

Global Dividend Yield Portfolio

Second Quarter 2017

Portfolio Review

The Global Dividend Yield portfolio underperformed the Russell Developed Large Cap Index during the quarter. From a sector perspective, performance was helped by strong stock selection in the financials and consumer discretionary sectors. Performance was hurt by poor stock selection in the industrials and information technology sectors.

Positions that contributed most positively to performance during the quarter were Vodafone and Las Vegas Sands. Vodafone's investment in its network in Europe has contributed to continued improvement in that market. Meanwhile, in India the company is consolidating its business with a competitor, which should help contribute to a more rational market. Las Vegas Sands performed strongly during the quarter as business in the largest gambling market in the world has stabilized after nearly two years of pressure in Macau. New casino resorts are anticipated to jump start visitor growth. With sizable barriers to entry (geographic, regulatory), Las Vegas Sands remains one of the best positioned companies to profit from the Chinese government's desire to make Macau a gambling and entertainment mecca.

Holdings that contributed the least to performance during the quarter were Vermilion Energy and AT&T. Vermilion Energy suffered during the quarter as weakness in the price of oil contributed to weakness in the stock. Shares of AT&T were weak in the quarter due to increased competition from Sprint and T-Mobile, particularly in terms of unlimited data offerings.

Purchases and Sales

During the quarter, we purchased British American Tobacco, Imperial Brands and Lamar Advertising and we sold Fastenal and Reynolds American during the quarter.

British American Tobacco is a U.K.-based tobacco company that manufactures, distributes and sells cigarettes, cigars, heat-not-burn and e-vapor products around the globe. Although global cigarette volumes continue to decline, British American Tobacco has performed better than the industry by focusing on its key Global Drive Brands. The company has a strong BBB+ rated balance sheet and the dividend has been steadily increased every year since the late 1990s.

Imperial Brands is a U.K.-based tobacco company that manufactures, distributes and sells cigarettes, cigars and e-vapor products around the globe. The company is in the midst of rationalizing its brand portfolio. The number of products is being reduced and savings are being reinvested in targeted growth brands. This strategy has proven successful in the past by other companies in the industry and is anticipated to improve margins. The tobacco industry continues to produce strong free cash flow. The company has a strong BBB rated balance sheet and the dividend has been increased by at least 10% for the past nine years.

Lamar Advertising engages in advertising services. The firm leases space for advertising on billboards, buses, shelters, benches, logo plates and in airport terminals. Lamar dominates its local markets with approximately 80% to 90% share in 80% of its markets. Outdoor advertising is the lowest cost advertising channel (as measured by cost per thousand impressions or CPMs). Unlike newspapers, radio and TV, the viewing audience for outdoor ads is stable because we all have to drive by or pass a billboard during our daily lives. As a result, outdoor advertising remains insulated from the substitution effect of online advertising.

We sold Fastenal as we became increasingly concerned about potential structural headwinds that are developing for the company, including a more price competitive environment and exploration by Amazon into the industry.

We sold Reynolds American as it has agreed to be acquired by British American Tobacco, which already owns 42% of the company.

Outlook

Even in a mediocre GDP outlook environment, corporate earnings continue to look very solid over the next 6-12 months. As a result, stocks should continue to generate positive returns (although we may experience a correction along the way) for the foreseeable future. Despite the yield curve flattening materially, it is still not inverted and the Federal Reserve may feel less pressure to continue with another rate increase in the second half of the year. A meaningful increase in the price of crude oil, or major progress by the Trump Administration on tax reform and/or an infrastructure bill, could cause longer-term bond yields to rise over the next 6-12 months. This would give the Fed more wiggle room with short-term interest rates than what is currently available. The key takeaway for clients in this environment is to remember to focus on their real, longer-term objectives and to not get caught up in the day-to-day vagaries of the stock market.

Portfolio Highlights

Style: Large Cap
Index: Russell Developed Large Cap Index
Portfolio Turnover: 25%-35%
Number of Holdings: 25-50

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	31
Richard Sherry, CFA Portfolio Manager + Senior Research Analyst	19
Chris Armbruster, CFA Research Analyst	12
Kevin Ikeda Research Analyst	6

Top 10 Holdings

As of June 30, 2017

Company	Percent of equity (%)
Altria Group	4.8
Scor	4.3
PPL	4.2
Zurich Insurance Group	4.1
Las Vegas Sands	4.0
Vodafone Group	4.0
Royal Dutch Shell	3.9
GlaxoSmithKline	3.6
BCE	3.4
HSBC Holdings	3.4
Total	39.6

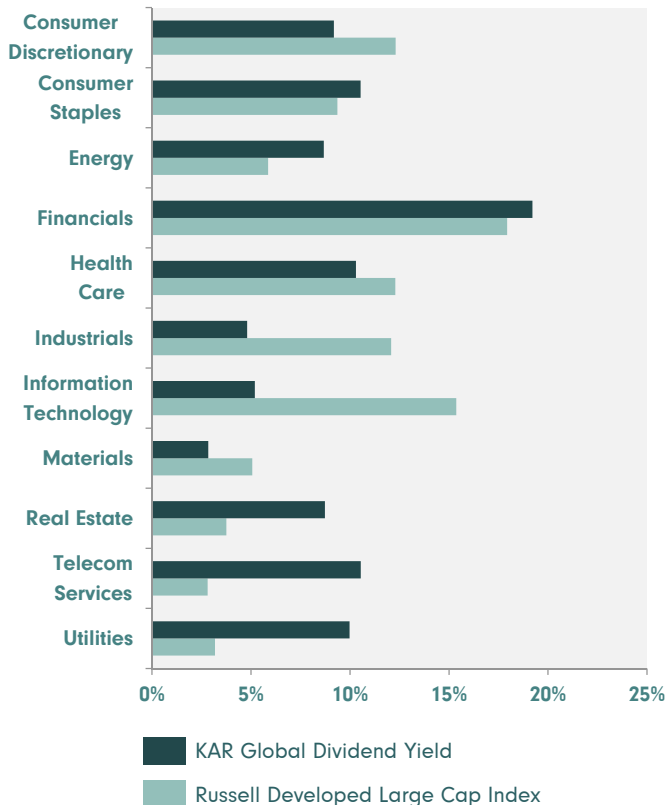
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<p>KAR Universe</p> <p>Typical Quantitative Screens</p> <ul style="list-style-type: none"> Investment-grade balance sheet Market cap > \$1.0 billion 5-year average ROE > 7.5% No dividend cut last five years <p>Other Resources</p> <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	<p>Qualitative Analysis</p> <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 <p>Financial Analysis</p> <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately <p>Valuation Analysis</p> <ul style="list-style-type: none"> Determine the current and potential value of the business 	<p>25-40 Stocks</p> <p>Position Weights</p> <ul style="list-style-type: none"> Average position size is typically 3% Max initial position size is 5% (cost) Max position size is 10% (market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> +/- 15% of the sector weights of the Russell Developed Large Cap Index <p>Holding Period</p> <ul style="list-style-type: none"> Typically 3-to-5 years Portfolio turnover is typically 25% to 35% <p>Cash Levels</p> <ul style="list-style-type: none"> Fully Invested Max cash position is 10% 	<p>Potential dividend cut</p> <p>Balance sheet deterioration</p> <p>Inability to cover dividend via internal cash generation over medium-to-long term</p>
Higher Quality Stronger, More Consistent Growth Better Value			

Sector Diversification

As of June 30, 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 June 30, 2017

	KAR Global Dividend Yield	Russell Developed Large Cap Index
Quality		
Return on Equity—Past 5 Years	17.6%	15.2%
Total Debt/EBITDA	5.9 x	5.1 x
Earnings Variance—Past 10 Years	39.3%	40.7%
Growth		
Dividend Per Share Growth—Past 10 Years	5.0%	7.6%
Dividend Payout Ratio—5 Year Average	77.3%	42.1%
Dividend Yield	4.0%	2.4%
Value		
P/E Ratio—Trailing 12 Months	22.6 x	21.6 x
Market Characteristics		
\$ Weighted Average Market Cap	\$69.1 B	\$112.2 B
Largest Market Cap	\$232.0 B	\$750.9 B

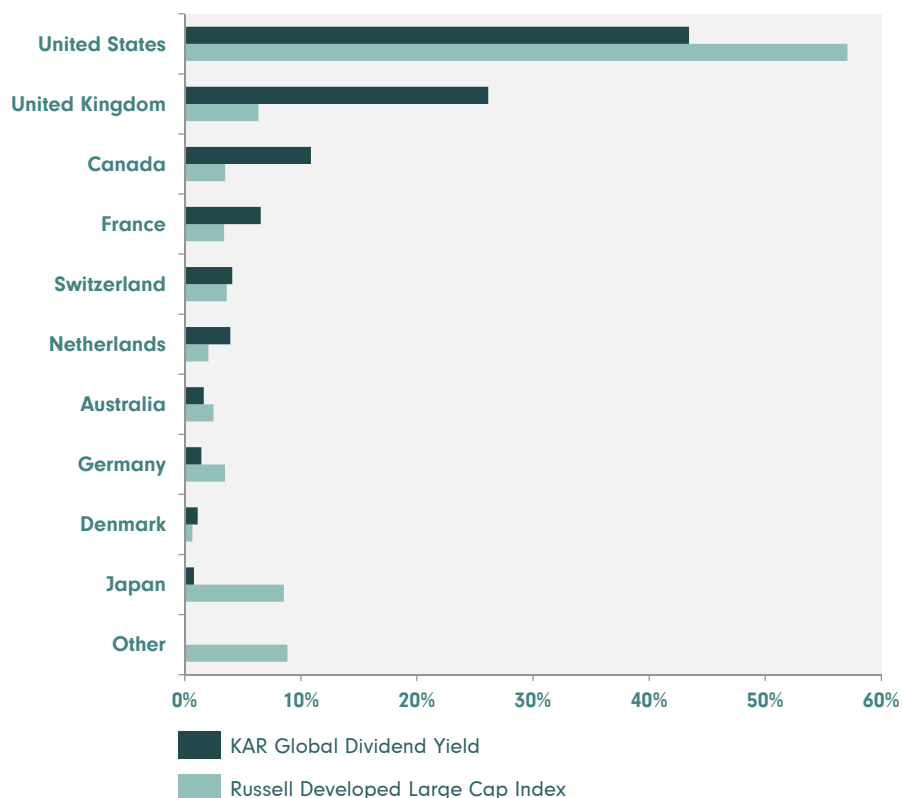
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

Global Dividend Yield Portfolio

Second Quarter 2017

Geographical Exposure

As of June 30, 2017



Peer Comparison Chart

Inception* to June 30, 2017



● KAR Global Dividend Yield
● Russell Developed Large Cap Index

Historical Returns

	KAR Global Dividend Yield (gross)	KAR Global Dividend Yield (net) [†]	Blended Index [§]	Russell Developed Large Cap Index
Annualized Returns (%)[†]				
As of June 30, 2017				
2 nd Quarter	2.64	2.46	3.00	4.04
Year to Date	8.54	8.17	7.22	10.63
One Year	8.57	7.82	10.52	18.28
Three Years	5.65	4.92	4.31	5.30
Five Years	10.78	10.02	7.91	11.64
Inception*	11.45	10.69	8.07	11.70
Annual Returns (%)				
2016	12.22	11.45	5.82	7.70
2015	(3.51)	(4.16)	(0.07)	(0.87)
2014	12.36	11.58	5.56	5.16
2013	22.35	21.53	14.84	27.38
2012	12.36	11.58	11.48	16.16

*January 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.

[§]Blended Index consists of 60% Russell Developed Large Cap Index and 40% Barclays U.S. Aggregate Bond Index.

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. The Global Dividend Yield Universe includes all managers categorized in the global dividend focus asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

Performance Statistics

Inception* to June 30, 2017

	KAR Global Dividend Yield	Blended Index [§]	Russell Developed Large Cap Index
Annualized Return	11.45	8.07	11.70
Annualized Standard Deviation	8.79	6.53	10.76
Alpha	3.65	0.96	0.00
Beta	0.65	0.60	1.00
Sharpe Ratio	1.30	1.22	1.08
R-Squared	63.95	97.04	100.00

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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, 2015.

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 Global Dividend Yield Composite has been examined for the period from January 1, 2014 through December 31, 2015. The verification and performance examination reports are available upon request.

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 all fully discretionary institutional and pooled Global Dividend Yield Portfolios. Global Dividend Yield Portfolios are

invested in globally diversified securities of high-quality, mature companies with high dividend yields with market capitalizations consistent with the Russell Developed Large Cap Index. For comparison purposes, the composite is measured against the Russell Developed Large Cap Index. The Russell Developed Large Cap Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment in the developed world and is completely reconstituted annually to accurately reflect the changes in the market over time. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. This composite contained 100% non-fee-paying portfolios as of December 31, 2012, 60% non-fee-paying portfolios as of December 31, 2013, 4% non-fee-paying portfolios as of December 31, 2014, 2% non-fee-paying portfolios as of December 31, 2015 and < 1% non-fee-paying portfolios as of December 31, 2016.

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 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, 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 2014 because 36 monthly composite returns are not available.

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2014	8.95	10.43
2015	10.15	10.94
2016	9.32	11.07

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Developed Large Cap Index Annual Return (%)	Internal Dispersion
2012	6,545	< 1	< 5	12.36	11.58	16.16	N/A
2013	7,841	1.8	5	22.35	21.53	27.38	N/A
2014	7,989	14	24	12.36	11.58	5.16	0.29
2015	8,095	33	44	(3.51)	(4.16)	(0.87)	0.82
2016	9,989	332	61	12.22	11.45	7.70	0.82

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