

All Cap Sustainable Growth Portfolio

Fourth Quarter 2018

Portfolio Review

The All Cap Sustainable Growth portfolio slightly underperformed the Russell 3000® Growth Index during the fourth quarter. Weak stock selection in health care and consumer staples detracted from performance. Losses were somewhat pared back by strong stock selection in information technology and financials.

Holdings that contributed the most to performance were MarketAxess Holdings and Workday.

- MarketAxess shares had languished for about two years before catching a bid in the fourth quarter of 2018. New issuance in light of low interest rates had driven volume off platform, and low volatility had reduced trading activity. But both reversed in the fourth quarter as volatility spiked and rising rates muted new issuance, which allowed MarketAxess to gain meaningful market share. We also remain optimistic that MiFID II regulations in Europe, which require more transparency, recordkeeping and best execution detail, favors electronic trading practices.
- Cloud providers like Workday have disrupted the market once dominated by SAP and Oracle by lowering total cost of ownership, with improving performance and functionality through regular updates delivered in the cloud. After spending years to build up capabilities to offer financials and buying Adaptive Insights to offer planning, Workday has, for the first time, a complete suite of enterprise-grade ERP capabilities. Platform synergies are leading to accelerating revenue growth.

Holdings that detracted the most from performance were Amazon.com and NVIDIA.

- Amazon shares got caught up in the selling of market leaders and large-cap tech names during the quarter, and our overweight made the position a significant performance detractor. For perspective, Amazon continues on its powerful growth trajectory supported by its wide-moat e-commerce business and dominant web-services offering. The company's advertising offering remained in overdrive in the third-quarter earnings report, growing nearly 200% with a revenue run rate approaching \$10 billion. Importantly, Amazon continued to show operating leverage on a wide variety of expense items, continuing the trend of meaningful margin expansion.
- While the largest and most sophisticated tech companies are re-architecting their businesses around GPU-enabled AI, NVIDIA's gaming segment appears to be struggling under tough competition from the cryptocurrency mining boom. GPU chips are key components of mining rigs, and the company twice underestimated how much cryptos were driving sales of gaming chips. The market has also started to worry that the downturn will slow technology cap-ex spending, which will affect NVIDIA's datacenter business.

Outlook

There is a clear disconnect between the market's view of 2019-2020 economic growth and the Federal Reserve's. Equity, bond and commodity investors are pricing in much slower growth—perhaps even a recession—into this year and the next. The Fed, on the other hand, is looking at current conditions, which are primarily still solid. Markets will perform better when these two points of view converge.

We agree more with the market than with the Fed about 2019 growth prospects. Economic growth will be much slower than in 2018 but still positive—our best guess is in the 1.5%-to-2% range—and the S&P 500® Index will be able to grow earnings-per-share in the 5%-to-8% range. Equity returns may actually exceed profit growth as confidence gets restored in the sustainability of the corporate-profit outlook.

We cannot pinpoint where material excesses are in the global economy that could cause a recession over the next year or two. Yet after meaningful declines in markets over the last three months, we see that it is going to take some time to restore confidence among investors and that companies are going to have to prove that they can deliver positive earnings growth even in a slower-growth economy.

Timing the stock market is an impossible task even for seasoned professionals. We emphasize the importance of staying focused on long-term goals to help stomach the inevitable short-term volatility associated with investing.

Purchases and Sales

New Purchases	Complete Sales
Abiomed	Apian
Allogene Therapeutics	Arista Networks
Anaplan	Core Laboratories
Blackline	Diplomat Pharmacy
Elastic	Emerald Expositions
Progressive	Yandex
StoneCo	
Weibo	

Portfolio Highlights

Style: All Cap
 Sub-Style: Growth
 Index: Russell 3000® Growth
 Portfolio Assets: \$140.6 M
 Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	32
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	19
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	23
Julie Biel, CFA Senior Research Analyst	10
Julie Kutasov Senior Research Analyst	17
Richard Sherry Senior Research Analyst	20
Craig Stone Senior Research Analyst	29
Chris Wright, CFA Senior Research Analyst	6
Chris Armbruster, CFA Research Analyst	13
Sean Dixon Research Analyst	9
Noran Eid Research Analyst	5
Adam Xiao, CFA Research Analyst	3

Top Five Holdings

As of December 31, 2018

Company	Percent of equity (%)
Amazon.com	4.8
Paycom Software	3.3
Facebook	3.0
Alibaba Group	2.8
Workday	2.8
Total	16.8

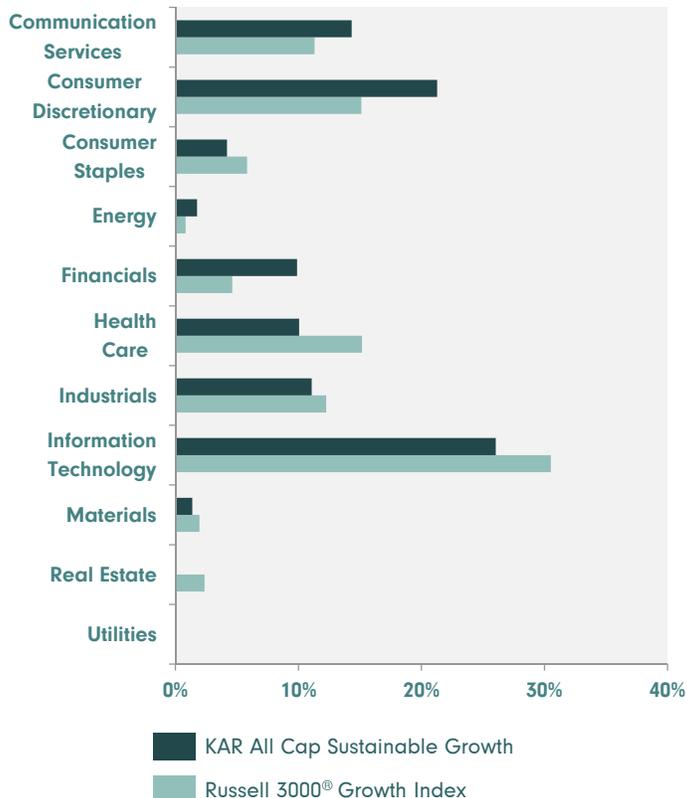
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
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 December 31, 2018



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 December 31, 2018

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
Quality		
Return on Equity—Past 5 Years	20.1%	22.1%
Total Debt/EBITDA	1.6 x	2.9 x
Earnings Variability—Past 10 Years	46.9%	44.5%
Growth		
Earnings Per Share Growth—Past 5 Years	19.2%	14.7%
Earnings Per Share Growth—Past 10 Years	13.8%	13.6%
Capital Generation—{ROE x (1-Payout)}	16.2%	15.7%
Value		
P/E Ratio—Trailing 12 Months	31.9 x	25.3 x
P/E-to-10-Year Growth	2.3 x	1.9 x
Free Cash Flow Yield*	3.0%	4.5%
Market Characteristics		
\$ Weighted Average Market Cap	\$96.8 B	\$229.5 B
Largest Market Cap	\$728.8 B	\$780.4 B

*Free cash flow data is as of September 30, 2018. Prices are as of December 31, 2018. Excludes financials.

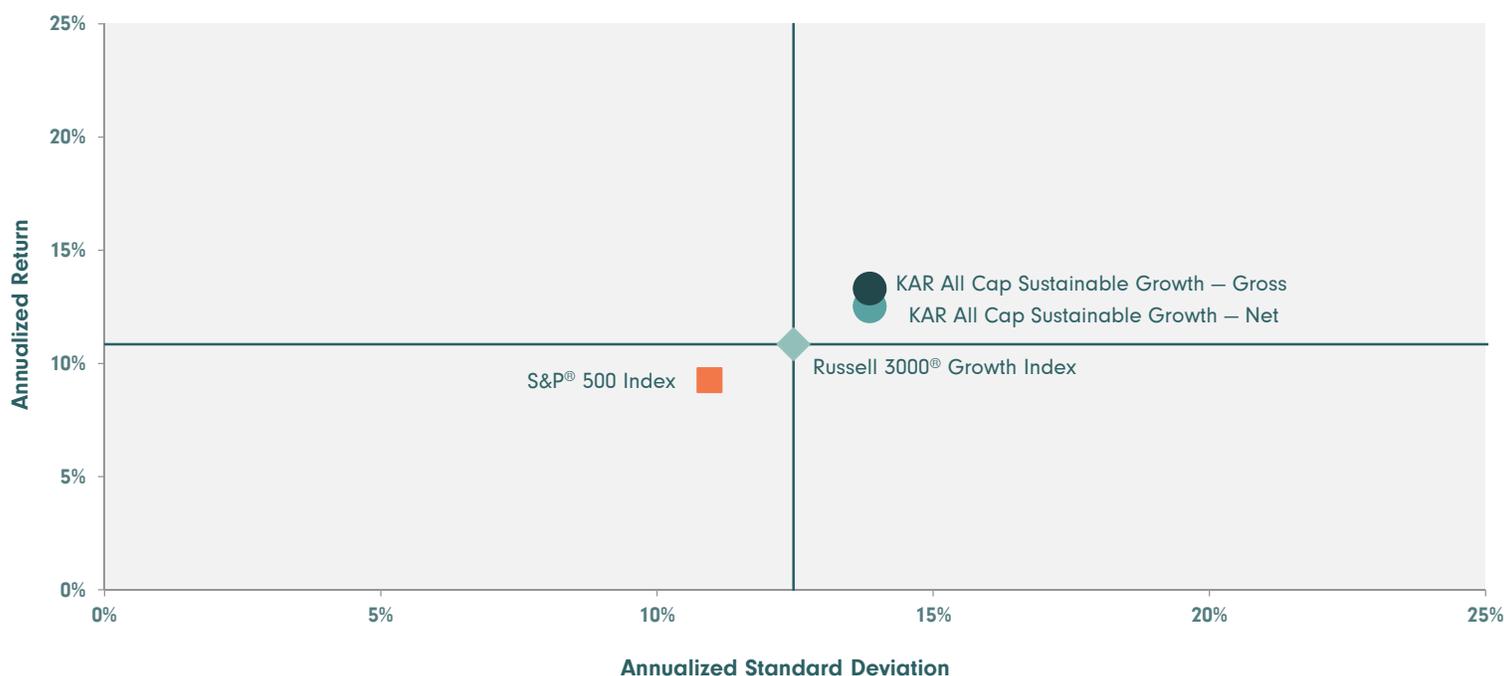
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

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Risk-Return Analysis

3 Years Ending December 31, 2018



Historical Returns

	KAR All Cap Sustainable Growth (gross)	KAR All Cap Sustainable Growth (net) [†]	Russell 3000® Growth Index
Annualized Returns (%)[‡]			
As of December 31, 2018			
4 th Quarter	(16.53)	(16.69)	(16.33)
One Year	1.18	0.48	(2.12)
Three Years	13.31	12.52	10.85
Five Years	11.33	10.56	9.99
Inception*	13.75	12.97	13.12
Annual Returns (%)			
2018	1.18	0.48	(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 December 31, 2018

	KAR All Cap Sustainable Growth	Russell 3000® Growth Index
Annualized Return	13.75	13.12
Annualized Standard Deviation	12.73	11.52
Alpha	0.14	0.00
Beta	1.05	1.00
Sharpe Ratio	1.05	1.11
R-Squared	89.54	100.00

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Fourth Quarter 2018

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.