

Large Cap Quality Value Portfolio

Third Quarter 2017

Portfolio Review

The Large Cap Quality Value portfolio underperformed the Russell 1000 Value Index during the quarter. From a sector perspective, performance was hurt by poor stock selection in materials and by poor stock selection and an underweight in energy. Performance was helped by strong stock selection in the information technology and financials sectors.

Positions that contributed most positively to performance during the quarter were PNC Financial Services Group and Analog Devices. During the quarter, PNC Financial benefited from higher interest rates and an expectation that an improving economy will result in more demand for loans. Analog Devices' shares benefited from strong industrial demand for the company's products and synergies related to the Linear Technology acquisition.

Holdings that contributed the least to performance during the quarter were Westinghouse Air Brake Technologies and Medtronic. Westinghouse Air Brakes Technologies' customers are delaying the purchase of new items and are utilizing existing assets more efficiently. This is having a negative impact on the company and has come as somewhat of a surprise to the company. As a result, the company is seeing a reduction in high-margin orders, at the same time that the aftermarket business (also high margin) is not picking up as anticipated. Given these issues, and our concern that they will linger for an extended period of time, we sold our shares. Medtronic has been unable to keep up with strong demand for its new diabetes product, which has pressured its sales and earnings target for this year.

Purchases and Sales

In the Large Cap Quality Value portfolio, we bought a position in Compass Group and Royal Philips and sold our positions in Kimberly Clark and Westinghouse Air Brake Technologies (see rationale above).

Compass Group is a U.K.-based food service company. The company provides food and support services to customers in the workplace, such as schools and colleges, hospitals, leisure settings, as well as remote environments (i.e. mining). Compass's business is particularly sticky, with the company achieving a retention rate of 90%. The business has historically been resilient through recessions (earnings grew during the financial crisis), while at the same time achieving strong growth during times of economic expansion. Moreover, Compass is not capital-intensive, has a solid A-rated balance sheet and has increased the dividend every year since it first instituted a dividend in 2001.

Royal Philips is transitioning from an industrial conglomerate to a focused health care company that is seeking to be a leader in health care technology and consumer health products. Just over half of the company's earnings today comes from its consumer health business where the company has been very successful at launching new products that have been well-received by the marketplace. Historically, the company's health care business had not been optimized to its fullest extent as part of an industrial conglomerate. Now that the company is solely focused on its health care business, it is well positioned to achieve strong growth and improve margins over the next several years. The company's growth profile is enhanced by its strong position in emerging markets, where health care spending is increasing as wealth increases.

Kimberly Clark is seeing increased levels of competition across its business. The improvement of the consumer tissue business was a strong driver of earnings growth the past several years, but that has now hit a wall and profitability has begun to decline. After years of organically growing the business at a 2% to 6% rate (even during the financial crisis), the company is now struggling to grow at all. This is resulting in margin pressure and lower returns. Given these issues, and our concern that they will linger for an extended period of time, we sold our shares.

Outlook

On balance, the outlook for equities continues to be favorable. Any meaningful uptick in inflation caused by either higher energy prices or significant wage growth is the principal risk in the outlook for the stock market. We will continue to monitor inflationary trends closely over the next couple of years. Geopolitical events, such as hurricanes and tensions with North Korea, have taken a back seat to the improving global earnings outlook so far this year. With the stock market at all-time highs, we believe it is important for clients to focus more than ever on their longer-term goals and risk tolerance, as market corrections can and do occur frequently—even in bull markets. With such unpredictability, we recommend that clients do not try to time the market, as most often investors fail severely in this endeavor and hurt their returns.

Portfolio Highlights

Style: Large Cap
Sub-Style: Value
Index: Russell 1000® Value
Portfolio Inception: 1994
Portfolio Assets: \$475.6 M
Portfolio Turnover: 25%–35%

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

Top Five Holdings

As of September 30, 2017

Company	Percent of equity (%)
PNC Financial Services	5.6
U.S. Bancorp	5.0
Travelers	3.8
3M	3.8
Charles Schwab	3.7
Total	21.9

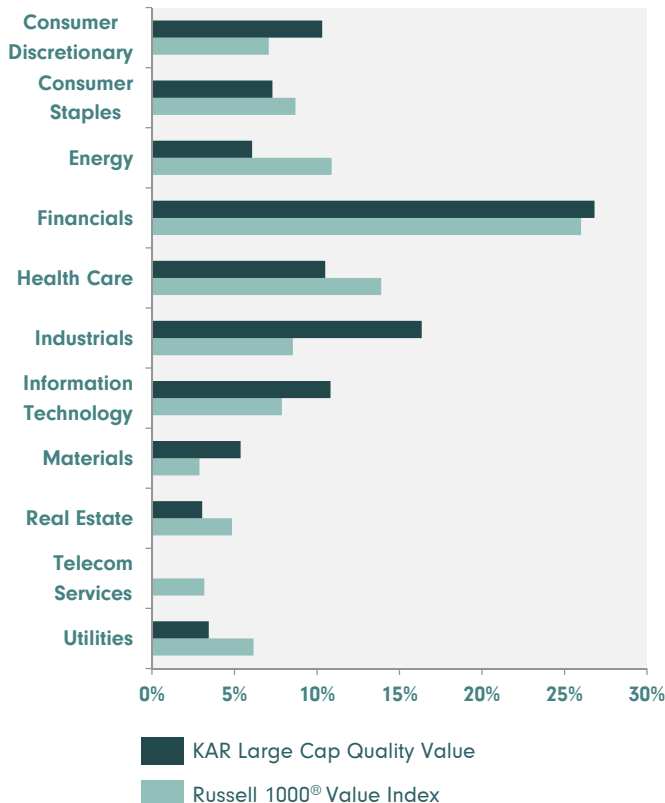
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
200 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 	50–60 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 	23–35 Stocks Position Weights <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) Sector Tolerances <ul style="list-style-type: none"> +/- 10% of the sector weights of the Russell 1000® Value Index 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 Max cash position is 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 September 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 September 30, 2017

	KAR Large Cap Quality Value	Russell 1000® Value Index
Quality		
Return on Equity—Past 5 Years	20.6%	12.1%
Total Debt/EBITDA	3.0 x	4.6 x
Earnings Variance—Past 10 Years	29.5%	51.0%
S&P Stock Ranking (A+, A, A-, B+)	68.3%	53.9%
Growth		
Earnings Per Share Growth—Past 5 Years	7.4%	4.8%
Earnings Per Share Growth—Past 10 Years	7.2%	4.2%
Dividend Per Share Growth—Past 5 Years	12.4%	11.8%
Dividend Per Share Growth—Past 10 Years	10.4%	6.5%
Capital Generation—{ROE x (1-Payout)}	10.7%	7.0%
Value		
P/E Ratio—Trailing 12 Months	24.0 x	21.2 x
Dividend Yield	2.2%	2.4%
Free Cash Flow Yield [†]	4.5%	4.1%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$55.6 B	\$119.0 B
Beta*	0.9	1.0
Annualized Standard Deviation—Tenure Period*	13.6%	15.2%

*Period from April 1, 2006 to September 30, 2017. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.

[†]Free cash flow data is as of June 30, 2017. Prices are as of September 30, 2017.

Excludes financials.

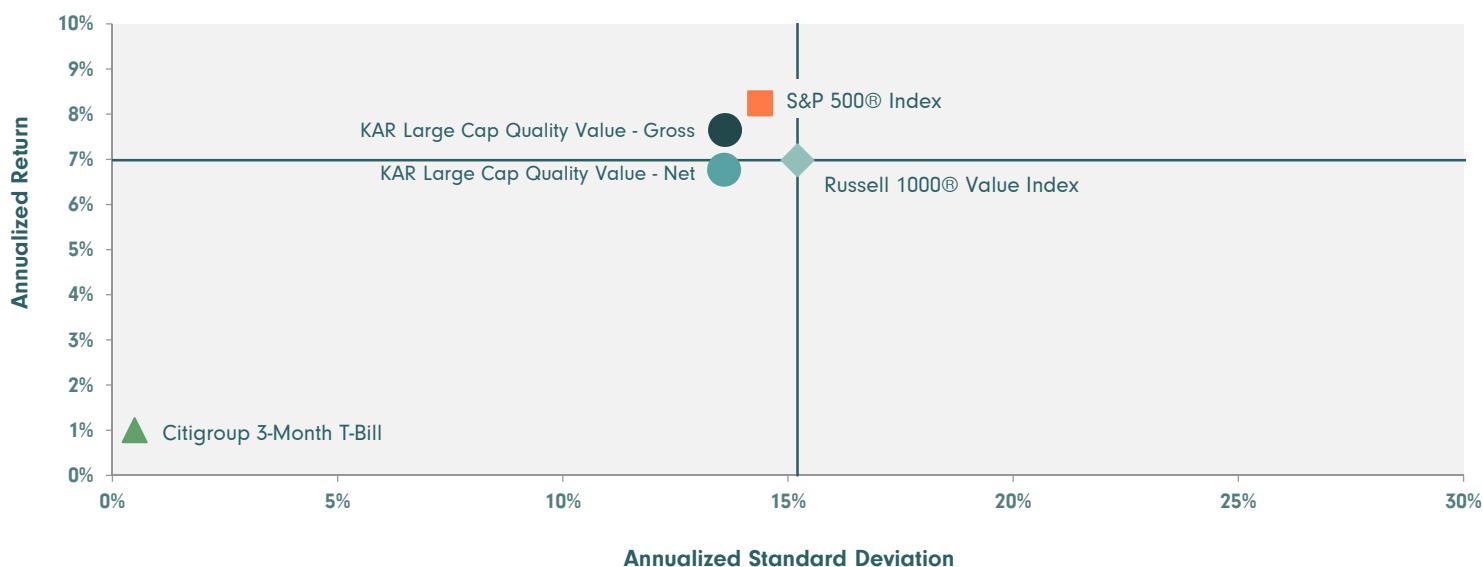
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

Large Cap Quality Value Portfolio

Third Quarter 2017

Risk-Return Analysis

Tenure Period*



Historical Returns

	KAR Large Cap Quality Value (gross)	KAR Large Cap Quality Value (net) [†]	Russell 1000® Value Index
Annualized Returns (%)[†]			
As of September 30, 2017			
3 rd Quarter	2.06	1.88	3.11
Year to Date	9.87	9.30	7.92
One Year	12.22	11.45	15.12
Three Years	7.86	7.12	8.53
Five Years	11.81	11.04	13.20
Seven Years	12.23	11.45	13.24
Ten Years	6.84	6.00	5.92
Tenure Period*	7.65	6.77	6.98
Annual Returns (%)			
2016	10.70	9.93	17.34
2015	(3.09)	(3.76)	(3.83)
2014	13.88	13.07	13.45
2013	29.95	29.07	32.53
2012	13.63	12.85	17.51
2011	1.65	0.96	0.39
2010	14.30	13.19	15.51
2009	26.02	24.79	19.69
2008	(30.58)	(31.31)	(36.85)
2007	1.45	0.44	(0.17)
2006 [§]	14.21	13.37	15.40

Performance Statistics

Tenure Period*

	KAR Large Cap Quality Value	Russell 1000® Value Index
Annualized Return	7.65	6.98
Annualized Standard Deviation	13.60	15.21
Alpha	1.32	0.00
Beta	0.87	1.00
Sharpe Ratio	0.49	0.39
Downside Capture	91.92	100.00
R-Squared	94.01	100.00

*Period from April 1, 2006 to September 30, 2017. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.

[†]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.

[§]Performance calculations are for the nine months ended December 31, 2006.

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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Third Quarter 2017

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 Large Cap Quality Value Composite has been examined for the period from January 1, 1999 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 Large Cap Quality Value Portfolios. Large Cap Quality Value Portfolios are invested in equity securities with market capitalizations consistent with the Russell 1000® Value Index, that have rising free cash flow, rising dividends and or stock repurchases, strong balance sheets and a high relative yield. For comparison purposes, the composite is measured against the

Russell 1000® Value Index. The Russell 1000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises of the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in October 1994. Previously, only institutional accounts were included. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Prior to January 1, 2011, the composite minimum was \$250,000. Prior to July 1, 2004, the composite represented all non-taxable, fully discretionary Large Cap Quality Value Portfolios (including cash) under management for at least one full quarter. Prior to June 30, 2004, only eligible portfolios of at least \$500,000 are included in the composite. Prior to January 1, 2011, accounts that experienced a significant cash flow, as defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. This composite contained 26% non-fee-paying portfolios as of December 31, 2004, 15% non-fee-paying portfolios as of December 31, 2006, < 1% non-fee-paying portfolios as of December 31, 2013, December 31, 2014, December 31, 2015 and 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 measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended at the following dates:

3-Yr Annualized Standard Deviation (%)

	December 31	Composite	Benchmark
2011		18.19	20.98
2012		14.75	15.73
2013		12.04	12.88
2014		8.95	9.33
2015		11.08	10.83
2016		11.43	10.93

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 1000® Value Index Annual Return (%)	Internal Dispersion
2007	5,392	31	18	1.45	0.44	(0.17)	0.07
2008	3,445	7	14	(30.58)	(31.31)	(36.85)	0.34
2009	4,010	11	14	26.02	24.79	19.69	0.20
2010	4,729	6	12	14.30	13.19	15.51	0.29
2011	5,232	63	24	1.65	0.96	0.39	0.21
2012	6,545	177	66	13.63	12.85	17.51	0.50
2013	7,841	183	61	29.95	29.07	32.53	0.34
2014	7,989	218	69	13.88	13.07	13.45	0.28
2015	8,095	197	65	(3.09)	(3.76)	(3.83)	0.27
2016	9,989	209	75	10.70	9.93	17.34	0.27

The Russell 1000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.