

Large Cap Sustainable Growth Portfolio

Third Quarter 2017

Portfolio Review

The Large Cap Sustainable Growth Portfolio outperformed the Russell 1000 Growth Index during the third 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 industrials and energy sectors 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 measureable (ROI) way. Monetization of this audience has barely scratched the surface of its long-term potential. Facebook's second quarter user growth remained in the high teens despite its scale, and Instagram's Stories format has been a resounding success in fighting off competitors (i.e. Snapchat). The company's next act will be leveraging its AI capabilities to further increase engagement and deliver even higher ROI to advertisers. Alibaba's two marketplaces, Taobao and Tmall.com, have huge network effects and the company is fostering the ecosystem with investments in payments and logistics partnerships. Taobao, in particular, has become a destination for consumers, merchants and Key Opinion Leaders to interact and engage in what Alibaba calls "social commerce." Ecommerce penetration, mobile usage and growth in Chinese consumer spending power are all durable long-term tailwinds benefitting the company. In turn, the company is seizing the opportunity by using data to improve targeting and increasingly consummating transactions through Alipay, its leading mobile payment offering.

Holdings that detracted the most from performance were Nike and Starbucks. Nike's relationship with athletes, pace of innovation and the power of its diversified product portfolio has allowed the company to sustainably outpace growth in the consumer goods space. Over the last year, however, Nike has lost some global share to Under Armour and a greatly reinvigorated Adidas. In the U.S., the department store channel is struggling, large sporting goods retailers are closing stores and consumer response to innovation seems to be waning. Nike is in the process of resetting its business, pulling back on unhealthy distribution, focusing more on direct-to-consumer and better balancing price and product scarcity. While the challenging environment has taken its toll on the stock, we remain comfortable that strength of Nike's brand will eventually win out. Starbucks' global chain of stores boasts one of the highest customer loyalty rates in the consumer industry. It has sustained premium top-line growth through menu innovations, digital customer interaction and the development of a premiere consumer packaged goods platform. While growth has remained healthy, it has decelerated as the malaise surrounding brick and mortar retail traffic has spread to Starbucks' stores and narrowed the source of growth to fewer key customers. In fact, its Rewards members represent 20% of transactions, but 36% of revenue. Looking at an investment year in 2018 and with competition on the rise, we twice trimmed our position in the third quarter.

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.

Purchases and Sales

New Purchases

Caterpillar
 Kansas City Southern
 McDonald's
 MercadoLibre
 Tencent Holdings

Complete Sales

Costco Wholesale
 Schlumberger
 Union Pacific
 Walt Disney Company
 Westinghouse Air brake Technologies

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Assets: \$1,135.8 M
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

Top Five Holdings

As of September 30, 2017

Company	Percent of equity (%)
Facebook	9.7
Alibaba Group	6.4
Amazon.com	4.1
Visa	3.9
Celgene	3.6
Total	27.8

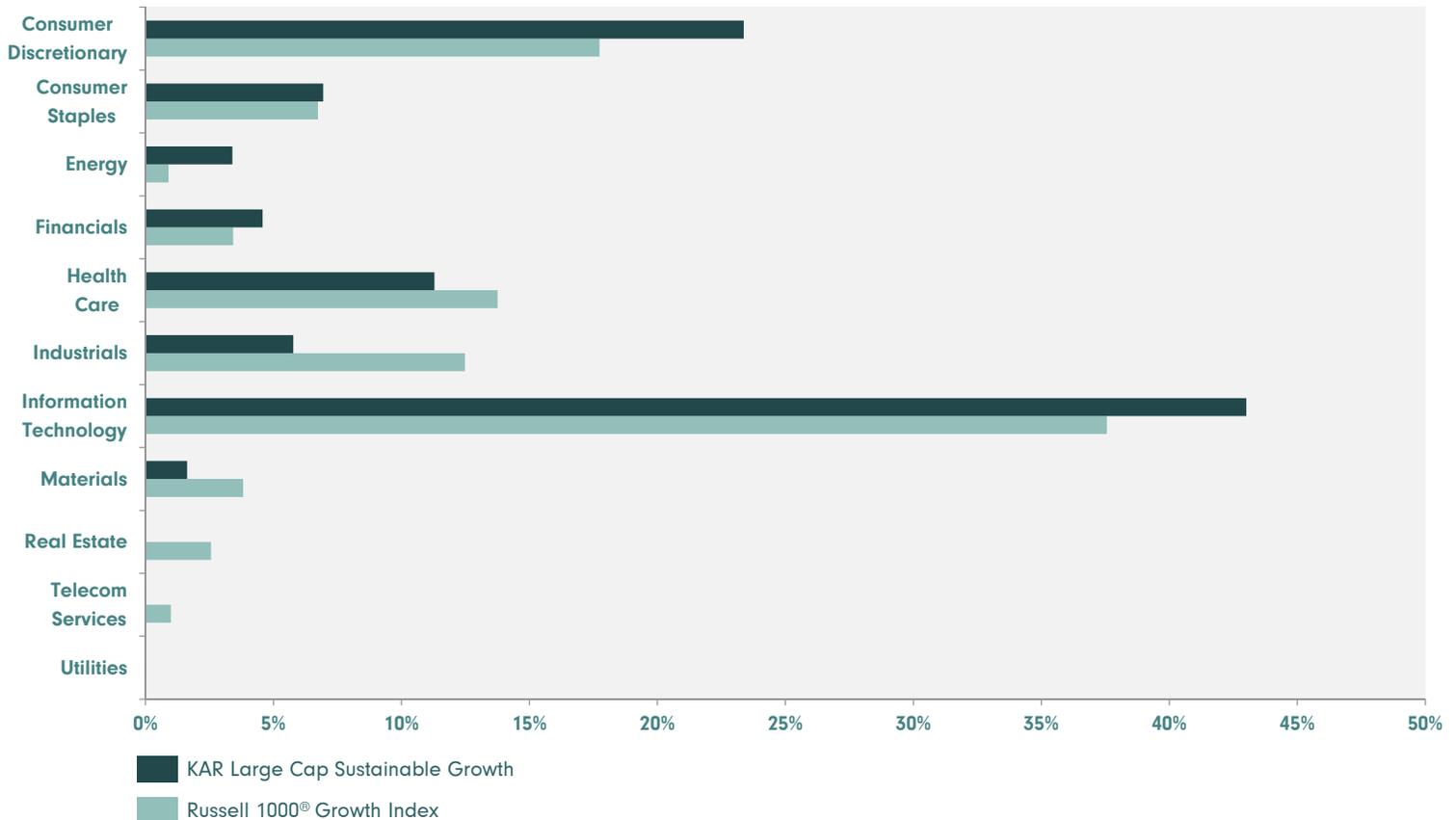
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<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 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.

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Third Quarter 2017

Portfolio Characteristics

As of September 30, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	20.5%	21.4%
Total Debt/EBITDA	2.4 x	2.3 x
Earnings Variance—Past 10 Years	44.2%	39.7%
Growth		
Earnings Per Share Growth—Past 5 Years	15.7%	11.1%
Earnings Per Share Growth—Past 10 Years	11.4%	13.0%
Capital Generation—{ROE x (1-Payout)}	16.8%	14.4%
Value		
P/E Ratio—Trailing 12 Months	43.9 x	27.0 x
Free Cash Flow Yield*	3.1%	4.5%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$147.8 B	\$181.8 B
Largest Market Cap—4 Qtr. Avg.	\$603.4 B	\$743.9 B

Performance Statistics

Inception† to September 30, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	16.41	16.24
Annualized Standard Deviation	11.66	10.32
Beta	1.07	1.00
Sharpe Ratio	1.40	1.57
R-Squared	89.74	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)§	Russell 1000® Growth Index
Annualized Returns (%)†			
As of September 30, 2017			
3 rd Quarter	6.90	6.72	5.90
Year to Date	28.45	27.80	20.72
One Year	23.26	22.41	21.94
Three Years	14.60	13.81	12.69
Five Years	15.72	14.93	15.26
Inception†	16.41	15.61	16.24
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 June 30, 2017. Prices are as of September 30, 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, 2015. 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, 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 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, 0.1% non-fee-paying portfolios as of December 31, 2014 and December 31, 2015 and <0.1% non-fee-paying portfolios as of 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 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 1/12th 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. 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
2016	13.24	11.31

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
2016	9,989	928	57	(0.03)	(0.73)	7.08	0.06

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