

Small Cap Quality Value Portfolio

Second Quarter 2019

Portfolio Review

The Small Cap Quality Value portfolio handily outperformed the Russell 2000 Value Index during the second quarter. Performance was driven by solid stock selection in the materials & processing and technology sectors. Stock selection in financial services detracted from performance as did stock selection and an overweight in consumer staples.

The biggest contributors to performance during the quarter were RBC Bearings and ScottsMiracle-Gro.

- RBC Bearings' shares rose sharply following the company's reports of better-than-expected operating results driven by impressive profitability expansion (due to both improved pricing and manufacturing efficiencies) and solid annual outlook. Importantly, RBC remains a solid free-cash-flow generator, and the company's balance sheet is pristine following faster-than-anticipated debt repayment.
- ScottsMiracle-Gro hydroponic segment's cannabis grower customers were adversely affected in 2018 by California's cannabis licensing law, which caused many growers to exit the market during that year. We took advantage of this stock weakness to add to our position. In the first half of 2019, hydroponic sales ceased their decline and then returned to double-digit year-over-year organic growth in the second quarter. This gave market participants increased confidence that the grower disruption had been mostly worked through causing the stock to rebound strongly. We view the franchise strength of ScottsMiracle-Gro's lawn and garden brands, including its hydroponics segment, as intact and remain owners of the business.

The biggest detractors from the portfolio were Sally Beauty Holdings and Core Laboratories.

- Sally's Beauty Systems Group has historically operated in an environment with one other scale distributor. However, near the end of the second quarter, Amazon launched a professional beauty supply e-commerce portal. After the announcement, the stock price of Sally Beauty declined materially.
- Core Labs' business results remain suppressed as languishing oil prices have dampened international offshore drilling activity. Additionally, U.S. onshore drilling activity, which has been an area of strength for Core, has recently stalled.

Purchases and Sales

We purchased CoreLogic during the quarter. There were no complete sales from the portfolio.

- CoreLogic is a leading provider of property information, analytics and data-enabled software platforms and services provider operating in North America, Western Europe and Asia Pacific. Its databases include over 900 million historical property transactions and over 100 million mortgage applications and property-specific data covering approximately 99% of the homes in the U.S. CoreLogic's databases provide clients with detailed coverage of property, mortgages and other encumbrances, property risk and replacement cost, consumer credit, tenancy, location, hazard risk and related performance information. Given CoreLogic's ubiquity in the industry and its reputation for providing reliable datasets going back decades, there is little incentive for customers to switch to a new provider. In addition, increased regulatory scrutiny after the financial crisis has caused banks (a core customer base of the company) to be more cautious in the vendors they deal with, thus increasing the importance of reputation.

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.

Portfolio Highlights

Style: Small Cap
Sub-Style: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$3,354.0 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, CFA Research Analyst	4

Top Five Holdings

As of June 30, 2019

Company	Percent of equity (%)
Scotts Miracle-Gro	6.4
RBC Bearings	6.0
MGM Growth Properties	5.7
SiteOne Landscape Supply	5.6
Brooks Automation	4.9
Total	28.6

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.

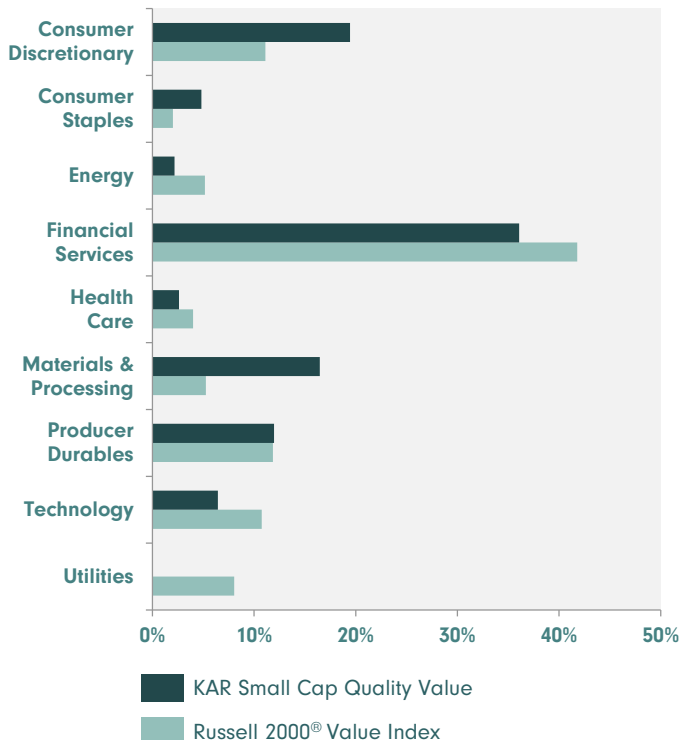
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of June 30, 2019



Portfolio Characteristics

As of June 30, 2019

	KAR Small Cap Quality Value	Russell 2000® Value Index
Quality		
Return on Equity—Past 5 Years	21.0%	8.1%
Total Debt/EBITDA	2.8 x	5.6 x
Earnings Variability—Past 10 Years	29.6%	73.1%
Growth		
Earnings Per Share Growth—Past 5 Years	9.6%	7.4%
Earnings Per Share Growth—Past 10 Years	12.4%	8.2%
Dividend Per Share Growth—Past 5 Years	9.8%	7.6%
Dividend Per Share Growth—Past 10 Years	11.2%	5.7%
Capital Generation—{ROE x (1-Payout)}	13.2%	5.5%
Value		
P/E Ratio—Trailing 12 Months	22.6 x	23.2 x
Dividend Yield	1.9%	2.2%
Free Cash Flow Yield†	4.8%	2.0%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$3.3 B	\$2.0 B
Largest Market Cap—3-Year Avg.	\$9.3 B	\$7.8 B
Annualized Standard Deviation—Since Inception‡	16.2%	18.3%

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

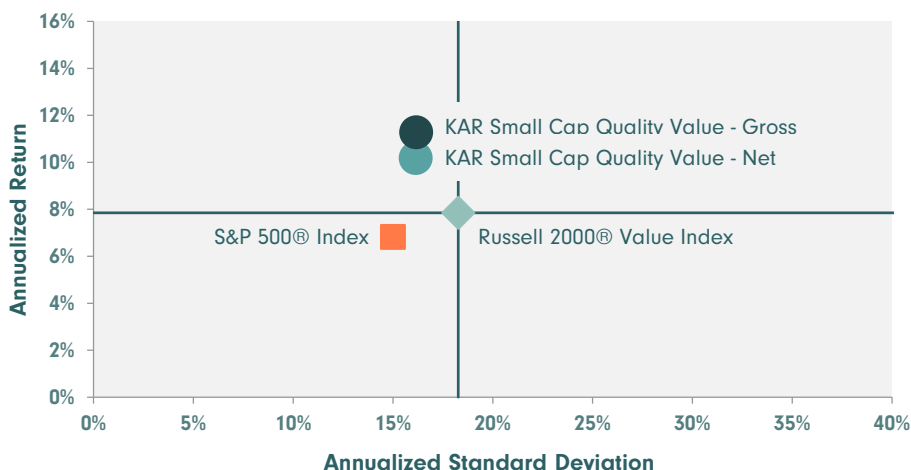
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. The sector information represented above is based on Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Small Cap Quality Value Portfolio

Second Quarter 2019

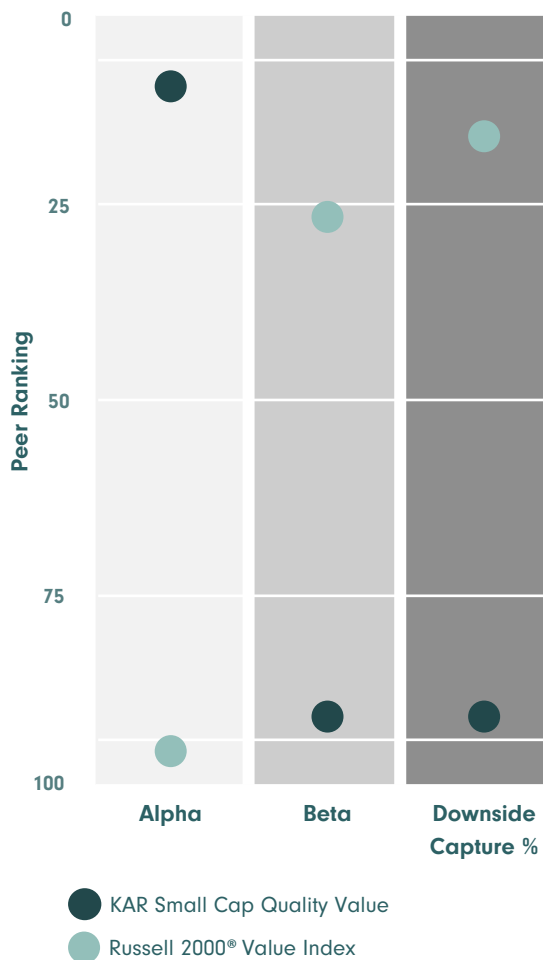
Strong Risk-Adjusted Returns

Inception* to June 30, 2019



Peer Comparison Chart

Inception* to June 30, 2019



Historical Returns

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [†]	Russell 2000 [®] Value Index
Annualized Returns (%)[†]			
As of June 30, 2019			
2 nd Quarter	3.35	3.09	1.38
Year to Date	14.73	14.17	13.47
One Year	(1.75)	(2.73)	(6.24)
Three Years	10.16	9.07	9.81
Five Years	9.50	8.41	5.39
Seven Years	12.46	11.34	10.31
Ten Years	14.90	13.77	12.40
Inception*	11.28	10.18	7.85

Annual Returns (%)	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [†]	Russell 2000 [®] Value Index
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 June 30, 2019

	KAR Small Cap Quality Value	Russell 2000 [®] Value Index
Annualized Return	11.28	7.85
Annualized Standard Deviation	16.16	18.27
Alpha	4.52	0.00
Beta	0.77	1.00
Sharpe Ratio	0.58	0.33
R-Squared	76.58	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.

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, 2018. 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
2018		14.42	15.98

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
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
2018	17,840	895	152	(14.80)	(15.66)	(12.86)	0.35

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