

Large Cap Sustainable Growth Portfolio

Fourth Quarter 2018

Portfolio Review

The Large Cap Sustainable Growth portfolio underperformed the Russell 1000® Growth Index during the fourth quarter. Returns were negatively affected by weak stock selection in the communication services and health care sectors. Losses were partially offset by positive stock selection in industrials and materials.

Holdings that contributed the most to performance during the quarter were Workday and MarketAxess Holdings.

- Cloud providers like Workday have disrupted the market once dominated by SAP and Oracle by lowering total cost of ownership, with improving performance and functionality through regular updates delivered in the cloud. After spending years to build up capabilities to offer financials and buying Adaptive Insights to offer planning, Workday has, for the first time, a complete suite of enterprise-grade ERP capabilities. Platform synergies are leading to accelerating revenue growth.
- MarketAxess shares had languished for about two years before catching a bid in the fourth quarter of 2018. New issuance in light of low interest rates had driven volume off platform, and low volatility had reduced trading activity. But both reversed in the fourth quarter as volatility spiked and rising rates muted new issuance, which allowed MarketAxess to gain meaningful market share. We also remain optimistic that MiFID II regulations in Europe, which require more transparency, recordkeeping and best execution detail, favors electronic trading practices.

Positions that detracted the most from performance were NVIDIA and Amazon.com.

- While the largest and most sophisticated tech companies are re-architecting their businesses around GPU-enabled AI, NVIDIA's gaming segment appears to be struggling under tough competition from the cryptocurrency mining boom. GPU chips are key components of mining rigs, and the company twice underestimated how much cryptos were driving sales of gaming chips. The market has also started to worry that the downturn will slow technology cap-ex spending, which will affect NVIDIA's datacenter business.
- Amazon shares got caught up in the selling of market leaders and large-cap tech names during the quarter, and our overweight made the position a significant performance detractor. For perspective, Amazon continues on its powerful growth trajectory supported by its wide-moat e-commerce business and dominant web-services offering. The company's advertising offering remained in overdrive in the third-quarter earnings report, growing nearly 200% with a revenue run rate approaching \$10 billion. Importantly, Amazon continued to show operating leverage on a wide variety of expense items, continuing the trend of meaningful margin expansion.

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.

Purchases and Sales

New Purchases

Progressive

Complete Sales

Arista Networks

Core Laboratories

Yandex

Portfolio Highlights

Style: Large Cap
Sub-Style: Growth
Index: Russell 1000® Growth
Portfolio Assets: \$1,004.4 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer + Portfolio Manager	32
Richard Sherry, CFA 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 (%)
Amazon.com	8.4
Alibaba Group	5.3
Facebook	5.3
Visa	5.0
Netflix	4.1
Total	28.1

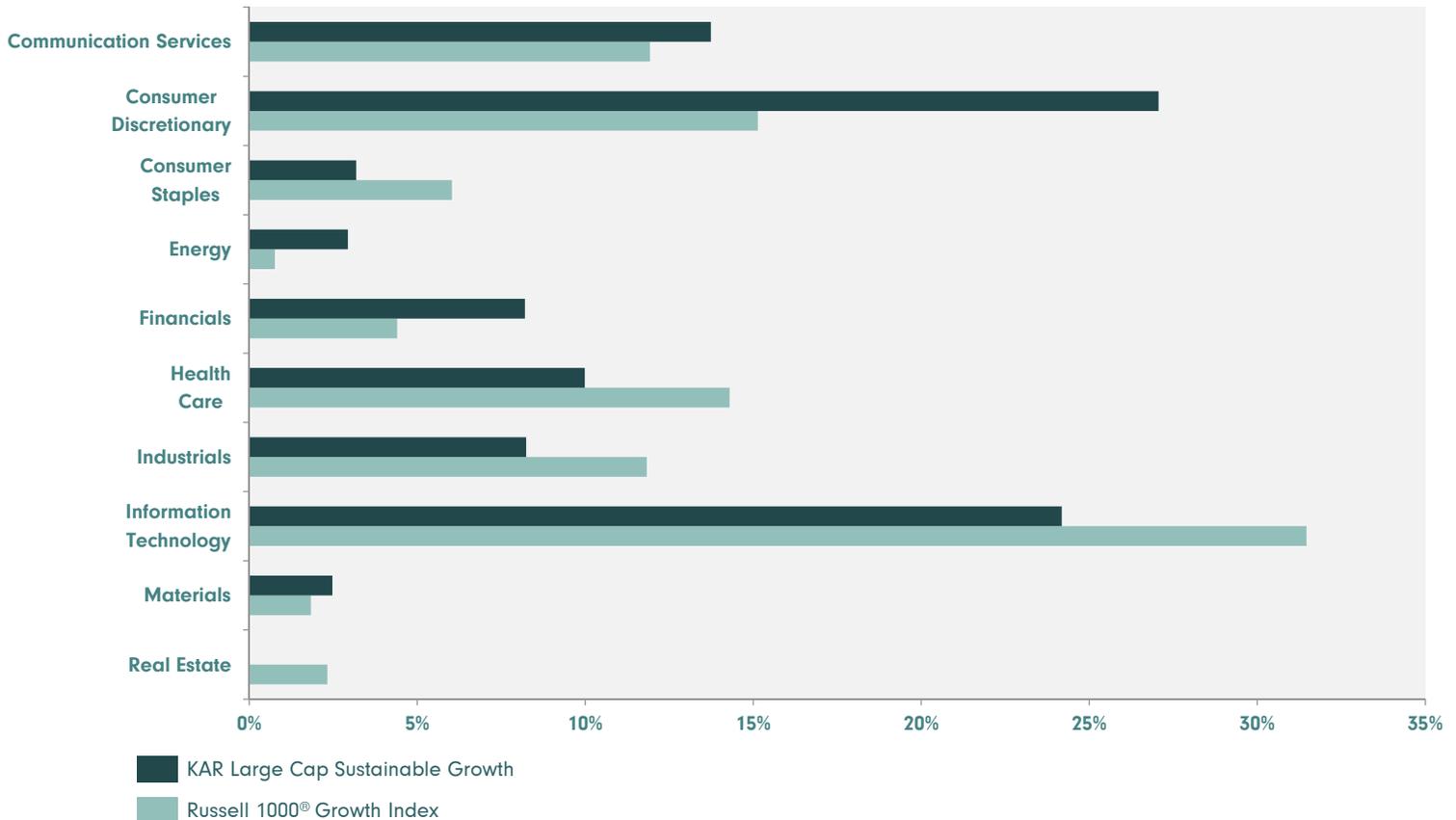
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
<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>Extended Valuation</p> <p>Portfolio Upgrade</p> <p>Diversification Requirements</p> <p>Acquisition Activity</p> <p>Negative Company or Industry Changes</p>
<p>Higher Quality Stronger, More Consistent Growth Better Value</p>			

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.

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Portfolio Characteristics

As of December 31, 2018

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Quality		
Return on Equity—Past 5 Years	19.1%	22.7%
Total Debt/EBITDA	1.7 x	2.9 x
Earnings Variability—Past 10 Years	54.4%	42.9%
Growth		
Earnings Per Share Growth—Past 5 Years	23.0%	14.7%
Earnings Per Share Growth—Past 10 Years	14.9%	13.8%
Capital Generation—{ROE x (1-Payout)}	15.6%	15.9%
Value		
P/E Ratio—Trailing 12 Months	28.7 x	24.5 x
Free Cash Flow Yield*	3.2%	4.7%
Market Characteristics		
\$ Weighted Average Market Cap	\$163.4 B	\$247.4 B
Largest Market Cap	\$728.8 B	\$780.4 B

Performance Statistics

Inception† to December 31, 2018

	KAR Large Cap Sustainable Growth	Russell 1000® Growth Index
Annualized Return	13.12	14.14
Annualized Standard Deviation	13.05	11.48
Beta	1.09	1.00
Sharpe Ratio	0.98	1.20
R-Squared	91.16	100.00

Historical Returns

	KAR Large Cap Sustainable Growth (gross)	KAR Large Cap Sustainable Growth (net)§	Russell 1000® Growth Index
Annualized Returns (%)†			
As of December 31, 2018			
4 th Quarter	(18.26)	(18.41)	(15.89)
One Year	(6.43)	(7.09)	(1.51)
Three Years	8.32	7.57	11.15
Five Years	9.60	8.84	10.40
Inception*	13.12	12.34	14.14
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 September 30, 2018. Prices are as of December 31, 2018. 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.