

Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2018

Portfolio Overview

The Mid Cap Sustainable Growth portfolio outperformed the Russell Midcap Growth Index during the fourth quarter. Performance was led by strong stock selection in the financials and information technology sectors, while gains were pared back by weak stock selection in health care and consumer discretionary.

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

Holdings that detracted the most from performance were Netflix and HealthEquity. Despite subscriber growth again besting expectations, Netflix shares failed to hold up. The plunge in the stock price was based more on sentiment toward heavily owned large-cap technology companies than on the company's fundamentals, which remain robust. HealthEquity shares pulled back dramatically in the fourth quarter as interest-rate expectations fell. HealthEquity's highest-margin custodial business, where the company earns interest income from investing client assets, has accounted for about two-thirds of the company's growth over the past few years as account balances and rates rose.

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

Abiomed
 Elastic
 Weibo

Complete Sales

Appian
 Arista Networks
 Core Laboratories
 Diplomat Pharmacy
 Ellie Mae
 Yandex

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap® Growth
Portfolio Assets: \$172.2 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 (%) |
|----------------------|-----------------------|
| Workday | 3.7 |
| MarketAxess Holdings | 3.5 |
| Paycom Software | 3.5 |
| Amphenol | 3.3 |
| POOLCORP | 3.3 |
| Total | 17.2 |

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. are subject to change. 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 | Extended Valuation Portfolio Upgrade Acquisition Activity Diversification Requirements Negative Company or Industry Changes |
| Higher Quality | | Stronger, More Consistent Growth | |

Portfolio Characteristics

As of December 31, 2018

| | KAR Mid Cap Sustainable Growth | Russell Midcap® Growth Index |
|---|--------------------------------|------------------------------|
| Quality | | |
| Return on Equity—Past 5 Years | 19.8% | 20.8% |
| Total Debt/EBITDA | 2.3 x | 3.1 x |
| Earnings Variability—Past 10 Years | 51.7% | 49.6% |
| Growth | | |
| Earnings Per Share Growth—Past 5 Years | 14.6% | 13.9% |
| Earnings Per Share Growth—Past 10 Years | 15.2% | 13.2% |
| Capital Generation—{ROE x (1-Payout)} | 16.8% | 16.2% |
| Value | | |
| P/E Ratio—Trailing 12 Months | 43.5 x | 25.5 x |
| P/E-to-10 Year Growth | 2.9 x | 1.9 x |
| Free Cash Flow Yield* | 2.1% | 4.2% |
| Market Characteristics | | |
| \$ Weighted Average Market Cap | \$15.9 B | \$14.5 B |
| Largest Market Cap | \$116.4 B | \$35.6 B |

*Free cash flow data is as of September 30, 2018. Prices are as of December 31, 2018. Excludes financials.

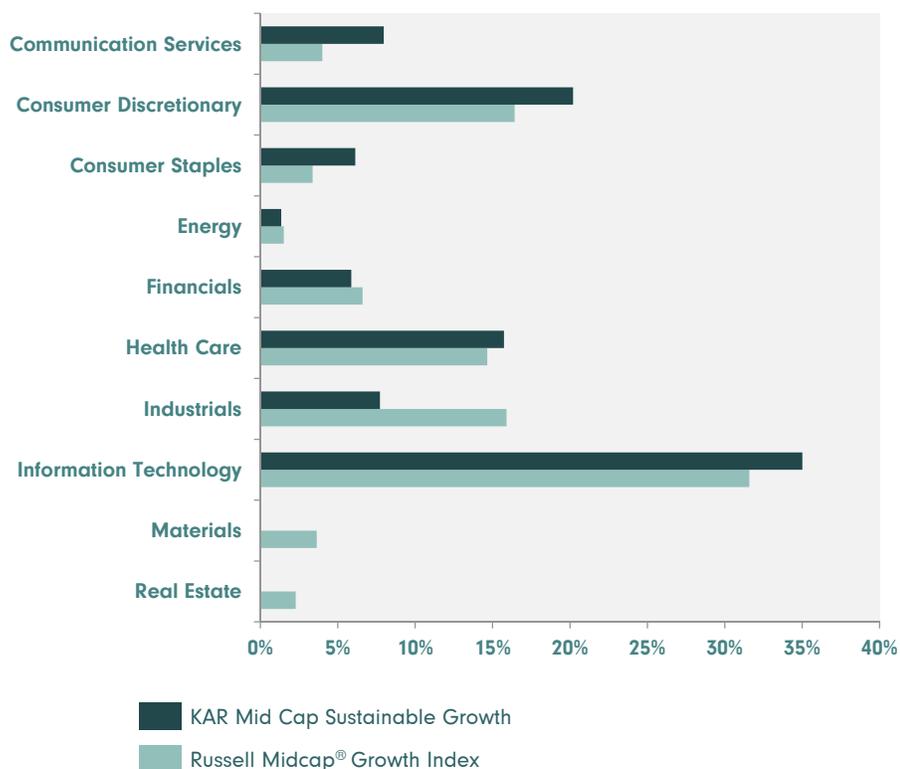
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

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Sector Diversification

As of December 31, 2018



Peer Comparison Chart

Annualized Returns Ending December 31, 2018



● 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 December 31, 2018

| | | | |
|-------------------------|---------|---------|---------|
| 4 th Quarter | (15.94) | (16.10) | (15.99) |
| One Year | 9.04 | 8.23 | (4.75) |
| Three Years | 15.06 | 14.21 | 8.59 |
| Five Years | 10.72 | 9.90 | 7.42 |
| Inception* | 13.31 | 12.47 | 12.27 |

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 December 31, 2018

| | KAR Mid Cap Sustainable Growth | Russell Midcap Growth Index |
|-------------------------------|--------------------------------|-----------------------------|
| Annualized Return | 13.31 | 12.27 |
| Annualized Standard Deviation | 13.49 | 12.18 |
| Beta | 1.01 | 1.00 |
| Sharpe Ratio | 0.96 | 0.98 |
| R-Squared | 83.25 | 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 marks of Frank Russell Company. Russell® is a trademark of Frank Russell Company.