

Emerging Markets Small Cap Portfolio

Fourth Quarter 2016

Market Review

The MSCI Emerging Markets Small Cap Index declined 6.23% in the fourth quarter, but increased 2.28% for the year. Modest declines early in the third quarter for emerging markets stocks accelerated after the U.S. presidential election, which was clearly the major market moving event of the quarter.

The surprise election of Donald Trump sent shockwaves throughout the financial markets in the final two months of 2016. After falling sharply initially, major developed equity markets rallied in the ensuing months. Interest rates increased globally, the dollar rose, and bonds fell. Markets quickly went from the fear of the unknown in a Trump presidency to the anticipation of the economic benefits of a pro-growth Trump agenda in the U.S. The strong dollar and rising interest rates put pressure on emerging markets equities in the fourth quarter.

Energy and materials performed well in 2016, marking a sharp reversal from the prior two years in which these stocks dramatically underperformed. In general, this led to strong performance in countries where commodities play a large role in the economy, such as Brazil, South Africa and Russia.

Portfolio Overview

The Emerging Markets Small Cap portfolio outperformed the MSCI Emerging Markets Small Cap Index by a significant margin in the fourth quarter, and for the year. After a challenging 2015, we are pleased that the portfolio had a strong 2016, with many of our worst performing stocks last year ranking among our top performers this year.

Tegma Gestão Logística, an automotive logistics company in Brazil, is the most glaring example. With Brazil's economy falling apart in 2015, Tegma was by far our worst-performing stock. As the Brazilian economy showed signs of stabilization in 2016, Tegma shares returned 99% in U.S. dollar terms. ARA Asset Management, Lumax International, KPX Chemical and Transpaco were examples of other significant detractors from performance last year that were among our top performers in 2016.

An exception to this trend would be Autohome, which performed poorly in 2015 and again in 2016. Autohome is the leading online destination for automotive consumers in China. The issues that have plagued Autohome over the last 18 months have nothing to do with the performance of the core advertising and lead-generation businesses, which have continued to perform admirably. The stock has struggled due to an ill-fated (and money losing) venture into direct car selling and a subsequent change in ownership and management. As we begin 2017, we are optimistic about the prospects for Autohome. The new management team has been making positive changes, the most important of which is the decision to close the new car transaction business. We believe that as the costs associated with this business go away, the underlying strength of the core business will shine through. Over the next year, we expect higher profit margins and substantial earnings growth, which is likely to lead to a higher earnings multiple as well. For this reason, Autohome remains one of our largest holdings.

Purchases and Sales

New Purchases	Complete Sales
Blue Dart Express	eClerx
Corporación Moctezuma	Equity Bank
DKSH	KPX Chemicals
MercadoLibre	
Tikkurila	

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	30
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	12
Ekaterina V. Advana Research Analyst	7

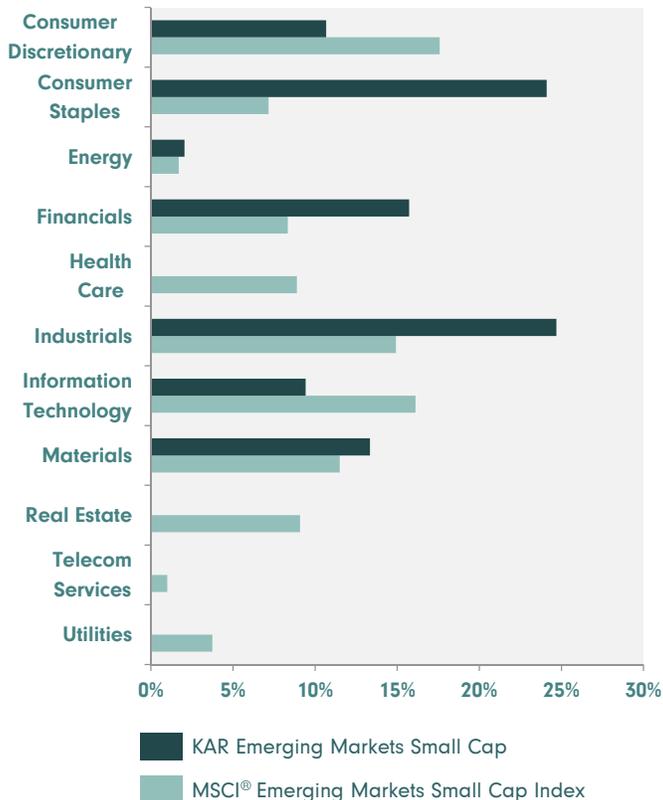
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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. 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 December 31, 2016



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, 2016

	KAR Emerging Markets Small Cap	MSCI Emerging Markets Small Cap Index
Quality		
Return on Equity—Past 5 Years	21.9%	12.4%
Debt/Capital	16.8%	29.2%
Growth		
Earnings Per Share Growth—Past 10 Years	11.6%	9.1%
Dividend Per Share Growth—Past 10 Years	14.2%	8.9%
Value		
P/E Ratio—Trailing 12 Months	14.1 x	19.8 x
Dividend Yield	3.7%	2.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$1.4 B	\$1.0 B
Largest Market Cap	\$6.9 B	\$4.2 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.

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Fourth Quarter 2016

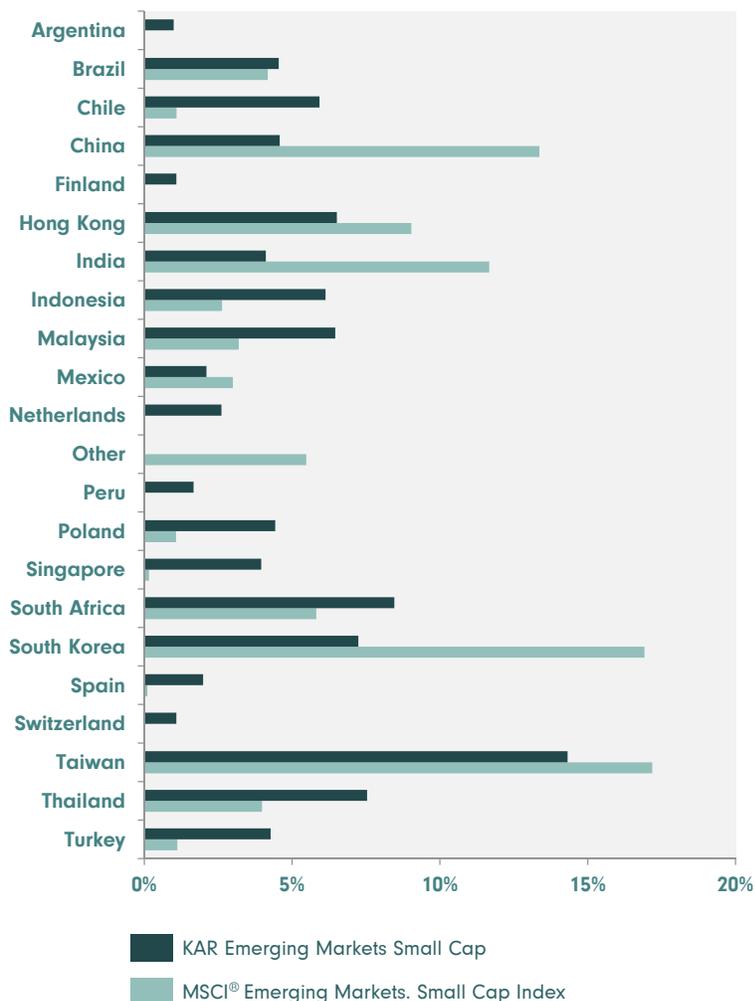
Top 10 Holdings

As of December 31, 2016

Company	Country	Percent of equity (%)
Authome	China	4.6
Wawel	Poland	4.4
Pico Far East Holdings	Hong Kong	4.4
Yung Chi Paint & Varnish	Taiwan	4.4
BFI Finance Indonesia	Indonesia	4.1
ARA Asset Management	Singapore	4.0
Lumax International	Taiwan	3.9
Transpaco	South Africa	3.7
AVI	South Africa	3.5
Taiwan Secom	Taiwan	3.4
Total		40.4

Country Exposure

As of December 31, 2016



Historical Returns

	KAR Emerging Markets Small Cap (gross)	KAR Emerging Markets Small Cap (net) [†]	MSCI [®] Emerging Markets Small Cap Index
Annualized Returns (%)[†]			
As of December 31, 2016			
4 th Quarter	(1.54)	(1.79)	(6.23)
One Year	18.45	17.28	2.28
Three Years	0.55	(0.45)	(1.27)
Inception*	0.55	(0.45)	(1.27)
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..