

Small Cap Sustainable Growth Portfolio

Fourth Quarter 2017



Portfolio Review

The Small Cap Sustainable Growth portfolio outperformed the Russell 2000 Growth Index during the fourth quarter. The portfolio was helped along by strong stock selection in the financial services and technology sectors. Negative stock selection in the consumer discretionary and materials and processing sectors detracted from performance.

Positions that contributed the most to the portfolio during the quarter were Interactive Brokers Group and Copart.

Interactive Brokers benefited as growth in customer accounts outpaced expectations. The company also has largely completed the exit from its inferior market making business.

Copart outperformed in the most recent quarter as end-market tailwinds, such as more technologically complex vehicles and auto body shop consolidation, drove salvage volumes higher. Copart's advantaged business model is expected to position the company to capitalize on these positive industry dynamics for many years into the future.

Positions that detracted from the portfolio the most were Fox Factory Holding and Emerald Expositions Events.

Fox Factory saw a slowdown in its growth following atypically high rates driven by initial production and early success of the Ford Raptor for which Fox supplies suspension products.

Emerald underperformed in the fourth quarter due to a couple of negative one-time occurrences at its larger trade shows. We expect these issues to be resolved quickly and believe Emerald's advantaged position in the trade show industry will enable considerable free cash flow generation going forward.

Purchases and Sales

We made no new purchases or complete sales during the fourth quarter.

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.

Portfolio Highlights

Style: Small Cap
Sub-Style: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$2,564.5 M
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of December 31, 2017

Company	Percent of equity (%)
Autohome	8.4
Interactive Brokers Group	6.6
Fox Factory Holding	6.3
Old Dominion Freight Line	5.5
Ollie's Bargain Outlet Holdings	5.1
Total	31.9

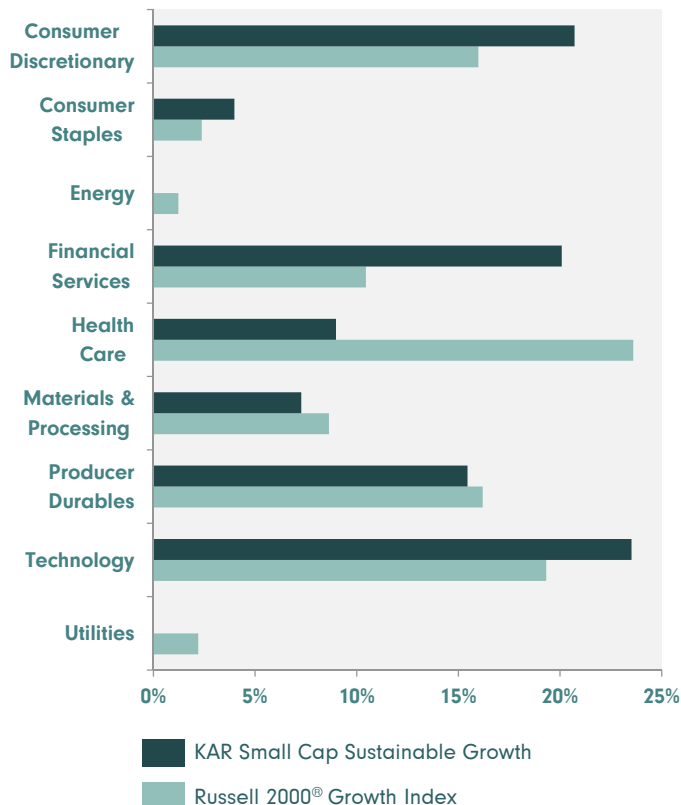
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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 	20–35 Stocks Position Weights <ul style="list-style-type: none"> Typically 3%-4% Maximum weight 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Typically +/- 10% of the Russell 2000® Growth Index, utilizing Russell sector classifications Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested 	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 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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of December 31, 2017

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	22.3%	13.6%
Total Debt/EBITDA	1.1 x	4.7 x
Earnings Variance—Past 10 Years	26.0%	73.6%
Growth		
Earnings Per Share Growth—Past 10 Years	10.8%	8.8%
Capital Generation—{ROE x (1-Payout)}	16.6%	11.2%
Value		
P/E Ratio—Trailing 12 Months	38.3 x	59.8 x
Free Cash Flow Yield†	2.7%	1.9%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$3.4 B	\$2.2 B
Largest Market Cap—3-Year Avg.	\$11.5 B	\$7.7 B
Annualized Standard Deviation—Since Inception*	17.9%	22.9%

*January 1, 1998

†Free cash flow data is as of September 30, 2017. Prices are as of December 31, 2017. Excludes financials.

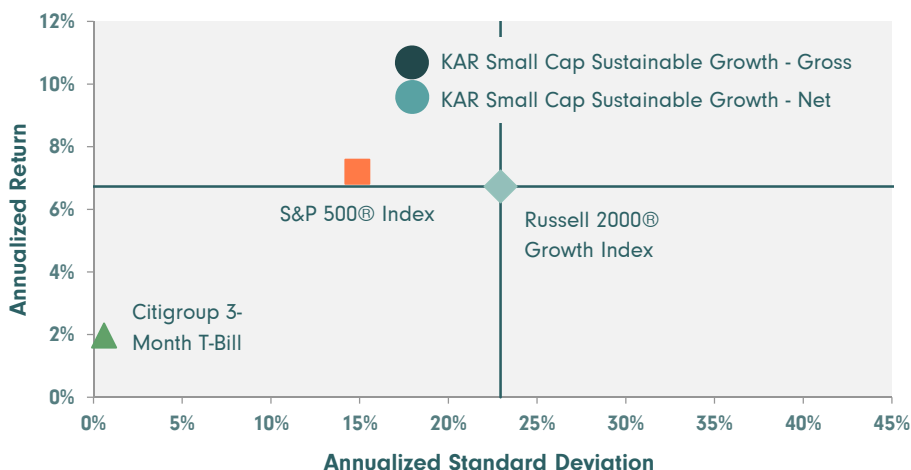
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

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Strong Risk-Adjusted Returns

Inception* to December 31, 2017



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000 [®] Growth Index
Annualized Returns (%)[†]			
As of December 31, 2017			
4 th Quarter	7.60	7.34	4.59
One Year	38.98	37.63	22.17
Three Years	21.59	20.40	10.28
Five Years	21.77	20.57	15.21
Seven Years	19.96	18.78	12.34
Ten Years	14.20	13.07	9.19
Inception*	10.69	9.59	6.73
Annual Returns (%)			
2017	38.98	37.63	22.17
2016	26.11	24.88	11.32
2015	2.57	1.55	(1.38)
2014	6.47	5.40	5.60
2013	39.89	38.53	43.30
2012	13.29	12.16	14.59
2011	17.82	16.69	(2.91)
2010	14.82	13.69	29.09
2009	38.51	37.16	34.47
2008	(33.61)	(34.32)	(38.54)
2007	(0.59)	(1.59)	7.05
2006	15.80	14.66	13.35
2005	1.88	0.85	4.15
2004	12.82	11.68	14.31
2003	38.44	37.10	48.54
2002	(23.82)	(24.60)	(30.26)
2001	0.48	(0.49)	(9.23)
2000	6.28	5.22	(22.43)
1999	31.19	29.92	43.09
1998	3.33	2.28	1.23

*January 1, 1998

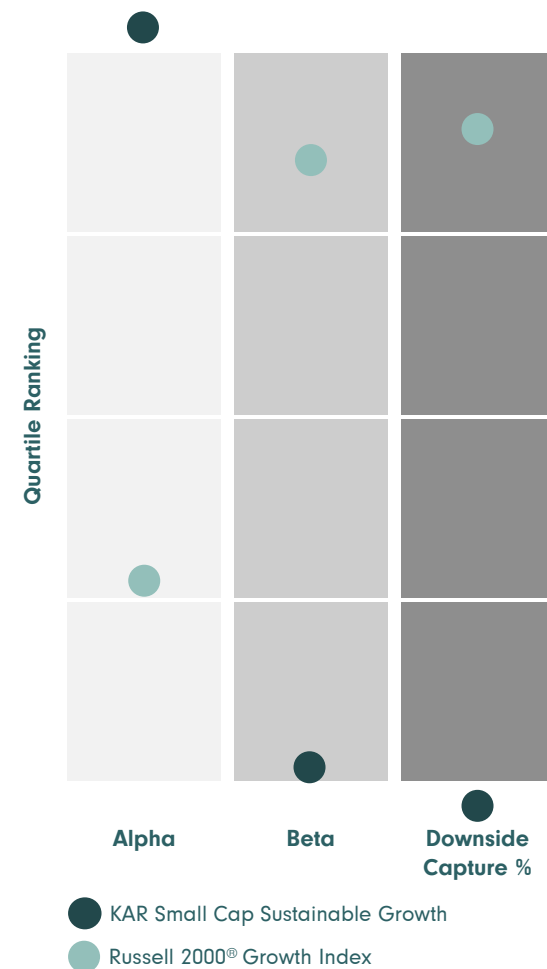
[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

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

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 Growth Universe includes all managers categorized in the small cap growth 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.

Peer Comparison Chart

Ten Years Ending December 31, 2017



Performance Statistics

Inception* to December 31, 2017

	KAR Small Cap Sustainable Growth	Russell 2000 [®] Growth Index
Annualized Return	10.69	6.73
Annualized Standard Deviation	17.94	22.94
Alpha	5.20	0.00
Beta	0.66	1.00
Sharpe Ratio	0.49	0.21
R-Squared	71.90	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, 2016.

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 Sustainable Growth Composite has been examined for the period from January 1, 1999 through December 31, 2016. 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 Sustainable Growth Portfolios. Small Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® 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 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-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 the independent verifiers. The composite was created in January 1998. 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. 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. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included.

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		19.74	24.65
2012		15.54	21.01
2013		12.22	17.52
2014		12.35	14.02
2015		14.08	15.16
2016		14.85	16.91

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Growth Index Annual Return (%)	Internal Dispersion
2007	5,392	21	25	(0.59)	(1.59)	7.05	0.53
2008	3,445	12	14	(33.61)	(34.32)	(38.54)	1.04
2009	4,010	11	11	38.51	37.16	34.47	0.94
2010	4,729	12	12	14.82	13.69	29.09	0.22
2011	5,232	180	14	17.82	16.69	(2.91)	0.51
2012	6,545	155	17	13.29	12.16	14.59	0.42
2013	7,841	232	23	39.89	38.53	43.30	1.42
2014	7,989	205	20	6.47	5.40	5.60	0.40
2015	8,095	244	17	2.57	1.55	(1.38)	0.40
2016	9,989	614	19	26.11	24.88	11.32	0.54

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