

International Small Cap Portfolio

First Quarter 2017

Market Review

The MSCI All Country World ex. U.S. Small Cap Index increased 8.78% in the first quarter of 2017. Global equity markets were strong across the board with most major 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.

The strong returns in the first quarter were broad-based in terms of sectors and geographies, with the one exception being the energy sector, which declined with the price of oil. After a challenging fourth quarter in 2016, emerging markets had a very strong start to 2017, with India, Brazil and China leading the way.

Portfolio Overview

The International Small Cap portfolio performed in line with the MSCI All Country World ex. U.S. Small Cap Index in the first quarter. Given the strong market performance, and the tendency of our companies to be more defensive in nature, this result is better than we would have expected.

Autohome, the leading online automotive information destination in China, was our largest contributor to performance in the first quarter. As Autohome has been one of our biggest laggards over the last two years, we have discussed the stock in detail previously. As we noted last quarter, we are optimistic about the prospects for Autohome. New management has made a number of positive changes over the last six months which we think will lead to stronger margins, significant earnings growth, and multiple expansion over the next 12-18 months.

Firstlogic operates the largest real estate portal in Japan specializing in investment properties. The stock reacted positively to excellent results, with revenues increasing over 50% and earnings per share increasing 75% during the first half of their fiscal year.

Scout24, the leading real estate portal in Germany, was our largest detractor from performance in the first quarter. When the company reported fourth quarter earnings in March, they provided 2017 guidance that was below consensus, sending the shares lower. The company is expecting high-single digit revenue growth and margin expansion this year, which we view as quite satisfactory given the current valuation. More importantly, the company continues to maintain and even strengthen its dominant competitive position in Germany.

Software Service, a leading provider of software to hospitals in Japan, was another underperformer. While the company did report weak earnings in the first quarter, the results of this business are inherently lumpy in nature. We prefer to monitor Software Service in terms of long-term performance, which has been strong. We are also comforted by the strong balance sheet and inexpensive valuation.

Purchases and Sales

New Purchases

Altran
 Corporación Moctezuma
 DVx
 E-Credible
 Hiscox
 Śnieżka
 Tikkurila
 Topdanmark

Complete Sales

Kakaku.com
 Tegma Gestão Logística

Portfolio Highlights

Style: Small Cap
Index: MSCI® ACWI ex. U.S. Small Cap Index
Portfolio Turnover: 25%–35%
Number of Holdings: 40–50

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® ACWI ex. U.S. 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
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	13
Craig Stone Portfolio Manager + Senior Research Analyst	28
Hyung Kim Senior Research Analyst	13
Ekaterina V. Advena Research Analyst	8

Top 10 Holdings

As of March 31, 2017

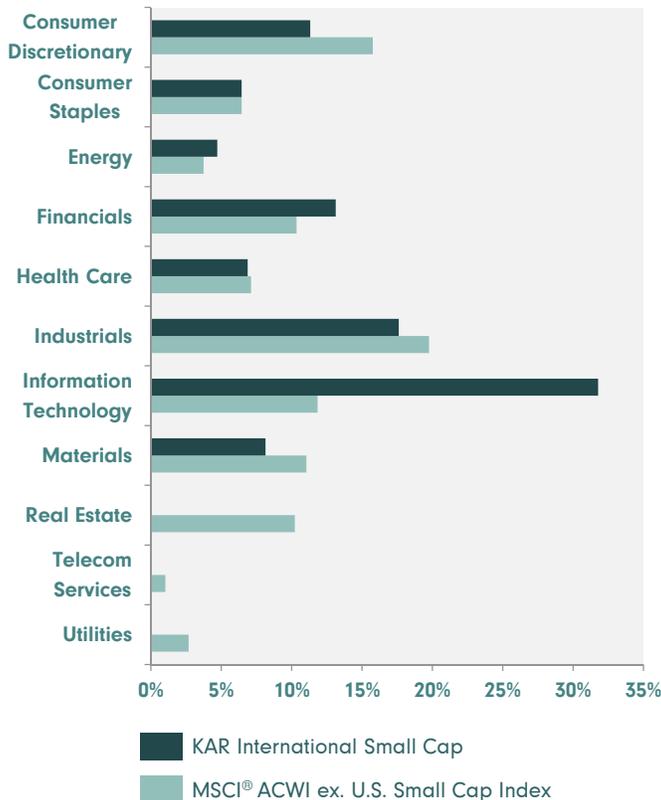
Company	Country	Percent of equity (%)
Rightmove	United Kingdom	5.2
WIN-Partners	Japan	4.6
REA Group	Australia	4.6
Scout24	Germany	4.4
Auto Trader Group	United Kingdom	4.4
Euler Hermes Group	France	4.3
Howden Joinery Group	United Kingdom	4.0
Autohome	China	3.5
Alten	France	3.5
Pico Far East Holdings	Hong Kong	3.4
Total		41.9

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 	40-50 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 International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Quality		
Return on Equity—Past 5 Years	25.9%	10.7%
Total Debt/EBITDA	1.0 x	4.7 x
Interest Expense Coverage	58.8 x	4.4 x
Growth		
Earnings Per Share Growth—Past 5 Years	9.6%	11.0%
Earnings Per Share Growth—Past 10 Years	12.9%	7.0%
Dividend Per Share Growth—Past 5 Years	8.8%	9.9%
Dividend Per Share Growth—Past 10 Years	11.6%	6.0%
Value		
P/E Ratio—Trailing 12 Months	17.4 x	20.7 x
Dividend Yield	3.1%	2.3%
Market Characteristics		
\$ Weighted Average Market Cap	\$2.0 B	\$2.1 B
Largest Market Cap	\$6.6 B	\$8.3 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.

International Small Cap Portfolio

First Quarter 2017

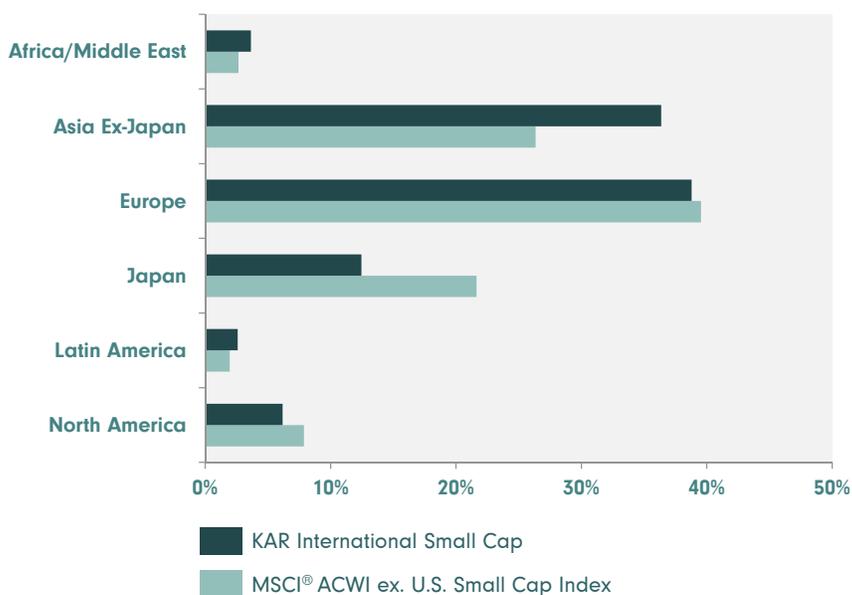
Developed vs. Emerging Markets

As of March 31, 2017

	Percent of equity (%)
Developed Markets	75.7
Emerging Markets	24.3
Total	100.0

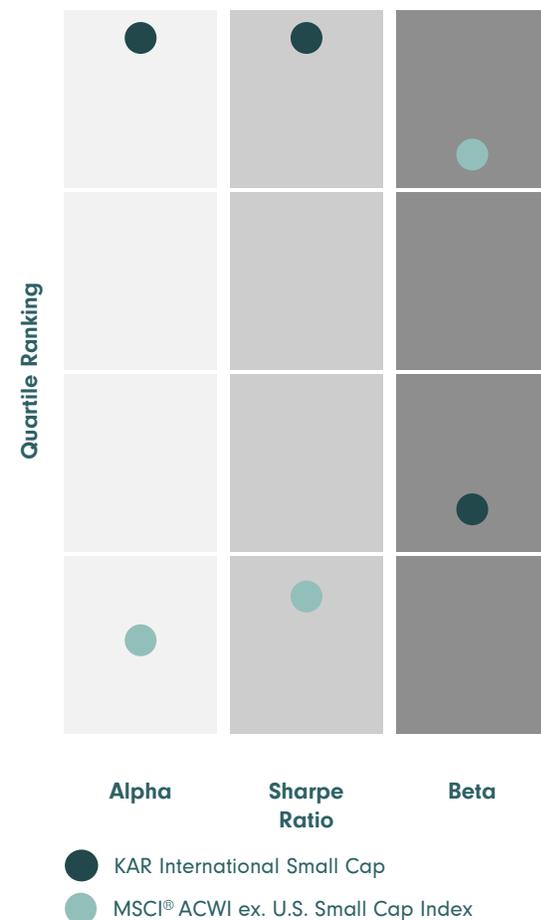
Geographical Exposure

As of March 31, 2017



Peer Comparison Chart

Inception* to March 31, 2017



Historical Returns

	KAR International Small Cap (gross)	KAR International Small Cap (net) [†]	MSCI ACWI ex. U.S. Small Cap Index
Annualized Returns (%)[†]			
As of March 31, 2017			
1st Quarter	8.45	8.19	8.78
One Year	29.55	28.29	12.26
Three Years	7.08	6.02	2.46
Five Years	13.67	12.56	6.68
Inception*	15.74	14.61	9.09
Annual Returns (%)			
2016	22.81	21.61	3.91
2015	(0.28)	(1.25)	2.60
2014	(1.92)	(2.91)	(4.03)
2013	32.42	31.16	19.73
2012	24.87	23.66	18.52

*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 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. The ACWI ex. U.S. Small Cap Universe includes all managers categorized in the ACWI ex. U.S. small cap 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 March 31, 2017

	KAR International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Annualized Return	15.74	9.09
Alpha	7.38	0.00
Upside Capture %	113.87	100.00
Sharpe Ratio	1.21	0.69
Information Ratio	1.13	N/A
Beta	0.88	1.00
Downside Capture %	51.82	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, 2014.

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 International Small Cap Composite has been examined for the period from January 1, 2012 through December 31, 2014. 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 International Small Cap Portfolios. International Small Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® ACWI ex. U.S.A. 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® ACWI ex. U.S.A. Small Cap Index (net). The MSCI® ACWI ex. U.S.A. Small Cap Index is a market capitalization-weighted index of small-capitalization stocks of 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 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The composite contained 100% non-fee-paying portfolios as of December 31, 2012, 12% non-fee-paying portfolios as of December 31, 2013, and 12% non-fee-paying portfolios as of December 31, 2014.

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 net 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, 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	11.99	13.33
2015	12.02	11.49

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® ACWI ex. U.S. Small Cap Index (net) Annual Return (%)	Internal Dispersion
2012	6,545	4	< 5	24.87	23.66	18.52	N/A
2013	7,841	43	< 5	32.42	31.16	19.73	N/A
2014	7,989	42	< 5	(1.92)	(2.91)	(4.03)	N/A
2015	8,095	46	< 5	(0.28)	(1.25)	2.60	N/A

The MSCI® ACWI ex. U.S. Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..