

Large Cap Quality Value Portfolio

Fourth Quarter 2018

Portfolio Review

The Large Cap Quality Value portfolio outperformed the Russell 1000® Value Index during the fourth quarter. Performance was helped along by strong stock selection in financials and an underweight in energy. Weak stock selection in health care and an underweight in communication services partially offset the gains.

Stocks that contributed the most to performance in the quarter were Hormel Foods and CME Group. Despite a rough environment for most packaged-food companies, Hormel has done a good job navigating the current environment. The company continues to produce new innovative products that have been well received by shoppers and has positioned itself well for the shift in consumer-shopping behavior from the center of supermarkets to the perimeter. CME shares benefited as interest rate and market volatility led to a strong increase in volume, which could be incrementally very profitable for the company.

Holdings that detracted the most from performance in the quarter were Lowe's and Broadridge Financial Solutions. Lowe's was negatively affected as concerns about a slowing economy and rising interest rates weighed on the shares of housing-related stocks during the quarter. After a very strong start to the year, Broadridge shares were hit by a slight miss to revenue growth and a rotation away from equity market-related stocks. However, we see nothing that changes our long-term positive thesis on Broadridge.

Purchases and Sales

We purchased Diageo, Fidelity National Information Services, Ingersoll-Rand and NextEra Energy. We closed out of British American Tobacco, Core Laboratories, Halliburton and Illinois Tool Works.

Diageo is one of the leading alcoholic beverage producers and distributors globally. Its spirits portfolio has evolved in recent years through the divestment of underperforming brands and greater investment in more attractive segments. Diageo has implemented tighter inventory control and a more consumer-centric approach to marketing and product launch. We believe these efforts have made the business more agile and better positioned to weather a slowdown in demand. Diageo's focus on the fast-growing super-premium whisky category, distribution expansion in China and Latin America, and continued turnaround of its historically underperforming vodka portfolio should result in continued acceleration of revenue growth and increasingly resilient margin expansion.

Fidelity National Information Services is a financial services technology company, which focuses on providing operational software for large retail and global banks. Changing software providers is quite disruptive to banks, and the downside related to a failure is large, which results in low churn. Technology spending by banks remains strong, as the competitive environment they face becomes more difficult. This has resulted in opportunities for Fidelity National Information Services to sell complementary products and services. The company is capital light and produces strong cash flow.

Ingersoll-Rand is a global leader in the heating, ventilation and air conditioning (HVAC) space. The company serves both commercial and residential customers. It also has a leading position in refrigerated transportation and compression technologies. The company has a diversified business mix and generates approximately a third of its revenue from a steady stream of parts and services. As such, the business produces less volatile results than many industrial companies.

NextEra Energy is an energy company with regulated utilities and non-regulated assets in the renewables sector. The company's Florida Power & Light (FPL) segment is involved in the generation, transmission, distribution and sale of electric energy. The company has strong investment opportunities available to improve service and reliability and to provide savings to customers. The company's NextEra Energy Resources business operates extremely cost-competitive wind and solar assets. These assets are supported by long-term power purchase agreements, generally with other utilities. These contracts produce utility-like business results. The company has assets in advantageous locations and anticipates that more efficient batteries and cost declines will continue to drive further penetration of renewable assets.

British American Tobacco has underperformed since we purchased it in June of 2017. The transition from cigarettes to next-generation nicotine products has turned out to be less smooth to the business model of large tobacco companies than we originally anticipated. The cost to acquire and retain customers has turned out to be more than projected, and new entrants have been more disruptive and gained more share than anticipated. We believe these issues are structural in nature and may linger for an extended period of time. As a result, we sold our shares.

CoreLabs has underperformed since we purchased it in February of 2015. We view CoreLabs as a quality business with value-added products and services, but we see the long-term environment as challenging even with a rebound in commodity prices off of the early-2016 lows. The company's customers have still been reticent to resume many capital projects. This is especially true off-shore, where the company makes more money. The company has also done a poor job of capital allocation in this weak environment. Ultimately, we believe there are other businesses in our investable universe that can provide a superior long-term return without sacrificing quality.

Halliburton has underperformed since we purchased it in June of 2014. Halliburton's competitive position in the North American market is not as strong as we had originally expected, and we no longer believe that this business can earn a return on capital above its cost of capital over a full market cycle. The company's international business appears more differentiated and better positioned, but its customers remain reticent to resume many capital projects. Ultimately, we believe there are other businesses in our investable universe that can provide a superior long-term return without sacrificing quality.

Illinois Tool Works has outperformed since we purchased it in late 2013. Over the past several years the company has done an admirable job of producing solid revenue growth and improving margins. Management also has done a good job selling underperforming businesses and re-investing proceeds into better-performing business lines or returning them to shareholders. We sold our position to invest the proceeds in businesses that we believe provide a better combination of quality, growth and value.

Outlook

There is a clear disconnect between the market's view of 2019-2020 economic growth and the Federal Reserve's. Equity, bond and commodity investors are pricing in much slower growth—perhaps even a recession—into this year and the next. The Fed, on the other hand, is looking at current conditions, which are primarily still solid. Markets will perform better when these two points of view converge.

We agree more with the market than with the Fed about 2019 growth prospects. Economic growth will be much slower than in 2018 but still positive—our best guess is in the 1.5%-to-2% range—and the S&P 500® Index will be able to grow earnings-per-share in the 5%-to-8% range. Equity returns may actually exceed profit growth as confidence gets restored in the sustainability of the corporate-profit outlook.

We cannot pinpoint where material excesses are in the global economy that could cause a recession over the next year or two. Yet after meaningful declines in markets over the last three months, we see that it is going to take some time to restore confidence among investors and that companies are going to have to prove that they can deliver positive earnings growth even in a slower-growth economy.

Timing the stock market is an impossible task even for seasoned professionals. We emphasize the importance of staying focused on long-term goals to help stomach the inevitable short-term volatility associated with investing.

Portfolio Highlights

Style: Large Cap
Sub-Style: Value
Index: Russell 1000® Value
Portfolio Inception: 1994
Portfolio Assets: \$424.5 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research Experience
Douglas S. Foreman, CFA Chief Investment Officer	32
Richard Sherry, CFA Portfolio Manager + Senior Research Analyst	20
Chris Armbruster, CFA Research Analyst	13
Noran Eid Research Analyst	5

Top Five Holdings

As of December 31, 2018

Company	Percent of equity (%)
Lowe's Companies	4.0
PNC Financial Services	3.9
U.S. Bancorp	3.9
Travelers	3.6
CME Group	3.5
Total	18.9

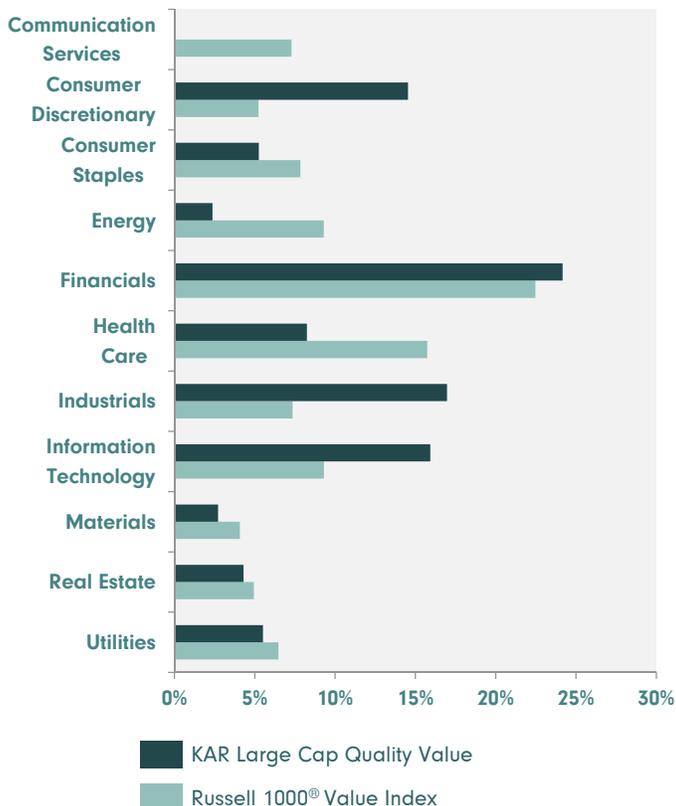
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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 	25–35 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 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 Large Cap Quality Value	Russell 1000® Value Index
Quality		
Return on Equity—Past 5 Years	20.4%	12.7%
Total Debt/EBITDA	2.6 x	3.8 x
Earnings Variability—Past 10 Years	37.7%	50.5%
Growth		
Earnings Per Share Growth—Past 5 Years	11.3%	5.0%
Earnings Per Share Growth—Past 10 Years	8.6%	5.8%
Dividend Per Share Growth—Past 5 Years	13.5%	8.0%
Dividend Per Share Growth—Past 10 Years	12.4%	8.6%
Capital Generation—{ROE x (1-Payout)}	10.6%	6.9%
Value		
P/E Ratio—Trailing 12 Months	19.2 x	15.8 x
Dividend Yield	2.3%	2.9%
Free Cash Flow Yield†	5.0%	5.0%
Market Characteristics		
\$ Weighted Average Market Cap	\$58.7 B	\$118.6 B
Beta*	0.9	1.0
Annualized Standard Deviation—Tenure Period*	13.5%	15.0%

*Period from April 1, 2006 to December 31, 2018. 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 September 30, 2018. Prices are as of December 31, 2018.

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 December 31, 2018			
4 th Quarter	(10.33)	(10.50)	(11.72)
One Year	(3.90)	(4.57)	(8.27)
Three Years	8.05	7.30	6.95
Five Years	6.84	6.10	5.95
Seven Years	10.84	10.08	11.02
Ten Years	11.65	10.81	11.18
Inception*	7.18	6.32	5.99
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	7.18	5.99
Annualized Standard Deviation	13.49	14.99
Alpha	1.67	0.00
Beta	0.87	1.00
Sharpe Ratio	0.45	0.33
Downside Capture	93.23	100.00
R-Squared	93.85	100.00

*Period from April 1, 2006 to December 31, 2018. 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, 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 Large Cap Quality Value Composite has been examined for the period from January 1, 1999 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 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 July 1, 2004, the composite represented all non-taxable, fully discretionary Large Cap Quality Value Portfolios (including cash) under management for at least one full quarter. Prior to June 30, 2004, only eligible portfolios of at least \$500,000 are included in the composite. 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 2013-2017.

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

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
2008	3,445	7	14	(30.58)	(31.31)	(36.85)	0.34
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

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