

## Global Dividend Yield Portfolio

Third Quarter 2018

### Portfolio Review

The Global Dividend Yield portfolio underperformed the Russell Global Large Cap Developed Index during the quarter. Weak stock selection in consumer discretionary and an underweight in information technology detracted from performance. Losses were partially offset by strong stock selection in real estate and financials.

Holdings that contributed the most to performance were Scor SE and Lamar Advertising.

- In August, Scor turned down an offer to be acquired by Covea, a French mutual insurance company. The takeover offer sent Scor's shares up meaningfully. Covea remains interested in getting together with Scor in order to form a large French insurance group.
- Lamar saw a nice pickup in business activity during the quarter, with digital billboards doing particularly well.

Names that detracted the most from performance were Las Vegas Sands and Vermilion Energy.

- Las Vegas Sands shares were negatively affected by concerns about how a slowdown in China's economy and a trade war with the U.S. will impact the company's Macau operations.
- After strong outperformance in the second quarter, Vermilion Energy shares were weaker in the third quarter as results were somewhat below expectations and capital spending this year is expected to be higher than projected.

### Purchases and Sales

There were no new purchases or complete sales this quarter.

### Outlook

A flat Treasury yield curve continues to concern investors, the U.S. and China are locked in an ongoing trade spat, and troubles in emerging markets persist. But uncertainty and volatility in markets are to be expected. While we do pay attention to such factors causing concern, we also remain focused on the economic and business fundamentals. The U.S. appears to be one of the pillars of strength in the global economy today, with third-quarter GDP growth projected to be strong and various sectors continuing to expand. We are committed to investing in high-quality businesses that have a sustainable competitive edge. We believe this is the best long-term protection we can provide in today's environment of heightened market and geopolitical uncertainty.

### Portfolio Highlights

**Style:** Large Cap  
**Index:** Russell Developed Large Cap 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	32
<b>Richard Sherry, CFA</b> Portfolio Manager + Senior Research Analyst	20
<b>Chris Armbruster, CFA</b> Research Analyst	13
<b>Noran Eid</b> Research Analyst	5

### Top 10 Holdings

As of September 30, 2018

Company	Percent of equity (%)
GlaxoSmithKline	4.3
Royal Dutch Shell	4.1
Spark New Zealand	4.1
BCE	3.9
HSBC	3.7
Zurich Insurance Group	3.7
Crown Castle International	3.6
Las Vegas Sands	3.4
Merck & Co.	3.4
Lamar Advertising	3.3
<b>Total</b>	<b>37.5</b>

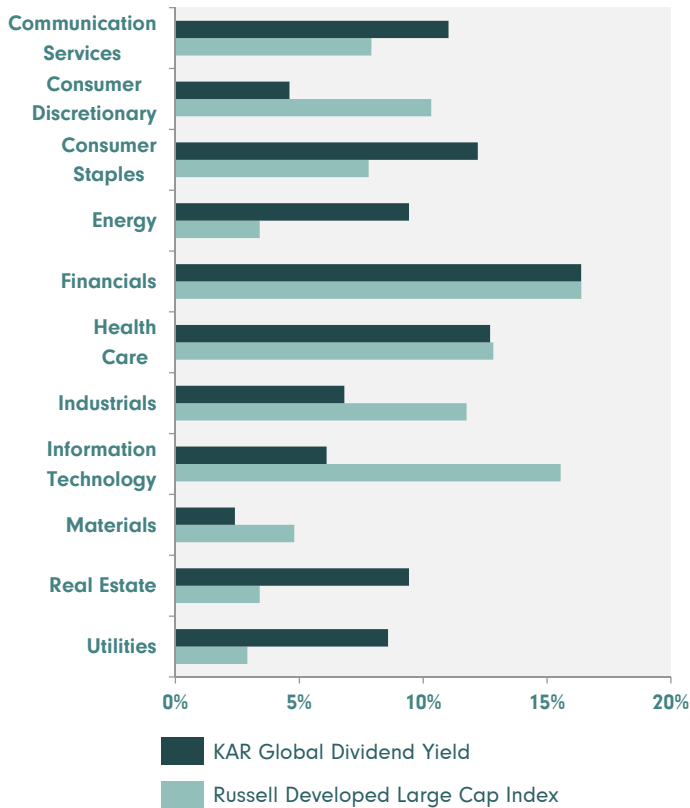
*This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation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

<b>Development of High-Quality Universe</b>	<b>Proprietary Fundamental Research</b>	<b>Portfolio Construction</b>	<b>Sell Discipline</b>
<b>KAR Universe</b> <b>Typical Quantitative Screens</b> <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> <b>Other Resources</b> <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>	<b>Qualitative Analysis</b> <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> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <b>Valuation Analysis</b> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<b>25-50 Stocks</b> <b>Position Weights</b> <ul style="list-style-type: none"> <li>Typically 1%-5%</li> <li>Max position size is 10% (market)</li> </ul> <b>Sector Tolerances</b> <ul style="list-style-type: none"> <li>Typically +/- 15% of the Russell Developed Large Cap Index, utilizing GICS sector classifications</li> </ul> <b>Holding Period</b> <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> <b>Cash Levels</b> <ul style="list-style-type: none"> <li>Typically will not exceed 10% once a portfolio is fully invested</li> </ul>	<b>Potential dividend cut</b> <b>Balance sheet deterioration</b> <b>Inability to cover dividend via internal cash generation over medium-to-long term</b>
<b>Higher Quality   Stronger, More Consistent Growth   Better Value</b>			

## Sector Diversification

As of September 30, 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.

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## Portfolio Characteristics

As of September 30, 2018

	KAR Global Dividend Yield	Russell Developed Large Cap Index
<b>Quality</b>		
Return on Equity—Past 5 Years	14.8%	15.5%
Total Debt/EBITDA	4.5 x	4.2 x
Earnings Variability—Past 10 Years	38.8%	43.5%
<b>Growth</b>		
Dividend Per Share Growth—Past 10 Years	4.5%	8.9%
Dividend Payout Ratio—5 Year Average	83.5%	41.4%
Dividend Yield	4.2%	2.3%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	20.0 x	20.0 x
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$81.5 B	\$160.2 B
Largest Market Cap	\$283.0 B	\$1090.3 B

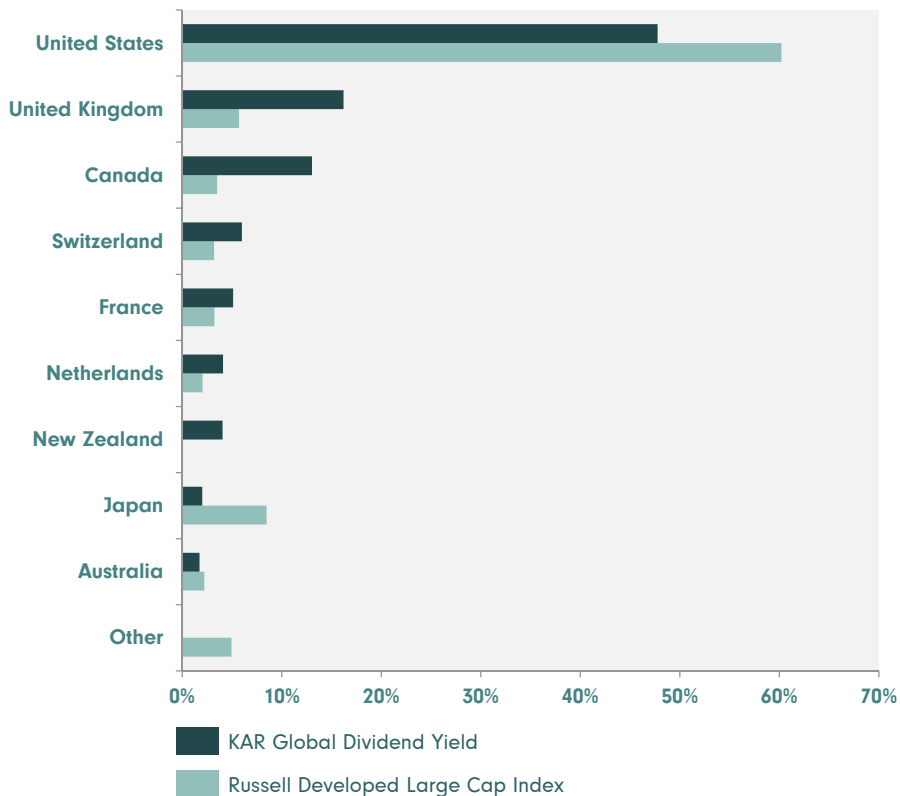
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

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Third Quarter 2018

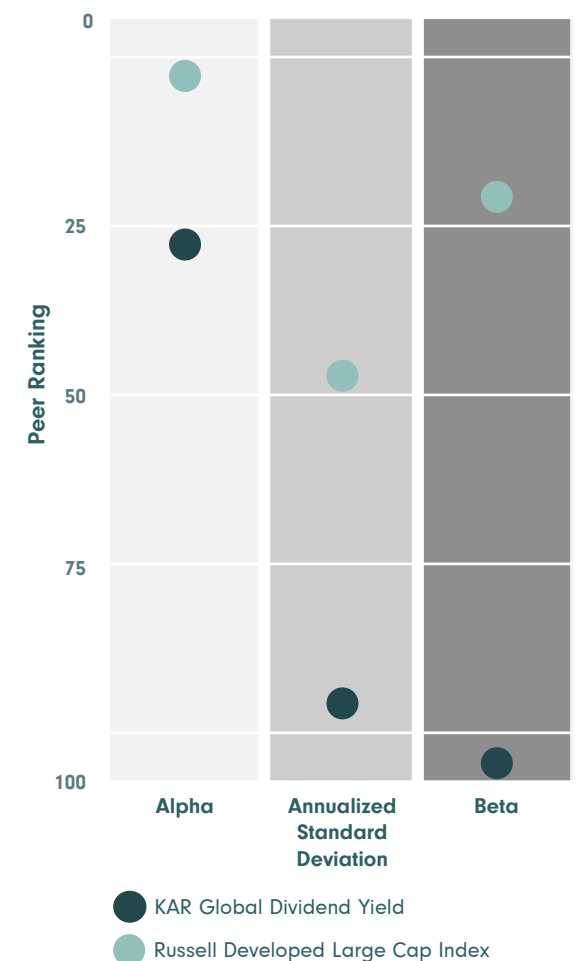
## Geographical Exposure

As of September 30, 2018



## Peer Comparison Chart

Inception\* to September 30, 2018



## Historical Returns

	KAR Global Dividend Yield (gross)	KAR Global Dividend Yield (net) <sup>†</sup>	Blended Index <sup>§</sup>	Russell Developed Large Cap Index
<b>Annualized Returns (%)<sup>†</sup></b>				
As of September 30, 2018				
3 <sup>rd</sup> Quarter	3.34	3.09	2.92	4.88
Year to Date	1.83	1.07	2.62	5.38
One Year	5.49	4.44	6.20	11.27
Three Years	10.43	9.34	8.63	13.57
Five Years	8.44	7.37	6.58	9.40
Inception*	10.41	9.32	7.99	11.97
<b>Annual Returns (%)</b>				
2017	14.57	13.44	14.59	22.51
2016	12.22	11.11	5.82	7.70
2015	(3.51)	(4.47)	(0.07)	(0.87)
2014	12.36	11.25	5.56	5.16
2013	22.35	21.16	14.84	27.38
2012	12.36	11.25	11.48	16.16

\*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.

<sup>§</sup>Blended Index consists of 60% Russell Developed Large Cap Index and 40% Barclays U.S. Aggregate Bond Index.

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 September 30, 2018

	KAR Global Dividend Yield	Blended Index <sup>§</sup>	Russell Developed Large Cap Index
Annualized Return	10.41	7.99	11.97
Annualized Standard Deviation	8.49	6.18	10.19
Alpha	2.34	0.67	0.00
Beta	0.66	0.60	1.00
Sharpe Ratio	1.19	1.24	1.14
R-Squared	62.97	96.90	100.00

## Global Dividend Yield Portfolio

Third 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 Global Dividend Yield Portfolios. Global Dividend Yield Portfolios are

invested in globally diversified securities of high-quality, mature companies with high dividend yields with market capitalizations consistent with the Russell Developed Large Cap Index. For comparison purposes, the composite is measured against the Russell Developed Large Cap Index. The Russell Developed Large Cap Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment in the developed world and is completely reconstituted annually to accurately reflect the changes in the market over time. 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.

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	10.43
2015		10.15	10.94
2016		9.32	11.07
2017		8.00	10.35

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Developed Large Cap Index Annual Return (%)	Internal Dispersion
2012	6545	< 1	< 5	12.36	11.25	16.16	N/A
2013	7841	1.8	5	22.35	21.16	27.38	N/A
2014	7989	14	24	12.36	11.25	5.16	0.29
2015	8095	33	44	(3.51)	(4.47)	(0.87)	0.82
2016	9989	332	61	12.22	11.11	7.70	0.82
2017	14,609	128	221	14.57	13.44	22.51	0.38

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