

Emerging Markets Small Cap Portfolio

First Quarter 2017

Market Review

The MSCI Emerging Markets Small Cap Index advanced 13.02% in a strong quarter for global equity markets. Strength was broad-based, with most major developed and emerging markets experiencing accelerating economic and corporate profit growth. In addition, international equity returns in U.S. dollar terms were boosted by the decline in the dollar during the quarter, partially reversing the strong appreciation of the dollar in the fourth quarter of 2016.

Moreover, India, Brazil and Taiwan all performed particularly well in the first quarter due to improving economic outlooks. The Chinese economy continues to meet expectations for gradually decelerating, but with relatively stable and strong growth.

Portfolio Review

The Emerging Markets Small Cap portfolio performed in line with the MSCI Emerging Markets Small Cap Index during the first quarter. Given the magnitude of the gains by the index, we believe the results are satisfactory for a portfolio like ours, which we would expect to be more defensive in nature.

Pico Far East Holdings, an exhibition and event management company based in Hong Kong, was the largest contributor to performance in the first quarter. The company reported strong earnings results, a 15% increase in the final dividend, in addition to a special dividend in the first quarter. BFI Finance, a leading multi finance company in Indonesia, also posted strong earnings results and announced 57% increase in the final dividend.

Our largest detractor from performance was Distell Group, a leading cider and spirits company in South Africa that we purchased in the first quarter. Distell reported lackluster earnings due to challenging market conditions. We believe the company will be able to continue to grow volumes and profits over the long-term due to their strong brands and distribution network. Pinar Sut, the leading dairy company in Turkey, also underperformed. Its shares declined due to lower expectations for earnings growth in 2017, driven by higher raw materials costs and increased advertising spend.

China

China, the most important emerging economy, continues to show resilience and moderating growth as the government attempts to transition from an investment-driven economy to more of a consumer-driven economy. However, there has been some concern about the underlying sustainability of this growth given the recent rapid growth in corporate credit. In fact, the International Monetary Fund recently compared the credit boom in China to other episodes that ended with severe financial disruptions or crises. We have seen these types of macro concerns many times. Our experience tells us that making investment decisions based on this type of information is fraught with pitfalls. At Kayne, we handle inevitable uncertainty and macro concerns by focusing on owning great businesses with strong balance sheets, and by buying these businesses at sensible prices. While we do not know what will happen with the Chinese economy over the next 12 months, we feel that our continuous focus on these principles is the best way to preserve and grow capital over time.

Purchases and Sales

New Purchases	Complete Sales
Corporación Moctezuma	Kakaku.com
Distell	Mercadolibre
E-Credible	Prosegur
Śnieżka	Tegma Gestão Logística

Portfolio Highlights

Style: Small Cap
Index: MSCI® Emerging Markets Small Cap Index
Portfolio Turnover: 25%-35%
Number of Holdings: 30-60

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 MSCI® Emerging Markets Small Cap Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	31
Hyung Kim Portfolio Manager + Senior Research Analyst	13
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	13
Ekaterina V. Advena Research Analyst	8

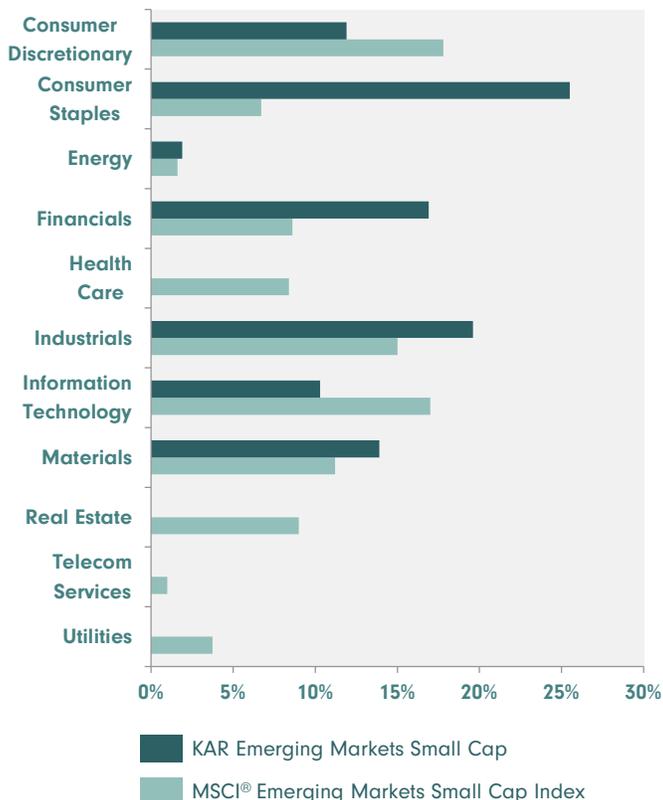
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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. Past performance is no guarantee of future results.

Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
400 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 	30–60 Stocks Position Weights <ul style="list-style-type: none"> Average position size is typically 1% to 5% Max initial position size is 5% (cost) Max position size is 10% (market) Sector and Geographic Tolerances <ul style="list-style-type: none"> Benchmark agnostic but seek broad diversification Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Fully Invested Typical cash position less than 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 March 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 March 31, 2017

	KAR Emerging Markets Small Cap	MSCI Emerging Markets Small Cap Index
Quality		
Return on Equity—Past 5 Years	21.7%	12.4%
Total Debt/EBITDA	1.1 x	5.2 x
Interest Expense Coverage	3.9%	2.9%
Growth		
Earnings Per Share Growth—Past 5 Years	6.5%	7.6%
Earnings Per Share Growth—Past 10 Years	10.4%	8.8%
Dividend Per Share Growth—Past 5 Years	11.6%	9.1%
Dividend Per Share Growth—Past 10 Years	12.7%	8.6%
Value		
P/E Ratio—Trailing 12 Months	14.4 x	19.8 x
Dividend Yield	3.9%	2.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$1.4 B	\$1.2 B
Largest Market Cap	\$7.1 B	\$4.8 B

Data is obtained from 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.

Emerging Markets Small Cap Portfolio

First Quarter 2017

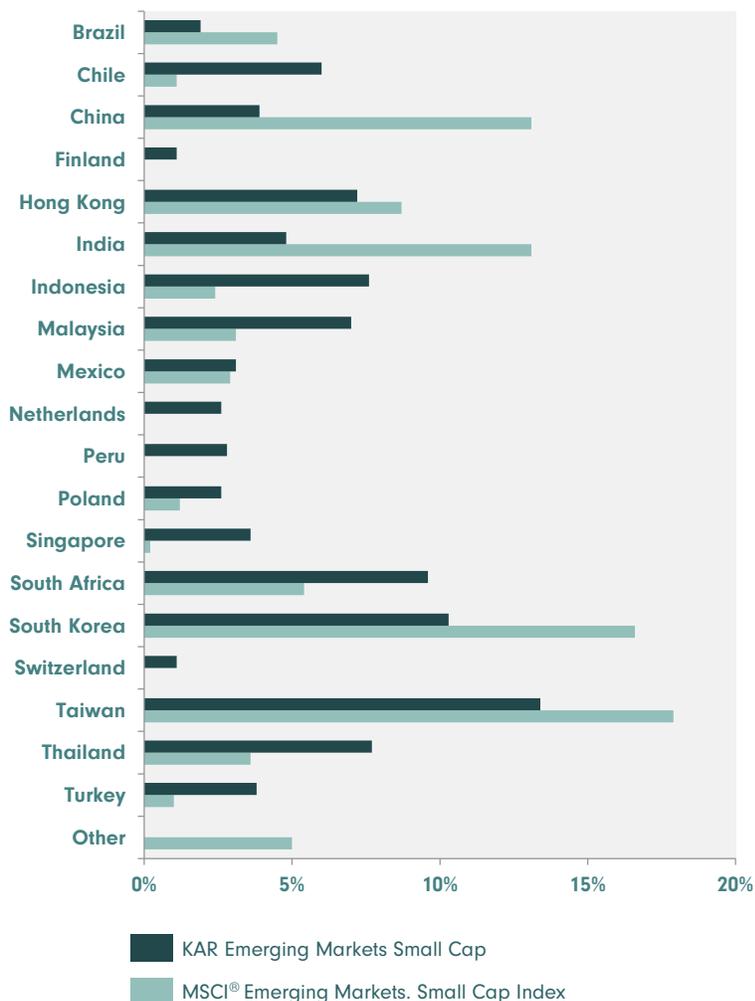
Top 10 Holdings

As of March 31, 2017

Company	Country	Percent of equity (%)
BFI Finance Indonesia	Indonesia	4.8
Pico Far East Holdings	Hong Kong	4.4
Yung Chi Paint & Varnish	Taiwan	4.3
Autohome	China	3.9
Credit Analysis & Research	India	3.6
ARA Asset Management	Singapore	3.6
Lumax International	Taiwan	3.5
Taiwan Secom	Taiwan	3.4
AVI	South Africa	3.4
Oldtown	Malaysia	3.4
Total		38.2

Country Exposure

As of March 31, 2017



Historical Returns

	KAR Emerging Markets Small Cap (gross)	KAR Emerging Markets Small Cap (net) [†]	MSCI [®] Emerging Markets Small Cap Index
Annualized Returns (%)[†]			
As of March 31, 2017			
1st Quarter	13.50	13.23	13.02
One Year	27.25	26.01	14.49
Three Years	3.58	2.56	1.66
Inception*	4.50	3.47	2.62
Annual Returns (%)			
2016	18.45	17.28	2.28
2015	(16.02)	(16.84)	(6.85)
2014	2.20	1.16	1.01

*January 1, 2014

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

[†]Net of all fees and expenses. Assumes a 1% annual fee.

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, 2014. 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. The verification and performance examination reports are available upon request.

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

The composite includes all fully discretionary institutional and pooled Emerging Markets

Small Cap Portfolios. Emerging Markets Small Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® Emerging Markets Small Cap 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 MSCI® Emerging Markets Small Cap Index (net). The MSCI® Emerging Markets Small Cap Index is a market capitalization-weighted index of small-capitalization stocks from countries defined as Emerging Markets in the MSCI® Global Investable Market Indices Universe, excluding U.S. companies. The index is calculated on a total-return basis with dividends reinvested, net of withholding taxes. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2014. 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: 1.00% for the first \$100 million; 0.90% 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 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 1/4th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a quarterly 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 of the composite is not presented because this composite inceptioned on January 1, 2014; 36 monthly returns are not available.

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® Emerging Markets Small Cap Index (net) Annual Return (%)	Internal Dispersion
2014	7,989	5	< 5	2.20	1.16	1.01	N/A
2015	8,095	4	< 5	(16.02)	(16.84)	(6.85)	N/A

The MSCI® Emerging Markets Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..