

Mid Cap Core Portfolio

Second Quarter 2017



Portfolio Review

The Mid Cap Core portfolio outperformed the Russell Midcap Index during the second quarter. The outperformance was primarily driven by strong stock selection and an overweight in the health care sector and strong stock selection in the producer durables sector. Performance was primarily hurt by negative stock selection in the financial services sector and technology sectors.

Positions that contributed most positively to performance during the quarter were Zoetis and Globus Medical. Zoetis had a solid quarter as sales were driven by its APOQUEL and Simparica products for companion animals, while livestock was also strong driven by swine and cattle. The company has been rationalizing its product offerings over the past year and margins should begin reflecting this benefit in the coming quarters. Globus Medical saw its shares rise in the quarter after reporting continued strength in revenues as new sales associate ramp up and new product launches drove sentiment for sustained top-line growth. The company continues to develop its robotic and trauma products that we believe offer longer-term revenue drivers. With a solid balance sheet and no debt, we continue to be shareholders.

Positions that detracted the most from performance during the quarter were Bank of the Ozarks and Ross Stores. Bank of the Ozarks' shares suffered as the rolling back of regulations for financial institutions, while still expected, has been slow. In addition, the flattening of the yield curve makes an acceleration of Fed rate hikes unlikely. These macro issues have pressured all bank stocks. With respect to the Bank of the Ozarks specifically, the company reported strong loan growth in absolute terms, however, there was a continuation of a multi-quarter slowdown in loan volumes. While slower loan growth may have disappointed some investors, we remain focused on credit metrics and profitability—both of which remained well-above peers. We think this level of peer outperformance is sustainable, so we remain owners of the business. Ross Stores reported very solid results in the quarter which were in contrast to the struggles seen at other retailers. Same-store sales growth was 3% in the first quarter, driven by higher traffic. Shares are likely being pressured by a broad exodus out of retail. We continue to believe the model is differentiated and unlikely to move online, where price transparency and logistics costs have permanently impaired retailer margins. The company also continues to buy back large amounts of its shares.

Purchases and Sales

In the Mid Cap Core portfolio, we purchased Tractor Supply Company and we sold Dril-Quip, Sally Beauty Holdings and TripAdvisor during the quarter.

Tractor Supply Company is an operator of rural lifestyle retail stores in the United States. The company competes against local mom and pop rural retailers with a specialized assortment that allows customers to consolidate four to five separate stops into one convenient trip. The company is three times the size of its next five largest competitors.

We sold Dril-Quip as we believe the structural weakness in the industry could linger for some time as oil prices stabilize. Also, a changing competitive landscape where more integrated offerings from peers have the ability to create pricing pressure in the future further impairs a recovery.

We sold Sally Beauty Holdings as the company is in harvest mode as it relates to new stores and we believe their brand awareness efforts may take a while to gain traction. This combined with ongoing intrusion from online players as well as retailers like Ulta and Target rejuvenating their beauty offerings led us to sell our position. We sold TripAdvisor as we lost confidence in management's ability to allocate resources effectively and the competitive environment was evolving faster than the company.

Outlook

Even in a mediocre GDP outlook environment, corporate earnings continue to look very solid over the next 6-12 months. As a result, stocks should continue to generate positive returns (although we may experience a correction along the way) for the foreseeable future. Despite the yield curve flattening materially, it is still not inverted and the Federal Reserve may feel less pressure to continue with another rate increase in the second half of the year. A meaningful increase in the price of crude oil, or major progress by the Trump Administration on tax reform and/or an infrastructure bill, could cause longer-term bond yields to rise over the next 6-12 months. This would give the Fed more wiggle room with short-term interest rates than what is currently available. The key takeaway for clients in this environment is to remember to focus on their real, longer-term objectives and to not get caught up in the day-to-day vagaries of the stock market.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$375.7 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	31
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	22
Craig Stone Portfolio Manager + Senior Research Analyst	28
Todd Beiley, CFA Senior Research Analyst	18
Julie Kutasov Senior Research Analyst	16
Chris Wright, CFA Senior Research Analyst	7
Chris Benway, CFA Research Analyst	8
Julie Biel, CFA Research Analyst	9

Top Five Holdings

As of June 30, 2017

Company	Percent of equity (%)
Globus Medical	5.9
Monster Beverage	5.5
AMETEK	5.4
Zoetis	4.6
WABCO Holdings	4.5
Total	25.8

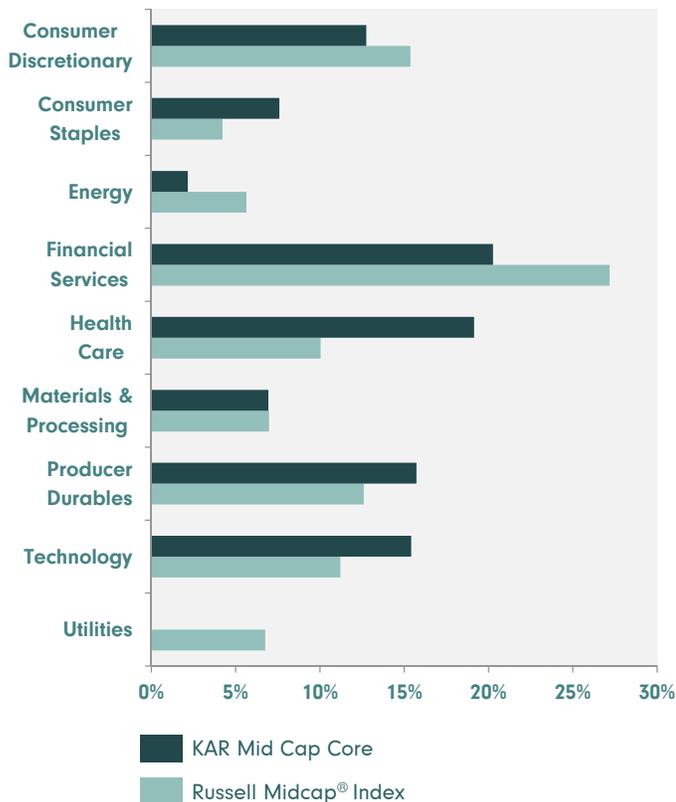
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
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 Midcap® 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 June 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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of June 30, 2017

	KAR Mid Cap Core	Russell Midcap® Index
Quality		
Return on Equity—Past 5 Years	26.4%	14.5%
Total Debt/EBITDA	1.9 x	3.9 x
Earnings Variance—Past 10 Years	29.0%	62.3%
S&P Stock Ranking (A+, A, A-, B+)	73.9%	42.9%
Growth		
Earnings Per Share Growth—Past 5 Years	11.5%	9.6%
Earnings Per Share Growth—Past 10 Years	14.5%	7.9%
Dividend Per Share Growth—Past 5 Years	16.0%	12.3%
Dividend Per Share Growth—Past 10 Years	16.8%	7.9%
Capital Generation—{ROE x (1-Payout)}	20.3%	9.9%
Value		
P/E Ratio—Trailing 12 Months	29.0 x	27.7 x
Dividend Yield	0.9%	1.7%
Free Cash Flow Yield†	3.8%	3.9%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$11.6 B	\$13.5 B
Largest Market Cap—4 Qtr. Avg.	\$30.3 B	\$47.5 B
Annualized Standard Deviation—Since Inception*	14.0%	16.8%

*January 1, 2000

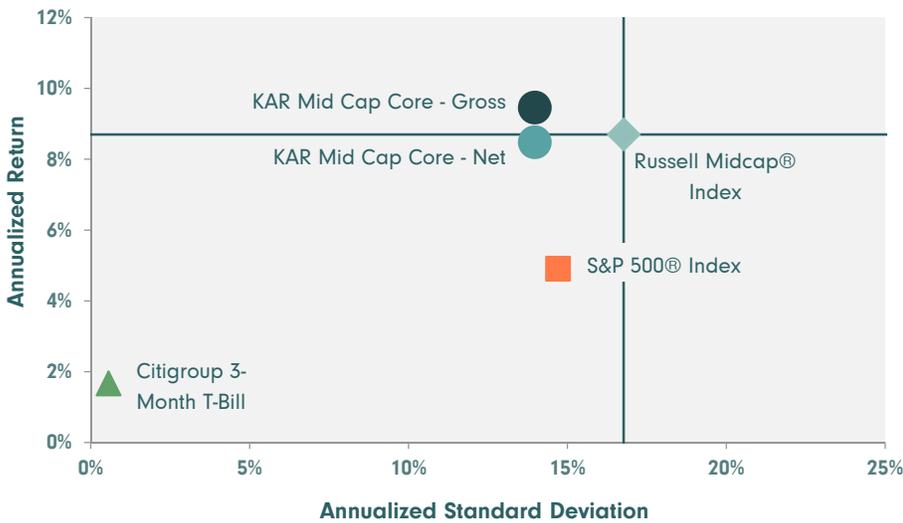
†Free cash flow data is as of March 31, 2017. Prices are as of June 30, 2017. Excludes financials. This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. 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.

Mid Cap Core Portfolio

Second Quarter 2017

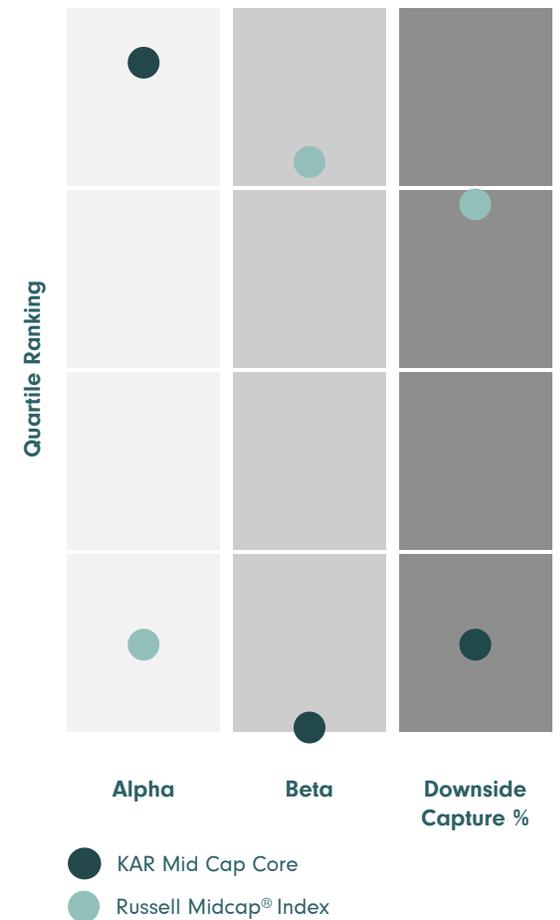
Strong Risk-Adjusted Returns

Inception* to June 30, 2017



Peer Comparison Chart

Ten Years Ending June 30, 2017



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [‡]	Russell Midcap [®] Index
Annualized Returns (%)[†]			
As of June 30, 2017			
2 nd Quarter	4.22	4.03	2.70
Year to Date	10.27	9.86	7.99
One Year	17.78	16.91	16.48
Three Years	13.11	12.27	7.69
Five Years	15.86	15.00	14.72
Seven Years	16.44	15.56	15.28
Ten Years	9.31	8.41	7.67
Inception*	9.46	8.48	8.70

	KAR Mid Cap Core	Russell Midcap [®] Index
Annual Returns (%)		
2016	12.32	13.80
2015	3.37	(2.44)
2014	18.17	13.22
2013	28.54	34.76
2012	16.58	17.28
2011	4.52	(1.55)
2010	20.23	25.48
2009	21.11	40.48
2008	(28.63)	(41.46)
2007	6.45	5.60
2006	13.05	15.26
2005	8.86	12.65
2004	15.23	20.22
2003	26.72	40.06
2002	(12.62)	(16.19)
2001	(2.76)	(5.62)
2000	21.54	8.25

*January 1, 2000

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

[‡]Net of all fees and expenses. Assumes a 0.75% 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. The Mid Cap Core Universe includes all managers categorized in the mid cap core asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

Performance Statistics

Inception* to June 30, 2017

	KAR Mid Cap Core	Russell Midcap [®] Index
Annualized Return	9.46	8.70
Annualized Standard Deviation	13.97	16.77
Alpha	2.19	0.00
Beta	0.77	1.00
Sharpe Ratio	0.56	0.42
R-Squared	84.31	100.00

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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.

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 Mid Cap Core Composite has been examined for the period from January 1, 2000 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 Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2000. 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. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite.

The standard management fee schedule currently in effect is as follows: 0.75% for the first \$25 million; 0.65% on the next \$25 million; 0.55% on the next \$50 million; 0.50% 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	17.51	21.86
2012	15.39	17.44
2013	12.53	14.23
2014	10.29	10.29
2015	11.96	11.00
2016	12.31	11.72

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Index Annual Return (%)	Internal Dispersion
2007	5,392	7	8	6.45	5.40	5.60	0.19
2008	3,445	7	11	(28.63)	(29.37)	(41.46)	0.08
2009	4,010	8	9	21.11	19.92	40.48	0.40
2010	4,729	8	7	20.23	19.06	25.48	0.31
2011	5,232	10	14	4.52	3.76	(1.55)	0.26
2012	6,545	11	15	16.58	15.72	17.28	0.18
2013	7,841	15	15	28.54	27.62	34.76	0.48
2014	7,989	17	12	18.17	17.28	13.22	0.13
2015	8,095	40	15	3.37	2.60	(2.44)	0.44
2016	9,989	79	22	12.32	11.49	13.80	0.36

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