

All Cap Sustainable Growth Portfolio

First Quarter 2019

Portfolio Review

The All Cap Sustainable Growth portfolio outperformed the Russell 3000 Growth Index during the first quarter. Outperformance was primarily due to strong stock selection in the information technology and consumer discretionary sectors. Gains were somewhat offset by an overweight in financials and an underweight in real estate.

Holdings that contributed the most to performance were Paycom Software and The Trade Desk.

- Paycom Software reported another quarter of strong top and bottom-line performance. The company's efforts to focus on employee self-service is driving efficiency for the software as a whole, making it that much more valuable and hard to replace for customers.
- The Trade Desk is a platform that allows advertising agencies to purchase advertising across a myriad of channels (websites, apps, music and TV streaming) using data to optimize spending decisions. In many ways it is applying the advantages of the Facebook advertising platform to ads outside their walled garden. The Trade Desk reported another quarter that was well ahead of estimates as Wall Street analysts are still dramatically underestimating the velocity of the company's growth.

Holdings that detracted the most from performance were Interactive Brokers Group and GrubHub.

- Interactive Brokers' shares declined as long-term interest rates fell in relation to short-term interest rates and investors turned negative on electronic brokers' stocks as a whole because of potential reductions in net-interest-margin revenue. Looking through the cyclical driven by market volatility and interest rates, Interactive Brokers continues to gain client account market share by providing the best value via its lowest cost structure.
- GrubHub is the market share leader in online food order and delivery, which currently represents less than 10% of all take-out dining and just 4% of total dining but this is rapidly changing. With roughly 40% share of the market, the platform can offer consumers the broadest array of restaurant choices and, in turn, can offer restaurants the broadest pool of diners. GrubHub signed a landmark deal with YUM Brands to be the exclusive aggregator and deliverer for Taco Bell and KFC which gives the company financial backing and critical scale in many less-populated markets across the U.S. The company continues to post robust numbers, but they have been losing share to the rapid growth of Uber Eats and DoorDash who are competing heavily to acquire customers. We are watching these developments closely, but we believe the market is large enough and we are early enough on the adoption curve to support multiple profitable winners.

Outlook

We believe the likelihood of an outright meaningful recession over the next 12-to-18 months is low. We have had rolling recessions over the last 10 years in cyclical areas like energy, industrials, and materials from 2014 to 2016. Europe is close to or already in a recession over the last six months due to slow exports and Brexit fears adversely affecting business confidence. Although this expansion has been lengthy, it hasn't been robust by historical standards. Classic signals of excess business confidence, such as elevated capital spending, excessive inventory buildup in anticipation of robust sales, and excess labor hiring, don't seem prevalent today. Even in a slower growth environment (1.5% to 2.5% GDP growth), U.S. companies should be able to grow their earnings in the 5% to 8% range. This growth combined with business confidence improving can lead to solid double-digit returns for stocks in 2019.

Purchases and Sales

New Purchases	Complete Sales
Lyft	Ellie Mae
New Oriental Education & Technology Group	Northern Trust
Square	Pioneer Natural Resources
T. Rowe Price Group	

Portfolio Highlights

Style: All Cap
 Sub-Style: Growth
 Index: Russell 3000® Growth
 Portfolio Assets: \$170.1 M
 Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	33
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	20
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	24
Julie Biel, CFA Senior Research Analyst	11
Julie Kutasov Senior Research Analyst	18
Richard Sherry Senior Research Analyst	21
Craig Stone Senior Research Analyst	30
Chris Wright, CFA Senior Research Analyst	7
Chris Armbruster, CFA Research Analyst	14
Sean Dixon Research Analyst	10
Noran Eid Research Analyst	6
Adam Xiao, CFA Research Analyst	4

Top Five Holdings

As of March 31, 2019

Company	Percent of equity (%)
Amazon.com	4.4
Paycom Software	4.1
Facebook	3.1
Alibaba Group	3.1
Netflix	3.0
Total	17.6

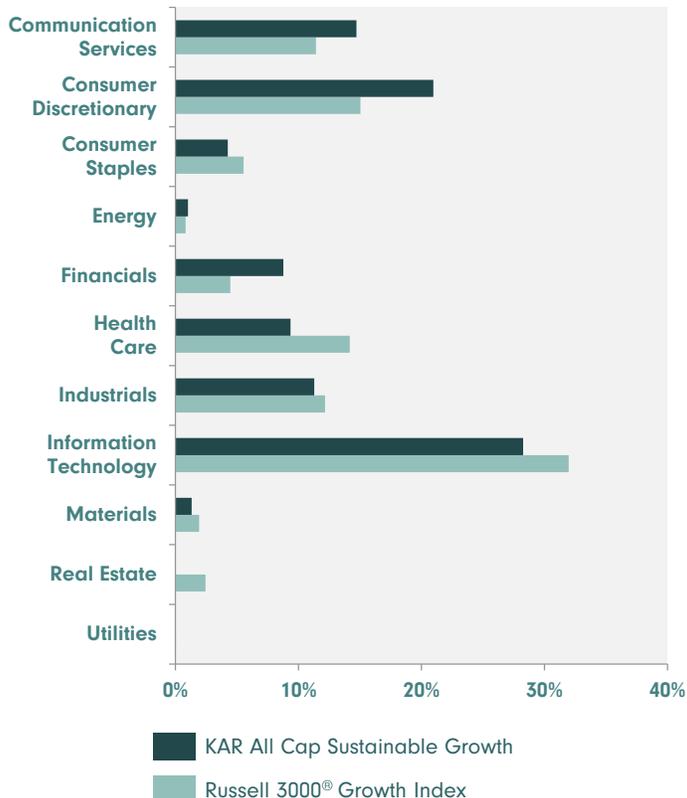
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
300 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 	100–120 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 	80–100 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"> Typically +/- 10% of the Russell 3000® Growth Index, utilizing GICS 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"> 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 March 31, 2019



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 by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of March 31, 2019

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
Quality		
Return on Equity—Past 5 Years	19.7%	22.4%
Total Debt/EBITDA	1.9 x	2.1 x
Earnings Variability—Past 10 Years	43.7%	44.2%
Growth		
Earnings Per Share Growth—Past 5 Years	19.2%	16.1%
Earnings Per Share Growth—Past 10 Years	13.3%	13.3%
Capital Generation—{ROE x (1-Payout)}	15.8%	16.1%
Value		
P/E Ratio—Trailing 12 Months	41.0 x	26.1 x
P/E-to-10-Year Growth	3.1 x	2.0 x
Free Cash Flow Yield*	2.5%	4.1%
Market Characteristics		
\$ Weighted Average Market Cap	\$113.9 B	\$270.4 B
Largest Market Cap	\$874.7 B	\$906.2 B

*Free cash flow data is as of December 31, 2018. Prices are as of March 31, 2019.

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.

All Cap Sustainable Growth Portfolio

First Quarter 2019

Risk-Return Analysis

Three Years Ending March 31, 2019



Historical Returns

	KAR All Cap Sustainable Growth (gross)	KAR All Cap Sustainable Growth (net) [‡]	Russell 3000 [®] Growth Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	23.25	23.05	16.18
One Year	16.21	15.40	12.06
Three Years	21.53	20.70	16.40
Five Years	16.53	15.72	13.10
Seven Years	15.63	14.84	14.14
Inception*	16.60	15.79	15.02
Annual Returns (%)			
2018	1.18	0.47	(2.12)
2017	35.78	34.85	29.59
2016	5.88	5.15	7.39
2015	7.41	6.67	5.09
2014	9.48	8.70	12.44
2013	32.17	31.27	34.23
2012 [§]	7.87	7.17	8.59

*February 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 0.70% annual fee.

[§]Performance calculations are for eleven months ended December 31, 2012.

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. 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 March 31, 2019

	KAR All Cap Sustainable Growth	Russell 3000 [®] Growth Index
Annualized Return	16.60	15.02
Annualized Standard Deviation	13.32	11.76
Alpha	0.60	0.00
Beta	1.07	1.00
Sharpe Ratio	1.21	1.24
R-Squared	89.14	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, 2017. 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, 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 as all fully discretionary institutional and pooled All Cap Sustainable Growth Portfolios. All Cap Sustainable Growth Portfolios are invested in equity securities with

market capitalizations consistent with the Russell 3000® 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 3000® Growth Index. The Russell 3000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 3,000 largest 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 February 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The standard management fee schedule currently in effect is as follows: 0.70% for the first \$10 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; 0.35% 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 1/12th 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 or for time periods less than one year, no dispersion measure is presented. The three-year annualized ex-post standard deviation, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented for periods prior to 2015 because 36 monthly composite returns are not available. 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
2015	12.34	10.95
2016	13.13	11.50
2017	12.08	10.77

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 3000® Growth Index Annual Return (%)	Internal Dispersion
2012*	6,545	67	12	7.87	7.17	8.59	N/A
2013	7,841	65	10	32.17	31.27	34.23	0.37
2014	7,989	89	10	9.48	8.70	12.44	0.37
2015	8,095	92	9	7.41	6.67	5.09	N/A
2016	9,989	97	10	5.88	5.15	7.39	0.10
2017	14,609	141	25	35.78	34.85	29.59	0.44

*2012 performance numbers in this table reflect the product inception date of February 1, 2012 through December 31, 2012.

The Russell 3000® Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.