

Mid Cap Core Portfolio

First Quarter 2019



Portfolio Review

The Mid Cap Core portfolio underperformed the Russell Midcap Index during the first quarter. Weak stock selection in health care and materials and processing detracted from performance, while strong stock selection in consumer discretionary and an underweight in utilities contributed positively to performance.

The biggest contributors to performance were Aspen Technology and AMETEK. Aspen Technology continues to report solid growth, which has been accelerated by its new Asset Performance Monitoring suite of products. In addition to accelerating growth, the company continues to deliver strong profitability and free cash flow. AMETEK demonstrated sound growth in the most recent quarter fueled by organic revenue growth and growth from acquisitions. In concert with this revenue growth, the company also expanded its operating margins. As demonstrated by the financial results in the quarter, the operating capacity of both the business and management at AMETEK continue to be high caliber and the company's competitive protections remain intact.

Names that detracted the most from performance were AMN Healthcare and International Flavors & Fragrances. While AMN Healthcare has had several victories establishing its longer-term contracts, it has had missteps in its locum tenens business. As a result of consolidating its technology around this offering, it has been harder to execute for customers and revenue has sagged. We view these self-inflicted problems as short-term and expect this segment to recover in the coming year. International Flavors & Fragrances' shares lagged following the company's reports of weaker-than-anticipated operating results driven primarily by higher raw materials costs' inflation which is expected to subside this year. Our investment thesis in the business remains intact, and the company's recent acquisition of Frutarom provides it with broader access to the fastest-growing segment of small-and mid-size customers while leveraging the company's superior technology platform.

Purchases and Sales

We purchased SiteOne Landscape Supply and we sold Monster Beverage and Zoetis during the quarter.

SiteOne Landscape Supply is the largest and only national wholesale distributor of landscape supplies in the U.S. The company's customers are primarily residential construction and maintenance, as well as commercial-landscape professionals who specialize in design, installation and maintenance of lawns, gardens and other outdoor spaces. SiteOne has over 470 store locations in 45 states and five Canadian provinces serving over 180,000 customers.

We sold our position in Monster Beverage due to the ongoing concerns about brand proliferation in the energy drink market. While the overall market continues to grow nicely, Monster has taken on some of the Coca-Cola brands to compensate for the increased distribution capabilities. It is clear that new brands entering the market, such as Bang, are having an impact on the existing brands with Monster countering Bang's entrance by introducing its own fitness/performance drink called Reign. As these new product extensions get rolled out, we believe the core Monster brand will get diluted over time.

We sold our position in Zoetis due to market size which is larger than the largest market cap in the Russell Midcap Index.

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.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$813.3 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	33
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	24
Craig Stone Portfolio Manager + Senior Research Analyst	30
Todd Beiley, CFA Senior Research Analyst	20
Julie Biel, CFA Senior Research Analyst	11
Julie Kutsov Senior Research Analyst	18
Chris Wright, CFA Senior Research Analyst	7
Sean Dixon Research Analyst	10
Adam Xiao, CFA Research Analyst	4

Top Five Holdings

As of March 31, 2019

Company	Percent of equity (%)
AMETEK	5.7
WABCO	5.4
Globus Medical	5.2
Tractor Supply	5.1
Cooper Companies	5.0
Total	26.4

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 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 3%-4% Maximum weight 10% (at market) Sector Tolerances* <ul style="list-style-type: none"> Typically +/- 10% of the Russell Midcap® Index, utilizing Russell sector classifications Non-U.S. Holdings <ul style="list-style-type: none"> Not to exceed 20% (at market) 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

*A consequence of our high-quality investment philosophy is that certain sectors do not meet our financial criteria and offer fewer investable ideas. Our portfolios therefore will likely have persistently low exposure to those segments of the economy (and therefore may cause our sector weights to be outside of the 10% threshold relative to the benchmark). Companies operating in these areas produce consistently low or no profitability, are capital intensive, are heavily indebted, or have overly complex balance sheet structures. These may include large sectors such as Financials (real estate and banking) and Health Care (biotechnology) and also smaller sectors such as Materials & Processing (chemicals, metals and mining), Energy (oil and gas), and Utilities where we will have little to no exposure.

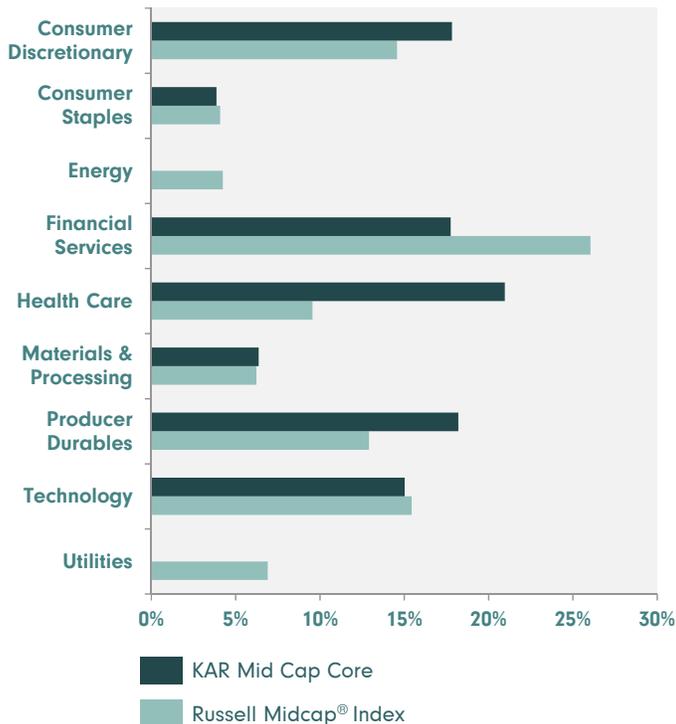
Higher Quality

Stronger, More Consistent Growth

Better Value

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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of March 31, 2019

	KAR Mid Cap Core	Russell Midcap® Index
Quality		
Return on Equity—Past 5 Years	24.4%	14.7%
Total Debt/EBITDA	1.9 x	3.9 x
Earnings Variability—Past 10 Years	26.2%	55.0%
Growth		
Earnings Per Share Growth—Past 5 Years	11.9%	10.0%
Earnings Per Share Growth—Past 10 Years	15.4%	9.7%
Dividend Per Share Growth—Past 5 Years	14.2%	8.9%
Dividend Per Share Growth—Past 10 Years	16.7%	10.3%
Capital Generation—{ROE x (1-Payout)}	18.4%	9.9%
Value		
P/E Ratio—Trailing 12 Months	25.7 x	23.8 x
Dividend Yield	0.9%	1.8%
Free Cash Flow Yield†	3.9%	3.6%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$12.8 B	\$14.0 B
Largest Market Cap—3-Year Avg.	\$36.5 B	\$42.1 B
Annualized Standard Deviation—Since Inception*	13.9%	16.6%

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

*January 1, 2000

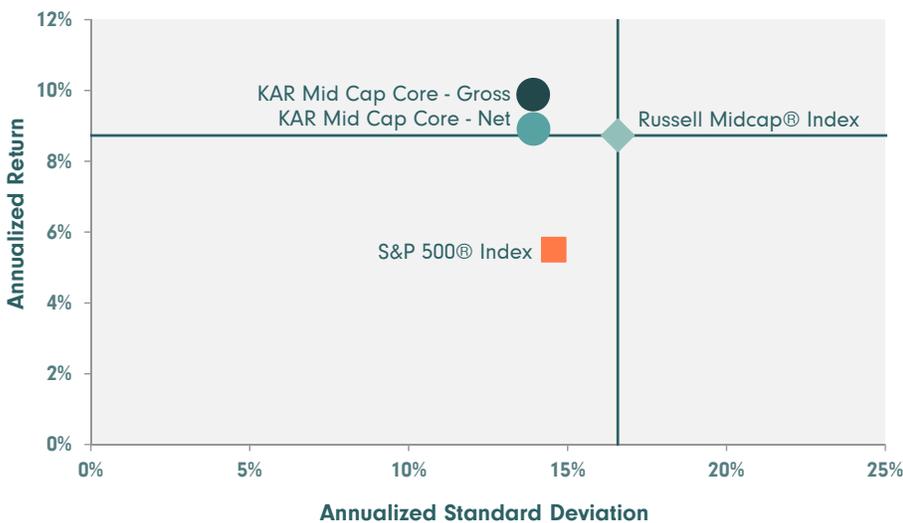
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

Mid Cap Core Portfolio

First Quarter 2019

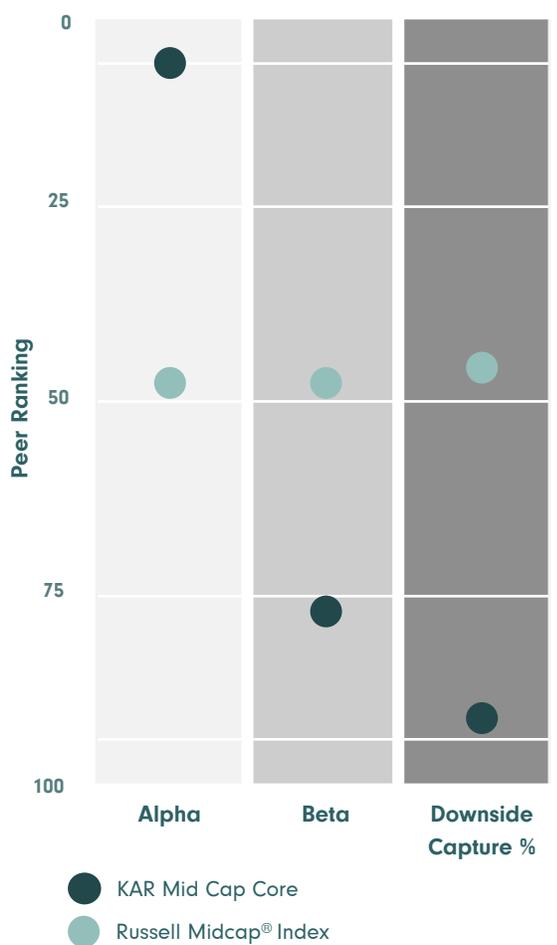
Strong Risk-Adjusted Returns

Inception* to March 31, 2019



Peer Comparison Chart

Five Years Ending March 31, 2019



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [‡]	Russell Midcap® Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	13.88	13.67	16.54
One Year	7.79	6.99	6.47
Three Years	14.92	14.07	11.82
Five Years	13.59	12.75	8.81
Seven Years	14.29	13.44	11.99
Ten Years	17.00	16.09	16.88
Inception*	9.88	8.91	8.73

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [‡]	Russell Midcap® Index
Annual Returns (%)			
2018	(3.21)	(3.93)	(9.06)
2017	26.13	25.21	18.52
2016	12.32	11.49	13.80
2015	3.37	2.60	(2.44)
2014	18.17	17.28	13.22
2013	28.54	27.62	34.76
2012	16.58	15.72	17.28
2011	4.52	3.76	(1.55)
2010	20.23	19.06	25.48
2009	21.11	19.92	40.48
2008	(28.63)	(29.37)	(41.46)
2007	6.45	5.40	5.60
2006	13.05	11.93	15.26
2005	8.86	7.78	12.65
2004	15.23	14.08	20.22
2003	26.72	25.49	40.06
2002	(12.62)	(13.50)	(16.19)
2001	(2.76)	(3.71)	(5.62)
2000	21.54	20.33	8.25

Performance Statistics

Inception* to March 31, 2019

	KAR Mid Cap Core	Russell Midcap® Index
Annualized Return	9.88	8.73
Annualized Standard Deviation	13.92	16.58
Alpha	2.51	0.00
Beta	0.77	1.00
Sharpe Ratio	0.59	0.43
R-Squared	84.98	100.00

*January 1, 2000

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

[‡]Net of all fees and expenses. Assumes a 0.75% 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 Mid Cap Core Universe includes all managers categorized in the mid cap core 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.

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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 Mid Cap Core Composite has been examined for the period from January 1, 2000 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 Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2000. 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. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite.

The standard management fee schedule currently in effect is as follows: 0.75% for the first \$25 million; 0.65% on the next \$25 million; 0.55% on the next \$50 million; 0.50% 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	17.51	21.86
2012	15.39	17.44
2013	12.53	14.23
2014	10.29	10.29
2015	11.96	11.00
2016	12.31	11.72
2017	10.76	10.51

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Index Annual Return (%)	Internal Dispersion
2008	3,445	7	11	(28.63)	(29.37)	(41.46)	0.08
2009	4,010	8	9	21.11	19.92	40.48	0.40
2010	4,729	8	7	20.23	19.06	25.48	0.31
2011	5,232	10	14	4.52	3.76	(1.55)	0.26
2012	6,545	11	15	16.58	15.72	17.28	0.18
2013	7,841	15	15	28.54	27.62	34.76	0.48
2014	7,989	17	12	18.17	17.28	13.22	0.13
2015	8,095	40	15	3.37	2.60	(2.44)	0.44
2016	9,989	79	22	12.32	11.49	13.80	0.36
2017	14,609	170	72	26.13	25.21	18.52	0.22

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