

Emerging Markets Small Cap Portfolio

Fourth Quarter 2018

Market Review

Emerging market equities fell for a third consecutive quarter, as concerns over global growth increased and the U.S.-China trade dispute persisted. The MSCI® Emerging Market Index fell by 7.47% in the quarter but outperformed the MSCI® All Country World Ex-US Index (-11.46%). Mexico was among the weakest markets amid investor concerns over the incoming government's policies on investments. China underperformed on decelerating economic data and uncertainty among businesses and consumers. Brazil on the other hand posted a strong gain as equities and the Real rallied in anticipation of a market-friendly election outcome, which was confirmed in late October. A decline in crude oil prices helped energy-importing countries such as India and Indonesia. In terms of sectors, utilities outperformed, while energy was the worst-performing sector with the decline in oil price.

Portfolio Review

Many of our portfolio names were not immune to the concerns of slower economic growth, and our Emerging Market Small Cap strategy declined by 5.50% during the quarter. However, given the strategy's focus on high-quality businesses and the defensive nature of the portfolio, we were able to lose less in value than the MSCI® Emerging Market Small Cap Index, which declined by 7.17%. For 2018 as a whole, our strategy declined by 3.86% versus a decline of 18.59% for the benchmark.

The largest positive contributor during the quarter was Linx. Linx is a leading retail-management software provider in Brazil (e.g. ERP and POS). In October, the company announced that it will enter into a card sub-acquiring business with the launch of Linx Pay Easy. Expectations for material growth and revenue contribution from this business led to strong performance of the stock during the quarter.

The second largest contributor was Sarana Menara, which is an Indonesia-based company that operates telecom towers for wireless carriers. We did not see any specific company news to which we can attribute the strong performance. After an extended period of weak performance, the valuation looked very appealing vis-à-vis the stable cash flow that the business generates, and we saw several sell-side analysts highlighting the attractiveness of the valuation during the quarter. This may have contributed to the strong performance.

Our largest detractor during the quarter was Baozun, a Chinese e-commerce solutions provider. The company showed that its Singles Day gross merchandise volume growth slowed materially compared to a year ago, and the stock has continued to underperform, reflecting investor concerns over the slowing of the Chinese economy.

Our second largest detractor was Cafe24, which is a Korea based e-commerce solutions provider. To some extent, the business is similar to that of Baozun. Its solution makes it very easy and simple for small- to medium-sized companies to create an online presence and sell online. Third-quarter earnings results showed slower GMV growth than expected and contributed to the weakness of the share price during the quarter.

Purchases and Sales

New Purchases	Complete Sales
51 Jobs	Transpaco
Totvs	Yandex
Wirtualna Polska Holding	

Portfolio Highlights

Style: Small Cap
Index: MSCI® Emerging Markets Small Cap Index
Portfolio Turnover: 25%-35%
Number of Holdings: 30-60

Investment Philosophy

- We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle.

Investment Objectives

- To achieve a return meaningfully above that of the MSCI® Emerging Markets Small Cap Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	32
Hyung Kim Portfolio Manager + Senior Research Analyst	14
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	14
Ekaterina V. Advena Research Analyst	9
David Forward Research Analyst	4

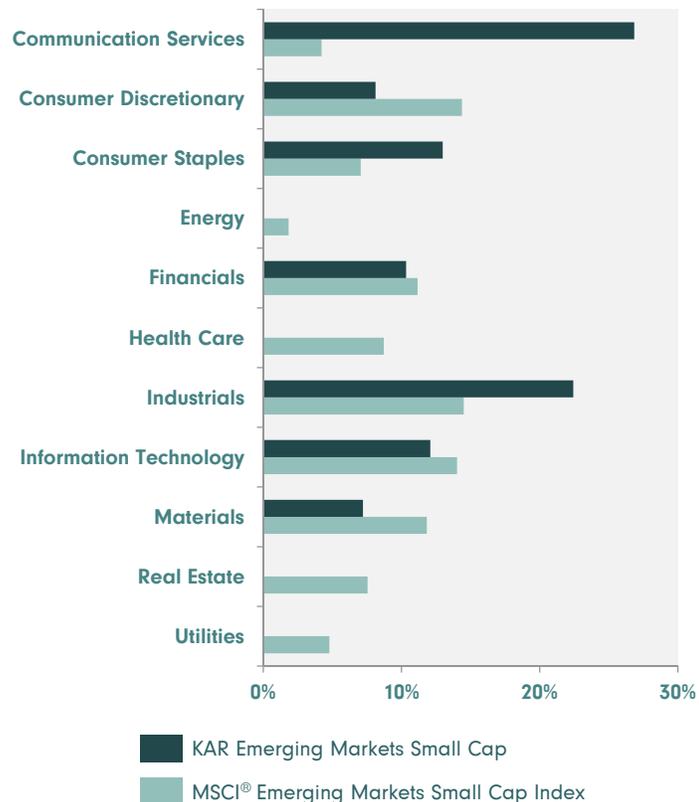
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
400 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 	30-60 Stocks Position Weights <ul style="list-style-type: none"> Average position size is 1% to 5% Max initial position size is 5% (cost) Max position size is 10% (market) Sector and Geographic Tolerances <ul style="list-style-type: none"> Benchmark agnostic but seek broad diversification 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 Typical cash position less than 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 Emerging Markets Small Cap	MSCI® Emerging Markets Small Cap Index
Quality		
Return on Equity—Past 5 Years	21.3%	11.3%
Total Debt/EBITDA	0.8 x	4.2 x
Interest Expense Coverage	6.8 x	2.5 x
Growth		
Earnings Per Share Growth—Past 5 Years	17.2%	9.4%
Earnings Per Share Growth—Past 10 Years	10.5%	8.7%
Dividend Per Share Growth—Past 5 Years	11.6%	10.3%
Dividend Per Share Growth—Past 10 Years	11.5%	8.7%
Value		
P/E Ratio—Trailing 12 Months	15.8 x	14.7 x
Dividend Yield	2.9%	2.8%
Market Characteristics		
\$ Weighted Average Market Cap	\$1.9 B	\$1.1 B
Largest Market Cap	\$9.2 B	\$2.4 B

Data is obtained from 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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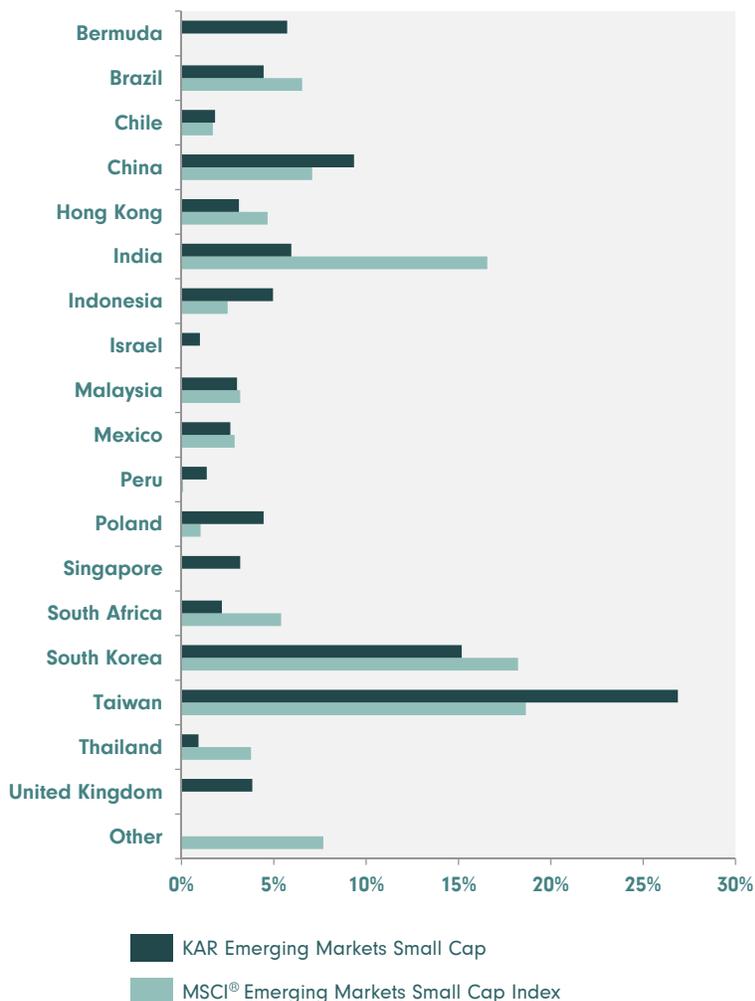
Top 10 Holdings

As of December 31, 2018

Company	Country	Percent of equity (%)
Vostok New Ventures	Bermuda	5.6
Cafe24	South Korea	4.4
ADDCN Technology	Taiwan	4.3
Auto Trader Group	United Kingdom	3.7
Autohome	China	3.7
PT Sarana Menara Nusantara	Indonesia	3.6
SINA	China	3.6
Taisun International	Taiwan	3.4
CARE Ratings	India	3.4
SEA	Singapore	3.1
Total		38.7

Country Exposure

As of December 31, 2018



Historical Returns

	KAR Emerging Markets Small Cap (gross)	KAR Emerging Markets Small Cap (net) [†]	MSCI [®] Emerging Markets Small Cap Index
Annualized Returns (%)[†]			
As of December 31, 2018			
4 th Quarter	(5.50)	(5.74)	(7.17)
One Year	(3.82)	(4.78)	(18.59)
Three Years	14.91	13.78	3.68
Inception*	5.43	4.38	0.95
Annual Returns (%)			
2018	(3.82)	(4.78)	(18.59)
2017	33.20	31.90	33.84
2016	18.45	17.28	2.28
2015	(16.02)	(16.84)	(6.85)
2014	2.20	1.16	1.01

*January 1, 2014

[†]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. 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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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 all fully discretionary institutional and pooled Emerging Markets

Small Cap Portfolios. Emerging Markets Small Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® Emerging Markets Small Cap 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 MSCI® Emerging Markets Small Cap Index (net). The MSCI® Emerging Markets Small Cap Index is a market capitalization-weighted index of small-capitalization stocks from countries defined as Emerging Markets in the MSCI® Global Investable Market Indices Universe, excluding U.S. companies. The index is calculated on a total-return basis with dividends reinvested, net of withholding taxes. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2014. 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: 1.00% for the first \$100 million; 0.90% 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 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, 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 2016 because 36 monthly composite returns are not available.

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2016	15.00	14.54
2017	14.07	14.57

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® Emerging Markets Small Cap Index (net) Annual Return (%)	Internal Dispersion
2014	7,989	5	< 5	2.20	1.16	1.01	N/A
2015	8,095	4	< 5	(16.02)	(16.84)	(6.85)	N/A
2016	9,989	5	< 5	18.45	17.28	2.28	N/A
2017	14,609	14	< 5	33.20	31.90	33.84	N/A

The MSCI® Emerging Markets Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..