

Large Cap Sustainable Growth Portfolio

Fourth Quarter 2017

Portfolio Review

The Large Cap Sustainable Growth portfolio underperformed the Russell 1000 Growth Index during the fourth quarter. Strong stock selection in the financials and energy sectors helped the portfolio, but its positive impact was more than offset by the negative effect of stock selection in the information technology and health care sectors.

Holdings that contributed the most to performance during the quarter were Amazon.com and Monster Beverage.

Amazon has begun to see material operating efficiencies following years of immense investments into its e-commerce and web services businesses. In its most recent quarter, the company reported another multi-year high in revenue growth with expanding gross margins and return on invested capital. Its Prime subscription service appears to be reaching critical mass, which is encouraging as Prime users convert 75% of the time and spend three times as much as non-Prime users. Web services, Amazon's other growth engine, has four times the capacity of all the other competitors combined and could grow to rival the size of the retail business over time. Despite heavy long-term investments, Amazon has historically shown robust returns on cash invested.

Monster Beverage has suffered several quarters of erratic financial performance due to the transition into the Coke global distribution network and some production shortages in the U.S. However, those headwinds appear to be dissipating as evidenced by recent quarterly results, which showed a pickup in revenue growth in both the domestic and international markets. We think the upswing in domestic markets is sustainable, and as the company gains additional scale from increased international distribution via Coke, profits are expected to increase meaningfully.

Positions that detracted the most from performance were Celgene and Ctrip.com.

Celgene deployed capital aggressively to bolster future growth, but to date, results of pipeline programs have severely disappointed. More recently, a couple of key products failed to clear trials, and Celgene lowered its 2020 guidance. Losing faith that Celgene would be able to weather its \$15 billion revenue cliff related to a flagship product coming off-patent, we exited our position.

Ctrip has consolidated and monopolized the online travel market in China. Rampant couponing and competition had caused Ctrip's operating margin to sink to the low-teens, but the company is well on its way to returning it to the mid-20s or better. Ctrip has been under fire recently as regulators forced the company to unbundle some products, such as trip insurance, that it would automatically add to ticket purchases. The company's reputation and financial performance are expected to take a near-term hit, though we do not believe the long-term growth story has structurally changed.

Outlook

The outlook for 2018 is favorable overall, but to expect another 2017 would be unreasonable. More volatility and drawdowns are anticipated in 2018 as markets return to more normal conditions. 2018 should continue to provide investors with mid-to-high single-digit equity returns but most likely not without a bumpy ride along the way. Investors should review their asset allocation and make sure they can "sleep at night" with their current equity exposure. We will continue to own high-quality businesses that can shine in good and bad times and have competitive protections.

Purchases and Sales

New Purchases	Complete Sales
None	Celgene
	Costco Wholesale

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Assets: \$1,178.5 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 December 31, 2017

Company	Percent of equity (%)
Facebook	9.6
Alibaba Group	6.1
Amazon.com	4.8
Visa	4.0
Monster Beverage	3.9
Total	28.3

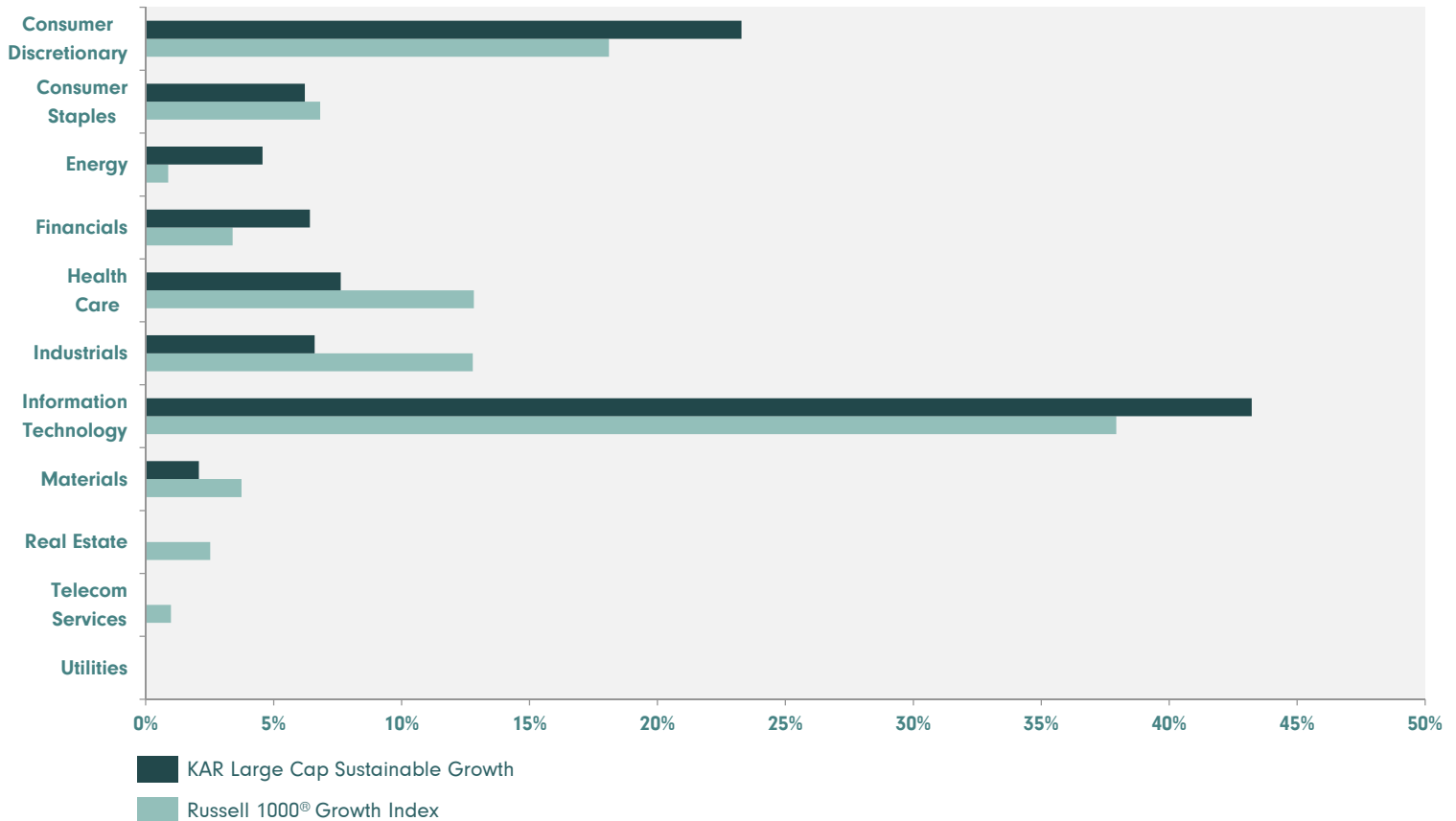
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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. 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>25-50 Stocks</p> <p>Position Weights</p> <ul style="list-style-type: none"> • Typically 1%-3% • Maximum position size is 10% (at market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> • Typically +/- 10% of the Russell 1000® Growth Index, utilizing GICS sector classifications <p>Holding Period</p> <ul style="list-style-type: none"> • Typically 3-to-5 years, but is often longer • Portfolio turnover is typically 25% to 50% <p>Cash Levels</p> <ul style="list-style-type: none"> • Typically will not exceed 10% once a portfolio is fully invested 	<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 December 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 December 31, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	18.7%	21.8%
Total Debt/EBITDA	2.2 x	3.5 x
Earnings Variance—Past 10 Years	45.9%	37.8%
Growth		
Earnings Per Share Growth—Past 5 Years	15.9%	11.2%
Earnings Per Share Growth—Past 10 Years	12.4%	13.4%
Capital Generation—{ROE x (1-Payout)}	15.0%	14.6%
Value		
P/E Ratio—Trailing 12 Months	44.4 x	27.4 x
Free Cash Flow Yield*	2.8%	4.1%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$140.0 B	\$159.4 B
Largest Market Cap—3-Year Avg.	\$628.9 B	\$694.2 B

Performance Statistics

Inception† to December 31, 2017

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	16.76	16.98
Annualized Standard Deviation	11.44	10.18
Beta	1.06	1.00
Sharpe Ratio	1.46	1.66
R-Squared	89.50	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)§	Russell 1000® Growth Index
Annualized Returns (%)†			
As of December 31, 2017			
4 th Quarter	5.79	5.61	7.86
One Year	35.90	34.97	30.21
Three Years	14.48	13.69	13.79
Five Years	17.17	16.36	17.33
Inception*	16.76	15.96	16.98
Annual Returns (%)			
2017	35.90	34.97	30.21
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 September 30, 2017. Prices are as of December 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, 2016. 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.