

Large Cap Quality Value Portfolio

Fourth Quarter 2016

Portfolio Review

The Large Cap Quality Value portfolio underperformed the Russell 1000 Value Index during the quarter. Higher-risk (as measured by beta) and lower-quality stocks (as measured by S&P Quality Rankings) outperformed their lower-risk and higher-quality counterparts and this created a headwind for the strategy. From a sector perspective, performance was helped by an underweight to real estate and telecommunications. Performance was hurt by poor stock selection to the financials and materials sectors.

Positions that contributed most positively to performance during the quarter were PNC Financial Services Group and U.S. Bancorp. PNC was among the financial stocks that went higher during the fourth quarter due to expectations of higher interest rates, and an economic and regulatory environment that will be favorable to banks under a Trump presidency. Similar expectations of higher interest rates and a favorable economic and regulatory environment helped drive U.S. Bancorp higher in the quarter as well.

Holdings that contributed the least to performance during the quarter were Medtronic and International Flavors & Fragrances. Medtronic recently missed revenue and margin guidance. However, we believe that these issues are temporary and that the company remains well positioned over the long term. International Flavors & Fragrances' recent results have been weaker-than-expected. The company's business mix has been negative, key customers are struggling, and the company is responding to some competitive pressure by adjusting pricing in order to protect share.

Purchases and Sales

In the Large Cap Quality Value portfolio, we purchased Becton Dickinson, RPM International, Snap-On and Westinghouse Air Brake Technologies. Becton Dickinson is a global provider of medical devices, instrument systems and reagents used by health care institutions. The company is a leader in most of its segments and reinvests its resources in order to maintain a leading position. RPM International manufactures, markets and sells coatings and sealants. The company encourages a decentralized, entrepreneurial operating philosophy, which makes it a desirable location for potential sellers and keeps its businesses close to the consumer, which in turn, contributes to strong innovation. Snap-On's Tool Group business is best known for its branded vans distributors/franchisees that sell tools to automotive repair technicians at their place of business, while its repair systems and information business sells repair systems and diagnostic software and hardware to the auto repair industry. Westinghouse Air Brake Technologies is one of the largest suppliers of railroad equipment components, notably in the brake space.

In the quarter, we sold Amgen, General Mills, International Flavors & Fragrances, Philip Morris International, Patterson Companies and Roche. We became concerned about pricing pressure in the pharmaceutical space and the negative impact that may have on Amgen. As a result, we sold our position. General Mills has struggled for the past several years with generating decent volume growth. Management responded by rationalizing its cost base and selling unprofitable lines of business. However, recent results have shown that the company's volume declines have accelerated and that recent cost-cutting initiatives may be harming the business. International Flavors & Fragrances' business mix has been negative, key customers are struggling, and the company is responding to some competitive pressure by adjusting pricing in order to protect share. After years of volume growth in international markets, Philip Morris has struggled with volumes that have declined by more than 10% since reaching a peak in early 2012. For many years, Patterson and Sirona enjoyed a successful partnership whereby Patterson was the exclusive distributor for Sirona's industry leading CAD/CAM products. However, when the company recently reported results, it also announced that the agreement has been terminated, effective September 2017. Roche's performance has been pressured by concerns about pricing in the pharmaceutical space, potential biosimilar competition and a lack of pipeline success.

Outlook

As we peer into 2017, we believe there is more than a usual amount of economic uncertainty. President-elect Trump has no public office track record for us to assess and judge how effective he will be in getting changes accomplished. It does seem highly likely that some form of corporate and personal tax reform, partial ACA repeal, increased infrastructure spending and less regulatory burden for many businesses will occur over the next two years. However, the timing of these changes are unclear. If these events were to occur, we believe the economy should accelerate and grow in the 2.5% to 3.5% range for the next couple of years. We also believe that the S&P 500 earnings-per-share growth should pick up from the low single-digit range to the mid-to-high single-digit growth range as economic growth increases over the next year.

Portfolio Highlights

Style: Large Cap
Sub-Style: Value
Index: Russell 1000® Value
Portfolio Inception: 1994
Portfolio Assets: \$532.3 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	30
Richard Sherry, CFA Portfolio Manager + Senior Research Analyst	17
Chris Armbruster, CFA Research Analyst	11
Kevin Ikeda Research Analyst	5

Top Five Holdings

As of December 31, 2016

Company	Percent of equity (%)
PNC Financial Services	5.4
U.S. Bancorp	5.3
WEC Energy Group	4.4
Lowe's	4.1
Travelers	4.1
Total	23.3

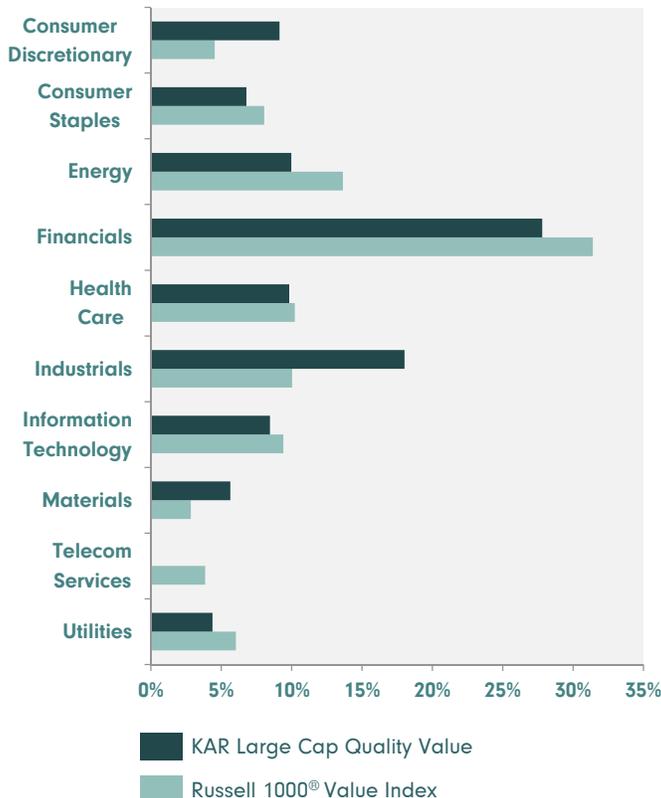
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
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 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 Large Cap Quality Value	Russell 1000® Value Index
Quality		
Return on Equity—Past 5 Years	19.3%	12.4%
Total Debt/EBITDA	2.5 x	6.4 x
Earnings Variance—Past 10 Years	27.6%	61.6%
S&P Stock Ranking (A+, A, A-, B+)	72.7%	55.7%
Growth		
Earnings Per Share Growth—Past 5 Years	7.7%	2.8%
Earnings Per Share Growth—Past 10 Years	8.2%	3.5%
Dividend Per Share Growth—Past 5 Years	15.2%	14.8%
Dividend Per Share Growth—Past 10 Years	10.9%	6.0%
Capital Generation—{ROE x (1-Payout)}	10.8%	7.1%
Value		
P/E Ratio—Trailing 12 Months	24.1 x	23.2 x
Dividend Yield	2.1%	2.5%
Free Cash Flow Yield [†]	3.9%	3.4%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$62.9 B	\$114.3 B
Beta*	0.9	1.0
Annualized Standard Deviation—Tenure Period*	7.3%	6.7%

*Period from April 1, 2006 to December 31, 2016. 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 September 30, 2016. Prices are as of December 31, 2016.

Excludes financials.

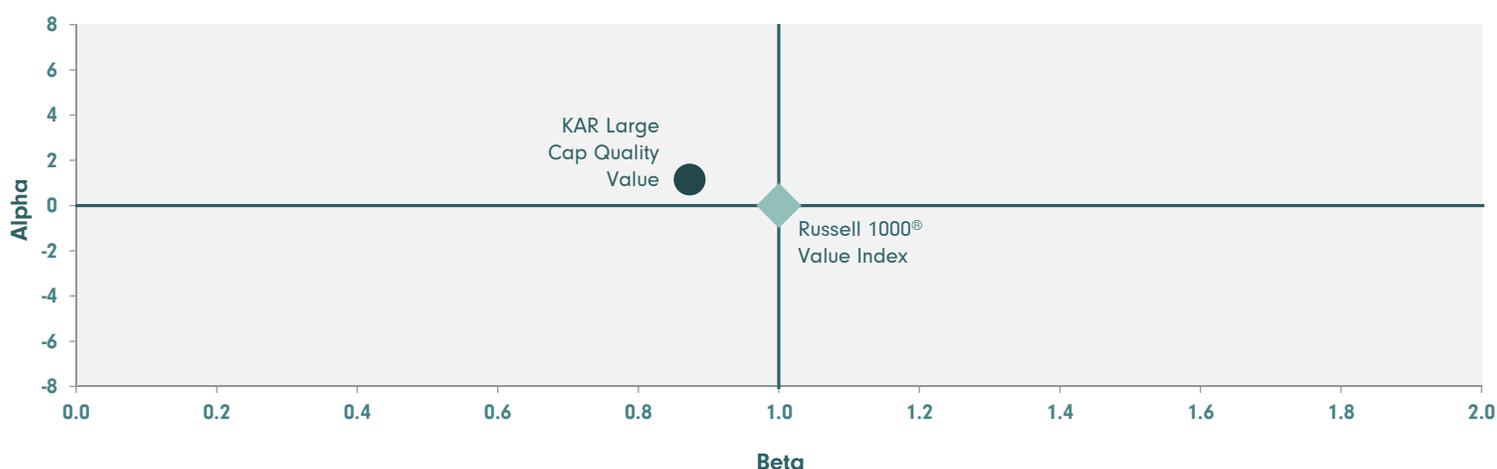
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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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 December 31, 2016			
4 th Quarter	2.15	1.97	6.68
One Year	10.71	9.94	17.34
Three Years	6.91	6.16	8.59
Five Years	12.53	11.75	14.80
Seven Years	11.15	10.34	12.72
Ten Years	6.40	5.54	5.72
Inception [§]	7.26	6.38	6.73
Annual Returns (%)			
2016	10.71	9.94	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	18.35	17.19	22.25
2005	(2.03)	(3.01)	7.05
2004	7.93	6.86	16.49
2003	24.10	22.89	30.03
2002	(16.04)	(16.88)	(15.52)
2001	0.30	(0.69)	(5.59)
2000	9.21	8.11	7.01
1999	6.95	5.91	7.35
1998	12.82	11.70	15.63
1997	37.28	35.95	35.18
1996	18.77	17.59	21.64
1995	35.03	33.72	38.36
1994 [#]	(0.93)	(1.17)	(1.56)

Performance Statistics

Tenure Period*

	KAR Large Cap Quality Value	Russell 1000® Value Index
Annualized Return	7.26	6.73
Annualized Standard Deviation	14.00	15.66
Alpha	1.14	0.00
Beta	0.87	1.00
Sharpe Ratio	0.45	0.37
Downside Capture	92.43	100.00
R-Squared	94.33	100.00

*Period from April 1, 2006 to December 31, 2016. 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.

[§]October 1, 1994

[#] Performance calculations are for the three months ended December 31, 1994.

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.

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, 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 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. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. 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. This composite contained 26% non-fee-paying portfolios as of December 31, 2004, 15% non-fee-paying portfolios as of December 31, 2006, and < 1% non-fee-paying portfolios as of December 31, 2013, and December 31, 2014.

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 1/4th 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 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

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
2006	6,523	55	30	18.35	17.19	22.25	0.06
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	0.2
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	0.5
2013	7,841	183	61	29.95	29.07	32.53	0.34
2014	7,989	218	70	13.88	13.07	13.45	0.28
2015	8,095	197	65	(3.09)	(3.76)	(3.83)	0.27

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