

Large Cap Sustainable Growth Portfolio

First Quarter 2019

Portfolio Review

The Large Cap Sustainable Growth portfolio outperformed the Russell 1000 Growth Index during the first quarter. Returns were driven by positive stock selection in the information technology and consumer discretionary sectors. These gains were partially offset by negative stock selection and an overweight in financials and an underweight in real estate.

Holdings that contributed the most to performance during the quarter were Alibaba Group and Amazon.com.

- Alibaba's two marketplaces, Taobao and Tmall.com, combine to form the largest online commerce company in the world. In 2018 Alibaba decided to alter the way consumers interact with the site, changing from a pure product search to more of a recommendation page view. They delayed, however, monetization to ensure a good user experience. This air pocket in monetization coincided with the economic slowdown in China, which served to push shares lower last year. With the new recommendation feeds showing the ability to drive strong user engagement and improve traffic efficiency, and with the hope that the Chinese economy is bouncing, the shares rebounded sharply in 2019 from their lows in late December.
- Amazon continues on its powerful growth trajectory powered by its wide moat e-commerce business and dominant web services offering (AWS). The company's advertising offering slowed in the fourth quarter of 2018 as it constrained supply during the holiday season to fill up more of the screen with products. Advertising deceleration, however, was offset by acceleration in AWS (again) and improved margins in the international business.

Positions that detracted the most from performance were Activision Blizzard and SEI Investments Company.

- Activision had a rocky 2018 with competitors outpacing the company on new, in-game product development. This pressured some of its largest franchises and new entrants, such as Fortnite and EA's Apex Legends, are becoming more of a direct substitute for big revenue generators like Call of Duty and Overwatch. Further, some high-profile executives departed and the company had a poor reception to its new product slate at the annual Blizzcon convention. We are waiting to see how the company responds to this bout of turmoil.
- SEI provides technological solutions to financial institutions and financial advisors. From processing to management to operations, SEI's full technology stack allows its customers to outsource much of the operational and back-office heavy lifting. Once in place, SEI's platform is very sticky (>90% retention), exemplified to some extent by the company's difficulty selling its next generation product, SWP, which is designed to replace its old, mainframe-based Trust 3000. It was highly discouraging that SEI could get little to no traction with SWP despite investing huge sums of capital and a tremendous amount of time. Therefore, we sold our position during the quarter.

Outlook

We believe the likelihood of an outright meaningful recession over the next 12-to-18 months is low. We have had rolling recessions over the last 10 years in cyclical areas like energy, industrials, and materials from 2014 to 2016. Europe is close to or already in a recession over the last six months due to slow exports and Brexit fears adversely affecting business confidence. Although this expansion has been lengthy, it hasn't been robust by historical standards. Classic signals of excess business confidence, such as elevated capital spending, excessive inventory buildup in anticipation of robust sales, and excess labor hiring, don't seem prevalent today. Even in a slower growth environment (1.5% to 2.5% GDP growth), U.S. companies should be able to grow their earnings in the 5% to 8% range. This growth combined with business confidence improving can lead to solid double-digit returns for stocks in 2019.

Purchases and Sales

New Purchases

Fair Isaac

Lyft

McCormick & Company

Complete Sales

Pioneer Natural Resources

SEI Investments Company

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Assets: \$1,220.4 M
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of March 31, 2019

Company	Percent of equity (%)
Amazon.com	8.0
Alibaba Group	5.7
Facebook	5.4
Visa	4.8
Netflix	4.4
Total	28.4

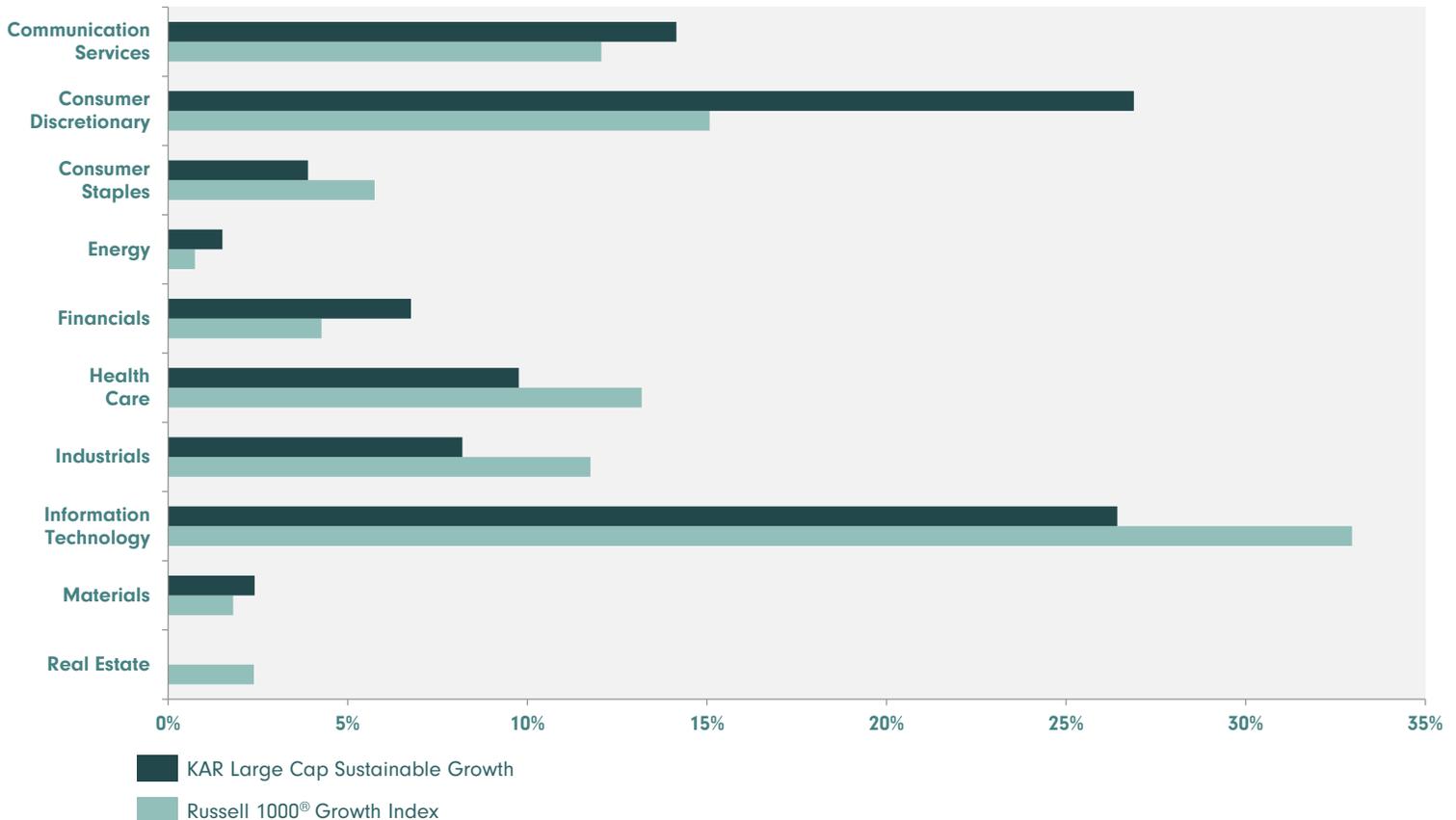
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should not be considered a recommendation or solicitation to purchase securities. A complete list of holdings and specific securities 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
<p>200 Stocks</p> <p>Quantitative Methods</p> <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research <p>Quantitative Screens</p> <ul style="list-style-type: none"> High return on capital over a full economic cycle Earnings surprise Long and resilient earnings history High return on net operating assets Minimal debt 	<p>60-70 Stocks</p> <p>Qualitative Analysis</p> <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 <p>Financial Analysis</p> <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately <p>Valuation Analysis</p> <ul style="list-style-type: none"> Determine the current and potential value of the business 	<p>25-50 Stocks</p> <p>Position Weights</p> <ul style="list-style-type: none"> Typically 1%-3% Maximum position size is 10% (at market) <p>Sector Tolerances</p> <ul style="list-style-type: none"> Typically +/- 10% of the Russell 1000® Growth Index, utilizing GICS sector classifications <p>Holding Period</p> <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% <p>Cash Levels</p> <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested 	<p>Negative Company or Industry Changes</p> <p>Portfolio Upgrade</p> <p>Diversification Requirements</p> <p>Acquisition Activity</p> <p>Extended Valuation</p>
<p>Higher Quality Stronger, More Consistent Growth Better Value</p>			

Sector Diversification

As of March 31, 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.

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Portfolio Characteristics

As of March 31, 2019

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	18.7%	23.0%
Total Debt/EBITDA	2.1 x	2.0 x
Earnings Variability—Past 10 Years	50.5%	42.6%
Growth		
Earnings Per Share Growth—Past 5 Years	22.4%	16.2%
Earnings Per Share Growth—Past 10 Years	13.9%	13.4%
Capital Generation—{ROE x (1-Payout)}	15.1%	16.3%
Value		
P/E Ratio—Trailing 12 Months	36.8 x	24.9 x
Free Cash Flow Yield*	2.8%	4.3%
Market Characteristics		
\$ Weighted Average Market Cap	\$195.9 B	\$291.6 B
Largest Market Cap	\$874.7 B	\$906.2 B

Performance Statistics

Inception* to March 31, 2019

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	15.97	15.98
Annualized Standard Deviation	13.66	11.69
Beta	1.11	1.00
Sharpe Ratio	1.14	1.33
R-Squared	91.01	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net) [§]	Russell 1000® Growth Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	23.47	23.27	16.10
One Year	9.85	9.09	12.75
Three Years	17.23	16.42	16.53
Five Years	14.60	13.81	13.50
Seven Years	14.01	13.23	14.34
Inception [‡]	15.97	15.17	15.98
Annual Returns (%)			
2018	(6.43)	(7.09)	(1.51)
2017	35.87	34.95	30.21
2016	(0.03)	(0.73)	7.08
2015	10.43	9.68	5.67
2014	12.66	11.86	13.05
2013	30.66	29.78	33.48
2012	14.76	13.96	15.26

*Free cash flow data is as of December 31, 2018. Prices are as of March 31, 2019. Excludes financials.

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

[‡]January 1, 2012

[§]Net of all fees and expenses. Assumes a 0.70% 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. 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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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 Large Cap Sustainable Growth Portfolios. Large Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell 1000® Growth 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 Russell 1000® Growth Index. The Russell 1000® Growth Index is a market capitalization-weighted index of growth-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 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 8% non-fee-paying portfolios as of December 31, 2013, 0.1% non-fee-paying portfolios as of December 31, 2014 and December 31, 2015 and <0.1% non-fee-paying portfolios as of December 31, 2016 and December 31, 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 gross of management fees and 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. 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
2014	10.39	9.73
2015	12.33	10.85
2016	13.24	11.31
2017	12.52	10.69

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 1000® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	583	24	14.76	13.96	15.26	0.03
2013	7,841	674	25	30.66	29.78	33.48	0.08
2014	7,989	681	25	12.66	11.86	13.05	0.14
2015	8,095	687	31	10.43	9.68	5.67	0.35
2016	9,989	928	57	(0.03)	(0.73)	7.08	0.06
2017	14,609	1,175	142	35.87	34.95	30.21	1.46

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