

## International Small Cap Portfolio

Second Quarter 2019

### Market Review

Global equity markets continued to move higher in the second quarter of 2019. The MSCI All Country World ex. U.S. Small Cap Index advanced 1.21% during the quarter, bringing the year-to-date return to 11.60%. Interestingly, the gains in equities around the world were achieved despite a macroeconomic backdrop that was mostly negative. Economies across the euro zone have been weakening, ongoing uncertainty related to Brexit continues and trade tensions between the U.S. and China showed no signs of abating. Expectations for increasingly accommodative monetary policy from central banks around the world may explain this apparent inconsistency.

Returns by geography and sector were somewhat mixed during the quarter. Stocks in Asia were weak, with negative returns in Japan, China, South Korea and India. On the other hand, stocks in Europe generally had positive returns. The information technology sector had the highest returns in the quarter. Utilities and real estate had strong performance as well, responding positively to lower interest rates. The worst performing sectors were energy and consumer staples.

### Portfolio Overview

The International Small Cap portfolio outperformed the MSCI All Country World ex. U.S. Small Cap Index during the quarter.

Each of our top 3 contributors to performance for the second quarter—en-japan, REA Group and Douzone Bizon—were among our largest detractors in the first quarter. This, in part, explains why we don't place too much emphasis on quarterly performance.

- En-japan operates one of the leading job board platforms in Japan. In the first quarter, there were fears about slowing industry growth and the shares declined. More recently, investors have started to focus on a new product called Engage, which helps small and mid-sized enterprises with their recruiting efforts. The product already has over 200,000 subscribers and analysts are now gaining more confidence that this will boost the company's growth prospects.
- Coincidentally, the story is virtually identical with Douzone Bizon, a Korean software company that specializes in accounting and enterprise resource planning (ERP) solutions mainly for small and mid-sized businesses. The stock was weak in the first quarter after the company reported slower-than-expected growth in their most recent earnings results. Recently, investors have been getting more excited about a new product called Wehago, again targeting smaller enterprises, and there is some excitement about the potential for this product.
- REA is the largest online property portal in Australia. Earlier this year the shares suffered as many were worried about the impact of a difficult real estate environment on their results. When REA did report earnings, the decline in real estate listings and transactions in Australia recently has had an impact, but the company is still showing healthy growth and the market had a favorable reaction.

On the negative side, our largest detractor from performance was Cafe24, a company that helps small businesses conduct e-commerce in South Korea. The company delivered quarterly results that were significantly below market and our expectations as they ramped up spending on a number of initiatives. The results and discussions with management caused us to re-evaluate our assumptions for the long-term profitability of the company and, as a result, we exited our position.

Two other detractors, Autohome and SINA, are both companies based in China. Autohome is the largest online destination for automotive research in China, and SINA's largest asset is their stake in Weibo, one of the largest social networking platforms in China. In each case there are significant macroeconomic fears. Auto sales have been declining quite substantially recently and advertising spending has been negatively impacted by the slowing economy in China as well. We continue to believe the long-term prospects for each company are excellent.

### Purchases and Sales

New Purchases	Complete Sales
HeadHunter Group	Cafe24
Marklines	SH Kelkar
Scout24	Win-Partners

*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.*

### Portfolio Highlights

**Style:** Small Cap  
**Index:** MSCI® ACWI ex. U.S. Small Cap Index  
**Portfolio Inception:** 2012  
**Portfolio Assets:** \$1,603.5 M  
**Portfolio Turnover:** 25%–35%  
**Number of Holdings:** 40–50

### 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® ACWI ex. U.S. 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
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	33
<b>Craig Thrasher, CFA</b> Portfolio Manager + Senior Research Analyst	15
<b>Hyung Kim</b> Portfolio Manager + Senior Research Analyst	15
<b>Ekaterina V. Advena</b> Research Analyst	10
<b>David Forward</b> Research Analyst	5

### Top 10 Holdings

As of June 30, 2019

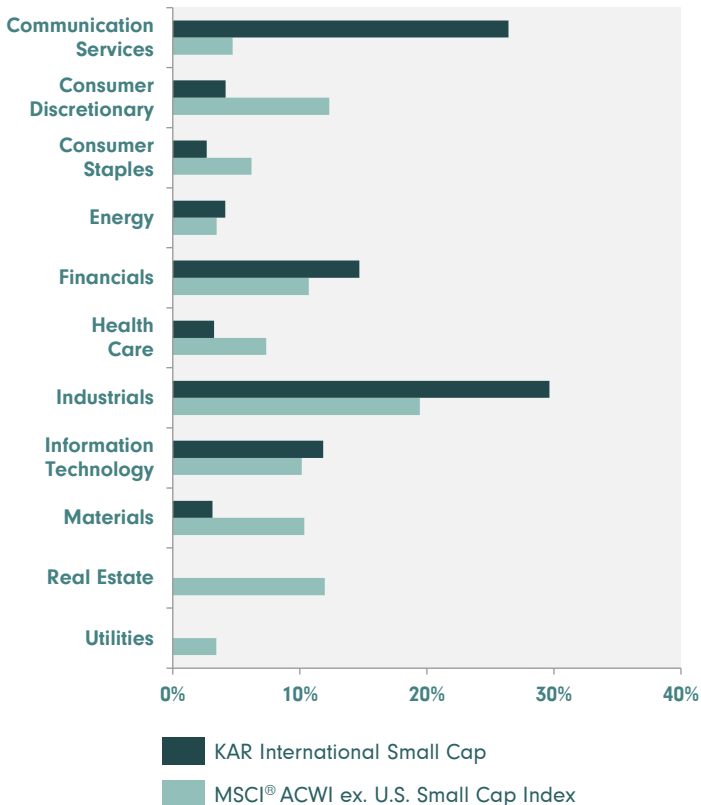
Company	Country	Percent of equity (%)
Headhunter Group	Russian Federation	4.8
Rightmove	United Kingdom	4.8
Vostok New Ventures	Sweden	4.3
WABCO Holdings	United States	3.9
Auto Trader	United Kingdom	3.8
Alten	France	3.7
Ascential	United Kingdom	3.6
Mortgage Advice Bureau	United Kingdom	3.4
Haw Par	Singapore	3.2
Bouvet	Norway	2.9
<b>Total</b>		<b>38.6</b>

## 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>400 Stocks</b> <b>Quantitative Screens</b> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</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>100–120 Stocks</b> <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>30–60 Stocks</b> <b>Position Weights</b> <ul style="list-style-type: none"> <li>Average position size is typically 1% to 5%</li> <li>Max initial position size is 5% (cost)</li> <li>Max position size is 10% (market)</li> </ul> <b>Sector and Geographic Tolerances</b> <ul style="list-style-type: none"> <li>Benchmark agnostic but seek broad diversification</li> </ul> <b>Holding Period</b> <ul style="list-style-type: none"> <li>Typically 3-to-5 years</li> <li>Portfolio turnover is typically 25% to 35%</li> </ul> <b>Cash Levels</b> <ul style="list-style-type: none"> <li>Fully Invested</li> <li>Typical cash position less than 10%</li> </ul>	<b>Extended Valuation</b> <b>Portfolio Upgrade</b> <b>Diversification Requirements</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>
<b>Higher Quality   Stronger, More Consistent Growth   Better Value</b>			

## 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.

## Portfolio Characteristics

As of June 30, 2019

	KAR International Small Cap	MSCI® ACWI ex. U.S. Small Cap Index
<b>Quality</b>		
Return on Equity—Past 5 Years	26.8%	11.4%
Total Debt/EBITDA	1.0 x	4.5 x
Interest Expense Coverage	0.7 x	2.0 x
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	20.1%	12.1%
Earnings Per Share Growth—Past 10 Years	12.7%	10.0%
Dividend Per Share Growth—Past 5 Years	13.6%	11.7%
Dividend Per Share Growth—Past 10 Years	11.7%	8.5%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	21.3 x	17.4 x
Dividend Yield	2.6%	2.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$2.5 B	\$2.2 B
Largest Market Cap	\$10.1 B	\$7.1 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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Second Quarter 2019

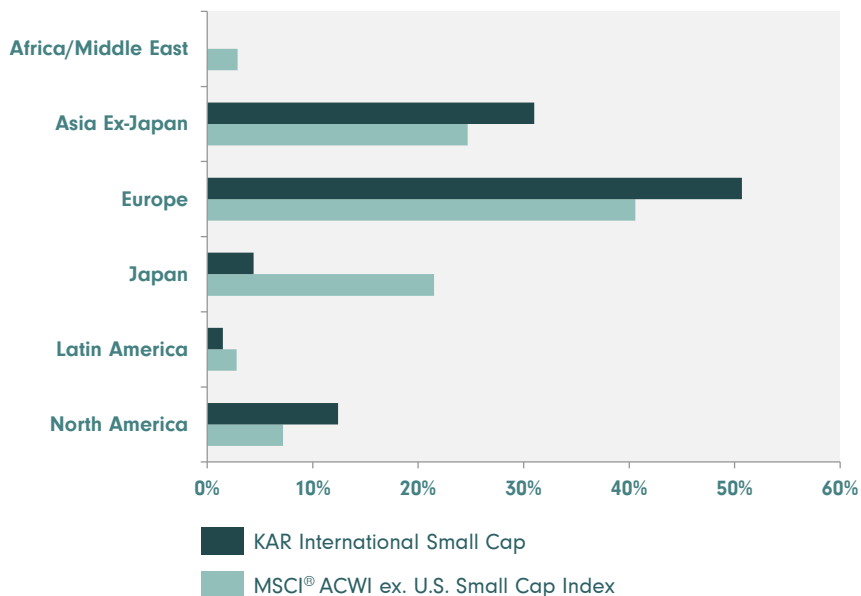
## Developed vs. Emerging Markets

As of June 30, 2019

	Percent of equity (%)
Developed Markets	77.1
Emerging Markets	22.9
<b>Total</b>	<b>100.0</b>

## Geographical Exposure

As of June 30, 2019



## Historical Returns

	KAR International Small Cap (gross)	KAR International Small Cap (net) <sup>†</sup>	MSCI ACWI ex. U.S. Small Cap Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of June 30, 2019			
2 <sup>nd</sup> Quarter	2.95	2.70	1.21
Year to Date	15.54	14.98	11.60
One Year	0.71	(0.29)	(5.94)
Three Years	17.93	16.78	7.76
Five Years	9.31	8.24	2.77
Seven Years	14.37	13.25	7.66
Inception*	14.88	13.76	7.70
<b>Annual Returns (%)</b>			
2018	(5.33)	(6.28)	(18.20)
2017	30.29	29.02	31.65
2016	22.81	21.61	3.91
2015	(0.28)	(1.25)	2.60
2014	(1.92)	(2.91)	(4.03)
2013	32.42	31.16	19.73
2012	24.87	23.66	18.52

\*January 1, 2012

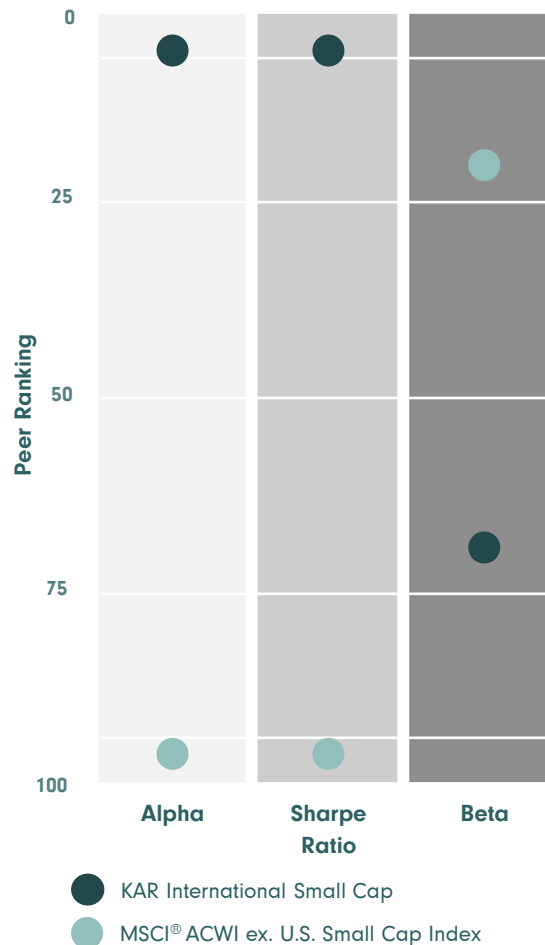
<sup>†</sup>All periods less than one year are total returns and are not annualized. Returns are preliminary.

<sup>†</sup>Net of all fees and expenses. Assumes a 1% 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 ACWI ex. U.S. Small Cap Universe includes all managers categorized in the ACWI ex. U.S. small cap 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.

## Peer Comparison Chart

Inception\* to June 30, 2019



## Performance Statistics

Inception\* to June 30, 2019

	KAR International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Annualized Return	14.88	7.70
Alpha	7.61	0.00
Upside Capture %	118.01	100.00
Sharpe Ratio	1.16	0.55
Information Ratio	1.40	N/A
Beta	0.88	1.00
Downside Capture %	65.57	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, 2018.

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. The International Small Cap Composite has been examined for the period from January 1, 2012 through December 31, 2018. The verification and performance examination reports are available upon request.

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 International Small Cap Portfolios. International Small Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® ACWI ex.

U.S.A. 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® ACWI ex U.S.A. Small Cap Index (net). The MSCI® ACWI ex. U.S.A. Small Cap Index is a market capitalization-weighted index of small-capitalization stocks of 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 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The composite contained 100% non-fee-paying portfolios as of December 31, 2012, 12% non-fee-paying portfolios as of December 31, 2013, 12% non-fee-paying portfolios as of December 31, 2014, 7% non-fee-paying portfolios as of December 31, 2015 and December 31, 2016, 1.5% non-fee-paying portfolios as of December 31, 2017, and < 1% non-fee-paying portfolios as of December 31, 2018.

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 net 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 2014 because 36 monthly composite returns are not available.

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

	December 31	Composite	Benchmark
2014		11.99	13.33
2015		12.02	11.49
2016		13.26	12.31
2017		13.01	11.69
2018		12.39	12.52

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® ACWI ex. U.S. Small Cap Index (net) Annual Return (%)	Internal Dispersion
2012	6,545	4	< 5	24.87	23.66	18.52	N/A
2013	7,841	43	< 5	32.42	31.16	19.73	N/A
2014	7,989	42	< 5	(1.92)	(2.91)	(4.03)	N/A
2015	8,095	46	< 5	(0.28)	(1.25)	2.60	N/A
2016	9,989	55	< 5	22.81	21.61	3.91	N/A
2017	14,609	324	< 5	30.29	29.02	31.65	N/A
2018	17,840	905	< 5	(5.33)	(6.28)	(18.20)	N/A

The MSCI® ACWI ex. U.S. Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..