

Mid Cap Sustainable Growth Portfolio

Second Quarter 2019

Portfolio Overview

The Mid Cap Sustainable Growth portfolio handily outperformed the Russell Midcap Growth Index during the second quarter. Performance was driven primarily by good stock selection in information technology and consumer staples. Negative stock selection in communication services and energy detracted from performance during the quarter.

The biggest contributors to performance during the quarter were Okta and Beyond Meat.

- Okta's stock had another strong quarter of performance as international revenue accelerated, sales efforts with larger customers began to bear fruit (notably including many non-tech customers) and Okta launched a slew of new products at its developer conference (one of which is the ability to centralize access controls across on-premise, cloud and hybrid cloud environments).
- In a year full of high profile IPOs, Beyond Meat stole the show with a breathtaking 700% gain from its IPO price on May 2 to its peak on June 18. Beyond Meat attempts to replicate all of the sensory elements of animal protein through a science-infused, proprietary process using pea protein. The most popular product is Beyond Meat ("ground beef") which it initially had success selling through the grocery channel where it scored placement in the meat case at Whole Foods in 2015. Over the years the restaurant industry has now become the dominant channel accounting for over 50% of revenue with over 12,000 points of distribution including exclusive agreements with A&W, Tim Horton's, Carl's Jr. and Del Taco.

The biggest detractors from the portfolio were Autohome and Weibo.

- Shares of Autohome remained under pressure in the second quarter due to soft auto sales and their effect on dealers and manufacturers. Pressure from general weakness in the Chinese economy from tariffs has been compounded recently by new emission standards which are restricting licensing (and thus sales) in two-thirds of Chinese provinces. Given Autohome's strong competitive positioning, improved capital allocation and the expected long-term growth of the Chinese car market, we remain owners of the business.
- Weibo's shares declined during the quarter as the current advertising environment is challenging as key verticals like autos, education and handsets are paring back on advertising in the wake of tariff-related pressures and industry-specific headwinds. We are monitoring the pressure for consumer mindshare from competitors like ByteDance's Toutiao as well as the impact to monthly active users from Weibo's reduction in customer acquisition spending.

Outlook

Corporate growth rates in the U.S. grew modestly in the first quarter and we still believe S&P 500 earnings can advance in the mid single-digit range in 2019. Investors weren't rewarded for outstanding earnings growth in 2018 (+20% growth) with the S&P 500 declining over 4%. Corporate margins have not fallen apart in 2019 and this has caused stock returns to catch up to actual earnings growth. Returns from here will be driven by prospects for continued earnings growth into 2020.

Purchases and Sales

New Purchases

Beyond Meat
Freshpet
Goosehead Insurance
Grocery Outlet
GSX Techedu
Silk Road Medical
Slack Technologies

Complete Sales

Beyond Meat
CarGurus
Expedia Group
Rockwell Automation
STAAR Surgical Company

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap® Growth
Portfolio Assets: \$436.6 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 June 30, 2019

Company	Percent of equity (%)
MercadoLibre	4.1
The Trade Desk	3.9
Okta	3.9
Paycom Software	3.8
Fair Isaac	3.7
Total	19.3

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 June 30, 2019

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	19.7%	20.2%
Total Debt/EBITDA	3.0 x	3.7 x
Earnings Variability—Past 10 Years	41.4%	43.8%
Growth		
Earnings Per Share Growth—Past 5 Years	19.6%	16.1%
Earnings Per Share Growth—Past 10 Years	15.1%	14.3%
Capital Generation—{ROE x (1-Payout)}	16.9%	15.9%
Value		
P/E Ratio—Trailing 12 Months	55.6 x	29.9 x
P/E-to-10 Year Growth	3.7 x	2.1 x
Free Cash Flow Yield*	1.6%	3.6%
Market Characteristics		
\$ Weighted Average Market Cap	\$20.2 B	\$18.6 B
Largest Market Cap	\$159.7 B	\$49.2 B

*Free cash flow data is as of March 31, 2019. Prices are as of June 30, 2019. Excludes financials.

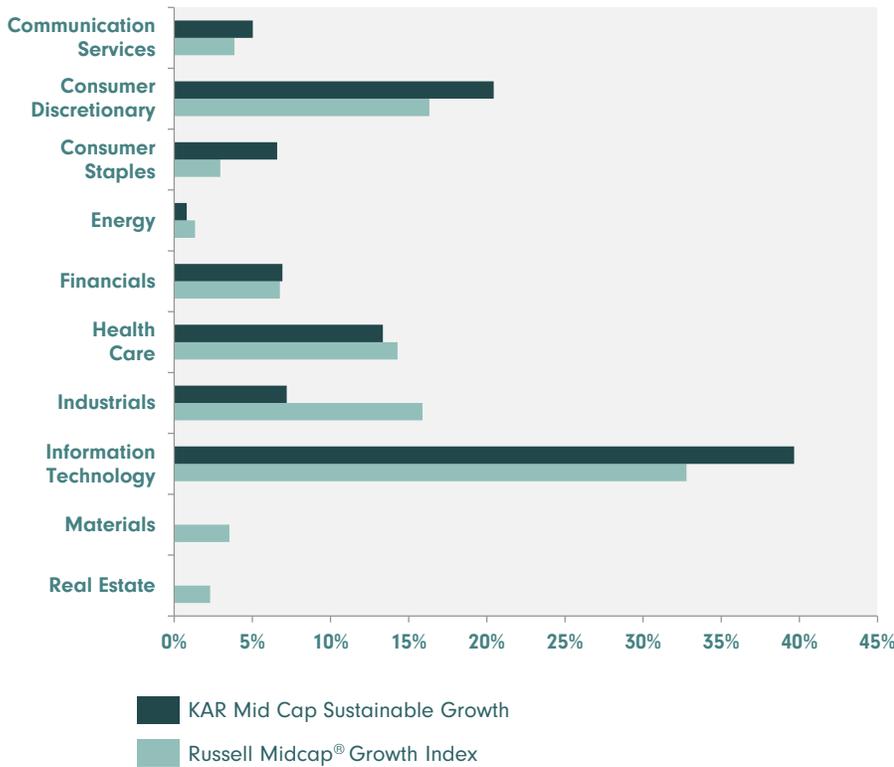
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

Mid Cap Sustainable Growth Portfolio

Second Quarter 2019

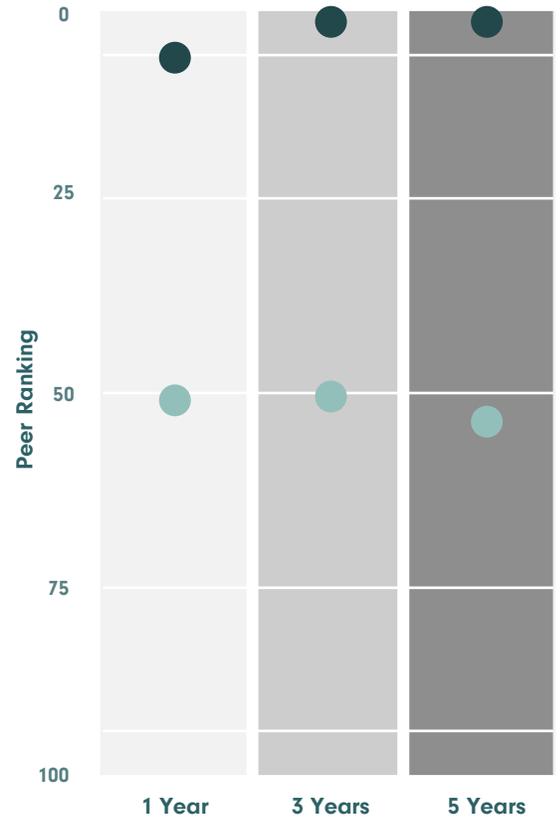
Sector Diversification

As of June 30, 2019



Peer Comparison Chart

Annualized Returns Ending June 30, 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 June 30, 2019			
2 nd Quarter	9.88	9.68	5.40
Year to Date	36.49	36.01	26.08
One Year	21.18	20.29	13.94
Three Years	26.91	25.98	16.49
Five Years	18.15	17.28	11.10
Seven Years	17.29	16.42	14.76
Inception*	17.13	16.26	14.90
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 June 30, 2019

	KAR Mid Cap Sustainable Growth	Russell Midcap Growth Index
Annualized Return	17.13	14.90
Annualized Standard Deviation	14.23	12.97
Beta	1.01	1.00
Sharpe Ratio	1.17	1.11
R-Squared	84.36	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, 2018. 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, and < 1% non-fee-paying portfolios as of each annual period from 2014-2018.

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
2018	14.52	13.00

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
2018	17,840	172	7	9.04	8.23	(4.75)	N/A

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