

Small Cap Quality Value Portfolio

First Quarter 2019

Portfolio Review

The Small Cap Quality Value portfolio underperformed the Russell 2000 Value Index during the first quarter. Weak stock selection in consumer staples and weak stock selection and an underweight in technology detracted from performance, while strong stock selection in financial services and producer durables contributed positively to performance.

Positions that contributed most positively to performance during the quarter were HFF and Scotts Miracle-Gro.

- HFF's stock price had been under pressure most of last year due to fear that a slowing economy and higher interest rates would dampen commercial real estate. The broad market sell-off in the fourth quarter added to the downward pressure on HFF's stock. However, recent quarterly results, which included 17% revenue growth, helped assuage these concerns causing a strong recovery in the stock price. Further, the company announced on March 19 that it was being acquired by Jones Lang LaSalle, which resulted in further appreciation of the stock price.
- Scotts Miracle-Gro's cannabis grower customers (hydroponics segment) were adversely affected in 2018 by California's cannabis licensing law, which caused many growers to exit the market during that year. In the first month of 2019, hydroponic sales ceased their decline and returned to year-over-year growth in following months, giving market participants increased confidence that the grower disruption had dissipated. We view the franchise strength of Scotts Miracle-Gro's core lawn and garden brands, including its hydroponics segment, as intact and remain owners of the business.

Positions that detracted the most from performance were National Beverage and Cass Information Systems.

- In early October 2018, a class action lawsuit was filed against National Beverage alleging that the company's sparkling water LaCroix, its largest and fastest-growing brand, contains harmful artificial ingredients. The company's most recent quarterly release and Nielsen data showed a decline in LaCroix sales after years of double-digit growth, increasing investor concerns over the impact of the lawsuit on the consumer perception of the brand as well as a general increase in competitive offerings, particularly Pepsi's marketing push of its Bubby sparkling water in late 2018. While we continue to monitor any further developments closely, we believe that National Beverage's position as one of the leaders in the growing sparkling water category remains intact and we remain owners of the business.
- Cass Information Systems' financial results had accelerated most of last year due to the uptick in domestic trucking activity in which both the cost and the number of shipments increased. Cass is paid on both the number and size of the invoices it processes. However, the recent quarter's results showed a slowdown in transactions processed, and commentary from trucking companies indicates this may continue into the next quarter. This caused downward pressure on the stock price. In addition, the tailwind Cass was expected to enjoy from rising interest rates is on hold given the recent pause by the Fed. None of these headwinds diminish the company's entrenched position as the largest trucking invoice processor and we remain owners of the business.

Purchases and Sales

We sold out of our position in Artisan Partners during the quarter. There were no new purchases.

Artisan Partners has been suffering from negative net asset flows driven by investment underperformance in a number of the firm's larger strategies coupled with capacity constraints in several other strategies. Even if we assume these performance issues are mostly temporary in nature, industry experience leads us to expect any asset flow improvement to take meaningful time, particularly considering that the majority of the firm's larger strategies are currently facing unfavorable Morningstar-rating dynamics. With these considerations in mind, we exited our position in the company.

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: Small Cap
Sub-Style: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$3,252.1 M
Portfolio Turnover: 25%–35%

Investment Management Team

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

Top Five Holdings

As of March 31, 2019

Company	Percent of equity (%)
MGM Growth Properties	6.2
Scotts Miracle-Gro	5.4
Cheesecake Factory	5.3
SiteOne Landscape Supply	4.6
RBC Bearings	4.6
Total	25.9

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 	20–35 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 2000® Value 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 also smaller sectors such as Health Care (biotechnology) Materials & Processing (chemicals, metals and mining), Energy (oil and gas), and Utilities where we will have little to no exposure.

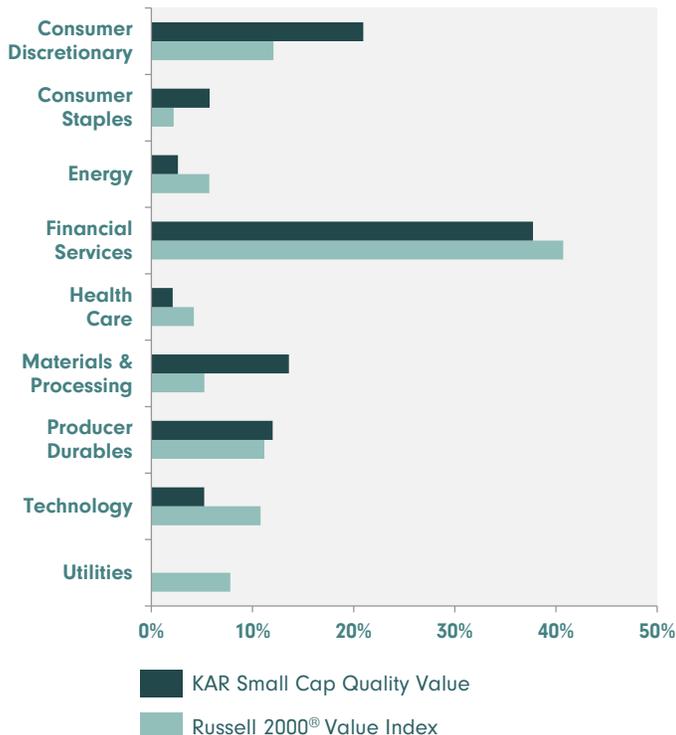
Higher Quality

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 Small Cap Quality Value	Russell 2000® Value Index
Quality		
Return on Equity—Past 5 Years	22.0%	8.0%
Total Debt/EBITDA	2.2 x	5.6 x
Earnings Variability—Past 10 Years	22.3%	76.3%
Growth		
Earnings Per Share Growth—Past 5 Years	8.6%	6.7%
Earnings Per Share Growth—Past 10 Years	11.0%	7.3%
Dividend Per Share Growth—Past 5 Years	12.1%	7.6%
Dividend Per Share Growth—Past 10 Years	11.2%	5.4%
Capital Generation—{ROE x (1-Payout)}	12.8%	5.5%
Value		
P/E Ratio—Trailing 12 Months	22.3 x	21.4 x
Dividend Yield	1.9%	2.2%
Free Cash Flow Yield [†]	5.2%	2.2%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$3.3 B	\$2.0 B
Largest Market Cap—3-Year Avg.	\$8.9 B	\$7.6 B
Annualized Standard Deviation—Since Inception*	16.1%	18.2%

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

*June 1, 1998

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.

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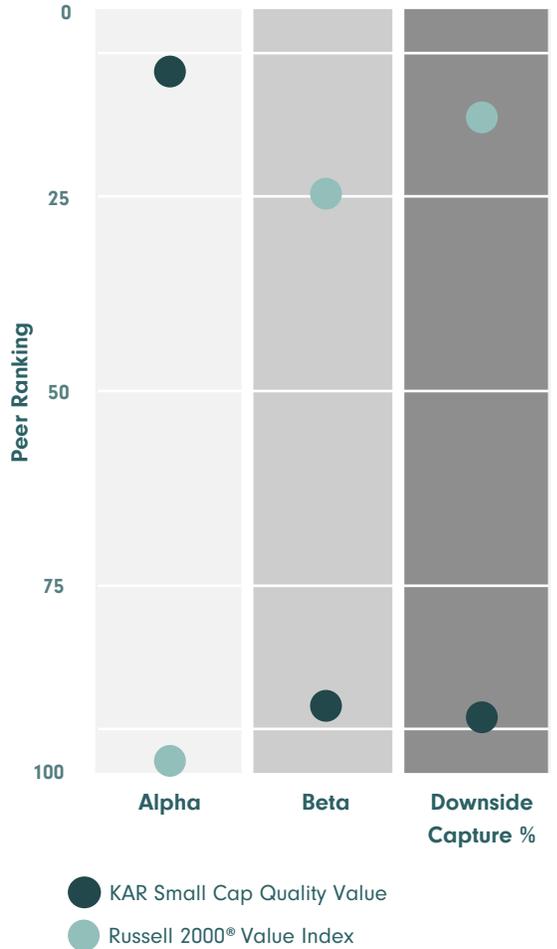
Strong Risk-Adjusted Returns

Inception* to March 31, 2019



Peer Comparison Chart

Inception* to March 31, 2019



Historical Returns

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [†]	Russell 2000 Value Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	11.00	10.73	11.93
One Year	(3.18)	(4.15)	0.17
Three Years	10.77	9.67	10.86
Five Years	9.05	7.97	5.59
Seven Years	10.93	9.82	9.61
Ten Years	16.83	15.69	14.12
Inception*	11.24	10.15	7.87

	KAR Small Cap Quality Value	KAR Small Cap Quality Value	Russell 2000 Value Index
Annual Returns (%)			
2018	(14.80)	(15.66)	(12.86)
2017	20.48	19.30	7.84
2016	26.74	25.50	31.74
2015	(0.16)	(1.16)	(7.47)
2014	3.05	2.00	4.22
2013	41.06	39.72	34.52
2012	9.97	8.87	18.05
2011	6.57	5.54	(5.50)
2010	25.10	23.88	24.50
2009	26.97	25.73	20.58
2008	(28.51)	(29.26)	(28.92)
2007	2.19	1.18	(9.78)
2006	24.45	23.25	23.48
2005	8.88	7.79	4.71
2004	28.10	26.83	22.25
2003	21.88	20.69	46.03
2002	1.11	0.10	(11.43)
2001	19.42	18.29	14.02
2000	24.92	23.70	22.83
1999	(7.69)	(8.60)	(1.49)
1998 [§]	9.61	9.07	(10.93)

*June 1, 1998

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

[‡]Net of all fees and expenses. Assumes a 1% annual fee.

[§]Performance calculations are for the seven months ended December 31, 1998.

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 Small Cap Value Universe includes all managers categorized in the small cap value 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.

Performance Statistics

Inception* to March 31, 2019

	KAR Small Cap Quality Value	Russell 2000 Value Index
Annualized Return	11.24	7.87
Annualized Standard Deviation	16.10	18.22
Alpha	4.49	0.00
Beta	0.77	1.00
Sharpe Ratio	0.58	0.33
R-Squared	76.24	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.

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 Small Cap Quality Value Composite has been examined for the period from January 1, 1999 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 Small Cap Quality Value Portfolios. Small Cap Quality Value Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value 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 2000® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises 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 independent verifiers. The composite was created in June 1998. 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: 1.00% for the first \$25 million; 0.80% on the next \$25 million; 0.70% 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	21.64	26.42
2012	16.24	20.17
2013	14.50	16.05
2014	13.06	12.98
2015	13.94	13.65
2016	14.30	15.72
2017	12.32	14.17

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Value Index Annual Return (%)	Internal Dispersion
2008	3,445	64	68	(28.51)	(29.26)	(28.92)	0.56
2009	4,010	71	66	26.97	25.73	20.58	0.80
2010	4,729	98	77	25.10	23.88	24.50	0.60
2011	5,232	521	106	6.57	5.54	(5.50)	0.48
2012	6,545	474	120	9.97	8.87	18.05	0.35
2013	7,841	646	142	41.06	39.72	34.52	1.05
2014	7,989	581	149	3.05	2.00	4.22	0.52
2015	8,095	535	151	(0.16)	(1.16)	(7.47)	0.20
2016	9,989	711	141	26.74	25.50	31.74	1.13
2017	14,609	996	191	20.48	19.30	7.84	0.56

The Russell 2000® Value Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.