

Mid Cap Sustainable Growth Portfolio

First Quarter 2019

Portfolio Overview

The Mid Cap Sustainable Growth portfolio outperformed the Russell Midcap Growth Index during the first quarter. Performance was primarily driven by strong stock selection in the information technology and communication services sectors, while gains were pared back by weak stock selection in health care and consumer staples.

Stocks that contributed the most to performance during the quarter were The Trade Desk and MercadoLibre.

- The Trade Desk is a platform that allows advertising agencies to purchase advertising across a myriad of channels (websites, apps, music and TV streaming) using data to optimize spending decisions. In many ways it is applying the advantages of the Facebook advertising platform to ads outside their walled garden. The Trade Desk reported another quarter that was well ahead of estimates as Wall Street analysts are still dramatically underestimating the velocity of the company's growth.
- MercadoLibre, the leading e-commerce business in South America, seems to have weathered the Amazon headline risk for now as the Brazil delivery infrastructure limits Amazon's ability to expand rapidly and profitably. Over the last two quarters, MercadoLibre has spotlighted another growth driver, Mercado Pago, its payments offering. This service is gaining rapid scale both on and off the platform. The markets served by Mercado Pago have a high unbanked population (40%-60%) and penetration of mobile payments remains very low (low single digits). MercadoLibre's fintech innovations also include asset management and QR in-store payments and collectively could double revenue in a few years' time.

Holdings that detracted the most from performance were Abiomed and GrubHub.

- Abiomed's Impella heart pump is a temporary support device for use in shock patients and high-risk percutaneous coronary interventions (PCI, non-surgical procedures to insert stents). Using the Impella leads to dramatically improved outcomes including drastically reducing the rate of future heart failure. With penetration in just over 10% of cases, multiple additional use cases pending and no competition in the next few years, Abiomed is set to grow into a much larger company. Shares took a bit of a step back in the first quarter as data from a trial in a new indication (using Impella for serious heart attacks for 30 minutes before opening up the blocked artery) failed to live up to unreasonable expectations.
- GrubHub is the market share leader in online food order and delivery, which currently represents less than 10% of all take-out dining and just 4% of total dining but this is rapidly changing. With roughly 40% share of the market, the platform can offer consumers the broadest array of restaurant choices and, in turn, can offer restaurants the broadest pool of diners. GrubHub signed a landmark deal with YUM Brands to be the exclusive aggregator and deliverer for Taco Bell and KFC which gives the company financial backing and critical scale in many less-populated markets across the U.S. The company continues to post robust numbers, but they have been losing share to the rapid growth of Uber Eats and DoorDash who are competing heavily to acquire customers. We are watching these developments closely, but we believe the market is large enough and we are early enough on the adoption curve to support multiple profitable winners.

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	Complete Sales
Lyft	Northern Trust
New Oriental Education & Technology Group	
T. Rowe Price Group	
Square	

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap® Growth
Portfolio Assets: \$272.6 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 (%)
Paycom Software	4.0
Trade Desk	3.7
MercadoLibre	3.6
Workday	3.4
Fair Isaac	3.4
Total	18.1

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
200 Stocks Qualitative Methods <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research Quantitative Screens <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 	60-70 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 	25-50 Stocks Position Weights <ul style="list-style-type: none"> Typically 1%-3% Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Typically +/- 10% of the Russell Midcap® Growth 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 	Negative Company or Industry Changes Portfolio Upgrade Diversification Requirements Acquisition Activity Extended Valuation
Higher Quality		Stronger, More Consistent Growth	

Portfolio Characteristics

As of March 31, 2019

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	17.6%	20.7%
Total Debt/EBITDA	3.3 x	2.9 x
Earnings Variability—Past 10 Years	46.9%	43.6%
Growth		
Earnings Per Share Growth—Past 5 Years	15.0%	14.5%
Earnings Per Share Growth—Past 10 Years	14.3%	13.4%
Capital Generation—{ROE x (1-Payout)}	14.8%	16.2%
Value		
P/E Ratio—Trailing 12 Months	62.6 x	29.0 x
P/E-to-10 Year Growth	4.4 x	2.2 x
Free Cash Flow Yield*	1.7%	3.8%
Market Characteristics		
\$ Weighted Average Market Cap	\$19.4 B	\$17.5 B
Largest Market Cap	\$155.0 B	\$44.2 B

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

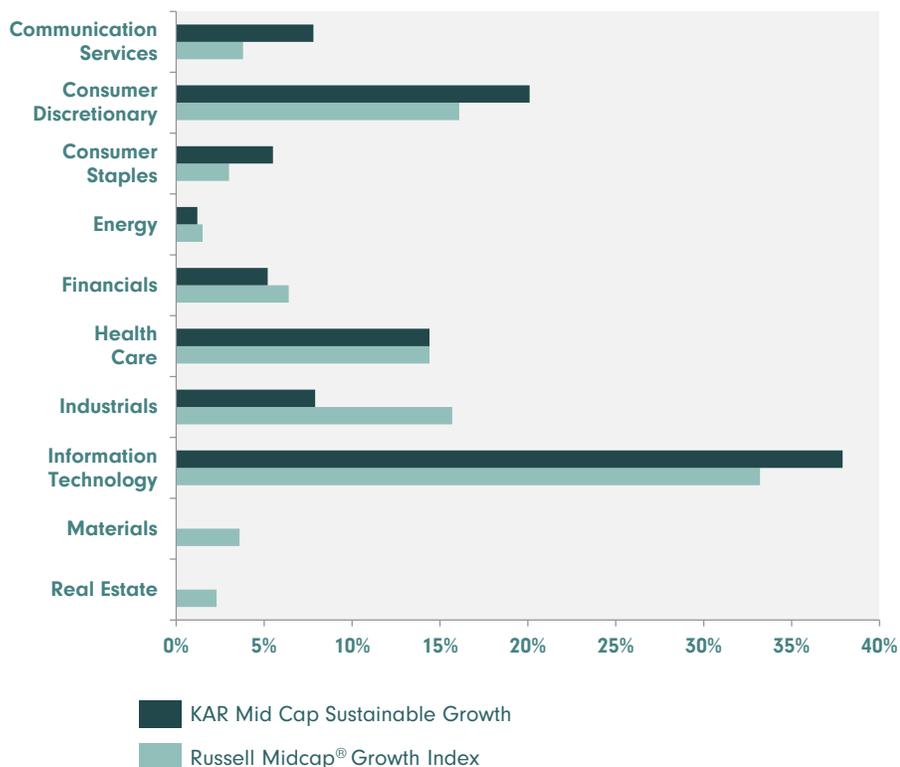
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

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Sector Diversification

As of March 31, 2019



Peer Comparison Chart

Annualized Returns Ending March 31, 2019



● KAR Mid Cap Sustainable Growth
● Russell Midcap Growth Index

Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [†]	Russell Midcap Growth Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	24.13	23.91	19.62
One Year	20.38	19.50	11.51
Three Years	23.59	22.68	15.06
Five Years	15.90	15.04	10.89
Seven Years	14.74	13.89	12.97
Inception*	16.24	15.38	14.62
Annual Returns (%)			
2018	9.04	8.23	(4.75)
2017	35.26	34.28	25.27
2016	3.27	2.50	7.33
2015	4.06	3.30	(0.20)
2014	4.98	4.18	11.90
2013	26.46	25.54	35.74
2012	13.97	13.12	15.81

*January 1, 2012

[†]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. 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 from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

Performance Statistics

Inception* to March 31, 2019

	KAR Mid Cap Sustainable Growth	Russell Midcap Growth Index
Annualized Return	16.24	14.62
Annualized Standard Deviation	14.11	12.70
Beta	1.02	1.00
Sharpe Ratio	1.12	1.12
R-Squared	84.03	100.00

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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 Mid Cap Sustainable Growth Portfolios. Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

This composite contained 100% non-fee-paying portfolios as of December 31, 2012, 100% non-fee-paying portfolios as of December 31, 2013, 0.4% non-fee-paying portfolios as of December 31, 2014, December 31, 2015, 0.5% non-fee-paying portfolios as of December 31, 2016, and 0% non-fee-paying portfolios as of December 31, 2017.

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 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		11.25	11.02
2015		13.28	11.47
2016		14.38	12.35
2017		13.14	11.04

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	82	< 5	13.97	13.12	15.81	N/A
2013	7,841	93	< 5	26.46	25.54	35.74	N/A
2014	7,989	90	< 5	4.98	4.18	11.90	N/A
2015	8,095	88	< 5	4.06	3.30	(0.20)	N/A
2016	9,989	83	< 5	3.27	2.50	7.33	N/A
2017	14,609	98	< 5	35.26	34.28	25.27	N/A

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