster, CFA Research Analyst	12
Chris Benway, CFA Research Analyst	8
Julie Biel, CFA Research Analyst	9

Top Five Holdings

As of December 31, 2017

Company	Percent of equity (%)
Facebook	5.6
Alibaba Group	3.5
Monster Beverage	3.2
Amazon.com	2.8
Autohome	2.5
Total	17.7

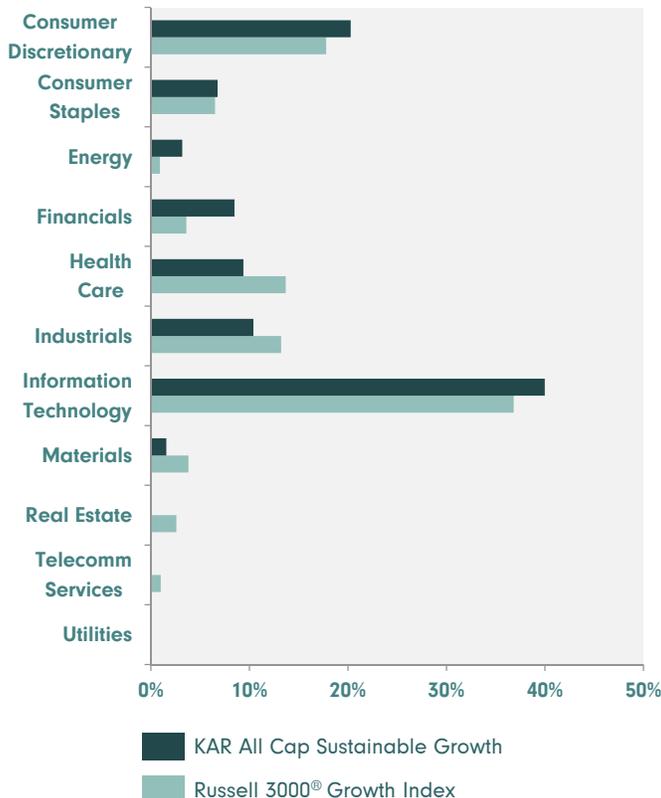
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. Data is obtained by FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. Past performance is no guarantee of future results.

Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
300 Stocks Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	100–120 Stocks Qualitative Analysis <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market Financial Analysis <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business 	80–100 Stocks Position Weights <ul style="list-style-type: none"> Average position size is typically 2% Max initial position size is 5% (cost) Max position size is 10% (market) Sector Tolerances <ul style="list-style-type: none"> Typically +/- 10% of the Russell 3000® Growth Index, utilizing GICS sector classifications Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Fully Invested Max cash position is 10% 	Extended Valuation Portfolio Upgrade Diversification Requirements Acquisition Activity Negative Company or Industry Changes
Higher Quality Stronger, More Consistent Growth Better Value			

Sector Diversification

As of December 31, 2017



A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. The sector information represented above is based on GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of December 31, 2017

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
Quality		
Return on Equity—Past 5 Years	19.9%	21.2%
Total Debt/EBITDA	2.1 x	3.6 x
Earnings Variance—Past 10 Years	41.1%	39.9%
Growth		
Earnings Per Share Growth—Past 5 Years	13.9%	11.2%
Earnings Per Share Growth—Past 10 Years	12.2%	13.2%
Capital Generation—{ROE x (1-Payout)}	15.8%	14.5%
Value		
P/E Ratio—Trailing 12 Months	45.3 x	28.6 x
P/E-to-10-Year Growth	3.7 x	2.1 x
Free Cash Flow Yield*	2.7%	4.0%
Market Characteristics		
\$ Weighted Average Market Cap	\$110.2 B	\$210.2 B
Largest Market Cap	\$725.9 B	\$868.9 B

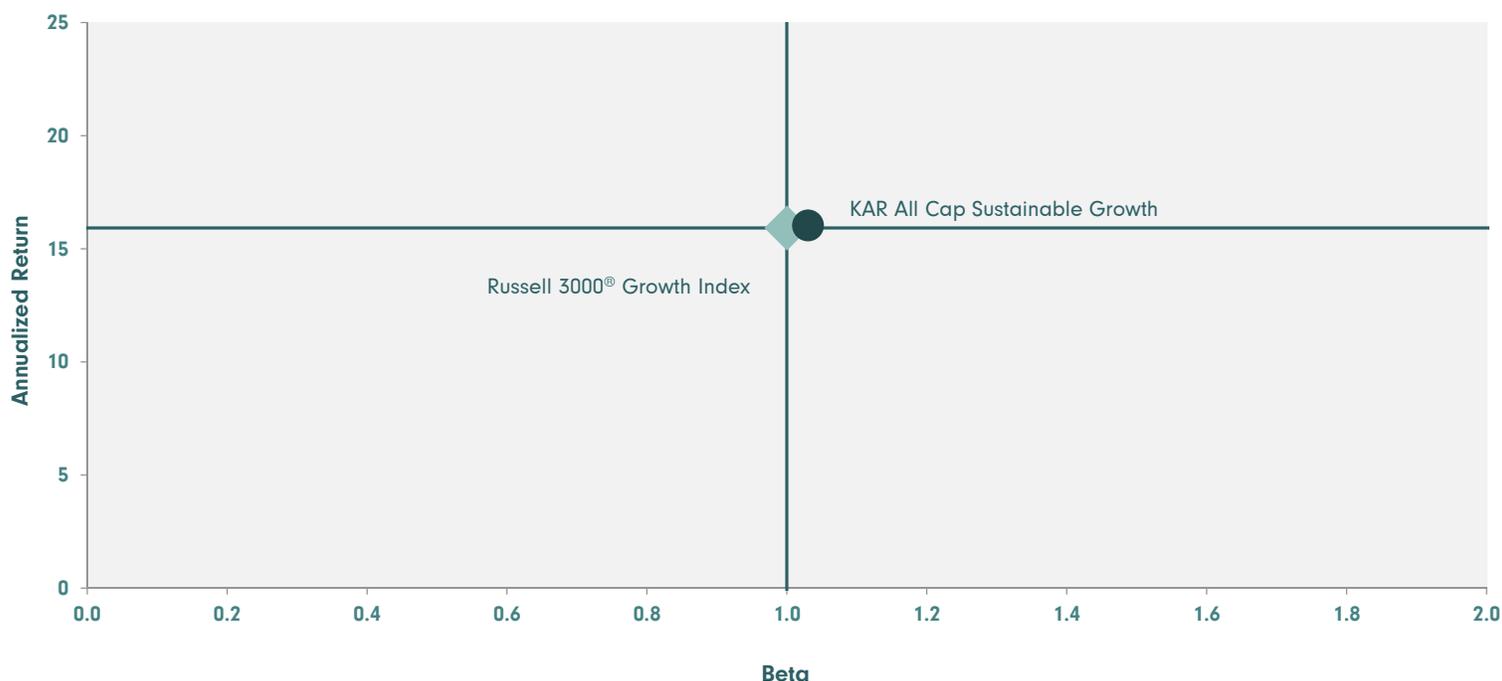
*Free cash flow data is as of September 30, 2017. Prices are as of December 31, 2017. Excludes financials. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

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Risk-Return Analysis

Inception* to December 31, 2017



Historical Returns

	KAR All Cap Sustainable Growth (gross)	KAR All Cap Sustainable Growth (net) [‡]	Russell 3000 [®] Growth Index
Annualized Returns (%)[†]			
As of December 31, 2017			
4 th Quarter	6.18	6.00	7.61
One Year	35.79	34.87	29.59
Three Years	15.59	14.79	13.51
Five Years	17.44	16.64	17.16
Inception*	16.03	15.23	15.92
Annual Returns (%)			
2017	35.79	34.87	29.59
2016	5.88	5.15	7.39
2015	7.41	6.67	5.09
2014	9.48	8.70	12.44
2013	32.17	31.27	34.23
2012 [§]	7.87	7.17	8.59

Performance Statistics

Inception* to December 31, 2017

	KAR All Cap Sustainable Growth	Russell 3000 [®] Growth Index
Annualized Return	16.03	15.92
Annualized Standard Deviation	11.14	10.18
Beta	1.03	1.00
Sharpe Ratio	1.43	1.55
R-Squared	88.21	100.00

*February 1, 2012

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

[‡]Net of all fees and expenses. Assumes a 0.70% annual fee.

[§]Performance calculations are for eleven months ended December 31, 2012.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns of the Kayne Anderson Rudnick composite are preliminary and gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

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Disclosure

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2016. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

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

The composite includes as all fully discretionary institutional and pooled All Cap Sustainable Growth Portfolios. All Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations

consistent with the Russell 3000® Growth Index, that have market control, rising free cash flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 3000® Growth Index. The Russell 3000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 3,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in February 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The standard management fee schedule currently in effect is as follows: 0.70% for the first \$10 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; 0.35% on the balance. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Returns are presented gross of management fees and withholding taxes and net of transaction fees and include the reinvestment of all income. Gross returns

will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/12th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a monthly basis.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year or for time periods less than one year, no dispersion measure is presented. The three-year annualized ex-post standard deviation, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented for periods prior to 2015 because 36 monthly composite returns are not available. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended at the following dates:

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2015	12.34	10.95
2016	13.13	11.50

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 3000® Growth Index Annual Return (%)	Internal Dispersion
2012*	6,545	67	12	7.87	7.17	8.59	N/A
2013	7,841	65	10	32.17	31.27	34.23	0.37
2014	7,989	89	10	9.48	8.70	12.44	0.37
2015	8,095	92	9	7.41	6.67	5.09	N/A
2016	9,989	97	10	5.88	5.15	7.39	0.10

*2012 performance numbers in this table reflect the composite inception date of February 1, 2012 through December 31, 2012.

The Russell 3000® Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.