

Large Cap Quality Value Portfolio

Second Quarter 2019

Portfolio Review

The Large Cap Quality Value portfolio outperformed the Russell 1000 Value Index during the quarter. Performance primarily was driven by strong stock selection in the information technology sector and an underweight in the energy sector. Negative stock selection in consumer discretionary and industrials detracted from performance.

The biggest contributors to performance were Broadridge Financial Solutions and Teradyne.

- Shares of Broadridge Financial have largely recovered from the selloff at the end of 2018 as quarterly results continue to show the company is winning new business and is on track to meet its guidance of growing earnings per share by double-digits in 2019.
- Teradyne's business continues to benefit from its investments in Industrial Automation. System Test also reported very healthy results. These units more than offset weakness in Semi-Conductor Test, which is having a more challenging year, particularly in memory.

The biggest detractors from the portfolio were Bunzl and 3M Company.

- Bunzl reported weakness in Q1 revenue that, while within its long-term guidance, disappointed some investors, particularly after a couple of strong years.
- 3M reported weaker-than-expected revenue growth and operational de-leverage produced disappointing earnings results. Investors also are concerned about potential liability exposure related to the company's manufacture and disposal of certain products (notably foam used to fight fires) which were manufactured according to Department of Defense specifications. Although disappointing, we believe that the company is well positioned to overcome these issues.

Purchases and Sales

We purchased Alcon, Nestle and STERIS and we sold Hormel Food and Koninklijke Philips during the quarter.

Alcon is an eye-care focused company based in Fort Worth, Texas that is being spun off from Novartis, a Swiss based pharmaceutical company. The business operates in two segments: surgical and vision care. The surgical business provides technologies and devices for eye-related surgeries such as cataract, retinal and refractive. The company produces both the capital equipment and any lenses that may be involved in these surgeries. The vision care business is one of the largest manufacturers of contact lenses and lens-care products.

Nestle is a global packaged food and beverage company. The company has a broad product portfolio that makes it a strong partner to its supermarket customers. In addition, Nestle has done a good job of managing consumer preferences in order to remain relevant. Unlike many consumer food companies, it is well positioned to benefit from the current preference among consumers for products that deliver health and wellness attributes. Nestle also has a strong presence in emerging markets, where distribution is very important.

Steris provides sterilization/disinfection services and equipment to companies in the health-care space. The company provides its products and services to hospitals and outpatient centers as well as to medical-device manufacturers and pharmaceutical companies. The company helps its customers to prevent infections which, in turn, keeps their costs down. There are several regulatory barriers which create a barrier to entry and limits low-cost entrants. As a result, the industry is relatively rational and the company has a small degree of pricing power.

Over the past several years, Hormel has done a good job de-commoditizing its business and transitioning towards a business that is led by brands. However, the company is still exposed to commodity input costs and is currently facing several headwinds that we believe may linger for a period of time and, therefore, we sold our position.

Koninklijke Philips is struggling with its transition from an industrial conglomerate to a focused health-care company. We had anticipated that the health-care business would be better positioned to grow and improve margins once the business became more focused on solely being a health-care company. However, the company is struggling on several fronts in terms of achieving its objectives and we, therefore, sold our position.

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
Sub-Style: Value
Index: Russell 1000® Value
Portfolio Inception: 1994
Portfolio Assets: \$492.9 M
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of June 30, 2019

Company	Percent of equity (%)
Travelers	3.8
Honeywell International	3.7
Analog Devices	3.6
Marsh & McLennan	3.6
PNC Financial Services	3.3
Total	17.9

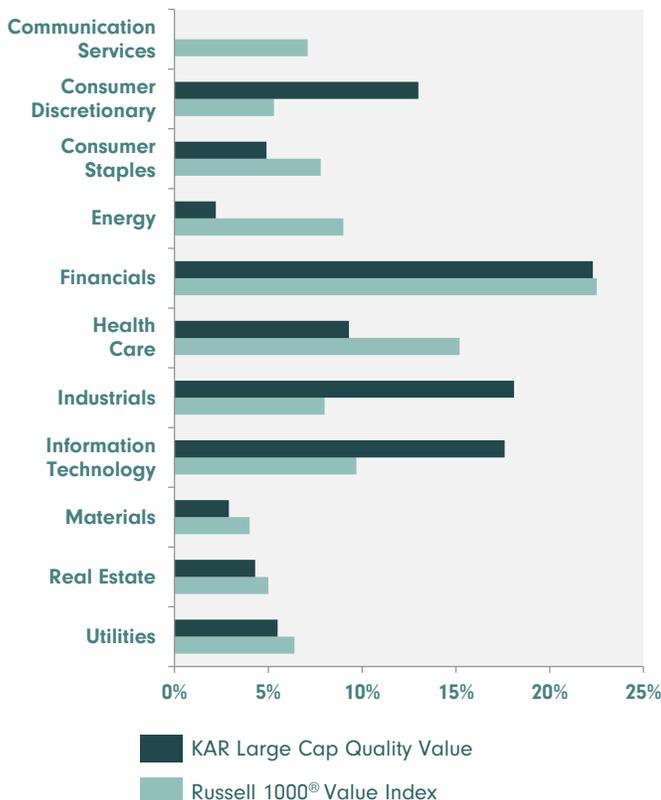
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
200 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 	50–60 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 	25–40 Stocks Position Weights <ul style="list-style-type: none"> Typically 1%–5% Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Typically +/- 10% of the Russell 1000® Value Index, utilizing GICS sector classifications Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested 	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 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 Large Cap Quality Value	Russell 1000® Value Index
Quality		
Return on Equity—Past 5 Years	21.1%	12.5%
Total Debt/EBITDA	2.9 x	6.0 x
Earnings Variability—Past 10 Years	28.8%	46.7%
Growth		
Earnings Per Share Growth—Past 5 Years	10.8%	5.7%
Earnings Per Share Growth—Past 10 Years	9.5%	6.5%
Dividend Per Share Growth—Past 5 Years	11.2%	7.7%
Dividend Per Share Growth—Past 10 Years	12.4%	9.4%
Capital Generation—{ROE x (1-Payout)}	11.2%	6.8%
Value		
P/E Ratio—Trailing 12 Months	22.7 x	19.3 x
Dividend Yield	2.0%	2.6%
Free Cash Flow Yield†	4.1%	4.4%
Market Characteristics		
\$ Weighted Average Market Cap	\$72.5 B	\$130.8 B
Beta*	0.87	1.00
Annualized Standard Deviation—Tenure Period*	13.6%	15.1%

*Period from April 1, 2006 to June 30, 2019. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.
 †Free cash flow data is as of March 31, 2019. Prices are as of June 30, 2019. Excludes financials.
 This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. 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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Risk-Return Analysis

Tenure Period*



Historical Returns

	KAR Large Cap Quality Value (gross)	KAR Large Cap Quality Value (net) [†]	Russell 1000 [®] Value Index
Annualized Returns (%)[†]			
As of June 30, 2019			
2 nd Quarter	5.61	5.43	3.84
Year to Date	20.00	19.60	16.24
One Year	13.22	12.44	8.46
Three Years	12.22	11.44	10.19
Five Years	9.17	8.41	7.46
Seven Years	12.59	11.82	12.09
Ten Years	13.58	12.75	13.19
Inception*	8.38	7.52	6.96
Annual Returns (%)			
2018	(3.90)	(4.57)	(8.27)
2017	18.58	17.76	13.66
2016	10.70	9.93	17.34
2015	(3.09)	(3.76)	(3.83)
2014	13.88	13.07	13.45
2013	29.95	29.07	32.53
2012	13.63	12.85	17.51
2011	1.65	0.96	0.39
2010	14.30	13.19	15.51
2009	26.02	24.79	19.69
2008	(30.58)	(31.31)	(36.85)
2007	1.45	0.44	(0.17)
2006 [§]	14.21	13.37	15.40

Performance Statistics

Tenure Period*

	KAR Large Cap Quality Value	Russell 1000 [®] Value Index
Annualized Return	8.38	6.96
Annualized Standard Deviation	13.56	15.11
Alpha	2.00	0.00
Beta	0.87	1.00
Sharpe Ratio	0.54	0.39
Downside Capture	93.23	100.00
R-Squared	93.89	100.00

*Period from April 1, 2006 to June 30, 2019. This period delineates the period that Richard Sherry, CFA has managed the portfolio as the sole portfolio manager.

[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

[‡]Net of all fees and expenses. Assumes a 0.70% annual fee.

[§]Performance calculations are for the nine months ended December 31, 2006.

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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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 Large Cap Quality Value Composite has been examined for the period from January 1, 1999 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 Large Cap Quality Value Portfolios. Large Cap Quality Value Portfolios are invested in equity securities with market capitalizations consistent with the Russell 1000® Value Index, that have rising free cash flow, rising dividends and or stock repurchases, strong balance sheets and a high relative yield. For comparison

purposes, the composite is measured against the Russell 1000® Value Index. The Russell 1000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises of the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in October 1994. Previously, only institutional accounts were included. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Prior to January 1, 2011, the composite minimum was \$250,000. Prior to January 1, 2011, accounts that experienced a significant cash flow, as defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts.

This composite contained 26% non-fee-paying portfolios as of December 31, 2004, 15% non-fee-paying portfolios as of December 31, 2006, < 1% non-fee-paying portfolios as of each annual period from 2013-2018.

The standard management fee schedule currently in effect is as follows: 0.70% for the first \$10 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; 0.35% 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 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 measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended at the following dates:

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2011	18.19	20.98
2012	14.75	15.73
2013	12.04	12.88
2014	8.95	9.33
2015	11.08	10.83
2016	11.43	10.93
2017	10.44	10.34
2018	10.33	10.98

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 1000® Value Index Annual Return (%)	Internal Dispersion
2009	4,010	11	14	26.02	24.79	19.69	0.20
2010	4,729	6	12	14.30	13.19	15.51	0.29
2011	5,232	63	24	1.65	0.96	0.39	0.21
2012	6,545	177	66	13.63	12.85	17.51	0.50
2013	7,841	183	61	29.95	29.07	32.53	0.34
2014	7,989	218	69	13.88	13.07	13.45	0.28
2015	8,095	197	65	(3.09)	(3.76)	(3.83)	0.27
2016	9,989	209	75	10.70	9.93	17.34	0.27
2017	14,609	465	394	18.58	17.76	13.66	1.29
2018	17,840	385	381	(3.90)	(4.57)	(8.27)	0.50

The Russell 1000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.