

International Small Cap Portfolio

Fourth Quarter 2018

Market Review

The MSCI® All Country World ex. U.S. Small Cap Index declined 14.4% in the fourth quarter of 2018, bringing the decline for the year to 18.2%. Equity markets around the world experienced a dramatic change in sentiment in the latter half of 2018. In 2017 and early 2018, investors were enamored with the so-called “synchronized global growth” story, upon which equity markets rallied strongly. In the latter part of 2018, greed turned to fear as investors began to focus on slowing global growth, increasing trade tensions, and tightening monetary conditions. The result was a significant correction in global equity markets.

The selloff in the fourth quarter was broad-based with substantial declines in virtually all major markets and sectors. Brazil was a notable exception as stocks in that country benefitted from an economy that is starting to recover from a major financial and political crisis. The election of an administration that is seen as more business friendly also helped the country’s stock-market performance. After a period of recent underperformance, emerging markets overall substantially outperformed developed markets during the fourth quarter.

Portfolio Overview

The International Small Cap portfolio outperformed the MSCI® All Country World ex. U.S. Small Cap Index during the quarter and for the year. Given the more defensive nature of our holdings, we typically expect our portfolio to outperform the benchmark in volatile or down markets.

Our top three contributors for 2018 were all in the online classifieds space. Autohome operates the largest online automotive information destination in China. The stock has been our top contributor to performance over the last two years as the company has posted consistently strong results. For the first nine months of 2018, revenues, operating income, and earnings per share all grew more than 30%.

Auto Trader operates the largest online automotive classifieds marketplace in the United Kingdom. The stock was one of our largest detractors in 2017 as investors were concerned about the negative impact on the business from declining car sales. As the company has demonstrated the ability to grow steadily despite the difficult macro environment, investors have responded favorably, and the valuation has rebounded.

Scout 24 operates the leading online real estate portal in Germany. The company saw its shares rally in the fourth quarter thanks to excellent earnings results and reports that the company is exploring a sale to a private equity investor.

Our largest detractor from performance in 2018 was SINA. SINA’s largest asset by far is its controlling stake in Weibo, one of the largest social media platforms in China. Sentiment on SINA has turned quite negative recently due to concerns over the negative impact on advertising spending from a slowing Chinese economy. In addition, Weibo is facing increased competition from newer platforms such as the short video app Douyin. We believe that Weibo will continue to be an indispensable social media destination for users and advertisers and that the current valuation is attractive.

Two other detractors for 2018 are both industrial companies that sell parts to the commercial truck industry. Germany-listed JOST Werke, is the largest maker of fifth wheels and landing gears globally. WABCO, listed in the U.S., is a leading provider of electronic braking, stability, and suspension equipment. As concerns began to mount about the prospects for global growth, investors were less inclined to own economically sensitive stocks, and the shares of both companies declined. As long-term investors, we do not try to time market cycles. Instead, we focus on the competitive position of the companies we own and their long-term prospects. JOST Werke and WABCO have maintained their leading positions in their markets, and we expect them to continue to grow over time.

Purchases and Sales

New Purchases		Complete Sales
Cafe24	Gocompare.com	Money Forward
CARE Ratings	Haitian International Holdings	
Carsales.com	Moneysupermarket.com	
CTS Eventim	Mortgage Advice Bureau	
DVx	Sinmag Equipment	

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: \$897.9 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
Douglas S. Foreman, CFA Chief Investment Officer	32
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	14
Hyung Kim Portfolio Manager + Senior Research Analyst	14
Ekaterina V. Advena Research Analyst	9
David Forward Research Analyst	4

Top 10 Holdings

As of December 31, 2018

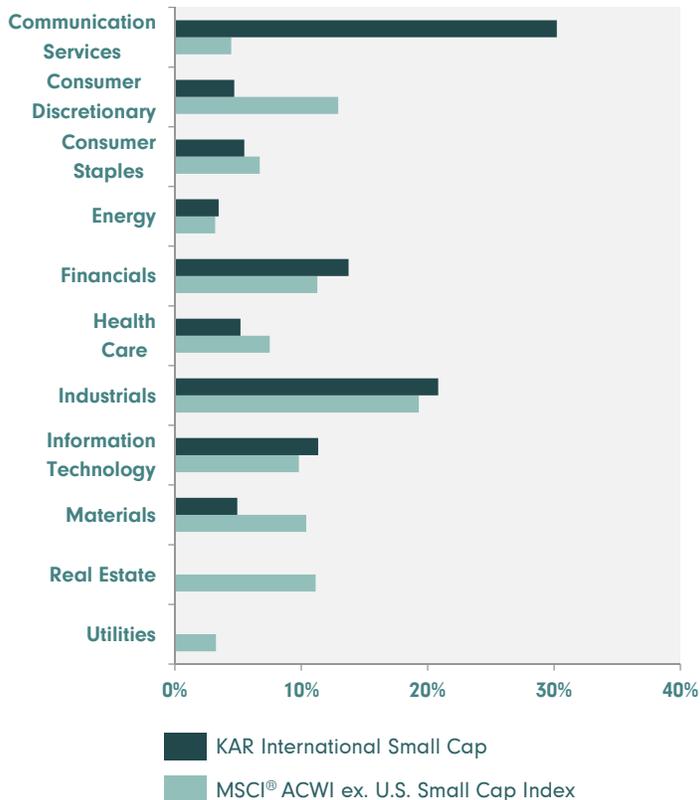
Company	Country	Percent of equity (%)
Vostok New Ventures	Bermuda	5.0
Rightmove	United Kingdom	4.9
Scout24	Germany	4.4
Auto Trader Group	United Kingdom	3.7
WABCO Holdings	United States	3.7
Haw Par	Singapore	3.4
SINA	China	3.3
Sabre Insurance Group	United Kingdom	3.2
Alten	France	3.0
Autohome	China	2.9
Total		37.3

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 typically 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 International Small Cap	MSCI® ACWI ex. U.S. Small Cap Index
Quality		
Return on Equity—Past 5 Years	25.1%	11.0%
Total Debt/EBITDA	1.1 x	4.6 x
Interest Expense Coverage	43.0 x	3.8 x
Growth		
Earnings Per Share Growth—Past 5 Years	18.7%	12.0%
Earnings Per Share Growth—Past 10 Years	12.3%	8.5%
Dividend Per Share Growth—Past 5 Years	12.4%	11.5%
Dividend Per Share Growth—Past 10 Years	13.1%	7.2%
Value		
P/E Ratio—Trailing 12 Months	14.2 x	15.7 x
Dividend Yield	2.7%	2.8%
Market Characteristics		
\$ Weighted Average Market Cap	\$2.1 B	\$2.0 B
Largest Market Cap	\$9.2 B	\$7.9 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.

International Small Cap Portfolio

Fourth Quarter 2018

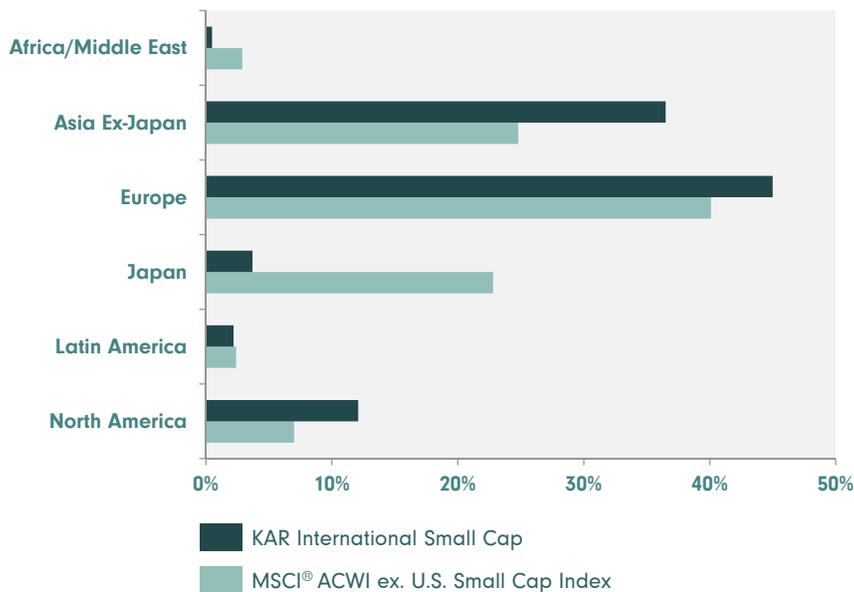
Developed vs. Emerging Markets

As of December 31, 2018

	Percent of equity (%)
Developed Markets	68.6
Emerging Markets	31.4
Total	100.0

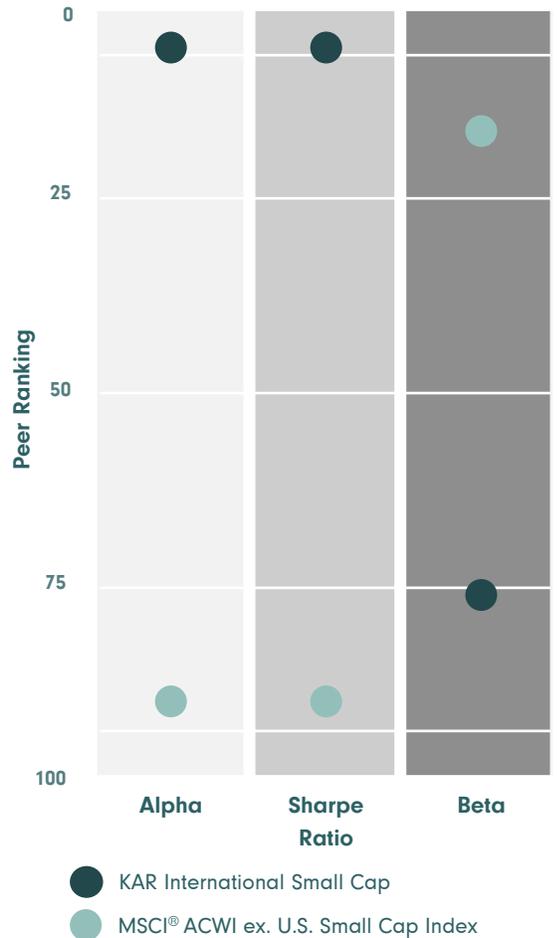
Geographical Exposure

As of December 31, 2018



Peer Comparison Chart

Inception* to December 31, 2018



Historical Returns

	KAR International Small Cap (gross)	KAR International Small Cap (net) [†]	MSCI ACWI ex. U.S. Small Cap Index
Annualized Returns (%)[†]			
As of December 31, 2018			
4 th Quarter	(10.29)	(10.53)	(14.43)
One Year	(5.46)	(6.41)	(18.20)
Three Years	14.79	13.66	3.82
Five Years	8.15	7.08	1.96
Inception*	13.63	12.52	6.59
Annual Returns (%)			
2018	(5.46)	(6.41)	(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

[†]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. 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.

Performance Statistics

Inception* to December 31, 2018

	KAR International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Annualized Return	13.63	6.59
Alpha	7.39	0.00
Upside Capture %	116.50	100.00
Sharpe Ratio	1.07	0.48
Information Ratio	1.35	N/A
Beta	0.89	1.00
Downside Capture %	65.75	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, 2017.

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, 2017. 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, and 1.5% non-fee-paying portfolios as of December 31, 2017.

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

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

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