

Small Cap Quality Value Portfolio

Second Quarter 2017

Portfolio Review

The Small Cap Quality Value portfolio outperformed the Russell 2000 Value Index during the second quarter. The outperformance was primarily driven by strong stock selection in the producer durables and consumer staples sectors. Performance was primarily hurt by negative stock selection in the consumer discretionary and technology sectors.

Positions that contributed most positively to performance during the quarter were Graco and HFF. Graco's sales in the quarter grew by double-digits, led by the contractor segment, which had its highest Q1 sales since 2013. Operating margins across all segments for the company also expanded. With incremental margins in all three segments greater than 40%, the company is benefiting from the better global economic picture. HFF's shares have been under pressure for the past year due to an industry slowdown in transaction volumes and concerns that the commercial real estate market has peaked. Despite this uncertainty, HFF continued to take share as evidenced by its 18% growth in revenues in the most recent quarter despite a decline in overall industry volumes. We do not have a particular near-term view about the real estate cycle, but we believe HFF would survive any downturn, will continue to gain market share, and that industry transaction volumes over time are likely to grow.

Positions that detracted the most from performance during the quarter were Cheesecake Factory and Cinemark Holdings. During the quarter, Cheesecake Factory pre-announced softer results, as it was seeing some sales variability in its markets, particularly in the Midwest and East Coast markets, where the weather may have been a factor. This variability has made forecasting labor for the company a bit more challenging, impacting the bottom line. The company is still outperforming the broader restaurant industry. We believe several new initiatives should support earnings per share growth in the medium term, including substantial share repurchase, international franchises, new concepts and investments in smaller restaurant brands. Cinemark reported solid first-quarter results. However, the general slate of films in 2017 is not quite as strong as the record performance in 2016. Cinemark is still delivering box-office growth in excess of the industry, and driving strong growth in concession per cap. While the company cannot control the film slate, it remains well-positioned relative to peers, and its international opportunity remains substantial. Investors may also be concerned by recent discussions surrounding shrinking "windows" that give exhibitors exclusive rights to show a film in a set period. We think a premium video on demand offering would be met with limited success and that studios are not likely to jeopardize the 50% of revenue it generates in the exhibition window.

Purchases and Sales

In the Small Cap Quality Value portfolio, there were no complete purchases or sales made during the quarter.

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: Small Cap
Sub-Style: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$2,647.2 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	31
Julie Kutsov Portfolio Manager + Senior Research Analyst	16
Craig Stone Portfolio Manager + Senior Research Analyst	28
Todd Beiley, CFA Senior Research Analyst	18
Jon Christensen, CFA Senior Research Analyst	22
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 (%)
National Beverage	4.6
RE/MAX Holdings	4.6
Bank of Hawaii	4.3
SiteOne Landscape Supply	4.3
Thor Industries	4.2
Total	22.1

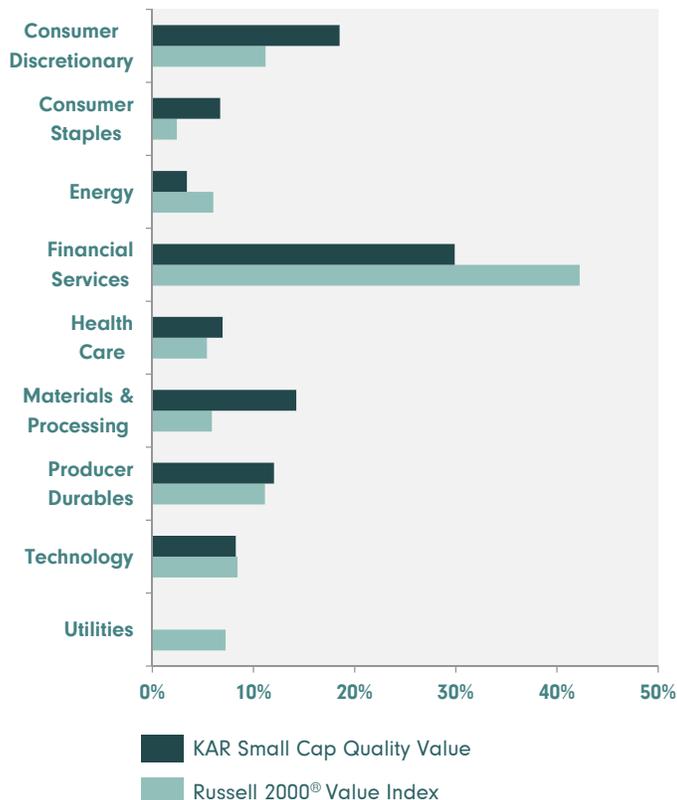
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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 2000® Value 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 Small Cap Quality Value	Russell 2000® Value Index
Quality		
Return on Equity—Past 5 Years	22.5%	7.6%
Total Debt/EBITDA	1.9 x	6.6 x
Earnings Variance—Past 10 Years	23.3%	83.6%
S&P Stock Ranking (A+, A, A-, B+)	69.6%	24.5%
Growth		
Earnings Per Share Growth—Past 5 Years	7.1%	6.6%
Earnings Per Share Growth—Past 10 Years	10.9%	4.6%
Dividend Per Share Growth—Past 5 Years	13.8%	6.4%
Dividend Per Share Growth—Past 10 Years	8.4%	2.6%
Capital Generation—{ROE x (1-Payout)}	12.2%	5.4%
Value		
P/E Ratio—Trailing 12 Months	28.6 x	28.2 x
Dividend Yield	1.5%	1.9%
Free Cash Flow Yield†	4.3%	2.5%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Avg.	\$3.2 B	\$1.9 B
Largest Market Cap—4 Qtr. Avg.	\$7.3 B	\$8.5 B
Annualized Standard Deviation—Since Inception*	16.1%	18.3%

*June 1, 1998

†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.

Small Cap Quality Value Portfolio

Second Quarter 2017

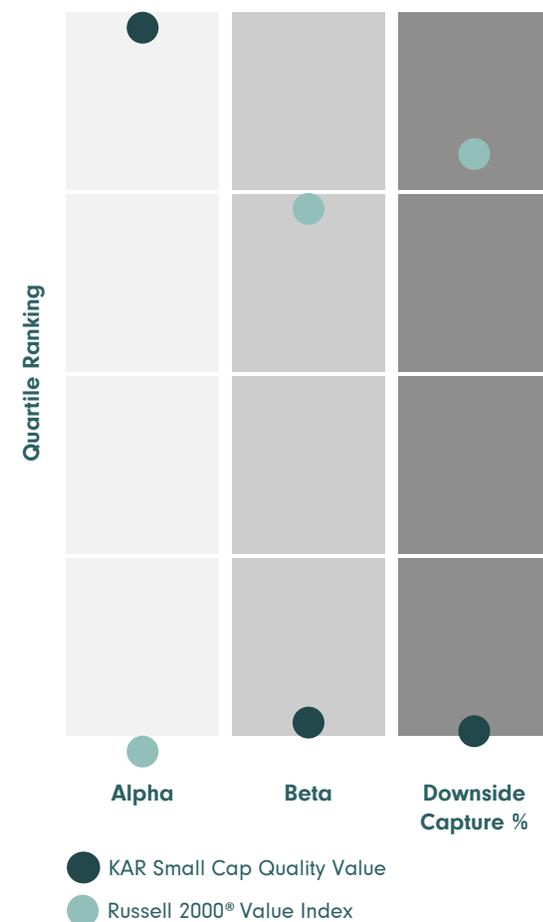
Strong Risk-Adjusted Returns

Inception* to June 30, 2017



Peer Comparison Chart

Inception* to June 30, 2017



Historical Returns

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [†]	Russell 2000 [®] Value Index
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Annualized Returns (%)[†]

As of June 30, 2017

2 nd Quarter	2.16	1.91	0.67
Year to Date	7.12	6.60	0.54
One Year	21.61	20.42	24.86
Three Years	12.71	11.59	7.02
Five Years	15.65	14.51	13.39
Seven Years	16.04	14.90	13.50
Ten Years	9.82	8.73	5.92
Inception*	11.97	10.87	8.37

Annual Returns (%)

2016	26.74	25.50	31.74
2015	(0.16)	(1.16)	(7.47)
2014	3.05	2.00	4.22
2013	41.06	39.72	34.52
2012	9.97	8.87	18.05
2011	6.57	5.54	(5.50)
2010	25.10	23.88	24.50
2009	26.97	25.73	20.58
2008	(28.51)	(29.26)	(28.92)
2007	2.19	1.18	(9.78)
2006	24.45	23.25	23.48
2005	8.88	7.79	4.71
2004	28.10	26.83	22.25
2003	21.88	20.69	46.03
2002	1.11	0.10	(11.43)
2001	19.42	18.29	14.02
2000	24.92	23.70	22.83
1999	(7.69)	(8.60)	(1.49)
1998 [§]	9.61	9.07	(10.93)

*June 1, 1998

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

[‡]Net of all fees and expenses. Assumes a 1% annual fee.

[§]Performance calculations are for the seven months ended December 31, 1998.

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 Small Cap Value Universe includes all managers categorized in the small cap value 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 Small Cap Quality Value	Russell 2000 [®] Value Index
Annualized Return	11.97	8.37
Annualized Standard Deviation	16.07	18.31
Alpha	4.87	0.00
Beta	0.76	1.00
Sharpe Ratio	0.63	0.35
R-Squared	75.17	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 Small Cap Quality Value Composite has been examined for the period from January 1, 1999 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 Small Cap Quality Value Portfolios. Small Cap Quality Value Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value 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 2000® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises 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 independent verifiers. The composite was created in June 1998. 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: 1.00% for the first \$25 million; 0.80% on the next \$25 million; 0.70% 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	21.64	26.42
2012	16.24	20.17
2013	14.50	16.05
2014	13.06	12.98
2015	13.94	13.65
2016	14.30	15.72

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Value Index Annual Return (%)	Internal Dispersion
2007	5,392	107	62	2.19	1.18	(9.78)	0.56
2008	3,445	64	68	(28.51)	(29.26)	(28.92)	0.56
2009	4,010	71	66	26.97	25.73	20.58	0.80
2010	4,729	98	77	25.10	23.88	24.50	0.60
2011	5,232	521	106	6.57	5.54	(5.50)	0.48
2012	6,545	474	120	9.97	8.87	18.05	0.35
2013	7,841	646	142	41.06	39.72	34.52	1.05
2014	7,989	581	149	3.05	2.00	4.22	0.52
2015	8,095	535	151	(0.16)	(1.16)	(7.47)	0.20
2016	9,989	711	141	26.74	25.50	31.74	1.13

The Russell 2000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.