

Large Cap Sustainable Growth Portfolio

First Quarter 2017

Portfolio Review

The Large Cap Sustainable Growth portfolio outperformed the Russell 1000 Growth Index during the first quarter. For the quarter, the portfolio benefited from strong stock selection in the information technology and consumer staples sectors, while negative stock selection in the health care sector, and an overweight to the energy sector, detracted from performance.

Holdings that contributed the most to performance during the quarter were Facebook and Alibaba Group. Facebook continues to grow advertising revenue and take share in the online digital marketing space. The company delivers an unprecedented global reach of 20% of the earth's population to advertisers in a very measurable (ROI) way. Monetization of this audience has barely scratched the surface of its long-term potential. Future growth levers include untapped monetization of Messenger, WhatsApp and video advertising, along with Virtual Reality. After selling off strongly following last year's election, as Facebook was both a crowded, defensive long as well as a perceived relative loser from the election, the company bounced strongly in the first quarter, buoyed by another stellar earnings report where monthly active users (MAU) growth in Asia ticked up to 25%. Alibaba's marketplaces have huge network effects and Alibaba is fostering the ecosystem with investments in payments and logistics partnerships. Alibaba can leverage its computing architecture for Alicloud, a cloud computing offering that should turn profitable in the next two years. Alibaba was also a crowded long, as well as a perceived relative loser from the election, and was thus used by investors as a source of funds for purchases of more Trump-sensitive names in the quarter. Alibaba, like Facebook, bounced in the first quarter on the back of robust results that included accelerating revenue growth and raised fiscal 2017 guidance.

Holdings that detracted the most from performance were Bristol-Myers Squibb and Schlumberger. Bristol-Myers dominated the initial immuno-oncology market, securing a market share over 80%. The company is working on combination therapies with a very broad set of checkpoint inhibitors, which we believe will provide a more comprehensive and sustainable treatment for cancer. However, a failed trial in first line lung cancer (based more on trial design than on drug effectiveness), and positive results from competitors, have led analysts to adjust assumptions for Bristol's ultimate market share and pricing power. Schlumberger has historically traded at a premium multiple due to its technological prowess, scale and efficiency, but its shares have underperformed peers due to its exposure to late-cycle offshore and international customers, rather than the faster-growing North American shale basins. Despite the rebound in commodity prices, they have not yet returned to a level that would stimulate demand for Schlumberger's deep water drilling services and equipment sales.

Outlook

We believe the stock market and business activity are off to a good start this year. Corrections in the equity market may occur at any time, but conditions for a more meaningful equity bear market do not seem to be in place. President Trump's policy agenda is becoming clearer than it was during the election. However, it is still too early to declare that we have all the details on his agenda for trade policies and foreign affairs. Our patience in not overreacting to last fall's Trump rally has been rewarded. We'll adjust our portfolios if Trump's actual initiatives become reality, rather than speculation or random proposals. From a stock selection perspective, we'll continue to focus on quality companies with protective moats that can do well in both good and bad economic times.

Purchases and Sales

New Purchases	Complete Sales
HealthEquity	Colgate-Palmolive
Nvidia	Mead Johnson Nutrition
Rockwell International	TripAdvisor
Walt Disney	

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of March 31, 2017

Company	Percent of equity (%)
Facebook	10.4
Alibaba Group	4.6
Amazon.com	4.4
Visa	3.8
Priceline Group	3.7
Total	26.9

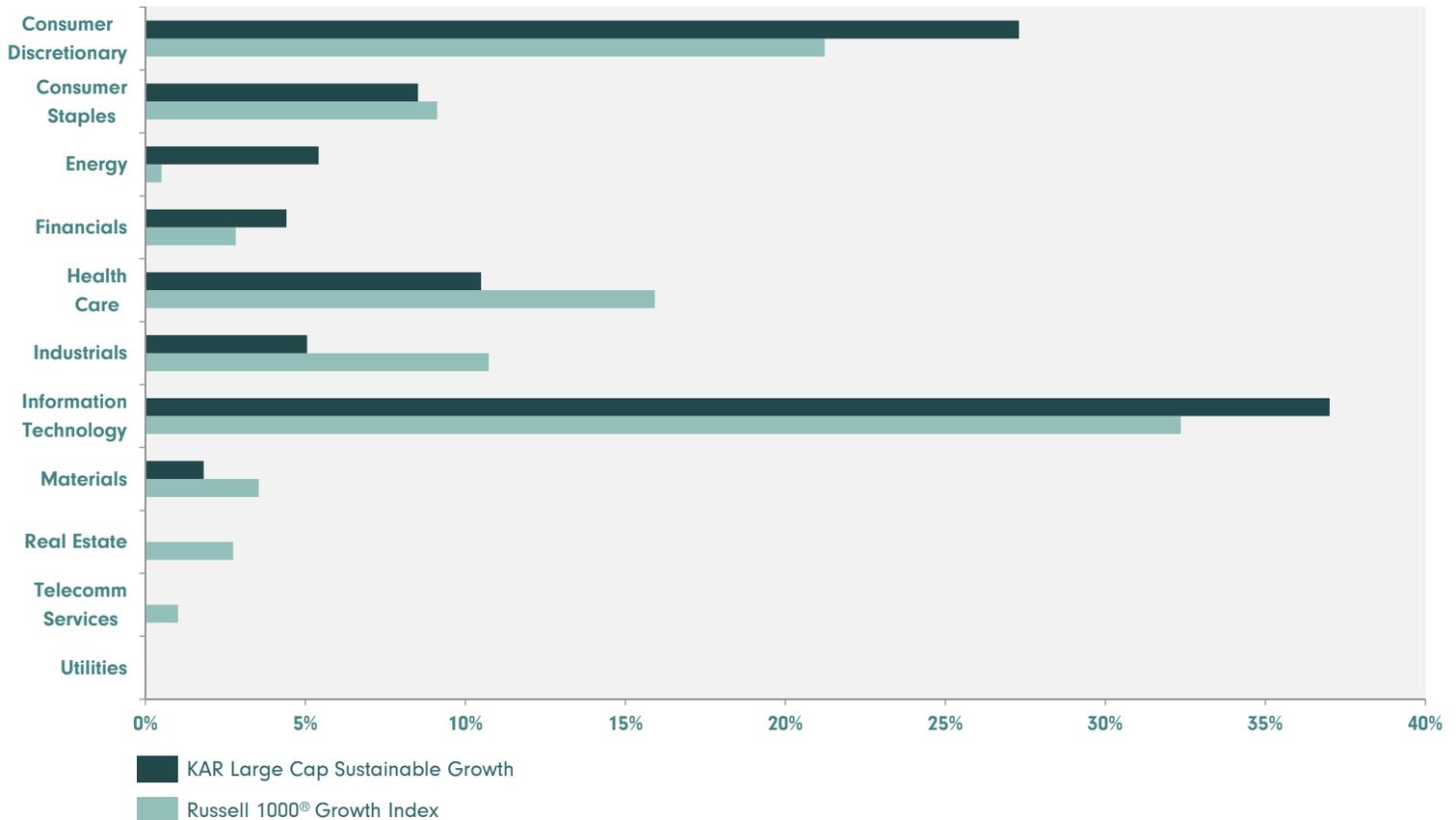
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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. 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>200 Stocks</p> <p>Quantitative Screens</p> <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 <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>60-70 Stocks</p> <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>40-50 Stocks</p> <p>Position Weights</p> <ul style="list-style-type: none"> • Average position size is typically 2% • Max initial position size is 5% (cost) • Max position size is 10% (market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> • +/- 10% of the sector weights of the Russell 1000® Growth 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>Extended Valuation</p> <p>Portfolio Upgrade</p> <p>Diversification Requirements</p> <p>Acquisition Activity</p> <p>Negative Company or Industry Changes</p>
<p>Higher Quality Stronger, More Consistent Growth Better Value</p>			

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.

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Portfolio Characteristics

As of March 31, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	20.1%	22.1%
Total Debt/EBITDA	2.4 x	2.3 x
Earnings Variance—Past 10 Years	44.7%	39.7%
Growth		
Earnings Per Share Growth—Past 5 Years	10.3%	11.4%
Earnings Per Share Growth—Past 10 Years	10.9%	12.6%
Capital Generation—{ROE x (1-Payout)}	16.2%	15.0%
Value		
P/E Ratio—Trailing 12 Months	38.8 x	25.0 x
Free Cash Flow Yield*	3.5%	4.9%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$128.2 B	\$154.5 B
Largest Market Cap—4 Qtr. Avg.	\$544.0 B	\$641.0 B

Performance Statistics

Inception† to March 31, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	14.81	15.63
Annualized Standard Deviation	12.05	10.74
Beta	1.07	1.00
Sharpe Ratio	1.23	1.46
R-Squared	90.42	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net) [§]	Russell 1000® Growth Index
Annualized Returns (%)†			
As of March 31, 2017			
1 st Quarter	10.75	10.57	8.91
One Year	13.67	12.89	15.76
Three Years	11.72	10.95	11.27
Five Years	12.06	11.29	13.32
Inception†	14.81	14.02	15.63
Annual Returns (%)			
2016	(0.03)	(0.73)	7.08
2015	10.43	9.68	5.67
2014	12.66	11.86	13.05
2013	30.66	29.78	33.48
2012	14.76	13.96	15.26

*Free cash flow data is as of December 31, 2016. Prices are as of March 31, 2017. Excludes financials.

†All periods less than one year are total returns and are not annualized. Returns are preliminary.

‡January 1, 2012

§Net of all fees and expenses. Assumes a 0.70% 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. 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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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. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

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 Sustainable Growth Portfolios. Large Cap Sustainable Growth Portfolios are invested in equity securities with

market capitalizations consistent with the Russell 1000® Growth 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 Russell 1000® Growth Index. The Russell 1000® Growth Index is a market capitalization-weighted index of growth-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 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 8% non-fee-paying portfolios as of December 31, 2013 and 0.1% non-fee-paying portfolios as of 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 gross of management fees and 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 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
2014	10.39	9.73
2015	12.33	10.85

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 1000® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	583	24	14.76	13.96	15.26	0.03
2013	7,841	674	25	30.66	29.78	33.48	0.08
2014	7,989	681	25	12.66	11.86	13.05	0.14
2015	8,095	687	31	10.43	9.68	5.67	0.35

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