

Mid Cap Sustainable Growth Portfolio

First Quarter 2017

Portfolio Overview

The Mid Cap Sustainable Growth portfolio outperformed the Russell Midcap Growth Index during the first quarter. The portfolio benefited from strong stock selection in the consumer discretionary and information technology sectors, while negative stock selection and an underweight in health care and an overweight in energy detracted from performance.

Holdings that contributed the most to performance during the quarter were MercadoLibre and MarketAxess Holdings. Shares of MercadoLibre appreciated meaningfully after the company reported another strong quarter of results, including a 40% year-over-year increase in the number of items sold in its marketplace. Given the fact that the company's largest country by sales, Brazil, continues to be in a deep recession, these results were impressive. We remain shareholders due to the company's strong network effect business and the long-term secular growth opportunity driven by a Latin American market with a combined population of 550 million people and one of the fastest growing internet penetration rates in the world.

For MarketAxess holdings, heightened trading activity in the fourth quarter of 2016 led to another revenue beat as well as expansion of the company's already healthy operating margins. Over the long term, we see increased penetration of electronic trading in the fixed income market and MarketAxess holds a dominant share (approximately 90%) of electronic trading volume. It has evolved from a client-to-dealer focus to all-to-all open trading model which has also facilitated growth in dealer-to-dealer trades.

Holdings that contributed the least to performance were Yelp and Under Armour. In its fourth quarter report, Yelp reported slowing user engagement numbers but, more importantly, guided sales and marketing expense growth to outpace revenue growth which caused investors to once again question the scalability of the business.

Part of Under Armour's rapid growth was meaningful expansion into North American wholesale (where it has less than half the distribution as Nike) right at the time where changing consumer preferences were throwing that channel into chaos. Additionally, a number of the company's key sporting goods partners (Sports Authority, Sports Chalet and Golf Galaxy) declared bankruptcy leaving the company with bloated inventories. Over the long term, Under Armour might still be an incredible growth story but we can foresee the need for a multi-year period to right the ship after the recent problems. Therefore, we sold our shares.

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

FleetCor Technologies
 MuleSoft
 Rockwell International
 Snap
 Terdyne
 Vantiv

Complete Sales

Mead Johnson
 Snap
 TripAdvisor
 Under Armour

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap[®] Growth
Portfolio Assets: \$90.6 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
Kevin Ikeda Research Analyst	6

Top Five Holdings

As of March 31, 2017

Company	Percent of equity (%)
MercadoLibre.	4.6
Ellie Mae	4.5
Netflix	4.3
Domino's Pizza	4.3
Monster Beverage	4.1
Total	21.8

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 	60–70 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 	40–50 Stocks Position Weights <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) Sector Tolerances <ul style="list-style-type: none"> +/- 10% of the sector weights of the Russell Midcap® Growth 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			

Portfolio Characteristics

As of March 31, 2017

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	20.9%	20.6%
Total Debt/EBITDA	2.9 x	3.0 x
Earnings Variance—Past 10 Years	40.8%	50.3%
Growth		
Earnings Per Share Growth—Past 5 Years	9.5%	10.9%
Earnings Per Share Growth—Past 10 Years	15.9%	11.3%
Capital Generation—{ROE x (1-Payout)}	16.7%	15.3%
Value		
P/E Ratio—Trailing 12 Months	52.6 x	30.9 x
P/E-to-10 Year Growth	3.1 x	2.0 x
Free Cash Flow Yield*	2.8%	3.9%
Market Characteristics		
\$ Weighted Average Market Cap	\$13.5 B	\$14.3 B
Largest Market Cap	\$63.3 B	\$58.2 B

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

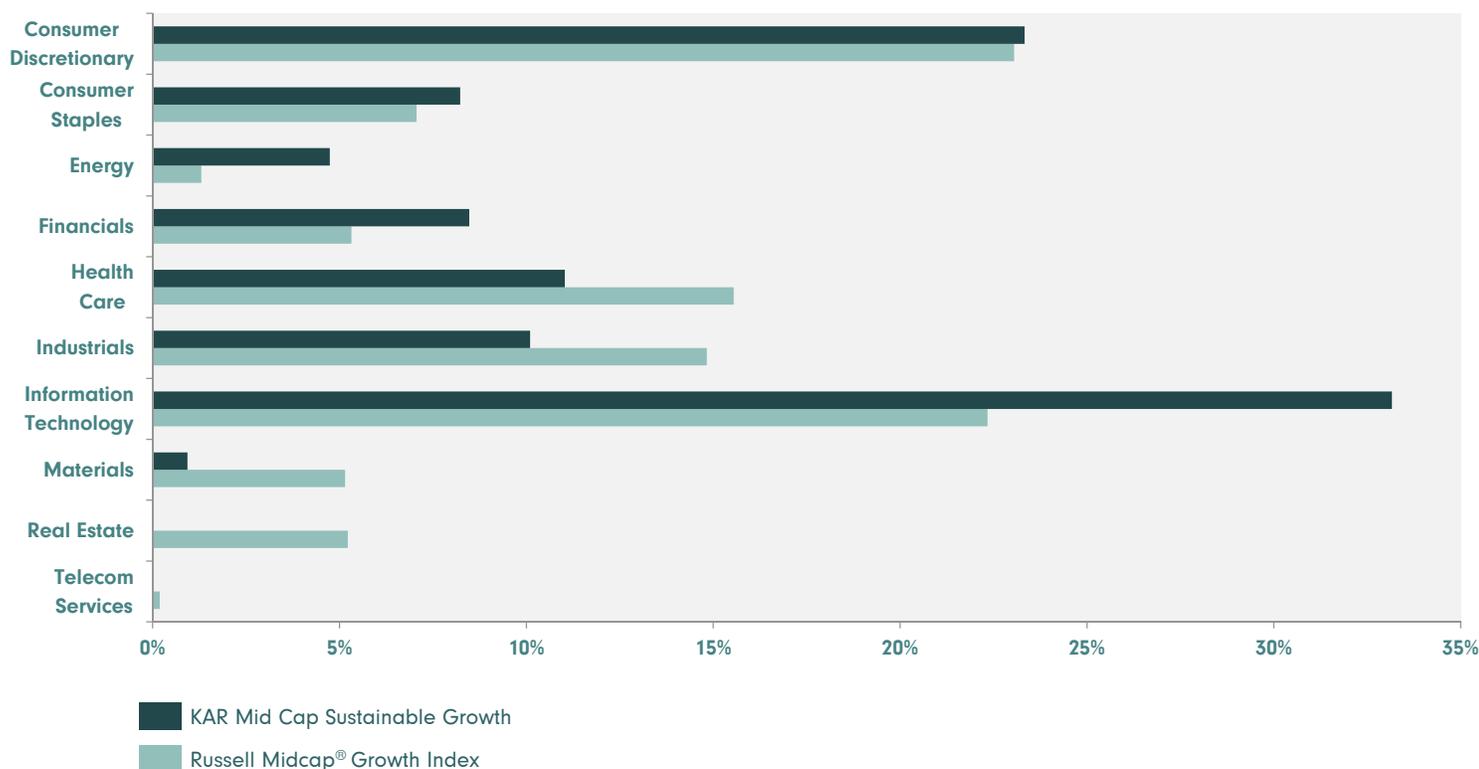
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

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Sector Diversification

As of March 31, 2017



Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [†]	Russell Midcap® Growth Index
Annualized Returns (%)[†]			
As of March 31, 2017			
1 st Quarter	11.91	11.71	6.89
One Year	15.38	14.53	14.07
Three Years	8.53	7.73	7.88
Five Years	9.87	9.05	11.95
Inception*	12.08	11.25	14.27
Annual Returns (%)			
2016	3.27	2.50	7.33
2015	4.06	3.30	(0.20)
2014	4.98	4.18	11.90
2013	26.46	25.54	35.74
2012	13.97	13.12	15.81

Performance Statistics

Inception* to March 31, 2017

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Annualized Return	12.08	14.27
Annualized Standard Deviation	12.73	11.61
Beta	1.01	1.00
Sharpe Ratio	0.94	1.22
R-Squared	84.13	100.00

*January 1, 2012

[†]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. 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 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. 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 Mid Cap Sustainable Growth Portfolios. Mid Cap Sustainable Growth Portfolios are invested in equity securities with

market capitalizations consistent with the Russell Midcap® 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 Midcap® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. This composite contained 100% non-fee-paying portfolios as of December 31, 2012, 100% non-fee-paying portfolios as of December 31, 2013, and 0.4% non-fee-paying portfolios as of December 31, 2014.

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 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	11.25	11.02
2015	13.28	11.47

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	82	< 5	13.97	13.12	15.81	N/A
2013	7,841	93	< 5	26.46	25.54	35.74	N/A
2014	7,989	90	< 5	4.98	4.18	11.90	N/A
2015	8,095	88	< 5	4.06	3.30	(0.20)	N/A

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