

International Small Cap Portfolio

Second Quarter 2017

Market Review

The MSCI All Country World ex. U.S. Small Cap Index increased 6.2% in the second quarter of 2017. Most equity markets increased in local currencies, and overall global market performance benefited from a decline in the U.S. dollar during the quarter. The dollar is now back to where it was a year ago before the substantial increase during the fourth quarter of 2016. In terms of sectors, gains were broad-based with the exception of energy, which declined along with the price of oil. European equities had particularly strong performance in the quarter as euro area economic indicators continued to improve. The euro reached new 52-week highs late in the quarter following commentary from European Central Bank (ECB) President Mario Draghi that many interpreted as indicating that ECB quantitative easing may be coming to an end.

Portfolio Overview

The International Small Cap portfolio outperformed the MSCI All Country World ex. U.S. Small Cap Index in the second 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.

The biggest contributors to the portfolio were Autohome and Euler Hermes. Autohome, the leading online automotive information destination in China, was once again our largest contributor to performance. As Autohome has been one of our biggest laggards over the last two years, we have discussed the stock in detail previously. We noted over the last two quarters that we were optimistic about the prospects for Autohome given the recent positive changes under new management. In particular, we were hopeful for significant margin improvement, which we believed would lead to earnings growth and multiple expansion. In the first quarter, the company showed dramatic margin improvement and the stock reacted very favorably. Euler Hermes, the largest credit insurer globally, rose on market reports that controlling shareholder Allianz is considering an offer to buy out the remaining shares it does not currently own.

The biggest detractors from performance were Sarine Technologies and Firstlogic. Sarine Technologies is the global leader in diamond processing equipment. Sarine has suffered subsequent to our recent purchase after the company reported issues with technology infringement in India, its largest market. Sarine has taken legal actions to protect their patents, but the uncertainty has put pressure on the shares. Firstlogic operates the leading website in Japan for matching buyers and sellers of residential investment properties. While the stock is up substantially since our purchase a year ago, the shares reacted negatively to the most recent earnings announcement. Although revenue and earnings were below recently increased market expectations, the business has continued to grow at a healthy rate.

Purchases and Sales

New Purchases	Complete Sales
Hy-Lok	Old Town
Sarine	
SJR	
Taisun	

Portfolio Highlights

Style: Small Cap
Index: MSCI® ACWI ex. U.S. Small Cap Index
Portfolio Inception: 2012
Portfolio Assets: \$198.0 M
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 June 30, 2017

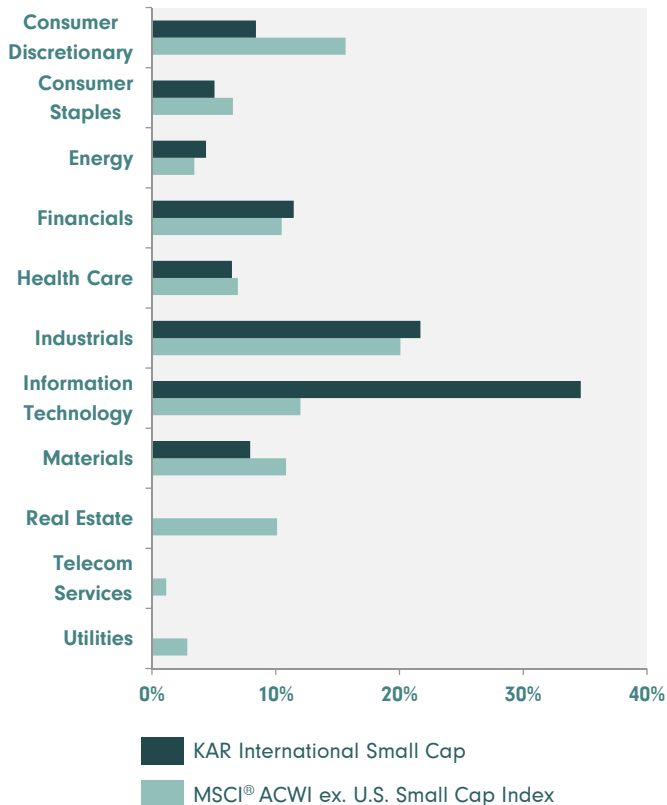
Company	Country	Percent of equity (%)
Rightmove	United Kingdom	5.3
Scout24	Germany	5.3
Auto Trader Group	United Kingdom	5.3
Autohome	China	4.6
Euler Hermes Group	France	4.5
WIN-Partners	Japan	4.0
Howden Joinery Group	United Kingdom	3.8
Alten	France	3.4
Goldlion Holdings	Hong Kong	3.1
REA Group	Australia	2.8
Total		42.1

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 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 International Small Cap	MSCI [®] ACWI ex. U.S. Small Cap Index
Quality		
Return on Equity—Past 5 Years	25.5%	10.9%
Total Debt/EBITDA	0.8 x	4.6 x
Interest Expense Coverage	44.8 x	4.6 x
Growth		
Earnings Per Share Growth—Past 5 Years	16.3%	11.3%
Earnings Per Share Growth—Past 10 Years	12.3%	7.6%
Dividend Per Share Growth—Past 5 Years	9.2%	10.5%
Dividend Per Share Growth—Past 10 Years	13.4%	6.5%
Value		
P/E Ratio—Trailing 12 Months	18.6 x	20.2 x
Dividend Yield	2.8%	2.3%
Market Characteristics		
\$ Weighted Average Market Cap	\$2.3 B	\$2.2 B
Largest Market Cap	\$6.9 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

Second Quarter 2017

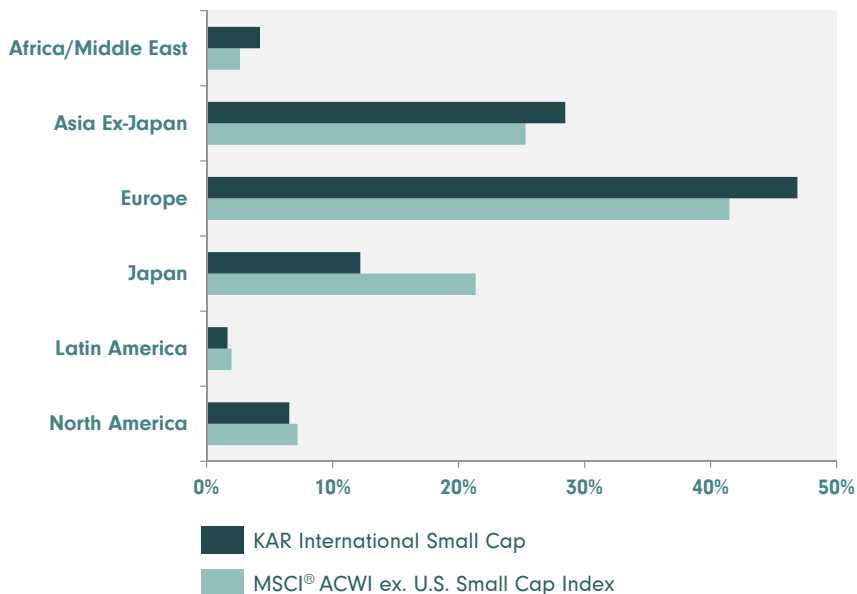
Developed vs. Emerging Markets

As of June 30, 2017

	Percent of equity (%)
Developed Markets	79.5
Emerging Markets	20.5
Total	100.0

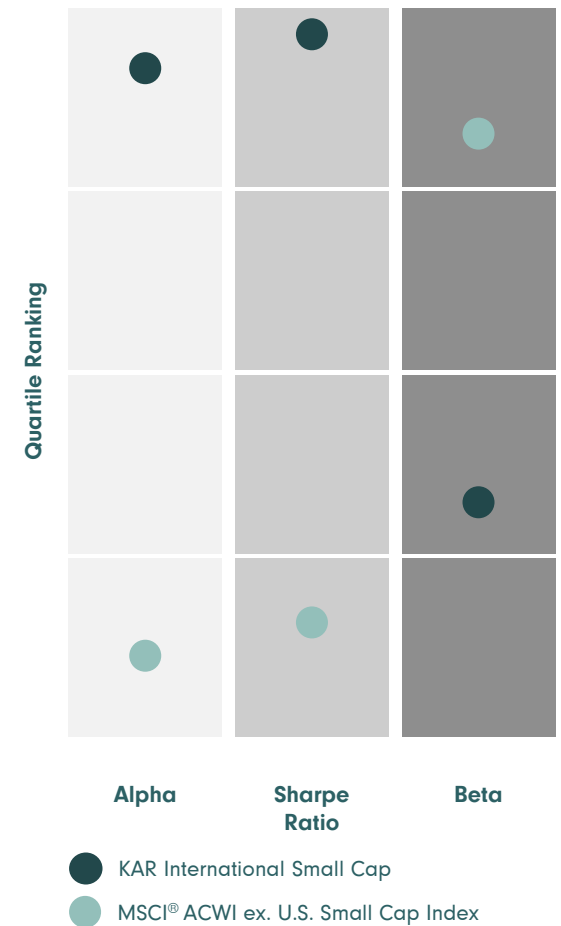
Geographical Exposure

As of June 30, 2017



Peer Comparison Chart

Inception* to June 30, 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 June 30, 2017			
2 nd Quarter	9.75	9.48	6.24
Year to Date	19.45	18.87	15.56
One Year	37.48	36.14	20.32
Three Years	9.37	8.29	3.31
Five Years	16.49	15.35	10.02
Inception*	17.01	15.87	9.87
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 June 30, 2017

	KAR International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Annualized Return	17.01	9.87
Alpha	7.80	0.00
Upside Capture %	127.12	100.00
Sharpe Ratio	1.31	0.76
Information Ratio	1.24	N/A
Beta	0.90	1.00
Downside Capture %	56.08	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 International Small Cap Composite has been examined for the period from January 1, 2012 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 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, 12% non-fee-paying portfolios as of December 31, 2014, 7% non-fee-paying portfolios as of December 31, 2015 and December 31, 2016.

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 1/12th 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		11.99	13.33
2015		12.02	11.49
2016		13.26	12.31

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
2016	9,989	55	< 5	22.81	21.61	3.91	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..