

Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2016

Portfolio Overview

The Mid Cap Sustainable Growth Portfolio underperformed the Russell Midcap Growth Index during the fourth quarter. For the quarter, the portfolio benefited from an underweight in health care and real estate, while negative stock selection in the information technology and consumer staples sectors detracted from performance.

Holdings that contributed the most to performance during the quarter were Netflix and Northern Trust. Netflix embarked on two bold growth initiatives in recent years with the build-out of international infrastructure and a massive investment in original content. So far, both look like home runs. The company's unmatched scale gives it the data and the financial firepower to deliver better content and led to another better than expected earnings report. Northern Trust was impacted by expectations of higher interest rates, and an economic and regulatory environment that will be favorable to banks and financial markets under a Trump presidency, which contributed to interest rate and market-sensitive financial stocks outperforming during the quarter.

Holdings that contributed the least to performance were Ellie Mae and Monster Beverage. Ellie Mae reported very strong results, both in terms of generating healthy productivity from its existing customers and booking new seats. However, the stock has been very negatively impacted by the recent rise in interest rates and the fear this will challenge refinancing. Monster Beverage's quarterly results remain erratic, as Monster continues to transition its global distribution agreements to Coca-Cola bottlers, the majority of which should be completed by the end of the year. As a result, it remains difficult to draw a trend line from a single quarter's results, therefore, the share price has been volatile quarter-to-quarter. This is exemplified by the single-digit sales growth reported in the most recent quarter compared to double-digit growth in the first and second quarters of 2016.

Outlook

As we peer into 2017, we believe there is more than a usual amount of economic uncertainty. President-elect Trump has no public office track record for us to assess and judge how effective he will be in getting changes accomplished. It does seem highly likely that some form of corporate and personal tax reform, partial ACA repeal, increased infrastructure spending and less regulatory burden for many businesses will occur over the next two years. However, the timing of these changes are unclear. If these events were to occur, we believe the economy should accelerate and grow in the 2.5% to 3.5% range for the next couple of years. We also believe that the S&P 500 earnings-per-share growth should pick up from the low single-digit range to the mid-to-high single-digit growth range as economic growth increases over the next year.

Purchases and Sales

New Purchases

None

Complete Sales

Palo Alto Networks

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap[®] Growth
Portfolio Assets: \$88.0 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	30
Todd Bailey, CFA Senior Research Analyst	17
Jon Christensen, CFA Senior Research Analyst	21
Julie Kutasov Senior Research Analyst	15
Craig Stone Senior Research Analyst	27
Chris Wright, CFA Senior Research Analyst	6
Julie Biel, CFA Research Analyst	8
Chris Benway, CFA Research Analyst	7

Top Five Holdings

As of December 31, 2016

Company	Percent of equity (%)
Monster Beverage	4.4
Ellie Mae	4.2
Domino's Pizza	4.1
Netflix	4.0
MercadoLibre	3.8
Total	20.5

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
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 December 31, 2016

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	20.1%	20.4%
Total Debt/EBITDA	2.0 x	4.0 x
Earnings Variance—Past 10 Years	38.8%	52.2%
Growth		
Earnings Per Share Growth—Past 5 Years	9.5%	12.0%
Earnings Per Share Growth—Past 10 Years	13.5%	11.2%
Capital Generation—{ROE x (1-Payout)}	15.6%	15.0%
Value		
P/E Ratio—Trailing 12 Months	41.3 x	27.9 x
P/E-to-10 Year Growth	2.6 x	1.8 x
Free Cash Flow Yield*	3.0%	3.9%
Market Characteristics		
\$ Weighted Average Market Cap	\$12.2 B	\$13.52 B
Largest Market Cap	\$53.0 B	\$57.0 B

*Free cash flow data is as of September 30, 2016. Prices are as of December 31, 2016.

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.

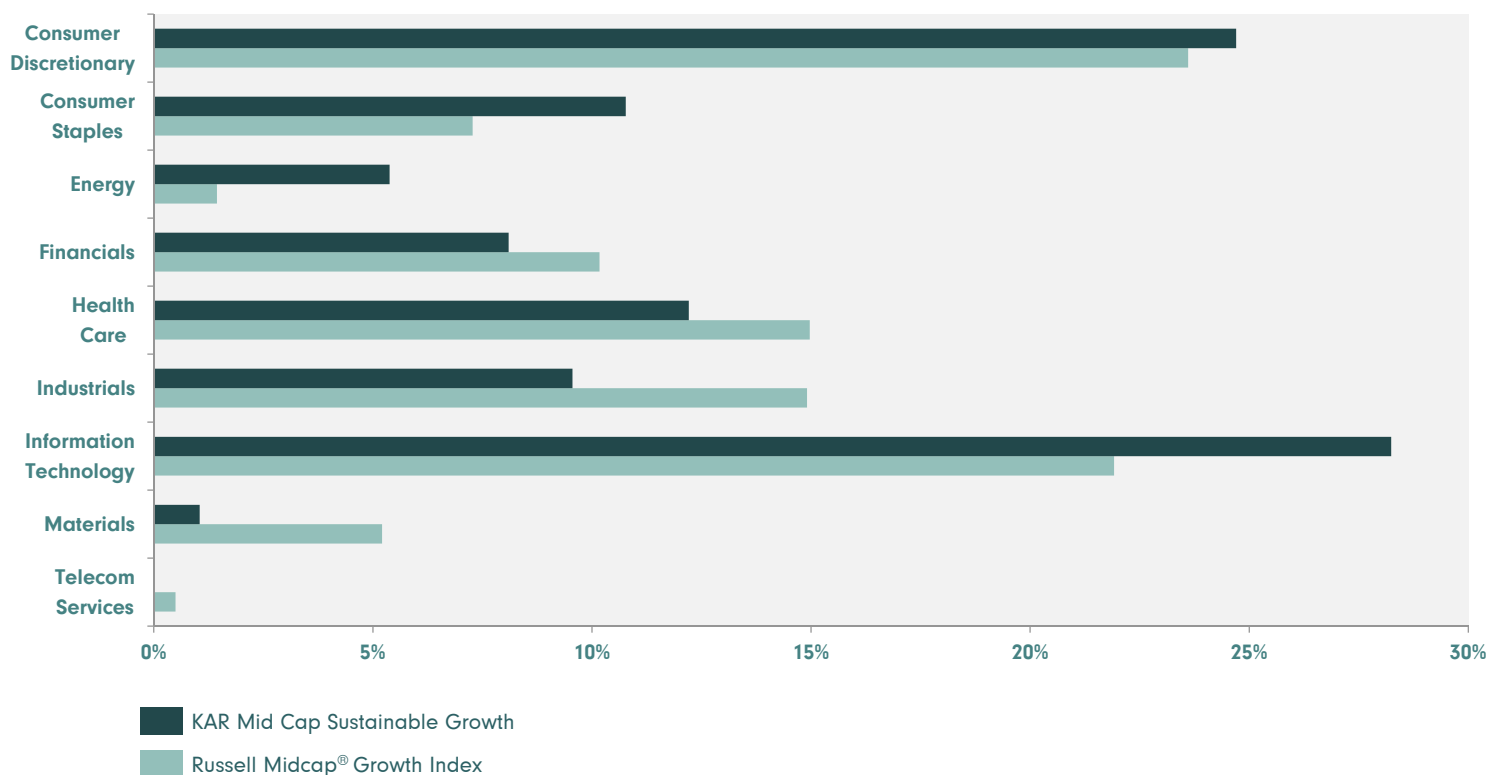
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Sector Diversification

As of December 31, 2016



Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [†]	Russell Midcap® Growth Index
Annualized Returns (%)[†]			
As of December 31, 2016			
4 th Quarter	(4.12)	(4.30)	0.46
One Year	3.27	2.50	7.33
Two Years	3.67	2.90	3.50
Three Years	4.11	3.33	6.23
Inception*	10.21	9.39	13.51
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 December 31, 2016

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Annualized Return	10.21	13.51
Annualized Standard Deviation	12.78	11.83
Beta	1.00	1.00
Sharpe Ratio	0.79	1.13
R-Squared	84.87	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.