

## Global Dividend Yield Portfolio

Second Quarter 2019

### Portfolio Review

The Global Dividend Yield portfolio slightly outperformed the MSCI World High Dividend Yield Index during the second quarter. Performance was driven by good stock selection in the industrials and utilities sectors. An overweight in real estate and energy detracted from performance during the quarter.

The biggest contributors to performance during the quarter were Watsco and Zurich Insurance Group.

- Following a period of below trend growth, Watsco appears to have stabilized and prospects for the company's main selling season appear firm.
- Zurich's results have become much more consistent over the past several years and the P&C (property and casualty) market environment is favorable today. The company remains well capitalized and recently increased the dividend by 6%.

The biggest detractors from the portfolio were Vermilion Energy and Realty Income.

- Lower energy prices contributed to Vermilion Energy's weak stock performance. Production targets are being met and cash flow remains strong, but results have come in somewhat below expectations and capital spending has been somewhat higher than expected.
- After a strong period of outperformance in late 2018 and early 2019, Realty Income and similar real estate stocks took a bit of a breather in the second quarter.

### Purchases and Sales

During the quarter, there were no new purchases and we sold ABB during the quarter.

- ABB has produced steady results over the years, but has struggled to live up to its potential. Management was in the process of divesting underperforming businesses, integrating newly acquired businesses and restructuring and re-aligning existing businesses when the CEO, who had spearheaded these changes, stepped down. Given all of the heavy lifting involved in getting the businesses to live up to their potential and the turmoil related to the sudden departure of a CEO, we became concerned about the company's ability to successfully manage this transition and to also maintain the dividend at its current level. As a result, we sold our shares.

### Outlook

Corporate growth rates in the U.S. grew modestly in the first quarter and we still believe S&P 500 earnings can advance in the mid single-digit range in 2019. Investors weren't rewarded for outstanding earnings growth in 2018 (+20% growth) with the S&P 500 declining over 4%. Corporate margins have not fallen apart in 2019 and this has caused stock returns to catch up to actual earnings growth. Returns from here will be driven by prospects for continued earnings growth into 2020.

### Portfolio Highlights

**Style:** Large Cap  
**Index:** MSCI® World High Dividend Yield Index  
**Portfolio Turnover:** 25%–35%  
**Number of Holdings:** 25–50

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	33
<b>Richard Sherry, CFA</b> Portfolio Manager + Senior Research Analyst	21
<b>Chris Armbruster, CFA</b> Research Analyst	14
<b>Noran Eid</b> Research Analyst	6

### Top 10 Holdings

As of June 30, 2019

Company	Percent of equity (%)
Zurich Insurance Group	5.3
BCE	5.2
Watsco	4.8
Lamar Advertising Company	4.6
GlaxoSmithKline	4.6
Spark New Zealand	3.9
Crown Castle International	3.9
Fortis	3.8
Royal Dutch Shell	3.8
AT&T	3.7
<b>Total</b>	<b>43.7</b>

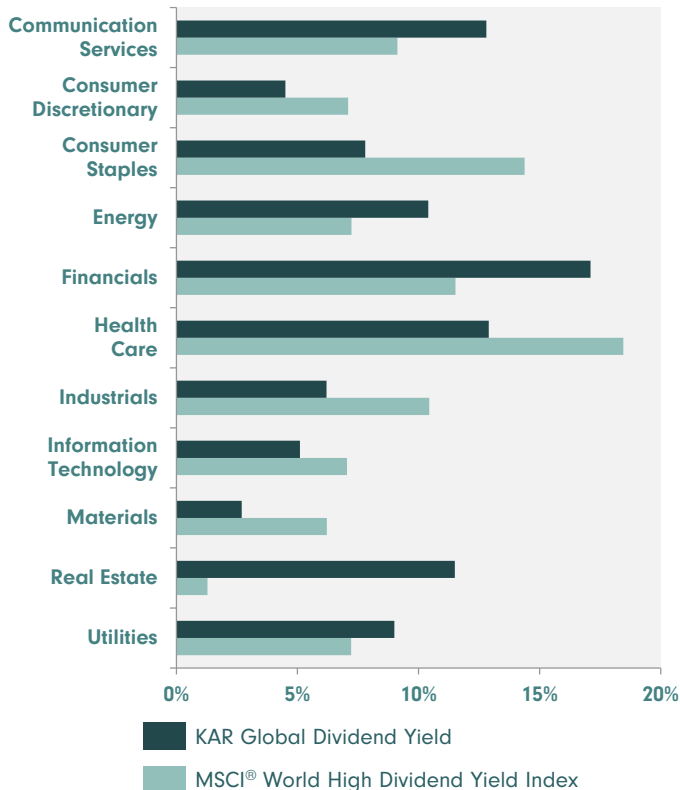
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<p><b>KAR Universe</b></p> <p><b>Typical Quantitative Screens</b></p> <ul style="list-style-type: none"> <li>Investment-grade balance sheet</li> <li>Market cap &gt; \$1.0 billion</li> <li>5-year average ROE &gt; 7.5%</li> <li>No dividend cut last five years</li> </ul> <p><b>Other Resources</b></p> <ul style="list-style-type: none"> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul>	<p><b>Qualitative Analysis</b></p> <ul style="list-style-type: none"> <li>Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market</li> </ul> <p><b>Financial Analysis</b></p> <ul style="list-style-type: none"> <li>Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <p><b>Valuation Analysis</b></p> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<p><b>25-50 Stocks</b></p> <p><b>Position Weights</b></p> <ul style="list-style-type: none"> <li>Typically 1%-5%</li> <li>Max position size is 10% (market)</li> </ul> <p><b>Sector Tolerances</b></p> <ul style="list-style-type: none"> <li>Typically +/- 15% of the Russell Developed Large Cap Index, utilizing GICS sector classifications</li> </ul> <p><b>Holding Period</b></p> <ul style="list-style-type: none"> <li>Typically 3-to-5 years, but is often longer</li> <li>Portfolio turnover is typically 25% to 35%</li> </ul> <p><b>Cash Levels</b></p> <ul style="list-style-type: none"> <li>Typically will not exceed 10% once a portfolio is fully invested</li> </ul>	<p><b>Potential dividend cut</b></p> <p><b>Balance sheet deterioration</b></p> <p><b>Inability to cover dividend via internal cash generation over medium-to-long term</b></p>
Higher Quality   Stronger, More Consistent Growth   Better Value			

## Sector Diversification

As of June 30, 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.

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## Portfolio Characteristics

As of June 30, 2019

	KAR Global Dividend Yield	MSCI® World High Dividend Yield Index
<b>Quality</b>		
Return on Equity—Past 5 Years	16.0%	16.7%
Debt Coverage	5.1 x	6.0 x
Dividend Variability—Past 10 Years	1.7%	9.3%
<b>Growth</b>		
Dividend Payout Ratio—5 Year Average	85.2%	60.5%
Dividend Per Share Growth—Past 5 Years	7.8%	7.8%
<b>Value</b>		
Dividend Yield	4.1%	4.0%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$80.7 B	\$109.4 B
Largest Market Cap	\$264.4 B	\$324.4 B
Beta—Since Inception*	0.79	1.00

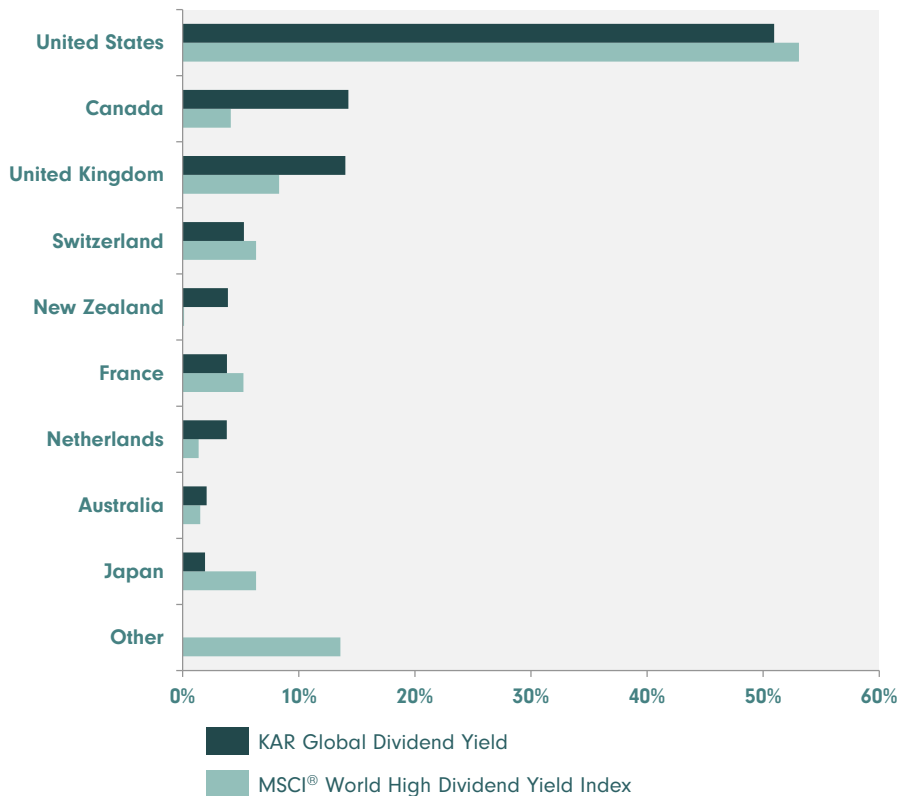
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

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Second Quarter 2019

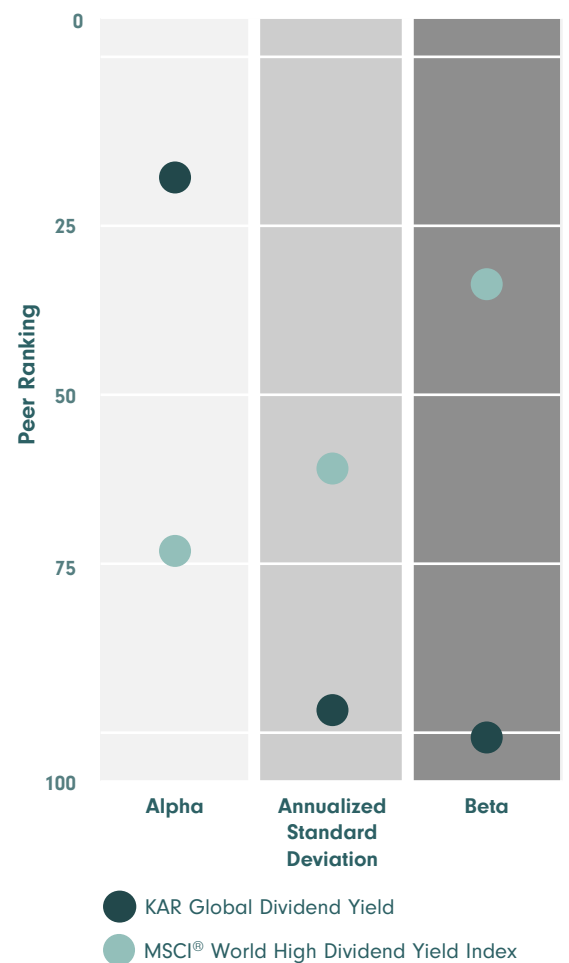
## Geographical Exposure

As of June 30, 2019



## Peer Comparison Chart

Inception\* to June 30, 2019



## Historical Returns

	KAR Global Dividend Yield (gross)	KAR Global Dividend Yield (net) <sup>†</sup>	MSCI World High Dividend Yield Index
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### Annualized Returns (%)<sup>†</sup>

As of June 30, 2019

2 <sup>nd</sup> Quarter	3.75	3.49	3.10
Year to Date	14.32	13.76	13.75
One Year	11.22	10.12	8.82
Three Years	7.89	6.82	8.31
Five Years	6.41	5.35	4.51
Seven Years	9.85	8.76	8.62
Inception*	10.40	9.31	8.49

### Annual Returns (%)

2018	(4.13)	(5.09)	(7.56)
2017	14.57	13.44	18.14
2016	12.22	11.11	9.29
2015	(3.51)	(4.47)	(3.20)
2014	12.36	11.25	2.48
2013	22.35	21.16	21.91
2012	12.36	11.25	12.24

\*January 1, 2012

<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

<sup>†</sup>Net of all fees and expenses. Assumes a 1.0% 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 Global Dividend Yield Universe includes all managers categorized in the global dividend focus 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, 2019

	KAR Global Dividend Yield	MSCI World High Dividend Yield Index
Annualized Return	10.40	8.49
Annualized Standard Deviation	9.11	10.63
Alpha	3.37	0.00
Beta	0.79	1.00
Sharpe Ratio	1.08	0.75
R-Squared	85.00	100.00

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Second Quarter 2019

### 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, 2018. 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 Global Dividend Yield Portfolios. Global Dividend Yield Portfolios are invested in globally diversified securities of high-quality, mature companies with high dividend yields. For comparison purposes, the

composite is measured against the MSCI® World High Dividend Yield Index. The MSCI® World High Dividend Yield Index is designed to reflect the performance in the MSCI® World Index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The benchmark was changed retroactively effective January 2019, as the previous benchmark was discontinued December 2018. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

This composite contained 100% non-fee-paying portfolios as of December 31, 2012, 60% non-fee-paying portfolios as of December 31, 2013, 4% non-fee-paying portfolios as of December 31, 2014, 2% non-fee-paying portfolios as of December 31, 2015 and < 1% non-fee-paying portfolios as of December 31, 2016, December 31, 2017 and December 31, 2018.

The standard Wealth Advisory management fee schedule currently in effect for standalone strategies is as follows: 1.00% for all assets. 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, 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 2014 because 36 monthly composite returns are not available.

#### 3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2014	8.95	10.59
2015	10.15	11.32
2016	9.32	10.61
2017	8.00	9.59
2018	8.23	9.14

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® World High Dividend Yield Index (net) Return (%)	Internal Dispersion
2012	6545	< 1	< 5	12.36	11.25	12.24	N/A
2013	7841	1.8	5	22.35	21.16	21.91	N/A
2014	7989	14	24	12.36	11.25	2.48	0.29
2015	8095	33	44	(3.51)	(4.47)	(3.20)	0.82
2016	9989	332	61	12.22	11.11	9.29	0.82
2017	14609	128	221	14.57	13.44	18.14	0.38
2018	17840	111	234	(4.13)	(5.09)	(7.56)	0.47

The MSCI® World High Dividend Yield Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc.